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PrimaryITO
KNOWLEDGE TO GROW

Primary ITO

The Primary Industry Training Organisation (Primary ITO) is gazetted by government under the Industry Training Act 1992 to set standards and arrange workplace training for people working in the New Zealand primary sector.

We develop and maintain national standards for the achievement of more than 290 industry qualifications, and arrange training for delivery of those standards - including the assessment of trainees and the monitoring of training quality.

We work with industry to develop training and qualifications that align with best practice and to meet current and future skill needs.

We also encourage the educational and work-life aspirations of trainees and support the productivity and profitability of organisations employing them. In 2016 we worked with more than 7,000 employers and more than 28,000 trainees.

Our training and qualifications help people achieve their goals in over 30 primary industries including: Dairy, Meat and Fibre, Horticulture and Viticulture, Seafood, Equine and Sports Turf.

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Highlights

Primary ITO is meeting the challenge of:

- supporting New Zealand primary industries to grow their value, productivity and sustainability in the long term
- helping build human capabilities in each primary industry; including Dairy, Meat and Fibre, Horticulture and Viticulture, Seafood, Equine and Sports Turf
- developing stronger partnerships with industry bodies - new Dairy Together collaboration with DairyNZ
- working more strategically with industry training providers - support for new Te Ako Wools training network
- working alongside Māori partners, together with industry partners, to optimise Māori success
- creating easier, more flexible career pathways for people working in all primary industries.

In 2016 we:

- held trainee numbers above 28,000 in a tough year for dairying, impacting the rural economy
- stood behind many trainees with special study grants - collaboration with DairyNZ
- achieved an overall programme completion rate of 83% - above our Tertiary Education Commission (TEC) target of 80%
- began work to develop a new Primary ITO structure to better support industry
- began work to develop new strategies for supporting primary industries growth into the future.



Chairman's Report

Primary ITO has faced up to the harsh realities of a changing environment and has taken the bold decisions necessary to ensure we have a sustainable and future-focused business, delivering quality outcomes for the primary industries.

The year ended 31 December 2016 was particularly difficult and the organisation ran a material cash deficit on the back of reduced revenues. This has been masked somewhat by a required change in accounting policy, through our adoption of PBE IPSAS 23. Our underlying financial performance reflected the downturn in the New Zealand Dairy sector, and fundamental changes that are occurring in the types and duration of courses demanded by the sectors we represent.

The Board has taken proactive steps to right-size the organisation and match these changing demands. Under new Chief Executive, Dr Linda Sissons, and the Senior Leadership Team, those organisational changes have been made throughout the first quarter of 2017.

Our on the job training work is taken very seriously. This is against the backdrop of government's aspiration to double the value of primary exports by 2025, noting the extra 50,000 skilled people required in that period over and above natural attrition. Primary ITO must play an important part in up-skilling the workforce in the pursuit of those goals.

During 2016 we received a positive External Evaluation and Review (EER) report from the New Zealand Qualifications Authority (NZQA) with ratings confirmed as Confident in both ITO performance and capability self-assessment. However, we do have our sights set for the top rating of Highly Confident and understand the changes needed to achieve that.

The recommendations made by NZQA have been agreed to by the Board and form a major part of our strategy, which includes:

- continuing with the positive Māori business development strategy. For specific focus we now have a Kaiwhakahaere Pakihi (General Manager, Māori Business) role confirmed; and
- widening our Industry Partnership Group (IPG) membership.

We continue to build co-operation with stakeholders and industry groups. Our positive initiatives in the Dairy sector during a cyclical downturn and the reset of Wool



Harvesting training in New Zealand are examples of positive engagement. Overall, the goals of our stakeholder groups come together under the Stakeholder Council with whom we work closely.

During the year 28,377 trainees achieved 650,394 credits, which represents a credit completion rate of 73% against the Tertiary Education Commission (TEC) target rate of 74%. We achieved a programme completion rate of 83% - exceeding our TEC target of 80%.

Primary ITO trainee numbers during 2016 were down 3.9% on the previous year, reflecting the Dairy downturn and other fundamental changes noted.

Looking back over the past year, my thanks go to John Parker for his formative work as Chairman of this organisation over three years, and for his support in my transition into the role.

I would also like to thank the Stakeholder Council, the Primary ITO Board, the Chief Executive and the Senior Leadership Team for their support over the last year. Everyone is clearly up for the challenge and I feel confident we are on the right path to lift the quality of primary industry training.

It is a pleasure to be a part of Primary ITO working with a group of people with the same passion for the industry.

Mark Darrow
CHAIRMAN, PRIMARY ITO



Chief Executive's Strategic Outlook

Primary ITO has a big role in supporting the growth of New Zealand primary industries. Our nation aspires to see these grow strongly in value, productivity and sustainability over the long term. In particular, the government has set a target of doubling annual export income from Farming, Horticulture, Seafood and other primary industries over the decade to 2025.

New Zealand can achieve all this only by acquiring more of the necessary human capabilities. Quite simply, we need more people working in our primary industries - and more people with the right skills, knowledge and experience to raise productivity, profitability and sustainability (in social and environmental terms). There is no debate about this.

In 2017 and beyond, Primary ITO will meet the big human capabilities challenge in primary industries. We are working with those industries more closely than ever and sharpening our focus on their needs in a highly dynamic world.

Primary industries are grappling with new technologies, increasing resource constraints, heightened competition and exciting new market opportunities. Some are in transformation from traditional supply of commodities, to new value chain business models where production is linked more tightly to consumer demand, and where producers partner with others for greater efficiency and higher value creation.

At Primary ITO, we monitor all the changes occurring in order to ensure our organisation is, indeed, a value-adding partner. Our role is helping supply primary industries with

the human capabilities required for future growth and for the transformation critical for that growth in many areas.

People

People will always be our central focus. Based on the government's 2025 target, Primary ITO will need to provide approximately 420,000 learning opportunities for people over the next eight years. Most of these opportunities involve upskilling people already in the workforce alongside others arriving to fill vacancies left by retirement or job shifting within the economy. But the total also includes an estimated 50,000 new workers in jobs created as part of primary industry growth trajectories.

Growth and transformation are driving change in the mix of learning opportunities we must create. People need new forms and higher levels of technical and scientific knowledge to unlock the huge potential of new technologies and processes. Precision agriculture is one example. Farmers will increasingly need new knowledge and tools to manage biological, physical and information

systems that enable higher productivity, profitability and sustainability. Likewise, robotics and other technological innovations will continue to revolutionise the Horticulture and Viticulture sectors.

Other forms of competence are also coming to the fore. They include organisational leadership, communication, brand creation and stewardship - so-called 'soft skills' that draw heavily on peoples' emotional intelligence and their capacities to self-manage and to learn continuously as they work. Primary industries, like all others, require these competencies for success in today's complex, changing world. Primary ITO must ensure our learning opportunities facilitate personal development and resilience, and promote non-traditional ways of thinking about issues in the workplace, supply chain and market.

Industry growth will require more people working in every area - on farms, in orchards, out on the sea, in processing facilities, in laboratories, in board rooms and more. New Zealand needs school leavers to opt for primary industry careers in greater numbers. We are working on exactly this issue with programmes that give year 12 and 13 students part-time experience in workplaces, equipping them to make decisions on future work, and future training, opportunities.

In 2017 and beyond, Primary ITO will meet the challenge of equipping more people with competencies that are really needed for primary industry growth - and for the individuals concerned to have truly fulfilling careers in those industries.

Partnerships

Our focus is also very much on partnering with industry for real understanding of human capability needs and for effective delivery of training opportunities. Partnership requires strong engagement through our 14 Industry Partnership Groups (IPGs) established in 2013 and through strategic initiatives with industry bodies.

This year we have launched our Dairy Together joint project with DairyNZ to increase collaboration on training content, and to gain closer alignment between formal Primary ITO training programmes and less formal training activities within the industry. We and DairyNZ share a project manager engaged full-time on facilitating all the relationships required for this and for effective information sharing. Dairy Together demonstrates our commitment to working in close collaboration with lead organisations in the various primary industries.

We also place high priority on strong relationships with government stakeholders in both industry training and in primary industries. Primary ITO will continue to support the objectives and requirements of the Tertiary Education Commission (TEC), most obviously in regard to the accredited training providers on whom we all rely for delivery of high quality programmes to trainees.

Recent years have seen significant decline in the number of providers and an increase in the size of some who remain. For Primary ITO, consolidation among training



providers and general growth in their capabilities are positive developments. We will work more strategically with key providers, leaving behind the more transactional form of relationship this organisation had with many providers in the past. The change is highly beneficial given the imperatives we all face in helping supply primary industries with much-needed human capabilities into the future.

Primary ITO will actively support training providers where particular need arises. We are delighted to see the foundation of Te Ako Wools as an industry-owned Wool Harvesting trainer in both the North and South Islands. Te Ako Wools is a very positive addition to nationally-standard training of people in shearing, wool handling and pressing.

We are also committed to growing Māori within the primary industries and working alongside Māori partners, together with industry partners, to optimise Māori success. Our focus is on building enduring career pathways through collaboration so our Māori trainees have a seamless and enriching experience. We need a broad range of trusted, strategic partners to take this important work forward and we are investing in building that platform. The appointment of our Kaiwhakahaere Pakihi (General Manager, Māori Business) as part of our Senior Leadership Team signals our commitment to this.

In 2017 and beyond, Primary ITO is developing new strategies to meet the challenge of being a highly effective partner with industry, and also with government agencies and training providers. We have adopted a strong, industry-facing structure (see page 7). Newly-appointed leaders in four sectors - Dairy, Meat and Fibre, Horticulture and Viticulture, and Seafood and Emerging Fields - are now developing human capability plans for each. Their focus will be on the entire value chain for each sector, and on working with industry and employers to equip employees to add value at every point.

Pathways

Trainees can learn in many ways and we must focus on creating the pathways to learning most effective for them and for industry. Primary ITO is making strides with online tools, and with new ways for people to combine training and work.

In 2016, we rolled out a web portal for trainees and their employers to track the individual's progress and training schedule. We have mobile applications for enrolment and

other functions. Other steps with e-learning include an online course in food safety which trainees access while on the job. This Hazard Analysis and Critical Control Point (HACCP) course is a great example of how online tools can ease access to training. More such initiatives are coming.

Our focus must also be on helping trainees and employers match work roles with required competencies. Primary ITO has worked with Beef + Lamb New Zealand on a workforce capability matrix that standardises the supervision level, knowledge and other attributes associated with five key on-farm roles. Training and qualifications are identified with each to provide farmers with a work-learning pathway.

Training providers are critically important. Primary ITO has now also created a role for mentors - volunteers who support trainees with the literacy and numeracy skills needed for their course work. So far we have signed up almost 500 mentors, many rural professionals keen to encourage the growth of people in their local communities. Being mentored is another pathway to competency, especially for young people or immigrants.

In 2017 and beyond, Primary ITO is taking a leadership role in providing trainees and their employers with greater flexibility and ease around how and when training can occur. It makes perfect sense in a more-connected and busy world where people are pursuing the right mix of skills, knowledge and experience.

The future

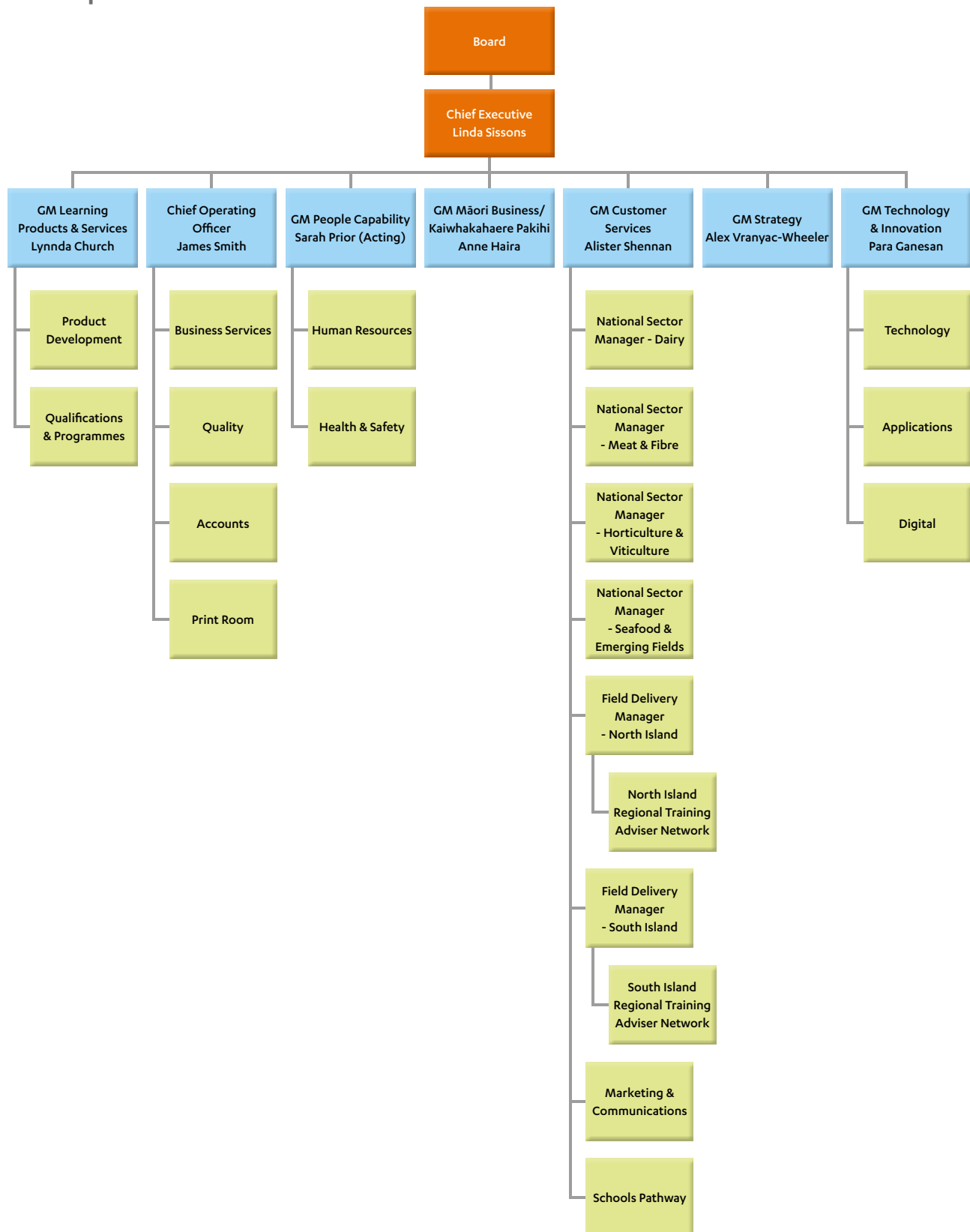
New Zealand needs its primary industries to grow in value, productivity and sustainability over the long term. Primary ITO will support that by helping deliver the human capabilities required. Our role is full of challenges - identifying the competency needs of the future, encouraging more people into primary industry careers, working in closer partnership with industry bodies, government agencies and training providers, and creating effective work-learning pathways. In 2017, Primary ITO is adopting a new industry-facing structure and taking new initiatives, all with a strategic focus on people, partnerships and pathways.



Dr Linda Sissons
CHIEF EXECUTIVE, PRIMARY ITO

Organisational Structure

As at April 2017



People

We support people to work and learn in the primary industries. Our training opportunities enable them to become more productive, and have more fulfilling and rewarding work lives. Growth in their capabilities drives growth in the value, productivity and sustainability of industries.

Primary ITO is:

- supporting more people in training for a broader range of work roles
- promoting the attainment of higher level technical skills, knowledge and experience for people working with complex biological, physical and information systems
- preparing people for greater automation in the workplace
- growing industry capabilities in professional areas including organisational leadership, marketing and brand management
- increasing engagement of Māori and Pasifika in the primary industries.

Primary ITO's role includes informing and inspiring people about work and training opportunities in primary industries. For example, our SWITCH (School, Work, Industry, Transition and Change), Gateway and Trades Academy

programmes are helping introduce secondary school students to career opportunities in the primary industries. Year 12 and 13 students have part-time experience in workplaces, enabling them to learn about and decide on future job and training pathways. In 2016, approximately 150 schools collaborated in Primary ITO programmes.

We recognise that some trainees need additional support in difficult times. The past two years of downturn in dairying has definitely put pressure on farmers - and Primary ITO was pleased to collaborate with DairyNZ in providing \$100,000 in study grants to trainees during 2016. Our support enable trainees to carry on.

In late 2016 we commissioned an independent research company to conduct our customer satisfaction survey, receiving feedback from over 2000 trainees and over 700 employers. Overall the responses were positive, including high customer satisfaction rates across all survey populations. The survey also provides useful feedback for us to consider moving forward.

Key facts in 2016

28,377 trainees in total

16% Māori trainees, **12%** Pasifika trainees

35% of all trainees aged 24 or younger, **16%** aged 45 or older

7,024 employers of trainees

15,251 industry training programmes completed by trainees*

*Industry training programmes completed includes:

Limited Credit Programmes, Supplementary Credit Programmes, New Zealand Certificates and New Zealand Diplomas.



“I was learning things I’m passionate about”

“Training has made me a better farmer ... I’m making better decisions every day based on knowledge from my training as well as on-farm experience,” said Jack Raharuhi, who manages a Landcorp Farming Dairy unit near Westport. “I’m a big believer in getting qualifications behind you, and these days employers are looking for people with both training and experience.”

Jack’s completion of a National Certificate in Agriculture Level 4 (Dairy Farming) has certainly helped him progress within Landcorp where he now manages the Totara unit on the Cape Foulwind Dairy complex. His career started there at age 15 and initial training followed soon after. “It was Level 3 that really drew me in because I was learning things that I was passionate about.”

Last year Jack, from Ngāti Kahu, won the Ahuwhenua Young Māori Farmer Award (Dairy) in recognition of his

talent and commitment. At 25, he is now studying for a New Zealand Certificate in Production Management Level 5. And the passion has spread to the training

of his on-farm team. “On wet days my guys will have their books open in the Dairy shed. They’re all helping each other and I’m happy to help them gather the evidence they need in doing the course work.”

Totara has a full-time staff of five and milks around 1,150 cows twice daily at the peak of the season. Jack is keen to see more young people come into dairying and, with Primary ITO support, he has started a Gateway project with six students from Buller High School coming out each week for work experience and mentoring. As for his own future, Jack’s ambition is to oversee a large-scale dairying operation of five or six farms and to help set up a training facility there. “For me, it’s all about helping to develop the West Coast.”

Partnerships

We collaborate with primary industry partners on their human capability needs now and into the future. We strive to understand, to forecast and to facilitate the delivery of skills, knowledge and experience that industries need for their growth and transformation. We also work in partnership with government agencies and industry training providers, aiming to always maximise the return on funds invested in training and ensure this is provided at or above national standards.

Primary ITO is:

- continuing to working closely with our 14 Industry Partnership Groups (IPGs) and Stakeholder Council (SHC)
- developing strategic relationships with key industry bodies for the best possible outcomes in key areas of training
- supporting the growth of training providers who deliver high quality programmes in response to industry need.

Our 14 IPGs are critical to how we understand the needs of our industries now and in the future. One member of each IPG is appointed to the Stakeholder Council - the link between our IPGs and our Board. We are grateful to the approximately 140 volunteers who make up our IPGs and give their time to represent the training needs of their industry. In 2016 our IPGs further developed their sector plans. These plans identify the priorities that we need to focus on for each industry.

Feedback from partners

“Setting up a new training organisation is not for the faint-hearted ... the can-do attitude of the Primary ITO leaders was the difference between us getting started and not. They were responsive, keen to make suggestions and listened.”

- Andrew MacPherson, Chairman, Te Ako Wools.

“Working collaboratively with the Primary ITO leadership team, the IPG and Federated Farmers, we have successfully managed to setup Te Ako Wools to fulfil the need for fit for purpose industry training.”

- Jamie McConachie, President, NZ Shearing Contractors Association.

“Primary ITO are supporting the Pipfruit sector as it moves through a strong period of growth by working with the industry to ensure the programmes and qualifications they develop are consistent with sector needs, and provide industry with people with the right skills for the job.”

- Alan Pollard, Chief Executive Officer, Pipfruit New Zealand.

“Primary ITO have been proactive in moving away from a ‘one size fits all’ approach, and with the Equine and Racing sector have developed an operating model better suited to the industry and trainees.”

- Martin Burns, General Manager - Commercial & Strategy, New Zealand Thoroughbred Racing Inc.

The Tertiary Education Commission (TEC), along with Primary ITO, DairyNZ and Beef + Lamb NZ established a working party to explore policy and regulatory 'helps and hindrances' to the efficient learning of farm personnel within the Diploma in Agribusiness in 2016. The working party, which also receives input from the New Zealand Qualifications Authority (NZQA) and Ministry of Education (MoE), provides a valuable opportunity for industry to put forward the importance of educational and business goal confluence for optimal learning, and to explore the potential of mechanisms - such as Recognition of Prior Learning (RPL) and modular delivery - towards learning achievement and business success.

Launched at the end of 2016, Dairy Together is our collaboration with DairyNZ to further strengthen the content

and delivery of Dairy industry training, and to align Primary ITO programmes with less formal training that also occurs within the industry. Dairy Together is enabling information exchange and communication as we develop a human capabilities strategy for the future of New Zealand's biggest primary industry. Primary ITO and DairyNZ jointly employ a project manager for continuous progress on the initiative.

Over the past year we have supported the formation of Te Ako Wools as an industry-owned training organisation for Wool Harvesting. Primary ITO has collaborated with the New Zealand Shearing Contractors Association in its aspiration to make Te Ako the world leader in training shearers, wool handlers and wool pressers. We are supporting the initiative with advice, and our AgExcel endorsement process for trainers and assessors.

Sam Clouston - Stock Manager (Sheep and Beef)



“For a lot of farm management jobs, you need the extra qualifications”

Training is proving a great way for Sam Clouston to fill gaps in the farming knowledge he's been accumulating since boyhood. Sam was raised on a family farm at Whitecliffs, Central Canterbury, and the 25 year old is now Stock Manager on a 2500 hectare Sheep and Beef property further south in the Fairlie area.

Last year he completed his National Certificate in Livestock Feeding Level 3, and this year is studying for the New Zealand Certificate in Agriculture Level 4 (Sheep and Beef Farming). “I left school early and really got stuck into farming. But over the years, I've wanted to get more knowledge on soils and pasture management and it has been great to get that under my belt,” said Sam.

His on-farm working life has been very instructive, but most of his past nine years have been on high country properties and Sam says this left gaps in his knowledge of

intensive farming systems on more fertile land. However, the Fairlie property he joined in late 2016 includes a range of country from shingle peaks to lower, rolling pasture - and Sam is able to put his recently-acquired knowledge to work in a lamb finishing operation.

The work-study life suits him well. “It's been easy to study so far... I get the books out on wet days and at lunchtime,” he said. And he intends to keep studying, towards either owning his own farm one day or becoming manager on a large high-country farm. “I want to go to Level 5 Business Management and do the financial subjects. For a lot of farm management jobs, you need the extra qualifications.”

Pathways

We create diverse learning pathways for people to grow their skills, knowledge and experience as they work in the primary industries. Today, people are juggling job requirements and training opportunities, along with career and personal aspirations. Most are online and ready to learn as they work. Some aspire to join primary industries but need more support before they are ready to progress. Our role is to facilitate training that is tailored to the needs and capabilities of individuals and their employers, within national frameworks recognised and supported by all.

Primary ITO is:

- creating and delivering more e-learning opportunities that meet specific industry needs
- developing our workforce capability matrix approach, whereby standard definitions are established for industry roles and training needs
- expanding community-based mentoring for industry newcomers who seek higher literacy and numeracy as a basis for training and work.

In 2016, Primary ITO launched a web portal enabling trainees and their employers to track their progress and training schedules. Our pathway initiatives have included a

capability matrix for the Sheep, Beef and Deer industries, standardising the definition of key on-farm roles, and of the skills and other attributes that are associated with each role.

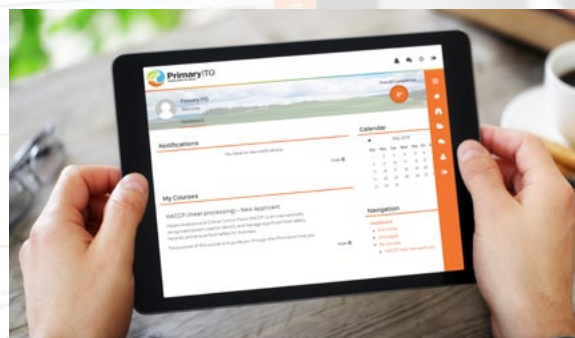
We also co-invested with the Tertiary Education Commission (TEC) on two projects through their Joint Ventures and Amalgamation Projects (JVAP) fund in 2016. The projects involved working with local providers and community partners in two priority regions - Northland and South Auckland. The Northland project responds, in part, to the Northland Growth Strategy and is focused on improving the skills ecosystem. The South Auckland project is focused on how we better increase demand and the pathways for learners from school into the workplace.

Easy access, flexible achievement

The Hazard Analysis and Critical Control Point (HACCP) e-learning course was launched by Primary ITO in early 2016.

The course was designed to enable people working in the meat industry to meet new food safety standards - and to undertake the necessary training through the use of tablets and smartphones while on the job. Trainees have ease of access to training content and to the course work required of them, and flexibility to complete this at their own pace in a time/place that suits them. This flexibility means they can fit training in around their work, which benefits their employer too.

Primary ITO developed the course and its e-learning format in collaboration with the Ministry for Primary Industries, the Meat Industry Association and training provider Food Safe Ltd. Employers have been quick to recognise that training people in this way reduces their risk of regulatory non-compliance, and raises the quality of their documentation and their audit scores.





**“Everything
I’ve learnt
has come in
handy”**

For Jaimee van Lieshout, most days start by organising the vegetable harvest at Sunset Coast Organics at Waiuku, South Auckland. It’s a job with plenty of opportunity for Jaimee to apply her training, which is now at National Certificate in Horticulture Advanced Level 4 (Production Horticulture). “My training really has got me out there as a generally shy person, and now I’m looking after other people as well.”

Sunset Coast Organics grows an array of leafy greens, salad vegetables and herbs, and each morning’s harvest must be carefully planned and supervised by Jaimee. As Assistant Production Manager, she completes the time critical task with two staff whom she is also helping to train.

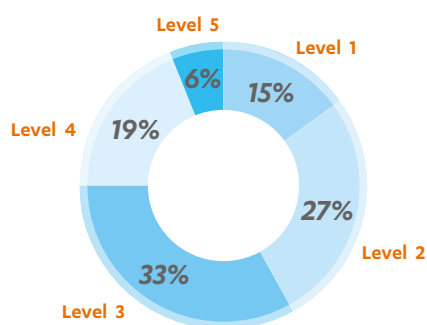
The 33-year-old came into Horticulture 15 years ago with strong encouragement from her mother. Jaimee had left school early but discovered a love of the outdoors and took easily to working with plants. Her first job in a Waiuku nursey led to Level 1 training and she has never looked back.

The complexities of organic production add further challenge to the application of course contents. “Everything I’ve learnt has come in handy,” she said. “Training this way has made it much easier for me to get a qualification ... and it’s been useful as well when it comes to helping others understand what needs to be done.”

Key Results 2016

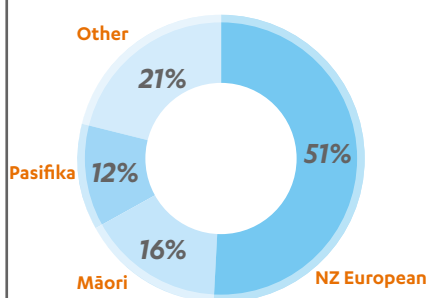


Level of Training



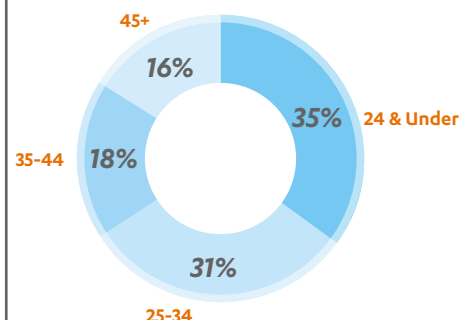
	2016	2015	2014
Level 1	15%	23%	18%
Level 2	27%	29%	24%
Level 3	33%	27%	32%
Level 4	19%	17%	22%
Level 5	6%	4%	4%

Ethnicity



	2016	2015	2014
NZ European	51%	54%	62%
Māori	16%	18%	21%
Pasifika	12%	9%	7%
Other	21%	19%	10%

Age



	2016	2015	2014
24 & Under	35%	33%	31%
25 - 34	31%	31%	30%
35 - 44	18%	18%	19%
45+	16%	18%	20%

TEC TARGET: 74%

**CREDIT
COMPLETION RATE**

73%

TEC TARGET: 80%

**PROGRAMME
COMPLETION RATE**

83%

*Industry training programmes completed includes:

Limited Credit Programmes, Supplementary Credit Programmes, New Zealand Certificates and New Zealand Diplomas.

Industry Statistics

Industry Partnership Group	People Training With Us			Credits Achieved			Programmes Completed*		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Amenity Horticulture	1,990	1,635	1,698	49,903	43,864	47,766	1,057	1,249	1,062
Avocado & Kiwifruit	741	414	265	22,122	18,306	8,574	449	358	232
Dairy Farming	8,368	9,079	9,755	194,726	303,214	305,740	4,054	5,552	5,515
Dairy Processing	688	843	883	16,921	15,592	18,509	348	525	587
Meat & Leather Processing	5,468	6,897	6,028	122,714	163,938	149,321	4,170	4,960	4,195
Nursery Production	264	277	303	10,175	9,389	7,703	181	191	196
Other Industries (no IPG)	3,255	2,958	3,161	50,772	60,179	63,823	1,332	1,511	1,650
Pipfruit	1,717	1,101	463	47,311	22,182	9,817	897	452	173
Racing & Equine	500	511	468	11,046	11,990	13,016	200	202	198
Seafood	1,292	1,440	1,532	35,319	31,759	41,298	703	858	1,113
Sheep, Beef & Deer	1,215	1,089	1,017	24,444	29,551	30,173	561	482	525
Sports Turf	462	492	486	10,638	11,475	11,685	218	190	173
Vegetable & Other Fruit Production	854	1,038	1,096	20,104	30,890	32,522	418	620	779
Viticulture	687	773	443	22,421	21,734	10,052	476	491	200
Wool Harvesting	876	968	1,270	11,778	7,715	29,327	187	163	395
Total	28,377	29,515	28,868	650,394	781,778	779,326	15,251	17,804	16,993

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 training programmes completed includes:

Limited Credit Programmes, Supplementary Credit Programmes, New Zealand Certificates and New Zealand Diplomas.

Board of Directors

As at April 2017

The Board of Directors are responsible for governing and monitoring Primary ITO performance. They make sure we manage the government, industry, private and public assets in our care.



Mark Darrow - Chairman

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, health and education.

Mark holds a number of Directorships including ministerial appointments with NZTA and Counties-Manukau DHB, and Board roles including with The Lines Company, Balle Bros Group, Motor Trade Association (MTA), Armstrong Motor Group, Signum Holdings and Courier Solutions along with private investment companies.

Mark's previous Directorships included Dekra New Zealand (VTNZ), Charlie's Group Limited, the New Zealand Motor Industry Training Organisation (MITO) and as Trustee for Macular Degeneration New Zealand (MDNZ).



Barry Harris

Barry was Group Director of Fonterra Milk Supply and was on the Fonterra Leadership Team for five years.

He is currently a Director of DairyNZ, OSPRI, RMF Holdings and WEL Networks, and Chairman of Food Innovation Waikato. Barry is also a Board member of the NZ Food Innovation Network, Waikato River Authority and NAIT Access Panel.

Barry has served as the CEO of Hamilton City Council, Greater Wellington Regional Council and Environment Waikato. He was previously the Deputy Chair of AgResearch and a Board member of Hamilton Riverside Hotels, RD1, International Nutritionals Ltd and CentrePort.



Chris Flatt

Chris has been the National Secretary of the NZ Dairy Workers Union (DWU) since August 2012.

In this capacity, Chris is also a Director on several Boards including the Waikato Trade Union Centre Ltd and the Centre for High Performance Work Ltd. He also served as a Director on the NZITO Board prior to the merger with Primary ITO.

Chris is an Associate Member of Governance New Zealand (formerly NZ Chartered Company Secretaries) and was the General Secretary of the NZ Labour Party from 2009 to 2012.

Chris has also worked as a private practice employment lawyer and holds a Bachelor of Laws (Hons) and Bachelor of Social Sciences (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).



Mike McCredie

Mike 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.

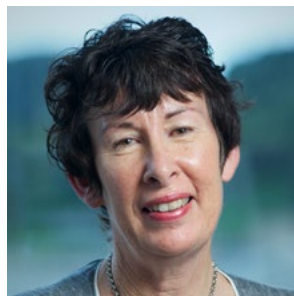


Richard Wanhill

Richard is the Director of Business Development for Taratahi Agricultural Training Centre. Prior to joining Taratahi, he was the Director of Business Development for the Wellington Institute of Technology (WelTec). Previous roles have included Co-founder and Director of Business Development for Thoughtplanters, a horticultural education and consultancy business.

Richard is currently the Chair of the New Zealand - China Agriculture Growth Partnership (Dairy Farmer Training Project). He was the Chair of the United States-based International Society of Arboriculture's Exam Writing Committee (2012 - 2015) and is a Certified Director with the New Zealand Institute of Directors.

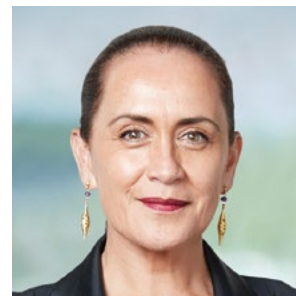
He has a Masters of Business Administration (MBA) and a Diploma in Agriculture Management (Arboriculture).



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 Womens 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, a Board member of Agriculture Services Limited (ASL), and a Director of Basketball New Zealand.



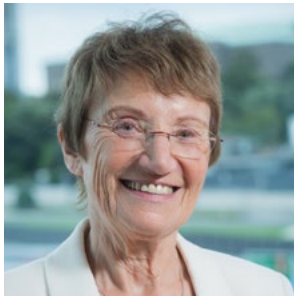
Traci Houpapa MNZM JP

Traci is an award winning company director and a recognised industry leader. She currently Chairs Landcorp, FOMA the Federation of Māori Authorities, W3 Wool Unleashed PGP and the National Advisory Council for the Employment of Women.

She holds governance roles within a wide range of other organisations including the Waikato River Authority, Ontario Teachers' Pension Plan NZ Forest Investments, Hineuru Holdings Limited and Predator Free 2050.

Traci is also an Honorary Advisor to the Asia NZ Foundation and a ministerial appointee on the Victoria University Council.

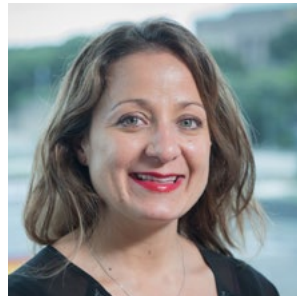
Senior Leadership Team As at April 2017



Linda Sissons
Chief Executive

Linda has an extensive background in the education sector. Her previous roles include Deputy Chief Executive of The Open Polytechnic of New Zealand and 15 years as the Chief Executive of the Wellington Institute of Technology (WelTec). She is currently Chair of the Commonwealth of Learning Board and a Board member of Education New Zealand.

Linda's primary industry experience includes her role as Interim Chief Executive of Taratahi Agricultural Training Centre and leading a project to develop the agriculture portfolio of Massey University.



Alex Vranjac-Wheeler
GM Strategy

Alex is responsible for our business strategy, planning and intelligence - including government relations.

Over the last 10 years Alex has held a range of management and advisory roles in the not-for-profit, education and government sectors. Her experience includes successfully driving organisations to define and articulate their vision and distinctive value propositions.

Prior to joining us, Alex worked at the Tertiary Education Commission (TEC) where she managed and led the most recent investment plan round for the Industry Training Fund (\$220 million) and worked at a sector level with the New Zealand Qualifications Authority (NZQA), Ministry of Business Innovation and Employment (MBIE), Industry Training Federation (ITF) and Ministry of Education (MoE) on a range of policy work streams.



Alister Shennan
GM Customer Services

Alister is responsible for our customer-facing interactions across all sectors and clients, including industry and key accounts. He works with his team to attract and retain learners - from school and through vocational pathways that continue onto the tertiary sector.

Alister has extensive experience in customer services, strategic marketing, sales leadership and digital transformation.

Over his career Alister has held senior positions in the Australian wagering industry, owned his own advertising agency and held general management positions in TVNZ.



Anne Haira
**GM Māori Business/
Kaiwhakahaere Pakihi**

Anne is responsible for leading the design of our relationships with, and services for, the Māori business sector.

Anne has an extensive background in Māori business and is passionate about Māori development in the primary industries. She joined Primary ITO from Fonterra where she was Manager, Māori Relations and Agribusiness. In this role she was responsible for the strategic development of Fonterra's relationships with Māori.

Anne has previously worked as a senior lawyer with commercial law firm Kensington Swan, and held policy roles at the Ministry of Economic Development and Te Puni Kōkiri (Ministry of Māori Development). She has also worked overseas for the Secretariat of the Pacific Community in New Caledonia as well as the Union of British Columbia Indian Chiefs in Vancouver, Canada.

Acknowledgements

We would like to thank the following people for their contributions to the Senior Leadership Team during 2016: Mark Jeffries, Claire Naeraa-Spiers, Jo Pennell, Joanne Clough, Leah Kendall, Lyndon Allott and Rob McCrone.



James Smith
Chief Operating Officer

James is responsible for the leadership of our finances, reporting and quality assurance, the registration of providers, assessors, verifiers, standards and programmes, and a number of other operational services.

James has 16 years experience in the tertiary education sector. His most recent role was Director Finance and Operations at Wellington Institute of Technology (WelTec). He has also held a range of roles in the sector with accountability for finance, project office, facilities, marketing, customer service, academic records, business intelligence and planning teams.

James has chaired the Board of W² Shared Services Limited owned jointly by WelTec and Whitireia, and has helped in the formation of a variety of joint venture and subsidiary company structures.



Lynnda Church
GM Learning Products and Services

Lynnda is responsible for the development, acquisition, and deployment of modern and fit-for-purpose learning products and services.

Lynnda's vocational education career, spanning Australia and New Zealand, has focused on the implementation of educational practices that increase both learner success and organisational effectiveness. A key area of her work in Australia was in nationally recognised Aboriginal training initiatives that led to successful outcomes for Aboriginal trainees and their communities.

Since moving to New Zealand, Lynnda has been heavily involved in increasing engagement and enhancing vocational education performance across the state sector, local government and - more recently - the primary industries.



Para Ganesan
GM Technology and Innovation

Para is responsible for our information technology, including continuous improvement of our systems and products and services.

Para has over 20 years experience in the information technology sector. His most recent role was at the IHC as their Chief Information Officer.

He has also worked at the Tertiary Education Commission (TEC), New Zealand Transport Agency, and at various private sector organisations.



Sarah Prior
GM People Capability (Acting)

Sarah is responsible for the provision of effective human resource services and for keeping our organisation at the forefront of good employment practice.

Sarah has over 15 years experience in human resources at a range of organisations, including five years with Primary ITO. Before joining us she was with Kiwibank.

In addition to her generalist human resources experience, Sarah has lead a number of successful organisational development projects, particularly around engagement and learning and development.

In all of her roles Sarah has partnered with managers to drive success for the business, and for teams and individuals.

Financial Commentary

In 2016 the Primary ITO Group delivered a surplus of \$1.6 million under the new Public Benefit Entity Standards (PBE Standards). The Group surplus comprises the Primary ITO parent surplus of \$1.8 million reduced by a \$0.2 million deficit of our subsidiary, Agriculture Services Limited (ASL).

Primary ITO Revenue

The majority of Primary ITO's income comes from the Tertiary Education Commission (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 delivered on a consumption basis tracked behind Investment Plan target levels agreed with the TEC throughout 2016. As a result Primary ITO agreed an In Plan amendment of our Investment Plan targets and associated monthly payments with the TEC in 2016. The 2016 achievement against the revised STM target was 99%.

In dollar terms Primary ITO generated \$24.7M of STM consumption funding in 2016 - a reduction of \$2.8M from the total achieved in 2015. However, revenue recognition has changed for not-for-profit organisations in 2016 with the transition to PBE Standards. Revenue recognition is now guided by two separate standards PBE IPSAS 9 Revenue from Exchange Transactions and PBE IPSAS 23 Revenue from Non-Exchange Transactions.

Exchange transactions are defined as transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to another entity in exchange. Exchange revenue is recognised by reference to the stage of completion of the transaction (consumption recognition). Other income, other industry grants and interest are recognised on this basis in 2016.

Non-exchange transactions are defined as transactions where an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Non-exchange revenue is recognised when the present obligations related to an inflow are satisfied and the fair value can be measured reliably. TEC revenue, trainee fees and industry grants have been recognised on this basis in 2016.

On a non-exchange recognition basis our STMs value is 8,726 for 2016 and 8,703 for 2015. This highlights the average duration of contracts with trainees in 2016 has increased over those agreed in 2015. The resulting non-exchange TEC STM income in 2016 is \$28.9M - \$4.2M favourable to what would have been reported under the previous accounting standards.

Primary ITO Expenditure

People costs finished 2016 unfavourable to budget and to the prior year comparative. Primary ITO consulted with staff and stakeholders on a new organisational structure following the appointment of a new Chief Executive in November 2016. This organisational structure was approved in December and a restructuring provision was included within this financial year. This restructuring provision is the principle reason for the unfavourable variance to budget in 2016.

2016 training costs were kept in alignment with our reduced STM levels and are therefore favourable to the expenditure incurred in 2015 and within budget.

The ITO's operating expenditure was broadly in alignment with 2015 and 12% below budget. Of particular note are savings made in travel costs (\$0.4M) and marketing (\$0.4M).

Agriculture Services Limited (ASL)

Agriculture Services Limited (ASL) in 2016 incurred a deficit of \$0.2M an unfavourable variance to budget of \$0.07M. The result reflects the continued co-investment with DairyNZ and the New Zealand Government in the Dairy Primary Growth Partnership, investment in software solutions made during the year generating higher depreciation expenditure and increased product development and marketing activity.

Conclusion

Primary ITO was forecasting a deficit in 2016 prior to the transition to PBE Standards and has begun to realign the operations of the organisation to the reduced cash inflows that were delivered in 2016. Management is cognisant of the

financial challenges that exist within the primary sector and the lead time required to bring new solutions to market. While our cash reserves have reduced by a significant \$4.0M our statement of financial position remains strong and will support the development of new solutions that will enable the expansion of our revenue base in future years.





Financial Statements

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Auditors' Report



Independent Auditor's Report

to the Board of Primary Industry Training Organisation Incorporated

Primary Industry Training Organisation Incorporated's consolidated financial statements comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive revenue and expenses for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion the consolidated financial statements of Primary Industry Training Organisation Incorporated ("the Organisation"), including its subsidiary ("the Group"), present fairly, in all material respects, the financial position of the Group as at 31 December 2016, its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the area of data analysis. The provision of this other service has not impaired our independence as auditors of the Group.

Information other than the financial statements and auditor's report

The Organisation's Board is responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not, and will not, express any form of assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PricewaterhouseCoopers, 113-119 The Terrace, PO Box 243, Wellington 6140, New Zealand
T: +64 (4) 462 7000, F: +64 (4) 462 7001, pwc.co.nz



Independent Auditor's Report

Primary Industry Training Organisation Incorporated

Responsibilities of the Board for the consolidated financial statements

The Organisation's Board is responsible, on behalf of the Group, for the preparation and fair presentation of the consolidated financial statements in accordance with Public Benefit Entity Standards, and for such internal control as the Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page7.aspx

Who we report to

This report is made solely to the Organisation's Board, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report 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 and the Organisation's Board, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Chris Ussher.

For and on behalf of:

Chartered Accountants
9 May 2017

Wellington

Statement of Responsibility

We are responsible for the preparation of the financial statements of Primary Industry Training Organisation Incorporated ('Primary ITO') and its subsidiary Agriculture Services Limited (together 'Primary ITO Group') and for the judgements made in them.

We are responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In our opinion, these financial statements fairly reflect the financial position and operations of the Primary ITO Group for the year ended 31 December 2016.



Mark Darrow
Board Chairperson

9 May 2017



Linda Sissons
Chief Executive

9 May 2017

Statement of Comprehensive Revenue and Expenses

For the Year ended 31 December 2016

		PRIMARY ITO GROUP	
	NOTE	2016 \$'000	2015 \$'000
Revenue			
Revenue from non-exchange transactions			
Government funding	2	31,639	28,252
Training fees	2	4,896	5,136
Industry grants	2	1,763	1,878
Revenue from exchange transactions			
Industry grants		253	-
Other Income	3	2,906	3,722
Interest		510	701
Total revenue		41,967	39,689
Cost of Services			
People costs	4	18,942	17,667
Training costs	5	11,843	13,020
Operating costs	6	8,671	8,871
Depreciation and amortisation		886	714
Total cost of services		40,342	40,272
Surplus/(deficit)		1,625	(583)
Other Comprehensive Revenue and Expenses			
Other comprehensive revenue and expenses		-	-
Total comprehensive surplus/(deficit)		1,625	(583)

The accompanying notes form part of these financial statements.

Statement of Changes in Net Assets

For the Year ended 31 December 2016

	PRIMARY ITO GROUP	
	2016 \$000	2015 \$000
Balance at 1 January	13,556	14,139
Comprehensive Revenue and Expenses		
Surplus/(deficit)	1,625	(583)
Other comprehensive revenue and expenses	-	-
Balance at 31 December	15,181	13,556

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 31 December 2016

		PRIMARY ITO GROUP	
	NOTE	2016 \$'000	2015 \$'000
Assets			
Current assets			
Cash and cash equivalents		1,453	1,773
Term deposits	7	9,818	13,517
Receivables from exchange transactions	9	2,188	1,239
Receivables from non-exchange transactions	10	4,532	1,045
Inventory		118	201
Prepayments		41	89
Total current assets		18,150	17,864
Non-current assets			
Property, plant and equipment	11	574	844
Intangible assets	12	1,160	1,258
Total non-current assets		1,734	2,102
Total assets		19,884	19,966
Liabilities			
Current liabilities			
Payables	13	3,232	5,171
Employee entitlements	14	1,320	860
Income in advance		151	379
Total current liabilities		4,703	6,410
Net assets		15,181	13,556
Net assets			
Retained earnings		15,181	13,556
Total net assets		15,181	13,556

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Year ended 31 December 2016

		PRIMARY ITO GROUP	
	NOTE	2016 \$000	2015 \$000
Cash Flows from Operating Activities			
Cash was provided from:			
Government funding		28,297	29,813
Training fees and other receipts		6,916	9,487
Industry grants		2,016	1,878
Interest received		559	894
Cash was applied to:			
Payments to suppliers and employees		(41,288)	(39,987)
Net cash (used in)/provided by operating activities	18	(3,500)	2,085
Cash Flows from Investing Activities			
Cash was provided from:			
Term deposits maturing		13,517	13,700
Cash was applied to:			
Purchase of property, plant and equipment	11	(200)	(327)
Purchase of intangibles	12	(319)	(891)
Investment in term deposits		(9,818)	(13,517)
Net cash provided by/(used in) investing activities		3,180	(1,035)
Net increase/(decrease) in cash and cash equivalents		(320)	1,050
Cash and cash equivalents at beginning of the year		1,773	723
Cash and cash equivalents at end of the year		1,453	1,773

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1 STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

Primary ITO is contracted by the Government of New Zealand, through the Tertiary Education Commission (TEC), and the Agriculture, Horticulture, Sports Turf and Equine industries to manage vocational education and training for these industries. It does not operate to make a financial return.

Primary ITO Group consists of Primary ITO and Agriculture Services Limited (ASL) a wholly owned subsidiary of Primary ITO.

Primary ITO is an Incorporated Society domiciled in New Zealand. The address of its registered office is Level 2, 180-188 Taranaki Street, Wellington.

Primary ITO has designated itself and the Group as public benefit entities (PBEs) for the purposes of complying with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements of Group are for the year ended 31 December 2016, and were authorised for issue by the Board on 9 May 2017.

Basis of Preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the year.

Statement of Compliance

These financial statements are prepared in accordance with the Financial Reporting Act 2013 and with Tier 1 Public Benefit Entity (PBE) standards.

Functional and Presentation Currency

The financial statements are presented in New Zealand dollars and which is Primary ITO's functional currency. All values are rounded to nearest thousand dollars (\$000) except where indicated.

Effect of first-time adoption of PBE Standards on accounting policies and disclosures

This is the first set of financial statements of Primary ITO Group that is presented in accordance with Public Benefit Entity Standards (PBE Standards). Primary ITO Group has previously reported in accordance with NZ IFRS (PBE).

The changes to the accounting policies and disclosures caused by first time application of PBE Standards are as follows:

PBE IPSAS 23: Revenue from Non-Exchange Transactions. PBE IPSAS 23 describes the financial reporting requirements for revenue arising from non-exchange transactions.

There is no equivalent financial reporting standard under NZ IFRS (PBE). The application of this standard affected the Group's accounting for government funding, industry grants and training fees. In the previous financial year government funding, industry grants and training fees were recognised on a consumption basis once entitlement to the funding was achieved. However, PBE IPSAS 23 requires revenue from non-exchange transactions, such as government funding, to be recognised as revenue as soon as the inflow of resources can be recognised as an asset in the financial statements.

Revenue may be deferred if there is a condition attached to the income that requires an entity to use the income as specified or return the cash to the grantor.

Application of PBE IPSAS 23 to government funding has resulted in income being recognised between 1 and 36 months earlier than reported previously.

Notes to the Financial Statements

The comparative figures in the statement of comprehensive revenue and expenses and statement of financial position for 2015 have been amended accordingly. The impact of transition to PBE Standards in 2015 and 2016 is show below:

	PRIMARY ITO GROUP	
	FOR THE YEAR ENDING 31 DEC 2015 \$000	FOR THE YEAR ENDING 31 DEC 2016 \$000
Impact on Statement of Comprehensive Revenue and Expenses:		
Increase/(decrease) in (deficit)/surplus	(1,571)	4,158
Impact on (deficit)/surplus:	(1,571)	4,158

	AS AT 1 JAN 2015	AS AT 31 DEC 2015	AS AT 31 DEC 2016
Impact on Statement of Financial Position:			
Increase/(decrease) in receivables	1,505	(1,571)	4,158
Impact on net assets:	1,505	(1,571)	4,158

TEC income in advance of \$1,779,000 at 31 December 2015 has also been reclassified to payables as a result of the transition to PBE Standards.

Changes in Accounting Policy

The accounting policies adopted in these financial statements are consistent with those of the previous financial year, except for instances where the accounting or reporting requirements of PBE Standards are different from NZ IFRS (PBE) as outlined above.

Significant Accounting Policies

Basis of Consolidation

The Primary ITO Group consolidates in the Group financial statements all entities where Primary ITO controls these other entities. The Primary ITO Group financial statements are consolidated as result of wholly owning Agricultural Services Limited. These consolidated financial statements are prepared by adding together like items of assets, liabilities, equity, revenue, expenses, and cash flows of entities in the Group on a line-by-line basis. All intra-group balances, transactions, revenue, and expenses are eliminated on consolidation.

Critical Accounting Estimates and Assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

Critical Judgements in Applying Accounting Policies

Management has exercised the following critical judgements in applying accounting policies:

Government funding is recognised as revenue when the formal course withdrawal date has passed, after taking into account the estimated funding recoveries repayable to TEC, which includes subsequent trainee withdrawals. Management has exercised judgement in applying a weighted average recovery rate to government funding. As the recovery rate is an estimate of future recoveries that could become payable to TEC, any significant change in actual recoveries could have a material impact on recognised revenue.

Notes to the Financial Statements

Revenue

The specific accounting policies for significant revenue items are explained below:

Government revenue - Tertiary Education Commission (TEC)

Tertiary Education Commission (TEC) funding is Primary ITO's main source of operational funding. Primary ITO considers TEC funding to be non-exchange and recognises TEC funding as revenue when the course withdrawal date has passed, based on the number of eligible trainees enrolled in the course at that date and the value of the course.

Industry grants

Industry grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and then recognised as revenue when the conditions of the grant are satisfied.

Training fees

Training fees are subsidised by government funding and are considered non-exchange. Revenue is recognised when the course withdrawal date has passed, which when a student is no longer entitled to a refund for withdrawing from the course.

User pay fees that are not subsidised by government funding are considered exchange. Revenue is recognised on a course percentage of completion basis.

Other Income

Revenue from sales of goods and services are recognised when the good or service is sold to the customer.

Interest Income

Interest income is recognised by accruing on a time proportion basis the interest due from the investment.

Income Tax

Primary ITO is approved for charitable status and is therefore exempt from income tax. Accordingly, no provision has been made for income tax.

Goods and Services Tax (GST)

All amounts in the financial statements are stated exclusive of GST, with the exception of trade and other receivables and trade and other payables which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of the receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments net of lease inducements under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Notes to the Financial Statements

Cash and Cash Equivalents

Cash and cash equivalents for the purpose of the Statement of Cash Flows includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less.

Term Deposits

Term deposits held at call with financial institutions are liquid investments with original maturities of more than three months.

Accounts Receivable

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost less provision for doubtful debts. An estimate for doubtful debts is made when recovery of the full amount is no longer probable. Bad debts are written off when identified.

Property, Plant and Equipment

Cost

Property, plant and equipment and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

Depreciation

Depreciation of property, plant and equipment is calculated using the straight line method based on the expected useful life of the assets as follows:

Computer equipment	2 to 4 years
Furniture and fittings/office equipment	2 to 8 years
Leasehold improvements	3 to 7 years

Intangible Assets

Intangible assets are initially recorded at cost. Where an intangible asset is created for nil or nominal consideration it is also initially carried at cost, which by definition is nil/nominal.

The cost of an internally generated intangible asset represents expenditure incurred in the development phase of the asset only. Expenditure incurred on the research phase of an internally generated intangible asset is expensed when it is incurred. Where the research phase cannot be distinguished from the development phase, the expenditure is expensed when incurred.

The training products development costs that have been capitalised consist of expenditure associated with design of training product learning, assessment and teaching resources. The majority of the capital expenditure relates to salaries of staff.

Amortisation

Intangible assets are amortised on a straight-line basis over the following periods:

Software	2 to 5 years
Training Products	3 years

Notes to the Financial Statements

Impairment of Property, Plant and Equipment and Intangible Assets

Assets are reviewed at least annually to determine if there is any indication of impairment. Where there is indication of impairment, the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a discount rate that reflects current market assessments of the time value of money.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written-down to the recoverable amount with an impairment loss recognised in the profit or loss.

Intangibles not yet available for use

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available, are not subject to amortisation and are tested annually for impairment.

Assets under construction

Assets under construction are disclosed separately. Upon completion, the asset's total cost is transferred to the appropriate asset class, at which point depreciation begins.

Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the Statement of Comprehensive Revenue and Expenses.

Accounts Payable

Accounts payable represent liabilities for goods and services provided to the Group prior to the end of the financial year which remain unpaid. The amounts are unsecured, are usually paid within 30 days of recognition and are initially recognised at fair value and then subsequently measured at amortised cost.

Employee Entitlements

Employee entitlements include wages and salaries owing and a leave provision representing the value of total annual leave outstanding for all personnel based on amounts expected to be paid when the liabilities are settled.

Provisions

Provisions are recognised when: a present obligation (legal or constructive) arises as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Notes to the Financial Statements

	PRIMARY ITO GROUP	
	2016 \$000	2015 \$000
2 REVENUE FROM NON EXCHANGE TRANSACTIONS		
Government funding		
Tertiary Education Commission:		
• Industry training funding	18,077	19,800
• Apprenticeship funding	10,817	6,323
Other government revenue	2,745	2,129
	31,639	28,252
Training fees		
Training fees	3,712	3,297
Training cost recoveries	1,184	1,839
	4,896	5,136
Industry grants		
Dairy	1,405	1,500
Beef and Lamb	200	200
Equine	137	157
Pork	14	14
Poultry	7	7
	1,763	1,878
3 REVENUE FROM EXCHANGE TRANSACTIONS		
Other Income		
New Zealand Qualifications Authority moderation	489	570
Consultancy services	1,092	1,552
Other cost recoveries	328	295
Print room services	211	352
Other	786	953
	2,906	3,722

Notes to the Financial Statements

	PRIMARY ITO GROUP	
	2016 \$000	2015 \$000
4 PEOPLE COSTS		
Employee remuneration and benefits	17,381	16,735
Contractors	833	548
Training and development	383	191
Other staff costs	345	193
	18,942	17,667
5 TRAINING COSTS		
Off-job training	8,948	11,099
Other training costs	1,942	666
NZQA fees	953	1,255
	11,843	13,020
6 OPERATING COSTS		
Communication	639	699
Travel	2,472	2,741
Occupancy	305	282
Property leases	1,017	1,076
Administration	1,174	1,287
Promotion and business development	1,476	1,542
Boards and committees	317	301
Consultancy and professional fees	1,122	758
Audit fee	41	48
Data analysis services provided by Auditors	9	5
Loss on sales of fixed assets and intangibles	5	8
Financial charges	82	18
Bad and doubtful debts	12	106
	8,671	8,871

Notes to the Financial Statements

7 FINANCIAL INSTRUMENTS

Credit Risk

Credit risk represents the risk that a counterparty will default on its contractual obligations to the Group. Financial instruments which subject the Group to credit risk consist of bank balances, bank term deposits, trade and other receivables. The maximum exposure are these amounts included in the Statement of Financial Position.

The Group's cash and term deposits are held with ANZ, ASB, BNZ and Westpac banks, all of which are registered in New Zealand and rated Aa3 by Moody's and AA- by Standard & Poors.

The Group has no collateral or other credit enhancements for financial instruments that give rise to credit risk.

The Group periodically has concentrations of credit risk that arise from its funding model. This includes the TEC receivables in note 10. Management actively monitor the aging of accounts receivable balances and take appropriate action when required.

Liquidity Risk

The Group's exposure to interest rate risk is limited to its bank deposits which are held at fixed rates of interest.

Details are as follows:

	PRIMARY ITO GROUP	
	2016 \$000	2015 \$000
Term deposits	9,818	13,517

The interest rate range for these deposits is 3.20% to 3.75% (2015: 5.05% to 5.12%) with \$3,000,000 maturing in February 2017, \$6,800,000 maturing in June 2017 and \$18,000 maturing in August 2017.

	PRIMARY ITO GROUP	
	2016 \$000	2015 \$000
Financial Instrument Categories		
Financial Assets		
Loans and receivables:		
• Cash and cash equivalents	1,453	1,773
• Term deposits	9,818	13,517
• Receivables	6,463	2,284
	17,734	17,574
Financial Liabilities		
At amortised cost:		
• Payables	3,232	4,912
• Employee Entitlements	1,320	860
	4,552	5,772

Notes to the Financial Statements

8 CAPITAL MANAGEMENT

Primary ITO's capital comprises its retained earnings.

Primary ITO manages its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of its stakeholders. The organisation's equity is largely managed as a by-product of managing its revenues, expenses, assets, liabilities, and general financial dealings. The objective of managing the organisation's equity is to ensure that it effectively and efficiently achieves the goals and objectives for which it has been established, while remaining a going concern.

	PRIMARY ITO GROUP	
	2016 \$000	2015 \$000
9 EXCHANGE RECEIVABLES		
Trade receivables	1,786	1,045
Interest receivable	145	194
GST Receivable	257	-
	2,188	1,239

At 31 December 2016 trade receivables of \$599,000 (2015: \$533,000) were past due but not impaired. These related to a number of independent customers who were not in any significant financial difficulty and, based on past experience, the overdue amounts can be recovered.

	PRIMARY ITO GROUP	
	2016 \$000	2015 \$000
10 NON EXCHANGE RECEIVABLES		
TEC receivable	3,948	606
Training fees receivable	584	439
	4,532	1,045

As at 31 December 2016 training fees receivables of \$45,000 (2015: \$74,000) mainly individual training fees, were considered impaired and provided for in full.

Notes to the Financial Statements

11 PROPERTY, PLANT AND EQUIPMENT

	COMPUTER EQUIPMENT \$000	FURNITURE AND FITTINGS, OFFICE EQUIPMENT \$000	LEASEHOLD IMPROVEMENTS \$000	TOTAL FIXED ASSETS \$000
For the Year ended 31 December 2016				
Opening net book amount	471	206	167	844
Additions	175	22	3	200
Disposals	(1)	-	-	(1)
Depreciation charge	(277)	(115)	(77)	(469)
Closing book amount	368	113	93	574
As at 31 December 2016				
Cost	1,253	846	656	2,755
Accumulated depreciation	(885)	(733)	(563)	(2,181)
Net book amount	368	113	93	574
For the Year ended 31 December 2015				
Opening net book amount	577	278	171	1,026
Additions	220	37	70	327
Disposals	(4)	(3)	-	(7)
Depreciation charge	(322)	(106)	(74)	(502)
Closing book amount	471	206	167	844
As at 31 December 2015				
Cost	1,384	825	653	2,862
Accumulated depreciation	(913)	(619)	(486)	(2,018)
Net book amount	471	206	167	844

Notes to the Financial Statements

12 INTANGIBLE ASSETS

	SOFTWARE \$000	TRAINING PRODUCTS \$000	WORK IN PROGRESS \$000	TOTAL INTANGIBLE ASSETS \$000
For the Year ended 31 December 2016				
Opening net book amount	692	98	468	1,258
Additions				
• Internally generated	153	436	(331)	258
• Purchased	15	46	-	61
Disposals	-	-	-	-
Amortisation charge	(270)	(147)	-	(417)
Closing book amount	590	433	137	1,160
As at 31 December 2016				
Cost	1,749	614	137	2,500
Accumulated amortisation	(1,159)	(181)	-	(1,340)
Net book amount	590	433	137	1,160
For the Year ended 31 December 2015				
Opening net book amount	380	67	132	579
Additions				
• Internally generated	-	41	336	377
• Purchased	514	-	-	514
Disposals	(1)	-	-	(1)
Amortisation charge	(201)	10	-	(211)
Closing book amount	692	98	468	1,258
As at 31 December 2016				
Cost	1,629	108	468	2,205
Accumulated amortisation	(937)	10	-	(947)
Net book amount	692	98	468	1,258

Over the last two years Primary ITO has carried out a Targeted Review of Qualifications (TRoQ) with the intent to redevelop specific qualifications. In 2016 the development costs for these training programmes were capitalised. It is expected a further 25 programmes will be developed in 2017-18.

Notes to the Financial Statements

	PRIMARY ITO GROUP	
	2016 \$000	2015 \$000
13 PAYABLES		
Trade payables	1,541	1,265
GST payable	-	259
Accrued expenses and other payables	1,691	3,647
	3,232	5,171

14 EMPLOYEE ENTITLEMENTS

Accrued employee payments	687	2
Annual and discretionary leave	633	858
	1,320	860

A provision is recognised for post employment benefits payable to employees. Employees are entitled to annual leave pay, long service leave and retirement leave pay. Annual leave and sick leave entitlements expected to be settled within 12 months of the balance date are measured at the current rates of pay and classified as current liabilities.

	PRIMARY ITO GROUP	
	2016 \$000	2015 \$000
15 COMMITMENTS		
Operating Lease Commitments		
Payable within:		
One year or less	1,890	1,661
Between one to two years	1,216	1,356
Between two to five years	1,667	2,387
Over five years	-	278
	4,773	5,682

Primary ITO leases premises, motor vehicles and office equipment. Operating leases held over properties give Primary ITO the right to renew the lease subject to a redetermination of the lease rental by the lessor. There are no renewal options or rights to purchase in respect of motor vehicles and office equipment held under operating leases.

Capital Commitments

There were no capital commitments as at 31 December 2016 (2015: nil).

16 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2016 (2015: nil).

Notes to the Financial Statements

17 KEY MANAGEMENT COMPENSATION

Key management personnel are those people having authority and responsibility for planning, directing and controlling activities of the Group. Key management personnel are designated as all who are members of the Senior Leadership Team and the Board of Directors.

	PRIMARY ITO GROUP			
	FTE	2016 \$000	FTE	2015 \$000
Board members' remuneration	11	218	10	178
Salaries and other short-term employee benefits	9	2,157	11	2,328
	20	2,375	21	2,506

18 RECONCILIATION OF SURPLUS/(DEFICIT) FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	PRIMARY ITO GROUP	
	2016 \$000	2015 \$000
Total comprehensive surplus/(deficit) for the year	1,625	(583)
Adjustments:		
Depreciation/amortisation and loss on sale	891	722
(Increase)/decrease in trade and other receivables	(4,392)	2,209
Decrease/(Increase) in inventory	83	(30)
(Decrease) in accounts payable and accruals	(2,167)	(394)
Increase in employee entitlements	460	161
Net cash (used in)/provided by operating activities	(3,500)	2,085

19 SUBSEQUENT EVENTS

There have been no material events subsequent to balance date.

Our Values

Our values are what we stand for as an organisation. They guide us and help shape our culture.

Real Be authentic and sincere. Accept and act with responsibility. Be open and honest.

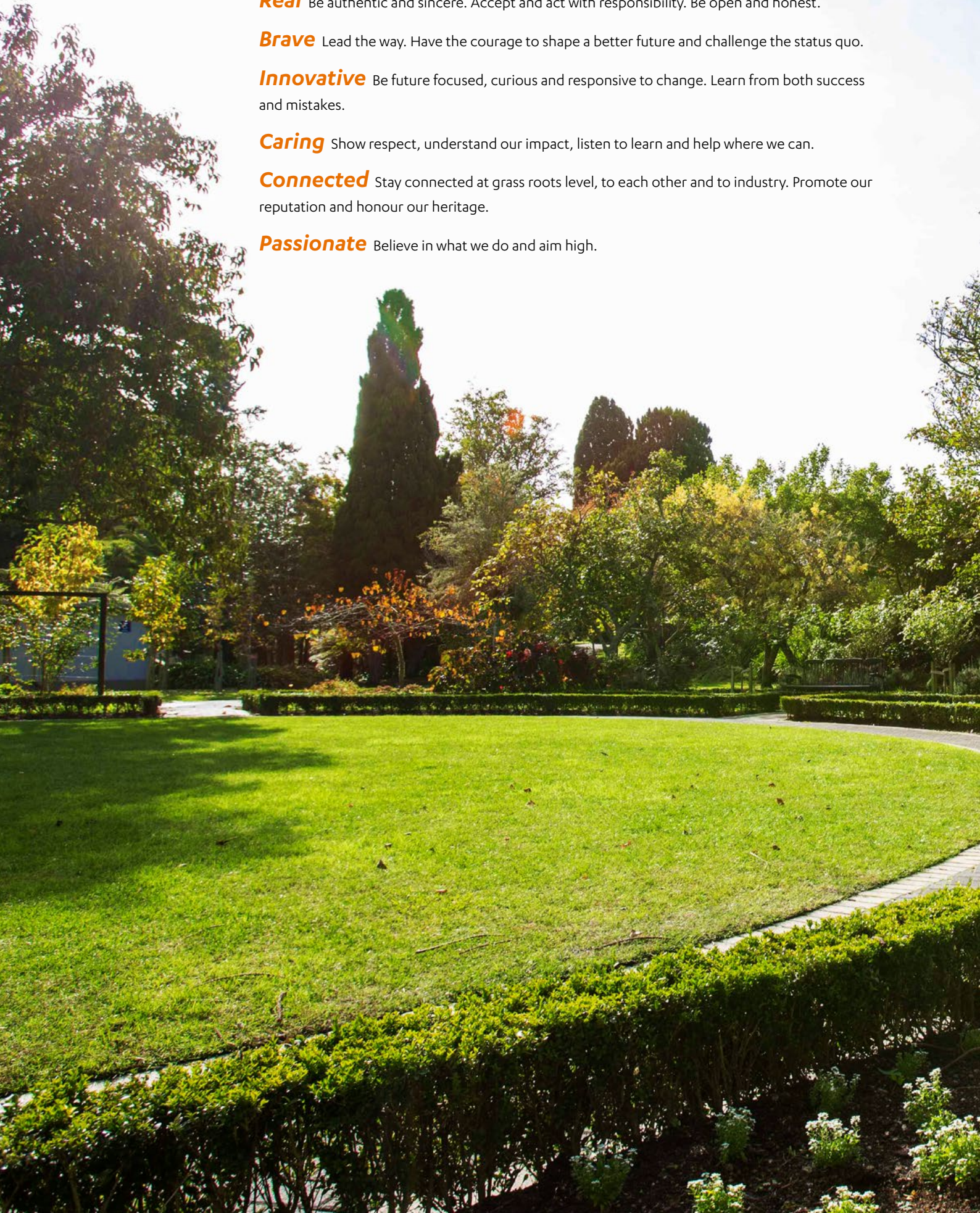
Brave Lead the way. Have the courage to shape a better future and challenge the status quo.

Innovative Be future focused, curious and responsive to change. Learn from both success and mistakes.

Caring Show respect, understand our impact, listen to learn and help where we can.

Connected Stay connected at grass roots level, to each other and to industry. Promote our reputation and honour our heritage.

Passionate Believe in what we do and aim high.





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