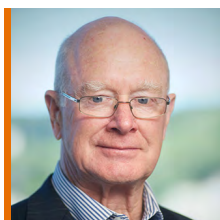


Primary ITO Annual Report 2015

Contents

Chairman's report	3
CEO's report	5
Overall results	8
Industry statistics	10
Leadership	11
Board of Directors.....	12
2015 Senior Leadership Team.....	14
Highlights & Achievements	15
Value.....	16
Growth.....	18
Efficiency.....	20
Financial Report	22
Financial Commentary.....	23
Summary Statement of Comprehensive Income.....	25
Summary Statement of Changes in Equity.....	26
Summary Statement of Financial Position.....	27
Summary Statement of Cash Flows.....	28
Auditor's letter.....	29

Chairman's report



John Parker
Chairman, Primary ITO

Primary ITO is charged with providing more and better trained people for New Zealand's primary industries. It's an aim we keep focused on.

Industry Liaison

The drivers of our focus are the goals of Government who provide more than 75% of our income and the goals of our 14 Industry Partnership Groups (IPGs) that come together under the Stakeholder Council (SHC). The IPGs and SHC have been in existence since 2013. These groups have resulted in increased collaboration on sector plans, comprehensive strategies to assist the allocation of resources and future training needs, and improved liaison with Government and other stakeholders.

Providers

There is understandable confusion as to the roles of primary sector training organisations and Primary ITO. Primary ITO, under TEC rules, cannot provide training directly and must engage primary sector training organisations for that function.

In 2015 primary sector training organisations including Tectra, Agribusiness Training Limited (ABT) and Taratahi Agricultural Training Centre were pursued by TEC for using Government funding in unauthorised ways. As a consequence, Tectra and ABT no longer exist and Taratahi must repay considerable sums to TEC over the next few years. The loss of Tectra and ABT, both major providers of training for Primary ITO, has been challenging.

Those who received training through ABT have been provided for although the solutions have been challenging for our staff and trainees. Tectra has been more problematic but is being progressed in cooperation with the wool sector.

Meeting TEC targets

During the year almost 30,000 trainees completed 781,778 credits. This, alongside a credit achievement rate of 74%, is a slight improvement on 2014's 73% result and meets TEC's 67% target. We achieved an 80% programme completion rate – well exceeding TEC's standard of 62%, and slightly above the 2014 completion rate of 78%.

However, trainee numbers are almost 700 down on 2014 due to the transition of our water sector trainees to Connexis, and a reduction in dairy trainees linked to the industry downturn. In addition, there was reduced training delivery in other sectors such as seafood and rural servicing. Finally, wool harvesting trainee numbers dropped in 2015 reflecting unresolved structural issues in the sector. We are committed to working with the wool industry to find a solution to these ongoing issues.

Financials

As a non-profit organisation our aim is a modest profit for reasons of ongoing financial resilience. However, increasing efficiency in the way our limited funding is utilised is an important driver. The fruits of improved efficiency must be delivering better training, to higher standards and at advanced levels.

Our surplus for 2015 was \$1 million which is an improvement on 2014's operating deficit of \$1 million. However, our goal (and indeed a Government requirement) that we lift our industry cash contribution as a percentage of Government funding did not happen and will require improvement.

Looking forward

I committed to the Chairman role for the transition period and that is coming to a close. I believe we are a much more efficient organisation, even though there are still 'works in progress'. These include delivering efficiencies, working better with Māori and Pasifika and IPGs as well as digital learning. We've not progressed the provision of more and better training offerings that are fully funded by users due largely to the time demand of providing substantially better internal systems that are now in place. Now, progress should be rapid.

Acknowledgements

I would like to thank the Board, Mark Jeffries and the Leadership team for their support during my time as Chair. As I've mentioned, I joined the Primary ITO Board as the transitional Chair in February 2014 when Primary ITO and the New Zealand Industry Training Organisation (NZITO) merged. This quite complex merger with concurrent staff and Director changes has gone well, and is a testament to the effort that has been put in by all.

I believe the ITO is in very good hands with the Chairman designate, Mark Darrow. I know Mark will do a great job and leads an enthusiastic and competent Board and Executive.

It has been a pleasure to serve a wonderful organisation, and I believe I leave it in very good heart.



John Parker
Chairman, Primary ITO

CEO's report



Mark Jeffries
CEO, Primary ITO

Welcome to our 2015 Annual Report. During the year we worked towards our overarching goals of increasing value to industry, growing sector capability and improving our business efficiency. We achieved many successes, and I will discuss key areas of achievement.

Making strides in the digital space

During 2015, we launched a new website, upgraded our customer management system and delivered a mobile application of this system to staff. We invested heavily in our IT infrastructure and it was delivered under budget and on time. This helped to deliver robust outcomes to our trainees.

2016 will be our year of implementation of digital systems that trainees and their employees will see. We will be launching MyPrimaryITO – a portal giving customers access to training information online.

The funding for the considerable IT work behind the provision of more efficient internal systems and the development of digital learning is substantial but to date it has been totally funded through financial efficiency.

Learning Support

Many of our trainees struggle to complete their training because of poor literacy and numeracy skills or mind-set and confidence issues. We grew our volunteer mentor network hugely during 2015, and now have almost 400 mentors who give their time to support our trainees who are struggling

to complete their qualifications. We gained new funding streams by working in partnership and collaboration with organisations committed to this important cause. This enabled us to support a larger mentor network – which will grow even larger in 2016. We're very proud of the mentoring programme because it's a real point of difference for our ITO, and enables us to support and deliver best value to our customers.

Streamlining business development activities

In 2015, we streamlined our business development activities to optimise our total offer to businesses. This involved reviewing our Customer Account Managers and employing a new Business Manager. We also collaborated with agri-corporates and developed a new Literacy and Numeracy consultancy.

Agriculture Services Limited (ASL)

Our subsidiary brand, Agriculture Services Limited (ASL) developed and delivered customised learning products throughout 2015. One example was the development of a new workshop called 'Managing Health and Safety' to help people create a safer business. People are one of the greatest assets to

any business, and it's vital that people know how to manage, motivate and retain their staff. So we also launched the GoodPractice HR tool which provides managers with the opportunity to evaluate and improve people management practice.

Schools Success

We believe supporting and inspiring young people to choose a primary industry career is vital. Our school initiatives combine real-life, on the job training with what students are learning at school. In 2015, we experienced huge demand from high schools for our programmes - the Primary ITO Trades Academy and Gateway Programme. We now have 36 Trades Academy schools signed up, and almost 500 funded places for students. We piloted a new Gateway Programme in 2015, and currently have 70 schools signed up. In 2016, our goal is to have 100 to 150 schools undertaking Gateway.

Acknowledgements

Our industry support and volunteer network

If you combine our Industry Partnership Group (IPG) members and our volunteer mentors we have a network of over 500 people who volunteer their time to help the ITO reach its goals. We would like to thank them for the generous donation of their time and energy.

New Chair appointed

At this year's AGM we bid farewell to our Chair John Parker. It's been great having John on the Board and we'll miss his sound advice. Now, we welcome Mark Darrow to the position. Mark is passionate about both the primary and educational sectors, and I know he is looking forward to sinking his teeth into the Chairman role.

Our staff

Primary ITO believes the greatest asset in any business is its people. We apply this thinking to our own organisation. One of our top five strategic initiatives is to engage and build the capabilities of our staff.

We are dedicated to creating a sustainable and responsive organisation so we can meet our future challenges head on. I strongly believe, with our dedicated and skilled team in place, we're on track to achieve our goals in 2016 and beyond.



Mark Jeffries
CEO, Primary ITO

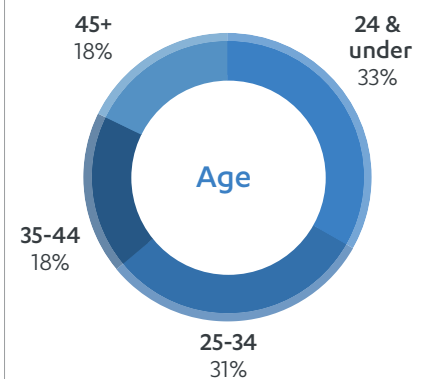
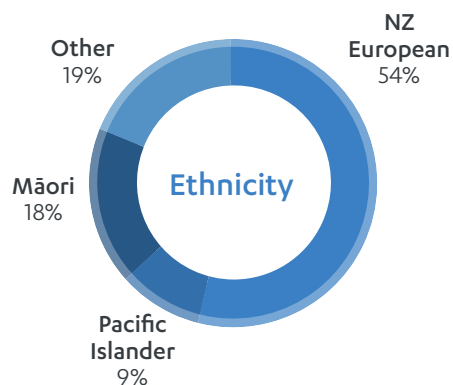
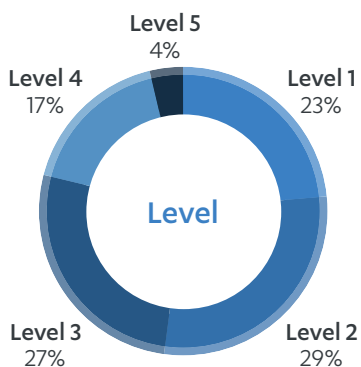
Key Results

Overall results

Primary ITO operates under the provisions of the Industry Training Act 1992 to facilitate workplace learning for people employed in our industries. We set the education standards for more than 291 qualifications across the agriculture, horticulture, food processing, equine, sports turf and seafood industries. We also arrange for training to be delivered through accredited providers, monitor training quality and arrange for assessment of trainees.



Trainee Demographics

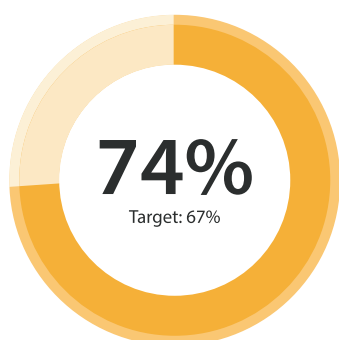


TEC Targets

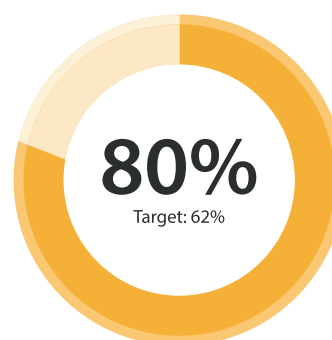
In addition to fulfilling our mandated role, our major funder the Tertiary Education Commission (TEC) and our industry partners set a number of priorities for us for the year, some of these are :

- Increased educational outcomes through improved credit achievement
- Increased educational outcomes through programme completion.

Credit achievement rate



Programme completion rate



Quality Assurance

We have a responsibility to measure our contracted providers' performance and to upskill individual and workplace trainers and assessors. Our Quality Team also manages the ITO's Quality Mark and liaises with key Government and industry stakeholders around quality issues. Primary ITO quality assures over 1,500 unit standards in the 80 domains for which we are the standard setting body (SSB).

Staff Professional Development

In 2015, 10 Primary ITO staff members completed a National Certificate in Adult Education and Training (Level 4) and 28 more are scheduled to complete in 2016.

2015 Quality in numbers:

43

Provider
moderation visits

28

Provider clusters
(attended by 336
assessors/ tutors)

67

Internal assessor
visits

121

Workplace assessor
visits

105

Postal moderation
events (Food
Processing)

70

Providers engaged
via moderation
panels (3 days)

Industry statistics

Our Industry Partnership Groups (IPGs) are critical to how we understand the sector needs of our industries now and in the future. Therefore, these figures have been categorised by IPG.

Industry Partnership Group	Trainees		Credits		Programmes*	
	2015	2014	2015	2014	2015	2014
Dairy Farming	9,079	9,755	303,214	305,740	5,552	5,515
Meat & Leather Processing	6,897	6,028	163,938	149,321	4,960	4,195
Other Industries (no IPG)	2,958	3,161	601,79	638,23	1,511	1,650
Amenity Horticulture Services	1,635	1,698	43,864	47,766	1,249	1,062
Seafood	1,440	1,532	31,759	41,298	858	1,113
Pipfruit	1,101	463	22,182	9,817	452	173
Sheep, Beef & Deer	1,089	1,017	29,551	30,173	482	525
Vegetable & Other Fruit Production	1,038	1,096	30,890	32,522	620	779
Wool Harvesting	968	1,270	7,715	29,327	163	395
Dairy Processing	843	883	15,592	18,509	525	587
Viticulture	773	443	21,734	10,052	491	200
Racing & Equine	511	468	11,990	13,016	202	198
Sports Turf	492	486	11,475	11,685	190	173
Avocado & Kiwifruit	414	265	18,306	8,574	358	232
Nursery Production	277	303	9,389	7,703	191	196
Total	29,515	28,868	781,778	779,326	17,804	16,993

* Programmes completed includes: Limited Credit Programmes, Supplementary Credit Programmes, National Certificates and National Diplomas.

Statistics in the 2014 Primary ITO Annual Report may differ due to updated end of year figures.

Leadership

Board of Directors



John Parker - Chairman

John was appointed as Primary ITO Chairman in February 2014 after his retirement as Chairman of Port of Tauranga. With a Bachelor of Agricultural Science from Massey University, John spent most of his executive career with the New Zealand Dairy Board. He has held directorships with ENZA, Frucor, Tip Top, the NZ Game Industry Board, the Foundation for Research, Science and Technology. He is currently a Director of Dairy Holdings.



Barry Harris

Barry was Group Director of Fonterra Milk Supply and was on the Fonterra Leadership Team for five years. Barry has also served as CEO of Hamilton City Council, Greater Wellington Regional Council and Environment Waikato. He is currently a Director of DairyNZ, OSPRI and WEL Networks, Chairman of Food Innovation Waikato and Deputy Chair of AgResearch. Barry was previously a Board member of Hamilton Riverside Hotels, RD1, International Nutritionals Ltd and CentrePort.



Chris Flatt

Chris Flatt is the National Secretary of the NZ Dairy Workers Union (DWU). In this capacity, he also serves as a Director on several boards including the Waikato, Taranaki and Canterbury Trade Union Centres and the Centre for High Performance Work Limited. Previously, Chris was the General Secretary of the NZ Labour Party from 2009 to 2012. He has also worked as a private practice employment lawyer and holds a Bachelor of Social Sciences (Hons) and Bachelor of Laws (Hons) from Waikato University.



Donna Smit

Donna is a Chartered Accountant and a dairy farmer. She is a Director of Corona Farms Ltd, Kiwifruit Equities Ltd, a Trustee of the Eastern Bay Energy Trust and Dairy Women's Network. For the past 23 years Donna has been working as Company Administrator for EastPack (a kiwifruit post-harvest co-operative).



Richard Wanhill

Richard is the Business Development Manager at Taratahi Agricultural Training Centre. Previously, he was the Executive Director of Business Development and Partnerships for the Wellington Institute of Technology (WelTec). Prior to joining WelTec, Richard was a co-founder and Director of Business Development for Thoughtplanters (a horticultural education and consultancy business). Richard is currently the Chair of the International Society of Arboriculture's Exam Writing Committee, which is based in the United States. He is a certified Director with the New Zealand Institute of Directors.



Mark Darrow

Mark is an experienced businessman and director. For the past 10 years he has been involved in governance roles across a broad range of industries including automotive, agriculture, manufacturing and education. Mark has held a variety of directorship roles including Balle Bros Group, Dekra New Zealand, Motor Trade Association (MTA), Charlie's Group Limited, the New Zealand Motor Industry Training Organisation (MITO) along with a range of private investment companies. Mark is also a Trustee for Macular Degeneration New Zealand (MDNZ).



Mike McCredie

Mike McCredie has an extensive background in corporate finance. He has held a number of senior management positions in the banking industry, and has provided advice on debt management to major New Zealand companies. Mike's past directorships include AFFCO Holdings Limited, Chairman of Seafood ITO, Chairman of NZ Inshore Fishing Industry Council. Mike was also a Director of NZITO prior to the merger with Primary ITO, when he joined the Primary ITO Board. Mike is currently a Board member of Diving NZ Inc.



Robyn Clements

Robyn has over 20 years management and governance experience in the agribusiness and primary sector with a focus on dairying, sheep and beef. Robyn was formerly a Fonterra Shareholder Councillor, and both Co-Founder and past Chair of Dairy Women's Network. She is also a member of New Zealand Global Women (since 2010) and the Institute of Directors (since 2008). Robyn is currently Trustee of a family dairy support and drystock farm in the Waikato and a director of Basketball New Zealand.

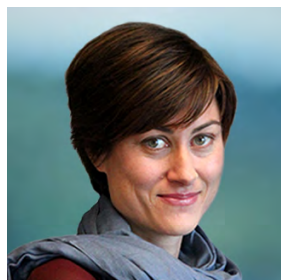
2015 Senior Leadership Team



Mark Jeffries
Chief Executive



Alister Shennan
GM Business Development
- National Field



Claire Naeraa-Spiers
Marketing &
Communications
Manager



Jo Pennell
GM Corporate
Accounts



Joanne Clough
Chief Financial Officer



Leah Kendall
GM People Capability



Lyndon Allott
Chief Information
Officer



Rob McCrone
Manager Commercial
Programmes

Acknowledgements

We'd also like to thank: Bronwyn Winchester, Dennis Radford, Fred Hardy, Michelle Kirkwood and Tracey Shepherd for their contributions to the Senior Leadership Team during 2015.

Highlights & Achievements

As the industry training organisation for the primary sector, we're committed to supporting our trainees to achieve their career goals, businesses to be profitable and our industries to grow sustainably. Our Strategic Plan focuses on three key areas: value, growth and efficiency. During 2015 we made great strides towards achieving our strategic goals across these crucial areas.

Value

Aim: To Increase value to industry by delivering the right skills through training and qualifications.

Industry Partnership Groups (IPGs)

Our 14 IPGs are critical to how we understand the sector needs of our industries now and in the future. In 2015 we developed sector plans for each industry to ensure our training programmes deliver the right skills for their people.

Targeted Review of Qualifications (TRoQ)

All qualifications covered by the ITO have been through a comprehensive review process (known as TRoQ) in recent years, fulfilling the legislative requirements of a Government executed qualification reform process instigated in 2008.

The pastoral qualifications and their associated training programmes were implemented and launched in late 2015. Programmes were designed to industry-endorsed role standards with career and training pathways now aligned – ensuring trainees are learning the right skills for the job.

Our new programmes are designed with industry to ensure our learners achieve the skills and knowledge required to be consistently performing in the workplace. The main difference with the new qualifications is they ‘work the way you work’ which means more learning in the workplace, and less time spent in the classroom. More training takes place in a workplace context with structured field trips allowing learners to view different systems and discuss what’s happening and why. Assessments are also more directly related to the workplace, with a variety of options for capturing evidence through technology and workplace based tasks. The content of the training programmes will also be better matched to seasonal activities so learning can be implemented straight away.

The remaining post-review qualifications will be implemented over the next two to three years across all Primary ITO sectors - food processing, horticulture, sports turf, equine and seafood. View the new dairy or sheep and beef qualifications.



During TRoQ 300 qualifications were reviewed, and replaced with 99 new qualifications.

New short courses and online options

In 2015 we expanded our options to include short course and online learning products. The majority of these programmes were developed and delivered through our subsidiary - Agriculture Services Limited (ASL).

We launched five new online qualifications in partnership with the Christchurch Polytechnic Institute of Technology (CPIT). The business management Certificates and Diplomas complement our current workplace study options, and appeal to those who do not have time to attend traditional classes as they can be completed entirely online. These five qualifications teach key skills that are transferable across all primary industry sectors within New Zealand and OECD countries.

Managing Health & Safety was a key programme that launched during the year, helping primary industry people to develop safer businesses. In

addition to Managing Health & Safety, ASL also administered the Good Practice HR tool during 2015. It's a quick and easy way to identify what areas of people management practices managers and employers need to address. In addition, ASL ran Train the Trainer – one-day interactive workshops that arm managers and business owners with the skills they need to train their employees to work as an efficient, effective and reliable team.

"The Managing Health & Safety workshop helped to remove the fears we have around the health and safety requirements for our business. It's the realisation that good health and safety is good for our business, and good for our staff and families; we need to just get on with it."

-Lina Castles, Dannevirke Carriers

Learning support

Approximately 40% of the population do not have sufficient literacy and numeracy skills to perform in the workforce. In New Zealand that means 880,000 people are not able to be fully efficient and productive at work. This figure is even worse for the primary sector – 50% of primary industry people struggle with literacy and numeracy.

The best way to support adults who suffer from adult literacy and numeracy deficits is in the context of the workplace. Primary ITO offers a suite of learning support initiatives including administering the The Adult Literacy and Numeracy Assessment Tool (ALNAT) to every trainee, dyslexia screening and support packages and our unique Volunteer Mentoring Scheme.

Volunteer Mentoring Scheme

Primary ITO's mentoring scheme is an initiative to support trainees through their qualifications. Some trainees have literacy and numeracy issues, while

other struggle with motivation and organisational skills. We know that having a mentor does make a difference.

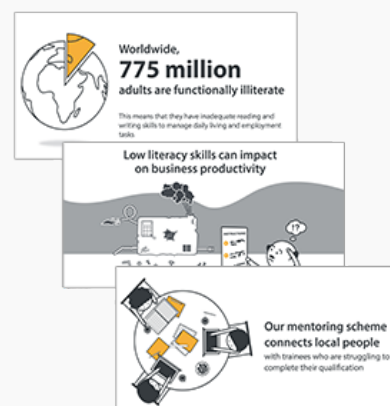
In 2015 we grew our mentor network by 96 mentors. By the end of the year we had over 400 mentors on board supporting around 500 learners to reach their career goals and ambitions. As well as one-on-one mentoring sessions we ran over 30 study nights across the country whereby trainees received support from their mentors to help them complete their qualifications.

International Literacy day Campaign

To coincide with International Literacy Day (8th September) we launched a PR and communications campaign to raise awareness of the poor literacy and numeracy rates in the primary industries.

On the day, our National Literacy & Numeracy Manager, Mike Styles was interviewed on the Paul Henry Show. Mike's interview was broadcast across TV3, RadioLive and featured online at paulhenry.co.nz. This high profile interview was supported by a written opinion piece that was picked up by a number of regional newspaper and online outlets. Another benefit of the campaign was that a number of people expressed interest in becoming a Primary ITO mentor.

Illustrations were posted on social media to support the campaign:



Growth

Aim: To grow sector capability through creating a sustainable organisation that can train more people to a higher level.

Primary ITO website upgrade

To increase value and business efficiency, we undertook a website upgrade project in 2015. This aimed to consolidate the Primary ITO brand and continue to improve our ability to engage with trainees, employers and providers. The new website is now mobile friendly with content that is easily searchable and presented in a way that's easier to understand. Since the launch our key measures have all shown an improvement. Almost 40,000 users have visited our website over 59,000 times (from July to December). Nearly 60% of those users are unique.

New website metrics since launch (from July to December)

84% growth in website users

70% increase in sessions/visits

39% of enquiries from new customers

Targeted Marketing Campaigns

We ran a number of targeted marketing campaigns over the year with the aim of recruiting trainees to specific programmes. Key areas of work focused on our Diploma in Agribusiness Management and the launch of the new pastoral qualifications following the TRoQ review. We also ran a number of smaller initiatives targeting our new short course and online training options.

Primary ITO Fielddays activity polled primary industry people

At our National Fielddays stand in 2015 we posed a question to attendees - "what's the #1 skill you need to grow your business or career?" Voters were polled on the key skill they wanted to grow and at the end of the four day event problem solving skills were revealed as the number one outcome.



Primary ITO stand at Mystery Creek Fielddays, 2015

As well as asking attendees at Fielddays their views, we opened it up to the rest of the country via a social media campaign using the hashtag #Grow2025. The hashtag links to Government's goal of doubling primary industry exports by 2025, as outlined in the Ministry of Primary Industries 'People Powered' report. Although the voting mechanism targeted individuals, the digital interaction was more diverse. #Grow2025 enabled a wider industry discussion on the skills gap the primary industry experiences and its future skills needs. Commentators contributed at a personal level and at an industry Government or governance level. It was our most successful social media campaign to date.

During June the #Grow2025 social campaign delivered:



92% of social media impressions



94% of social media engagements



140% increase in visits to our Twitter profile

Diploma in Agribusiness Management

We continued to promote our highest level qualification - the Diploma in Agribusiness Management (Level 5) in 2015. During the year our recruitment campaigns were expanded to reach the Sheep & Beef and Horticulture industries, as the Diploma programme was newly available to these sectors.

In March, we partnered up with NorthTec to bring agribusiness training to more Northlanders. This collaboration brought together facilities and resources to create more opportunities for farmers and horticulturalists to upskill in areas such as strategic planning, financial management, human resources and sustainability.

During 2015 we also secured Taratahi as a provider in the Manawatu/ Wairarapa. Taratahi has been working on behalf of Primary ITO in the Wairarapa since April 2011 so we look forward to furthering our partnership with them.

At the end of 2015, 701 people were enrolled in the Diploma in Agribusiness Management.



We have held steady with our Diploma enrolment numbers despite the decline in dairy payout. We temporarily lost numbers following the liquidation of Agribusiness Training Limited. However, we

hope to recover most of these enrollees with a new training provider partnership in the Southland region during 2016.

Schools programme

Attracting smart and talented young people to the primary industries is a challenge. Therefore, we have a number of school initiatives that combine real-life, on the job training with what students are learning at school to give them a head start on a primary industry career path. In 2015, we experienced huge demand from high schools for our programmes - the Primary ITO Trades Academy and Gateway Programme.

Gateway Programme

Primary ITO officially launched a new Gateway programme to schools across New Zealand in 2015 for students in Years 12 and 13. The programme encompasses theory and practical unit standards between Levels 1 and 3. Theory work is reinforced with real-life industry work experience, giving students a taste of what a career in the primary sector is really like.

We currently offer packages of learning across the dairy, sheep/cattle/deer, aquaculture, equine, horticulture, sports turf, wool handling and shearing sectors. We currently have 70 schools signed up to the Gateway programme, and our goal for 2016 is to have 100 to 150 schools undertaking

Primary ITO Trades Academy

The Primary ITO Trades Academy works alongside NCEA and Year 11 or 12 students can combine their NCEA studies with a National Certificate in Agriculture, or Horticulture (Level 1 or 2).

We now have 36 Trades Academy schools signed up, and almost 500 funded places for students.

the scheme.

Efficiency

Aim: To improve business efficiency so we can deliver best value to our customers.



New intranet

We launched a new intranet system (Our Kete) for Primary ITO employees on the 23rd of February 2015. The aim of Our Kete was to develop a united culture, promote company values, increase the efficiencies of tasks and processes and encourage the sharing of information.

To generate staff enthusiasm for the new intranet, an internal naming competition took place. We selected the word 'kete' (basket in Māori), inspired by the Māori legend – 'The Three Baskets of Knowledge'. In the legend, Tāne ascends to the heavens and receives the Three Baskets of Knowledge in order to create mankind. We envisage our intranet to be its own kind of basket of knowledge.

Our Kete has averaged 150 unique users per day since launch, with on average 500 page views per day. Staff members regularly supply news and content to post on the intranet. Enhancements and new areas on Our Kete are ongoing in response to feedback from our staff.

Trainee Management System upgrade and app launch

In 2010 Primary ITO implemented a Microsoft Customer Relationship Management (CRM) solution to manage all our trainee information. While this system was effective and efficient it was running on an old version of CRM, limiting the enhancements that could be made.

System upgrade

During 2014 a project was established to move the Trainee Management System (TIM) to the latest Microsoft CRM release available at the time. This



was a significant project that involved re-writing a number of components to comply with the new Microsoft CRM release. The new system (ToMoS) was released in March 2015. ToMoS immediately improved the efficiency in the capture and reporting of information.

Trainee management app

Implementing the latest version of CRM created the opportunity to invest in a mobile platform so that trainee information could be accessed on the go. ToMoS mobile allowed our staff to retrieve and input information directly into ToMoS. The improved efficiency as information was available anywhere at any time accessible on a mobile device including an off-line mode allowing the app to be used when there was no mobile data coverage.



These two significant releases in 2015 have set an environment Primary ITO can build and improve on during the next two to three years. As Microsoft releases new versions of CRM the organisation is well placed to take advantage of new features and increase the use of mobile technology to manage our customer relationships.



Cost savings

Primary ITO delivered a surplus of \$1 million, a

significant improvement on the 2014 \$1 million operating deficit. We reduced costs across some key areas including travel, telecommunications and leases.

Travel

We focused heavily on reducing our travel spending in 2015. We made travel savings of \$340,000 over the course of the year. Our travel spend for 2015 was 12% less than 2014. These savings were aided by the use of video conferencing facilities.

Telecommunications

Of particular note are savings due to the negotiation of lower telecommunications charges.

Leases

We also combined our Primary ITO offices in both Hamilton and Christchurch, resulting in cost savings for the organisation.

Financial Report

Financial Commentary

In 2015 the Primary ITO Group delivered a surplus of \$1 million, a significant improvement on the 2014 \$1 million deficit (before the one off business combination gain). Our balance sheet remains very strong. The group surplus comprises an ITO surplus of \$1.2 million reduced by the \$0.2 million deficit of its subsidiary, Agriculture Services Limited.

Primary ITO Revenue

The majority of Primary ITO's income comes from TEC and is based on Standard Training Measures (STMs) earned. An individual ITO trainee can only earn up to a maximum of 0.583 of an STM in any year, which equates to a maximum \$3,033 for an apprentice and \$1,867 for other industry trainees.

STMs earned for the year were 7,756 92% of the original STM target agreed with TEC and a decrease of 5% on 2015. This reflects the transfer to Connexis of water industry trainees, who made up approximately 3% of our 2014 STMs, and reduced training delivery in other sectors including dairy, seafood and rural services.

Horticulture STMs increased by 16% in 2015. This reflects the ITO's strategy to meet its 2015 investment plan target by growing trainee numbers outside of the pastoral sector. However, the fall in dairy STMs of 5% in 2015, offset a large portion of this gain, and it is likely the downturn in this sector, which accounts for around 40% of our income, will have a significant ongoing effect. In addition, wool trainee numbers also dropped in 2015, reflecting unresolved structural issues in that sector. The ITO is making significant efforts to work with the wool industry to find solutions to these issues.

Primary ITO Expenditure

2015 off-job training costs were significantly down on 2014 and well within budget. This is largely due to the reduction in STM revenue, but also results from improved accounting for training costs post-merger.

During 2015, people costs increased by approximately \$0.4 million – within budget. This increase on 2014 reflects new staff who were recruited to refresh programmes following the completion of the Targeted Review of Qualifications. Additional staff were also recruited to provide consistent and efficient technology support, and to work in a customer facing capacity in the field.

The ITO's operating expenditure decreased by \$1.4 million in 2015 and was 14% below budget. Of particular note are savings due to the negotiation of lower telecommunications charges, and a reduction in travel costs of over \$0.3 million. Travel savings were aided by the extensive use of video-conferencing. Board and committee costs also decreased – due in part to the reduction in the size of the board. Further expenditure reductions were made by changing the ITO's national conference from an annual to a biennial event and reducing marketing activity.

Agriculture Services Limited (ASL)

ASL incurred a deficit of \$0.2 million in 2015 compared to a surplus of \$0.3 million in 2014. However, the surplus in 2014 was due to one-off revenue of \$0.5 million received in relation to the Farmsafe joint venture. The deficit was part of a

planned re-investment into business growth and also includes \$100,000 co-investment into the Dairy Primary Growth Partnership (Dairy PgP) in collaboration with DairyNZ and the New Zealand Government. The ASL balance sheet remains in a strong position.

Conclusion

Primary ITO is pleased to have delivered a surplus in 2015, and is satisfied with progress on reducing operating expenditure. Management is cognisant of the financial challenge that the down-turn in the dairy sector will have in 2016 and beyond. However, our strong balance sheet will enable us to weather the impact of this downturn, and work with our partners in the dairy sector to provide support and incentives to enable industry employees to take up training.

Summary Financial Statements

A summary of the Primary ITO Group's audited financial statements for the year ended 31 December 2015, which were authorised for issue on 10 May 2016, is shown on pages 24 to 28. The summary financial statements have been prepared in accordance with FRS 43 – Summary Financial Statements.

The financial report has been drawn from, and is consistent with, the full financial statements (prepared in accordance with NZ IFRS as appropriate for public benefits entities) dated 10 May 2016, which have been audited and on which an unmodified opinion has been issued. Therefore the summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements.

The full financial statements are prepared in New Zealand dollars.

A copy of the full financial statements can be obtained from the annual report micro-site: annualreport2015.primaryito.ac.nz/financials

A hard copy version can also be supplied on request.

The Auditor has examined the summary financial statements for consistency with the audited financial statements and has issued an unmodified opinion.

Summary Statement of Comprehensive Income

For the year ended 31 December 2015

	Primary ITO Group	
	2015	2014
	\$000	\$000
INCOME		
Government Revenue	29,640	29,797
Industry Grants	1,878	1,893
Interest	701	682
Training fees and other income	9,040	8,471
Business combination gain	-	5,469
TOTAL INCOME	41,259	46,312
EXPENDITURE		
People costs	17,667	16,969
Operating costs	8,871	9,445
Training costs	13,020	14,304
Depreciation/ amortisation	714	1,042
Business combination costs	-	128
TOTAL EXPENSES	40,272	41,888
SURPLUS ATTRIBUTED TO THE INCORPORATED SOCIETY	987	4,424
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO THE INCORPORATED SOCIETY	987	4,424

Summary Statement of Changes in Equity

For the year ended 31 December 2015

	Primary ITO Group	
	2015	2014
	\$000	\$000
Net equity brought forward – retained earnings	12,634	8,210
Add comprehensive income for the year	987	4,424
Net equity carried forward – retained earnings	13,621	12,634

Summary Statement of Financial Position

As at 31 December 2015

	Primary ITO Group	
	2015	2014
	\$000	\$000
ASSETS		
Current Assets		
Cash and cash equivalents	1,773	723
Term deposits	13,517	13,700
Trade and other receivables	2,723	3,363
Inventory	201	171
Total current assets	18,214	17,957
Non-current assets		
Property, plant and equipment	844	1,026
Intangible assets	1,258	579
Total non-current assets	2,102	1,605
Total assets	20,316	19,562
LIABILITIES		
Current liabilities		
Trade and other payables	5,836	6,230
Employee entitlements	859	698
Total current liabilities	6,695	6,928
Total liabilities	6,695	6,928
Net Assets	13,621	12,634
EQUITY		
Retained earnings	13,621	12,634
Total equity	13,621	12,634

The Directors have authorised these financial statements for issue. For and on behalf of the Board of Directors who authorised these statements on 10 May 2016:


John Parker, Chairman


Mike McCredie, Board Member

Summary Statement of Cash Flows

For the year ended 31 December 2015

	Primary ITO Group	
	2015	2014
	\$000	\$000
Cash Flows from Operating activities		
<i>Cash was provided from:</i>		
Government revenue	30,270	29,531
Industry grants	1,878	1,893
Training fees and other receipts	9,487	7,478
<i>Cash was applied to:</i>		
Payments to suppliers and employees	(39,987)	(39,545)
NZ Apprentice reboot scheme payments	(457)	(344)
Net Cash Flows from Operating Activities	1,191	(987)
Cash Flows from Investing Activities		
<i>Cash was provided from:</i>		
Interest received	894	490
Exit from Farmsafe joint venture	-	500
Term deposits maturing	13,700	-
Proceeds from sale of fixed assets	-	21
Acquisition of NZITO	-	6,659
<i>Cash was applied to:</i>		
Purchase of property, plant and equipment	(327)	(560)
Purchase of intangibles	(891)	(520)
Investment in term deposits	(13,517)	(6,050)
Net Cash Flows from Investing Activities	(141)	540
Net increase/(decrease) in cash held	1,050	(447)
Cash at beginning of the year	723	1,170
Cash at end of the year	1,773	723
Represented by:		
Cash and equivalents	1,773	723
	1,773	723

Auditor's letter



Report of the Independent Auditors' on the Summary Financial Statements

to the Board of Primary Industry Training Organisation Incorporated

The accompanying summary financial statements, on pages 24 to 28 which comprise the summary statement of financial position as at 31 December 2015, the summary statement of comprehensive income and the summary statement of changes in equity and the summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of Primary Industry Training Organisation Incorporated ("the Organisation") and the entities it controlled at 31 December 2015 or from time to time during the financial year (together "the Group").

The summary financial statements do not contain all the disclosures required for full financial statements under New Zealand Equivalents to International Financial Reporting Standards. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Group.

Our audit of the financial statements for the year ended 31 December 2015 was completed on 10 May 2016 and our unmodified opinion was issued on that date. We have not undertaken any additional audit procedures in relation to those financial statements from the date of the completion of our audit and those financial statements and the summary financial statements do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

This report is made solely to the Organisation's Board, as a body. Our work has been undertaken so that we might state those matters we are required to state to them in a report from the auditor and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Organisation's Board, as a body, for this report, or for the opinions we have formed. In addition, we take no responsibility for, nor do we report on, any part of the annual report not specifically mentioned in our report.

Board's Responsibility for the Summary Financial Statements

The Organisation's Board is responsible on behalf of the Organisation for the preparation of the summary financial statements in accordance with FRS-43: *Summary Financial Statements* (FRS 43).

Auditors' Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) 810: *Engagements to Report on Summary Financial Statements*.

We are independent of the Group. Our firm carries out other services for the Group in the area of data analysis. The provision of these other services has not impaired our independence.

Auditor's letter



Report of the Independent Auditors' on the Summary Financial Statements

Primary Industry Training Organisation Incorporated

Opinion

In our opinion, the summary financial statements on pages 24 to 28 derived from the audited financial statements of the Group for the year ended 31 December 2015 are consistent, in all material respects, with those audited financial statements, in accordance with FRS-43.

Restriction on Use of our Report

This report has been prepared for inclusion in the annual report. We disclaim any responsibility for reliance on this report or the amounts included in the summary financial statements, for any purpose other than that for which they were prepared.

A stylized, handwritten-style signature of 'PricewaterhouseCoopers' in black ink.

Chartered Accountants
10 May 2016

Wellington