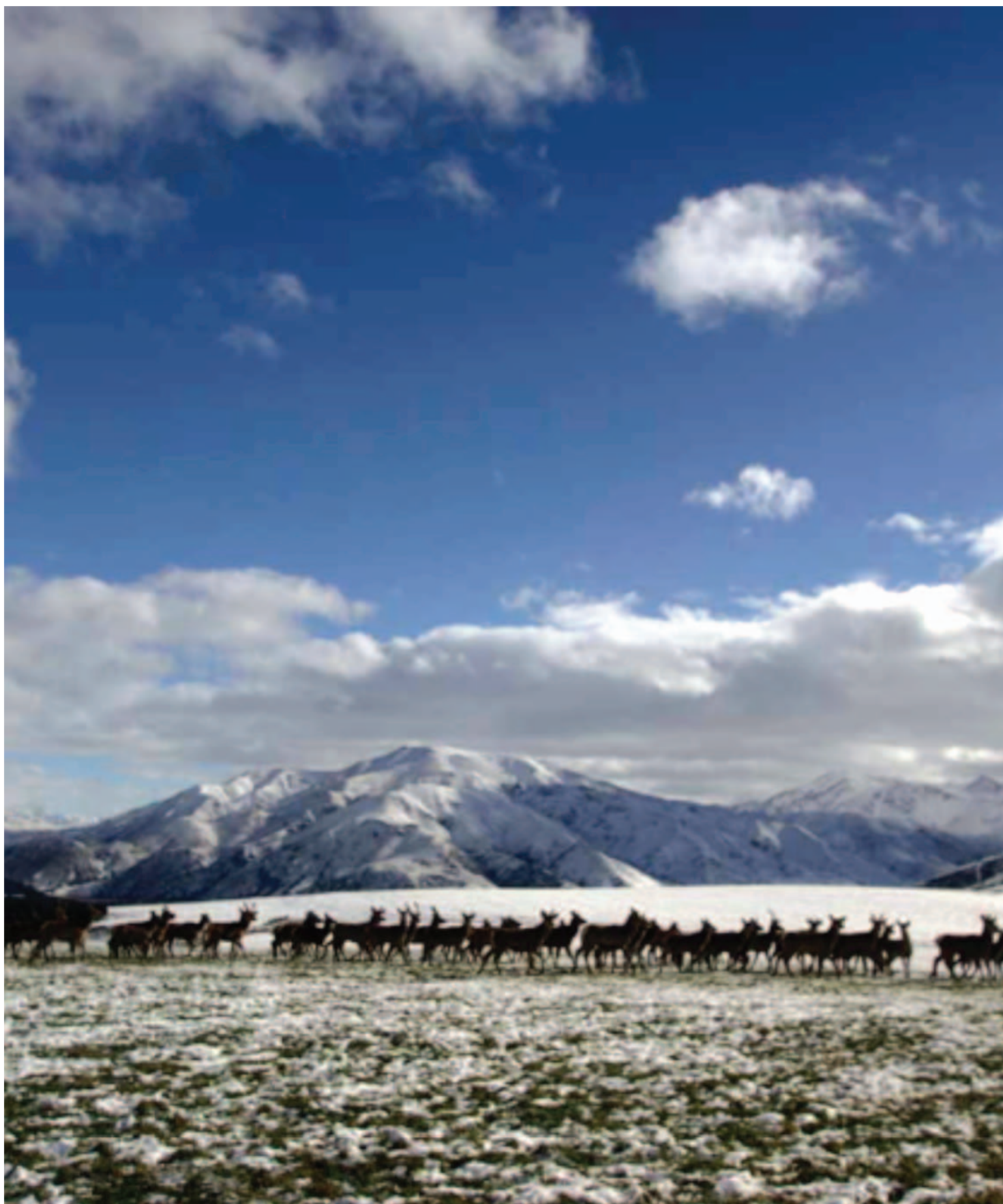




Johnes's
Management Ltd



Annual Report
31 January 2011

Mission Statement

“To develop and maintain a database for the monitoring of Johne’s Disease in deer as a cost-effective tool for reducing the risk and cost of this disease to the New Zealand deer industry”

Goal

“To provide data to industry and researchers in order to improve the understanding and management of Johne’s Disease in deer”

Level 13, PriceWaterhouseCoopers Building
113 The Terrace, Wellington
PO Box 6475, Dunedin
Ph 03 474 0506/ 0800 456 453
Email info@johnes.co.nz

Notice of annual general meeting

Notice is hereby given that the Annual General Meeting of the shareholder of Johne's Management Limited will be held on the 9th of February 2011 in the Boardroom, Level 5, Wellington Chambers, 154 Featherston street, Wellington 6011.

The meeting commences at 11.00 a.m.

AGENDA

1. To receive and consider the Directors Report, Auditors Report and Accounts for the year ended 30 September 2010.
2. The appointment of Auditors for the forthcoming year.
3. General business.

Directory

CHAIRMAN

Mr G. W. Neilson
10 Kanuka Court, Mosgiel

DIRECTORS

Mr E. Brock
Merino Downs Rd, RD5, Gore

Mr I. Hercus
PO Box 1547, Invercargill

Mr I. Stewart
32 Masfield Drive, Rolleston

Mr M. O'Connor
19 Reading Street, Karori, Wellington

SECRETARY

Dr. S. Norton
PO Box 6475, Dunedin 9016

REGISTERED OFFICE

Level 13 PricewaterhouseCoopers Building
113-119 The Terrace, Wellington

SOLICITORS

Buddle Findlay
1 Willis Street
Wellington

BANKERS

National Bank
Wellington Corporate and Commercial banking,
PO Box 2846, Wellington

AUDITORS

Deloitte
10 Brandon St, Wellington

ACCOUNTANT

Mr Ron Henry
32 Salamanca Road
Kelburn, Wellington

COMANY MANAGEMENT

PROJECT MANAGER

Dr. S. Norton, Dunedin

TECHNICAL MANAGER

Dr. K. Goodwin-Ray

SCIENTIFIC ADVISOR

Dr. Jaimie Hunnam

Chairman's Annual Report

Johne's Management Ltd (JML) has had another very successful year.

On the initiative of deer farmers and venison processors JML was established as a company in 2007. Since then it has developed programmes that are now starting to show real positive outcomes for deer farmers and the processing industry.

The Company, through its Project Manager, has just completed a "validation study" at all major deer slaughter premises. During the study the aims and objectives of our programme were discussed with the AsureQuality meat inspectors. We also discussed the activities around the recording of JD suspect lesions and sought feed-back from the inspectors on how they see their role in the inspection and recording of suspect lesions.

Through this co-operative team-work approach, we have strengthened and consolidated a critical component in the monitoring and consequent national level understanding of Johne's disease. The effort the inspectors put into this work is hugely appreciated by JML.

Further workshops were held with interested veterinarians this year, enabling them to become part of the JML "Johne's Consultancy Network". Throughout New Zealand some 30 veterinarians are now part of this formal network which enables the vital interaction between deer farmers and specialists in Johne's disease. Together they are able to develop the most appropriate control programme to minimise the risk of this disease for each individual farming operation.

We will continue to strengthen this consultancy network throughout 2011 by offering refresher courses, and where appropriate, encouraging JCN members to get involved in small deer farmer workshops.

Again during this year, any supplier with one or more Johne's lesion detected at slaughter were notified by letter. A total of 492 notification letters

were mailed out this year. The response, in confidence to this information sharing, has been positive. It provides deer farmers with information about Johne's disease in their herd which they can discuss with their veterinarian and it has led to a number of farmers asking for more up-to-date information about the disease. It is also an opportunity for our Project Manager to follow up on a more individual basis, the concerns of the farmer.

In January of this year, Pfizer N.Z. released a newly registered vaccine onto the market as an aid in the prevention of clinical Johne's disease in deer. The vaccine is recommended for use only amongst venison finishing herds. JML instigated a plan to inspect vaccinated deer at slaughter, while at the same time observing non-vaccinated deer from the same farms. The result of this exercise has yet to come through, but it does illustrate the close interest JML takes in the monitoring of Johne's disease.

Through an ongoing service agreement, we have continued our involvement with the J.R.G.2 Group. We have also had the opportunity to discuss issues of mutual interest with the Johne's Research Consortium. Our involvement with these groups highlights JML as an active contributor to the development and guidance of national scale control activity and research priorities for Johne's disease in New Zealand.

Through another service agreement, Dan Lynch, the Project Manager of Ovis Management Ltd, operates the national data base on our behalf. The Company acknowledges and is most appreciative of Dan's efforts.

During the year, our Technical Manager, Dr. Kathy Goodwin-Ray, brought together a panel of experts in the field of Johne's disease, to look more precisely at the economic impact of the disease within the industry. The Board believes it is important to try and calculate with some certainty, the real costs of Johne's disease to the industry and this meeting

provided Kathy with additional sources of data and valuable advice on the most appropriate method of calculating these costs. The final results from this economic model are expected to be available early in 2011.

Once again deer farmers have shown a real commitment to seeking ways to reduce the impact of the disease on their farms through increasing interest in the JML programme. Furthermore, independent of the JML programme there appears to be a greater degree of testing for the disease than has been the case in the past and there are ground breaking developments by deer farmers as some initiate management systems to select for deer that are resilient to the disease. The effort undertaken by the deer farmers and their support of the JML programme are cornerstones of our success in developing an understanding of the disease in deer. We greatly value the support of deer farmers and their constructive input.

In July of this year our Project Manager, Dr. Jaimie Hunnam, resigned from her position with the Company. Jaimie's foresight into how progress could be made into minimizing the impact of the disease on farms, her knowledge and her enthusiastic commitment to this end were all instrumental in catapulting the JML programme into reality. In thanking Jaimie for this contribution and with her agreement, the Company has appointed her our Science Advisor.

On the resignation of Jaimie Hunnam, the company appointed Dr. Solis Norton to the position of Project Manager. Solis brings a wealth of knowledge of Johne's disease, completing a PhD at Massey University, focusing on Johne's disease in the dairy industry. Solis has already made an impressive contribution as Project Manager. On behalf of the Board, thanks Solis for your management and administration of the company, during your time with us this year. For contributing to the policies of the Board and moving the programme constructively forward, we appreciate your efforts.

Our thanks too, to our Technical Manager Dr. Kathy Goodwin-Ray, for her efforts in conducting the quarterly analyses of the national database and

bringing the results together into a regular update of the state of Johne's disease in the deer industry. These reports provide an important record of the disease on the national scale and changes in disease levels over time.

We also appreciate the work of Edmund Noonan in assisting the Project Manager in promoting JML at field days and collecting data during the validation study and vaccine monitoring.

Our association with the EpiCentre at Massey University is an important one. We are grateful for their contribution in developing the quarterly reports and for their active interest in the data and maximising the information that can be extracted from it.

We are indebted again to AsureQuality meat inspectors for their commitment and accuracy of inspection in the deer slaughter premises.

To the venison processors and marketers who fund our operations and continue to actively support our programme, go our sincere thanks.

To the scientists across our research centres who continue to challenge the boundaries of this disease, we are grateful for your input.

To our accountant, Mr Ron Henry; thanks Ron for your support and professional services, particularly during the transition of our two Project Managers.

This year two Directors came up for re-election, Ian Stewart representing the venison processors, and Ian Hercus representing the deer farmers. Ian Stewart was willing to stand for another term, and was re-elected by the processors for a further 3 year period. Ian Hercus indicated he did not wish to stand for office again and will retire at the annual meeting of the company. The Deer Farmers Association nominated Dr Richard Hilson, a deer farmer and veterinary from Hawkes Bay as their replacement to the Board.

On behalf of the Board, I wish to express our appreciation for the work you undertook as a Board Member Ian. Your understanding of the industry from a deer farmers perspective, your no nonsense

approach to policy making, and your understanding of the Company's finances, were valuable factors appreciated as we set policies and implemented programmes. We wish you well for the future.

It is a pleasure to welcome Richard onto the Board. We look forward to meeting you at the Annual Meeting in February next year.

Finally to my fellow Directors, thanks for the support and contributions you have given to make this a successful year. It has been a real team effort.

Geoffrey Neilson

Chairman

Project Manager's Annual Report

Johne's Management Limited has performed strongly through a busy and challenging 2009-2010 and the following report highlights the main events that shaped the year that was.

Core JML activities

The core JML activities have continued steadily in the year to September 2010, leading to a strong consolidation of the two year's work since JML was created. They include:

- Detailed quarterly analysis of national data on Johne's disease in processed deer
- Providing notification letters every four months to farmers with deer in which lesions were detected at processing during that period
- Maintenance and updating of the Technical Manual to ensure it contains the most up-to-date information on Johne's disease in deer
- Maintenance and development of a nation-wide network of veterinarians (Johne's Consultant Network) trained to provide disease control advice to deer farmers
- Attendance at field days, farm focus days and the NZDFA and NZVA (Deer Branch) conferences and other meetings that may assist in the control of Johne's disease
- The regular inclusion of articles on various aspects of Johne's disease in deer farming related publications
- Presentations at industry meetings, including the DINZ board, the DEEResearch board, and the NZVA Branch Chairman's meeting
- Provision of data, advice, and assistance to farmers wherever possible on the topic of Johne's disease with the strictest of confidentiality

New Project Manager

On June 21, 2010 the role of Project Manager for JML was transferred from Dr. Jaimie Hunnam to Dr. Solis Norton. Dr. Hunnam will continue with JML in the capacity of Scientific Advisor. Dr. Norton came to JML after two years as co-ordinator for the Otago Energy Research Centre at the University of Otago and one year of post-doctoral research comparing

the energy efficiency of Organic and Conventional farming systems. The topic of Dr. Norton's PhD thesis was the epidemiology of Johne's disease in New Zealand dairy herds and he had previously completed a Masters in Applied Science focusing on tuberculosis in possums so mycobacteria and Johne's disease in particular have played a prominent role in Dr. Norton's research career.

The JML office was moved from Foxton to Dunedin in June and Dr. Hunnam then spent several weeks helping Dr. Norton familiarise himself with the role and meet the key people that he will be working with in the future.

Processors

JML has received consistently strong support from the deer processors throughout 2010. At the present voluntary contribution level of one dollar per carcass JML has been able to complete all projects planned to promote awareness of Johne's disease among producers and provide options for control. The funding system is now well established and on average across the 2009-2010 processing season the voluntary contribution was received for greater than ninety nine percent of deer processed, according to DINZ levy figures (see figure one).

Ovis Management Limited

Dan Lynch of Ovis Management Limited has continued to provide exceptional service in the maintenance of the JML database and support for the new JML Project Manager. JML is indebted to Mr Lynch for his commitment to the JML program and efficient response to queries and provision of data. JML and in particular it's new Project Manager have benefited greatly from Mr Lynch's excellent relationship with the processors. JML and OML have renewed their service agreement for 2011.

Farmer notification letter mail outs

A total of 492 notification letters were mailed to farmers who had had lesions detected in deer they sent for slaughter in 2010. This represents about 22% of all the farmers that sent deer for slaughter in 2010.

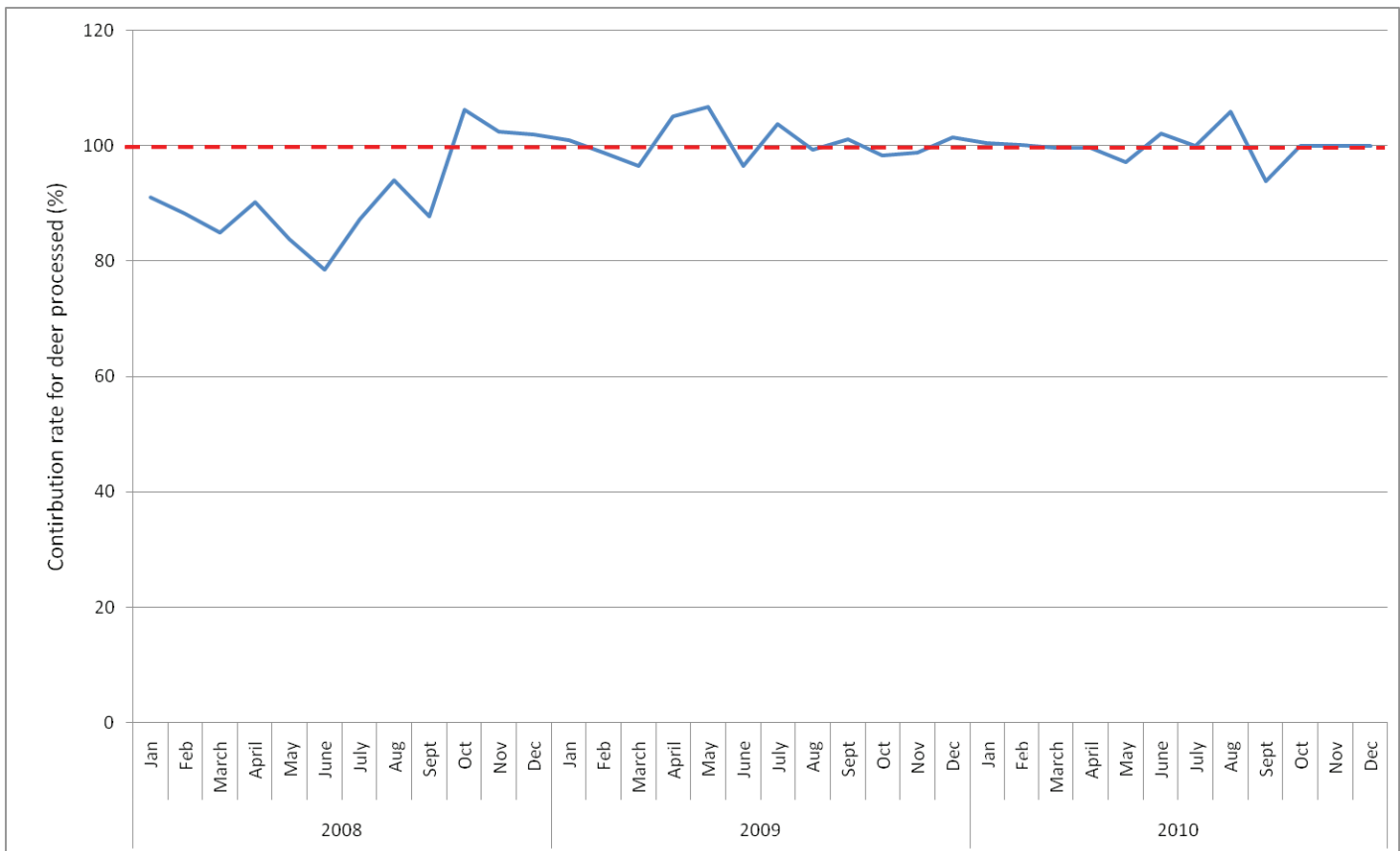


Figure one. The percentage of deer for which the voluntary contribution to JML was received from deer processors

EpiCentre, Massey University

The relationship between JML and the EpiCentre (centre for the study of veterinary epidemiology) at Massey University evolved significantly during 2010. The EpiCentre now provides consulting services on planning and conducting epidemiological analysis of JML data while JML assists where possible in the support of post-graduate students at the EpiCentre. Responsibility for producing the regular Quarterly Reports of the JML database has been transferred from the EpiCentre to the JML Technical Manager, Dr. Kathy Goodwin-Ray. The EpiCentre continues to provide support to Kathy where necessary in the production of these reports and JML benefits from Dr Goodwin-Ray by making a considerable cost saving on each report.

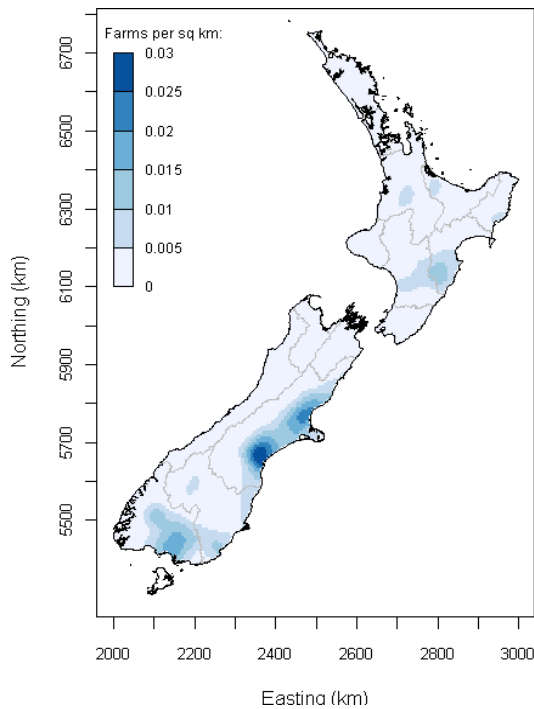
The Quarterly Reports provide a nation-wide summary of up-to-date information on the frequency of lesions indicative of Johne's disease and cover aspects of particular interest such as

- details of 'hot spots' of farm level prevalence of

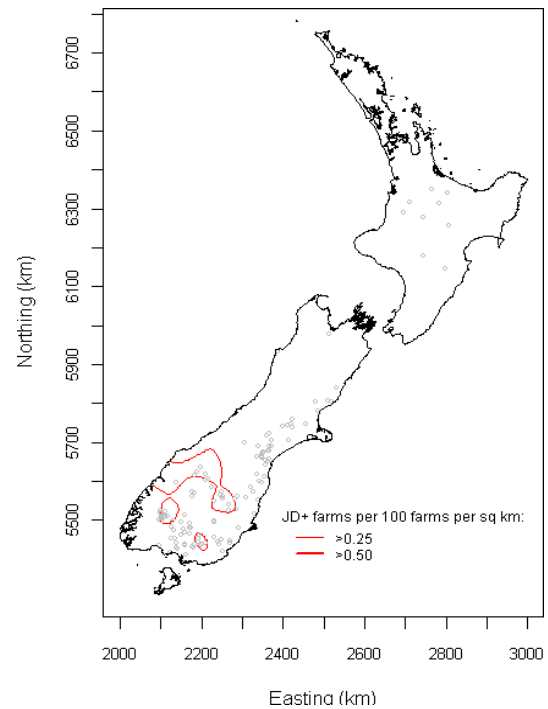
JD suspect lesions (see figure two) which are primarily in the lower half of the South Island

- a pronounced seasonality in the detection of lesions in young deer in contrast to lesion detection in adult deer which does not show a seasonal trend (see figure three)
- significantly lower carcass weights in deer with lesions, where young deer with lesions show a greater percentage of weight loss (3 – 7%) than adult deer with lesions.
- Island and regional prevalence levels

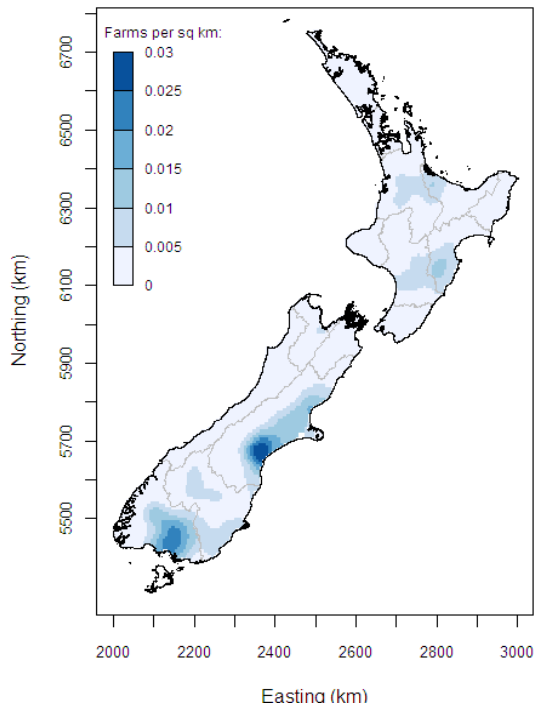
Unrelated analysis of the database identifies lesion detection rates at the different processing plants over time and shows that lesion detection rates are generally highest in the south of the South Island (figure four), lower in the north of the South Island (figure five), and lowest in the North Island (figure six).



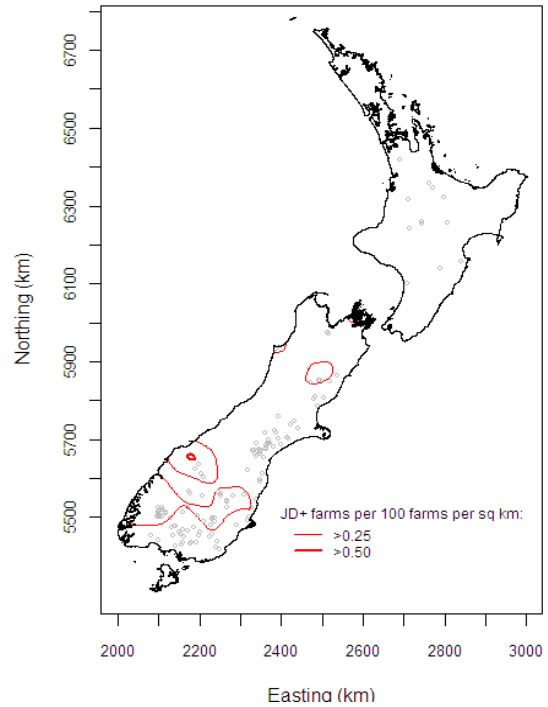
(a) July– September 2009



(b) July– September 2009



(c) July– September 2010



(d) July– September 2010

Figure two. Spatial distribution of: (a) farms submitting deer for slaughter July to September 2009; (b) point locations of EVL-positive farms for the period July to September 2009; (c) farms submitting deer for slaughter July to September 2010; and (d) point locations of EVL-positive farms for the period July to September 2010. In plots (c) and (d) contour lines delineate areas where the number of EVL-positive farms per 100 farms per square kilometre was greater than 0.25 (thin) and 0.50 (thick).

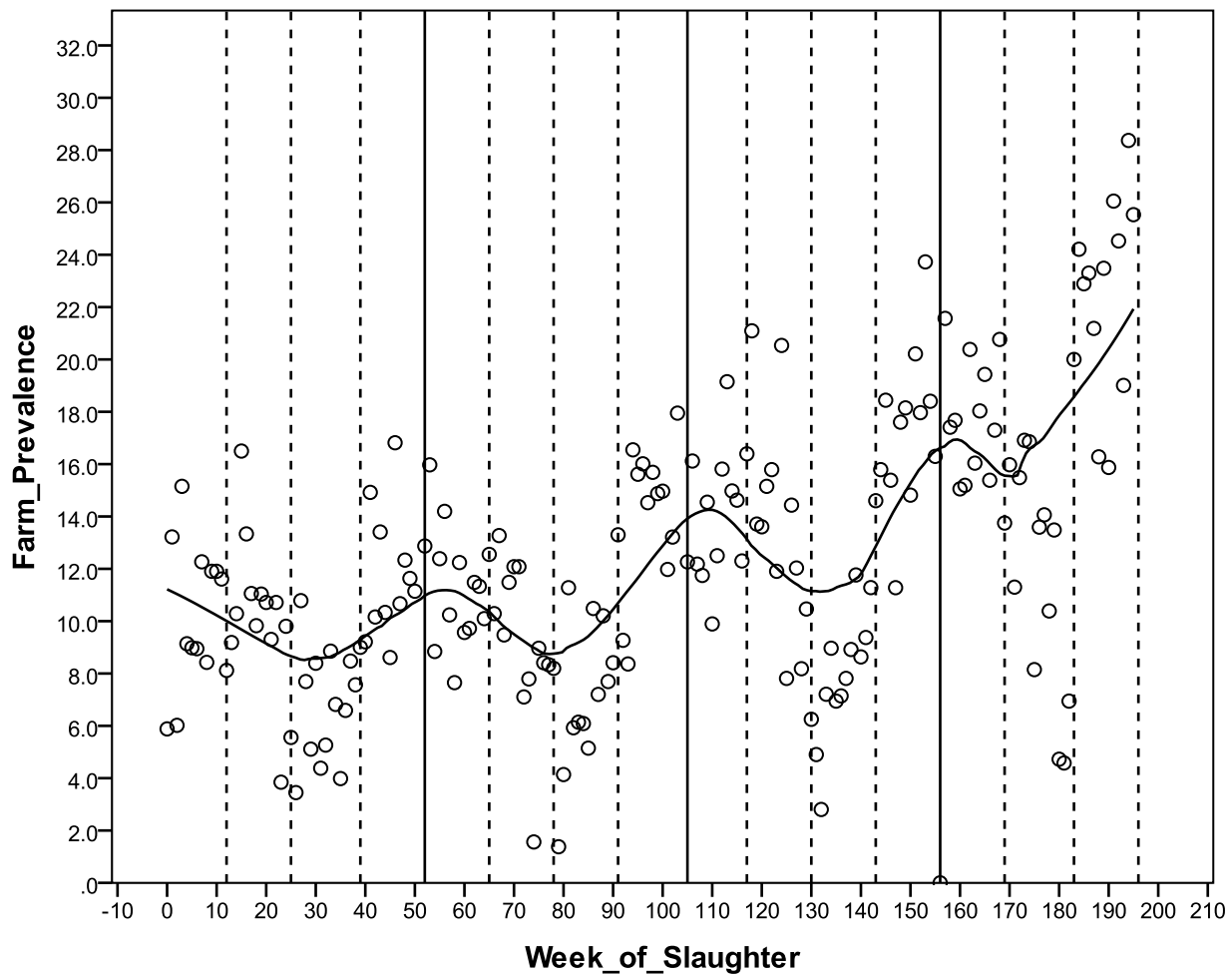


Figure three. Loess smoothed farm prevalence of young deer showing a significant seasonal trend, a long term trend, and a strong increase towards the last quarter of 2009 (time on the x-axis is in weeks: Jan-Dec 2007 = 1-52; Jan-Dec 2008 = 53-104; Jan-Dec 2009 = 105 – 156; Jan-Sep 2010 = 157 – 195).

Johne's Consultant Network (JCN)

Further workshops organised to train veterinarians to provide farm-specific specialist advice to farmers on the management of JD were held in Taupo and Te Anau. This brings the total number of workshops to five and the number of members in the JCN network to 29. The network is now nation-wide and the information they have is based on the most comprehensive resource available describing the management of Johne's disease in deer, the Technical Manual, 'JDOne: Understanding Johne's disease'. In addition, network members also have a copy of the JDOne software to assist them in developing farm-specific control programs for the disease. The software was designed by Martin Lawrence of APT Business Solutions in Palmerston North.

JML gratefully acknowledges contributors to the Technical Manual including Lesley Stringer and Art Subharat (Deer Research Group; Massey University), Colin Mackintosh and David Stevens (AgResearch), Frank Griffin (University of Otago), and Ginny Dodunski (Totally Vets, Fielding). JML would also like to acknowledge the Manual review team; Tony Pearce (DINZ), Simon Liggett (University of Otago) and Mandy Bell (Beech Resources Ltd, Wanaka).

JML was contracted by the Johne's Research Group 2 (JRG2) to develop the JCN network as part of a Sustainable Farming Fund (SFF) supported program.

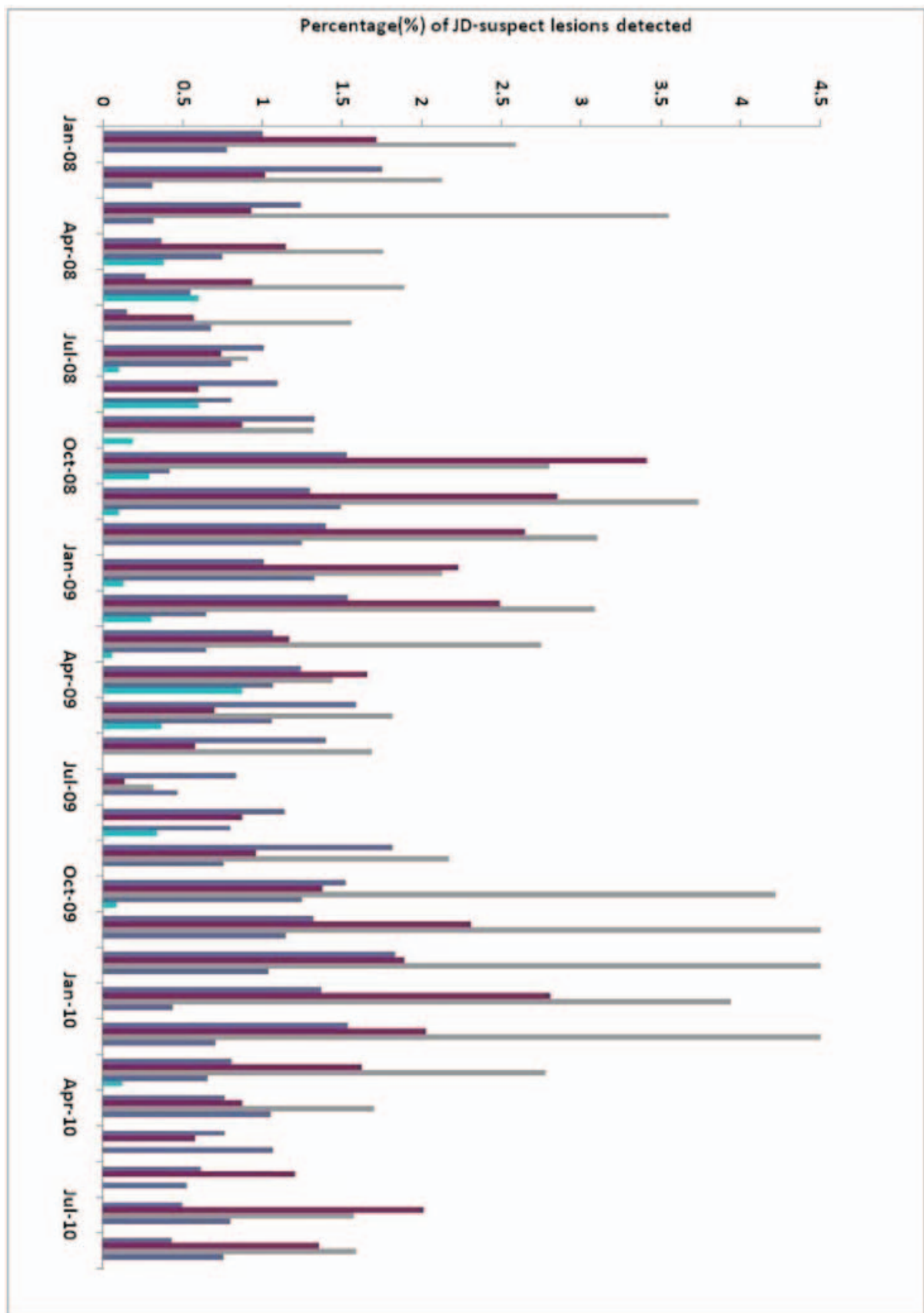


Figure four. Percentage of JD suspect lesions detected monthly at South Island processing plants south of Timaru to September 2010. Each processing plant is represented by one colour.

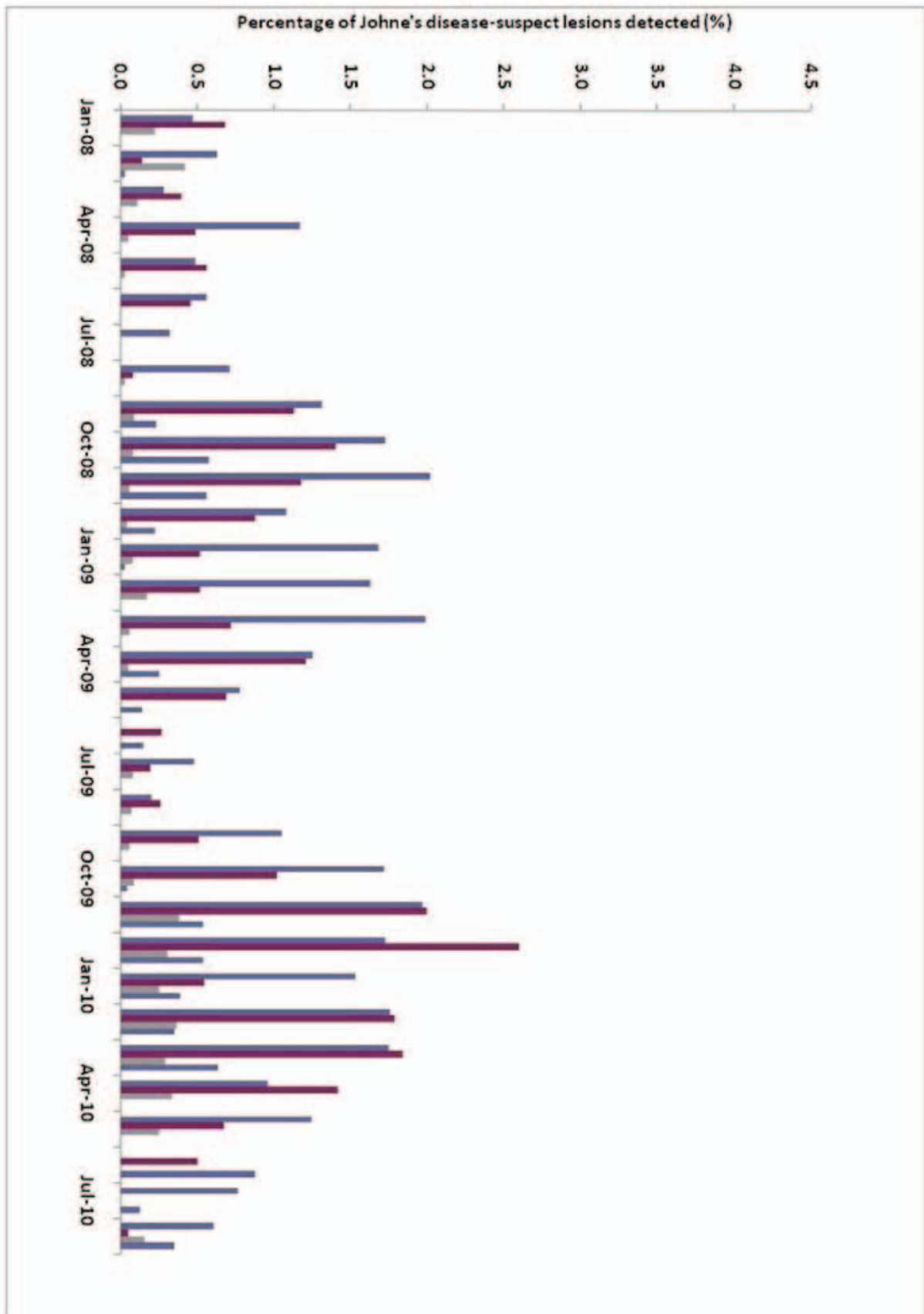


Figure five. Percentage of JD suspect lesions detected monthly at South Island processing plants north of Timaru to September 2010. Each processing plant is represented by one colour.

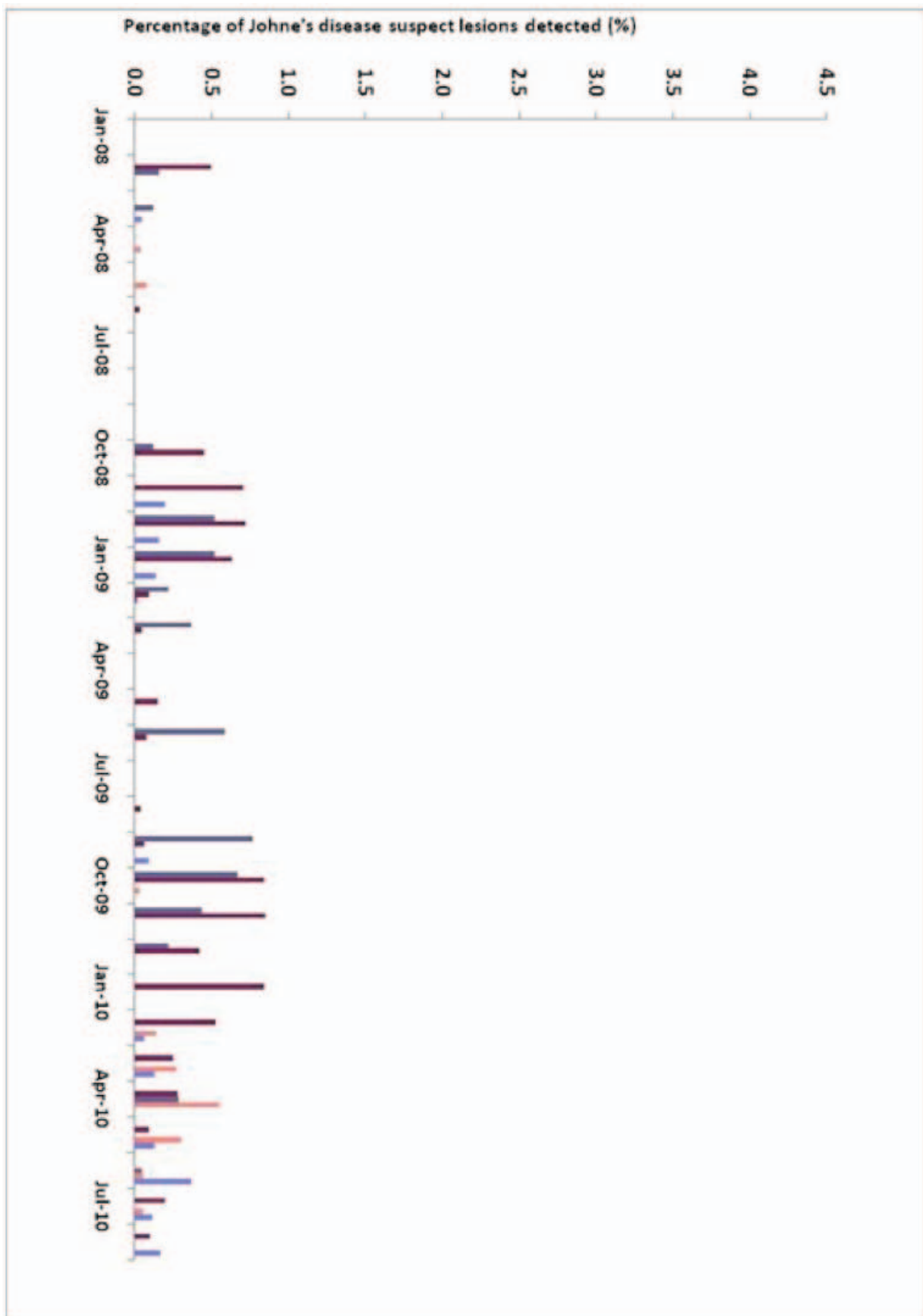


Figure six. Percentage of JD suspect lesions detected monthly at North Island processing plants to September 2010. Each processing plant is represented by one colour.

External review

JML passed an independent financial audit by Deloitte in November 2010 and a systems audit by Verification New Zealand in December 2010.

Funding

From October 1, 2009 to September 30, 2010, the voluntary contribution from venison processors was \$384,714. Combined with interest and contribution from JRG2 total income for 2009-2010 was \$410,412. Total income was 13% less than the budgeted figure of \$467,844.

Expenses for the year totalled \$360,728, considerably less than the budgeted figure of \$465,809. This left JML with a net operating surplus of \$49,240 at the end of the 2009-2010 year.

Conclusion

As the new Project Manager for JML I wish to express my sincere thanks to my predecessor, Dr Jaimie Hunnam, for her role in creating JML and for running it in an efficient and tidy manner which

has greatly eased my task of learning the ropes. I would also like to thank the JML board of directors and in particular our Chairman, Geoff Nielson, for support and encouragement during my transition to an industry based role from my previous post in an academic setting.

JML has had a busy and challenging year in 2009-2010 which has helped it in the process of maturing as a company. As a result JML has met the goals it set for last year, refined its small staff of highly skilled and dedicated people, and strengthened relationships with producers, processors, and the research community while finishing the year in a solid financial position. This is a strong position from which to launch a busy and challenging 2010-2011 continuing efforts to minimise the impact of Johne's disease in the deer industry.

Solis Norton
JML Project Manager

JOHNE'S MANAGEMENT LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 SEPTEMBER 2010

	Note	2010 \$	2008 \$
INCOME			
Processor voluntary contributions		384,714	195,455
Interest		1,482	3,126
Kiwisaver tax credit		-	525
JRG2 contributions		24,216	-
Total income		410,412	199,106
EXPENSES			
ACC levies		460	522
Accounting fees		15,000	13,420
Agribase		9,747	-
Audit fees		5,151	4,200
Computer expenses		3,844	678
Conferences		4,681	6,844
Depreciation		5,967	5,656
Directors' fees	7	18,250	17,250
General expenses, postage, stationery, telephone		14,592	11,647
Johne's Consultant Network		8,852	-
Johne's Research Group costs		32,292	252
Manual development		-	41,797
Massey contract costs		17,778	14,815
Meeting expenses		3,724	2,739
Ovis Management Ltd - service fees		15,834	10,201
Professional fees - taxation		-	600
Promotion		23,133	11,427
Publications		4,840	3,953
Rebate - Consultant's Initial Visit		500	-
Relocation expenses		2,793	-
Rent		8,136	-
Salaries and Superannuation contributions		117,074	106,626
Software maintenance		3,896	2,427
Staff recruiting		8,745	-
Technical Forum		1,296	-
Travel expenses		34,080	20,666
Validation		63	899
Total expenses		360,728	276,619
(Deficit)/Surplus before taxation		49,684	(77,513)
Taxation	5	444	938
NET OPERATING (DEFICIT)/SURPLUS		49,240	(78,451)

These statements are to be read in conjunction with the Notes on pages 19-21

JOHNE'S MANAGEMENT LIMITED
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2010

	Note	2010 \$	2009 \$
OPENING EQUITY		18,759	97,210
Net (deficit)/surplus after taxation		49,240	(78,451)
Total Retained Earnings		67,999	18,759
Issue of fully paid share	4	1	1
CLOSING EQUITY		68,000	18,760

These statements are to be read in conjunction with the Notes on pages 19-21

JOHNE'S MANAGEMENT LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2010

	Note	2010	2009
		\$	\$
CURRENT ASSETS			
National Bank - current account		3,302	12,758
- call account		67,993	6,150
Accounts receivable and prepayments		25,923	28,728
Taxation refund due		55	94
		<u>97,273</u>	<u>47,730</u>
LESS - CURRENT LIABILITIES			
Accounts payable		33,515	28,599
GST payable/(refundable)		2,481	978
Provision for holiday pay		144	4,750
		<u>36,140</u>	<u>34,327</u>
NET CURRENT ASSETS		<u>61,133</u>	<u>13,403</u>
NON-CURRENT ASSETS			
Cost		23,288	15,811
Less - Accumulated Depreciation		(16,421)	(10,454)
	6	<u>6,867</u>	<u>5,357</u>
NET ASSETS		<u>68,000</u>	<u>18,760</u>
EQUITY			
Share capital	4	1	1
Retained earnings		67,999	18,759
		<u>68,000</u>	<u>18,760</u>

These financial statements were authorised on behalf of the Board

Chairman

Director

Date

Date

These statements are to be read in conjunction with the Notes on pages 19-21

JOHNE'S MANAGEMENT LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

Johne's Management Limited (the "Company") is a wholly owned subsidiary of Deer Industry New Zealand, a marketing authority established under the Deer Industry New Zealand Regulations 2004. The Company is responsible for the collection of statistics on the frequency and distribution of Johne's disease in New Zealand. The Company was incorporated on 23 November 2006 under the Companies Act 1993.

1. Statement of Accounting Policies

(a) General Accounting Policies

The general accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed by Johne's Management Limited. Reliance is placed on the fact that Johne's Management Limited is a going concern.

(b) Particular Accounting Policies

The following particular accounting policies which materially affect the measurement of financial performance and the financial position have been applied:

Differential Reporting

Under the differential reporting framework, Johne's Management Limited is entitled to certain exemptions from the financial reporting standards as it complies with the following criteria:

- i. The entity is not publicly accountable;
- ii. The entity is not considered to be large according to the criteria set out in the framework.

Johne's Management Limited has taken full advantage of the exemptions available under the framework except FRS 19 Accounting for Goods and Services Tax.

Accounts Receivable

Accounts Receivable are stated at their estimated realisable value.

Software Development

Software Development and computer equipment are recorded at cost less depreciation at rates between 48% - 60% on diminishing value basis (DV) as permitted by the Income Tax Act 2007.

Goods and Services Tax (GST)

These financial statements are prepared on a GST exclusive basis except for receivables and payables that are GST inclusive.

Income Tax

The income tax expense charged against the taxable surplus for the year is the estimated liability in respect of that taxable surplus and is calculated after an allowance for permanent differences. The liability method of accounting for deferred taxation is applied on a comprehensive basis.

Future tax benefits attributable to tax losses or timing differences are only recognised when there is virtual certainty of realisation.

Income Recognition

Income from voluntary contributions from venison processors and interest is recorded on an accrual basis.

Changes in Accounting Policies

There have been no changes in accounting policies.

2. Segmental Reporting

Johne's Management Limited operates solely in one industry segment, being the deer industry.

3. Related Parties

The Chairman of Johne's Management Limited is also Chairman of Ovis Management Limited which provides certain services to Johne's Management Limited.

Processor Voluntary Contributions are received via Deer Industry New Zealand.

There have been no other transactions with related parties.

4. Share Capital

Johne's Management Limited has issued one share which has been fully paid up to \$1. The Shareholder has the right to receive notice of, and attend, every meeting of shareholders and to vote on any resolution thereat. The Company may repurchase shares issued by it and hold its own shares. Subject to the rights of any Shareholders, upon the liquidation of the Company the surplus assets of the Company (if any) must be distributed among shareholders in proportion to their shareholding.

5. Taxation

	2010	2009
	\$	\$
Interest income during year	1,481	3,126
Taxation @ 30%	444	938

6. Computer Software and Equipment

Opening balance	5,357	5,370
Additions during year	7,477	5,643
	<hr/>	<hr/>
	12,834	11,013
Accumulated depreciation	5,967	5,656
	<hr/>	<hr/>
Closing carrying value 30 September	6,867	5,357
Fixed assets are depreciated on the Diminishing Value basis at rates between 48% - 60%.		

7. Directors' Remuneration

Geoffrey W Neilson	15,000	15,000
Edward A Brock	1,000	750
Ian S Hercus	1,250	750
Mark J O'Connor	-	-
Ian D Stewart	1,000	750
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	18,250	17,250
	<hr/>	<hr/>

As Mark O'Connor is CEO of Deer Industry New Zealand he does not receive Directors fees.

There have been no changes in the composition of the Board of Directors during the year.

8. Audit Fees

	\$	\$
Financial Statement Audit Fees paid to external auditor - Deloitte	4,400	4,200
Other external audit fees paid – Verification NZ	751	-
	5,151	4,200

9. Donations

No donations were received during the year (2009: nil)

10. Interest Register

No Directors have any financial interest in John's Management Limited.

11. Subsequent events

There are no events subsequent to reporting date, that the Directors are aware of, that would have a material impact on the financial statements for the year ended 30th September 2010.

