



JML ANNUAL REPORT

and Statement of Accounts for the 12 months ended 30 September 2011

Mission Statement

“To provide services and assistance to the New Zealand deer industry to aid in the control of Johne’s disease, including monitoring and maintenance of a national database”

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Wellington 6011

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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 3rd of February 2012 in the Deer Industry New Zealand Boardroom, Level 5, Wellington Chambers, 154 Featherston Street, Wellington 6011.

The meeting will commence at 11.00 a.m.

Agenda

1. Apologies.
2. To approve the minutes of the 2010-2011 annual general meeting.
3. Receive and consider the Directors Report, Auditors Report and Accounts for the year ended 30 September 2011.
4. The appointment of Auditors for the forthcoming year.
5. General business.

Directory

CHAIRMAN	G. W. Neilson 10 Kanuka Court, Mosgiel 9024
DIRECTORS	E. A. Brock Merino Downs Road, RD5, Gore 9775 R. Hilson 120 Paget Road, RD2, Takapau 4287 I. D. Stewart 32 Masefield Drive, Rolleston M. J. O'Connor 19 Reading Street, Karori, Wellington
SECRETARY	S. Norton PO Box 6475, Dunedin 9016
REGISTERED OFFICE	Level 5 Wellington Chambers building 154 Featherston Street, Wellington 6143
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	R. A. Henry 32 Salamanca Road Kelburn, Wellington

Company Management

PROJECT MANAGER	Dr. S. Norton, Dunedin
TECHNICAL MANAGER	Dr. K. Goodwin-Ray
SCIENCE ADVISOR	Dr J Hunnam

Chairman's Annual Report

Johne's Management Ltd has now established itself as a highly recognised credible deer industry entity.

The Company continues to strengthen its partnerships with deer farmers, venison processors, AsureQuality and their meat inspectors, veterinarians, scientists, the Epicentre at Massey University, the Dunedin Research Laboratory, and with the Industry as a whole.

Since the Company was established in 2007, we have continued to challenge and refine programmes aimed at assisting deer farmers to minimise Johne's disease on their farms, with the ultimate goal of improving deer farming profitability.

Deer farmers with significant disease on their farms can usually be identified from the Johne's Management Ltd (JML) data base. From this information, contact can be established with the farmer by our Project Manager, usually in conjunction with a veterinarian from the pool of some 38 veterinarians in the Johne's Consultant Network. A tailor-made on-farm control programme is created through discussion with the farmer, identifying key management changes that will help reduce the transmission of the disease on their farm. Some forty farms have now adopted on farm programmes arising from these consultations.

The Company has been closely involved with MAF representatives as we move from the "Agribase" national farm database to the new MAF "Farms On Line" database. In discussion with all the venison processors, we received unanimous support to proceed with this change-over. Information outlining this development will go out to all suppliers in the New Year.

JML has been actively involved with the Johne's Research Group 2 (JRG2). The Company has recently coordinated the release of the JRG2 designed Voluntary Johne's Disease Declaration Form. It has been developed to assist buyers and sellers of deer to minimise the spread of

the disease between deer herds. The form has been widely distributed and is easily accessible via the internet, and it is hoped it will be of real assistance to the industry and at the farmer level in particular.

The ongoing service agreement we have had with JRG2 will terminate in June 2012.

The Directors examined closely the finances of the Company and have concluded that the present \$1.00 per head contribution is more than is required to meet the financial demands of our operations. From 1 January 2012 the financial voluntary contribution will be reduced to 80 cents per head. The aim is to run the organisation at cost and not to incur unnecessary reserves.

The Board recognises the importance of the Asure Quality meat inspectors at the processing plants. Whilst there is always room for further improvement, inspectors are now recording around 75% of lesions in the carcasses. This is a vast improvement on the 25% recorded at the commencement of the programme.

The Company is appreciative of the energetic input the inspectors make at this critical point in the programme.

The continuing success of the Company comes about in great part through the support we receive from the Processing Companies Executives and their staff, from scientists and industry participants in general, but above all from deer farmers themselves.

This year will see the retirement from the Board of Mr Eddie Brock, one of two deer farmer representatives. Eddie's contribution to the Company, especially through our development phase, has always been astute, constructive and progressively positive. Our sincere thanks to the contribution you have made in the time you have been with us Eddie. We wish you and Bronwyn continuing success with your deer farming operation.

The Deer Farmers Association nomination to fulfil

the position vacated by Eddie Brock has yet to be confirmed by the DINZ Board.

The term of two other directors expired during the year; Mr Mark O'Connor and myself. We were re-appointed to the JML Board by the Deer Processors and the DINZ Board respectively.

JML has a service agreement with Ovis Management Ltd. (OML) to operate our national database on our behalf. We are most appreciative of the work that OML Project Manager Mr Dan Lynch does on our behalf. Thanks Dan.

Thanks also to our Technical Manager, Dr. Kathy Goodwin-Ray. Kathy continues to analyse our quarterly reports from Massey University of our database and responds to special work requests from the Project Manager.

We appreciate the time Mr. Edmund Noonan gives to assisting the Project Manger at Field Days and Focus Farm Days.

To our Accountant, Mr Ron Henry – thanks Ron for your support and professional input, a job well done.

The overall management and implementation of the Board's programme becomes the responsibility of our Project Manager, Dr. Solis Norton. This year has been a great success, due to the work, dedication and enthusiastic commitment he has given to the Company. He has become a significant leader in the New Zealand deer industry's efforts to minimise the impact of Johne's disease. On behalf of the Directors I especially thank you, Solis, for your efforts this past year and we look forward to working with you in the coming year.

To my fellow Directors, I thank you for your commitment and support. What we have achieved and developed here since 2007 is something unique within the New Zealand farming sector, something that has come about from some sound policy decisions, a small financial input, yet something with potentially large outcomes.

Geoff Neilson
CHAIRMAN



Project Manager's Annual Report

Johne's Management Limited is producing real and tangible positive outcomes within only a handful of years since it began. Three in particular are worthy of special mention as a sign that the programme is forging inroads into the control of JD with measurable success.

The first was independent data showing signs of success with the JCN. An independent analysis of the Paralisa™ test prevalence of JD on farms with versus without a Johne's Consultant Network (JCN) was provided to JML by the Deer Research Laboratory at the University of Otago. While the data remains preliminary at this stage, it shows that farms with a high initial prevalence are more likely to seek advice from the JCN. It also shows that this is leading to a faster and more consistent decline in the prevalence of JD after only a couple of years of testing (Figure one).

Top quality data is a critical part of a successful bio-security programme and the second indicator of positive progress is the performance of theASUREQuality meat inspectors. Shortly after data collection for JML began, the ability of meat inspectors to identify JD-like lesions was assessed and it was found that they identified about 25%. In late 2010 and early 2011 another assessment was made which included 27 meat inspectors from 11 plants inspecting 3412 deer. The data was analysed by an international

post-graduate student, Claire Cayol, at Massey University. The results showed a substantial improvement in meat inspector performance, increasing their detection rate from 25% to 75%. This improvement in inspector performance is great news but the variable nature of the lesions means it will never be possible to detect every single one.

The third outcome is that a total of 38 farms have now implemented an appropriate on-farm JD programme following consultation with JML or JCN veterinarians. The average prevalence of lesions from these farms was three times greater than the national average and their deer represented 9% of the kill for last season. This shows farms with higher than average rates of Johne's disease are getting advice from the JCN and that a growing percentage of the national deer kill is under a JD management plan.

The Company is now well established as a deer industry entity, an important part of their industry wide Productivity Improvement Programme, and the benchmark of Johne's disease control activity in New Zealand.

The following highlights paint a picture of a recently established bio-security programme that recognises the importance of constantly challenging processes and standards to raise its level of service and the return on the deer industry's investment in Johne's disease control.

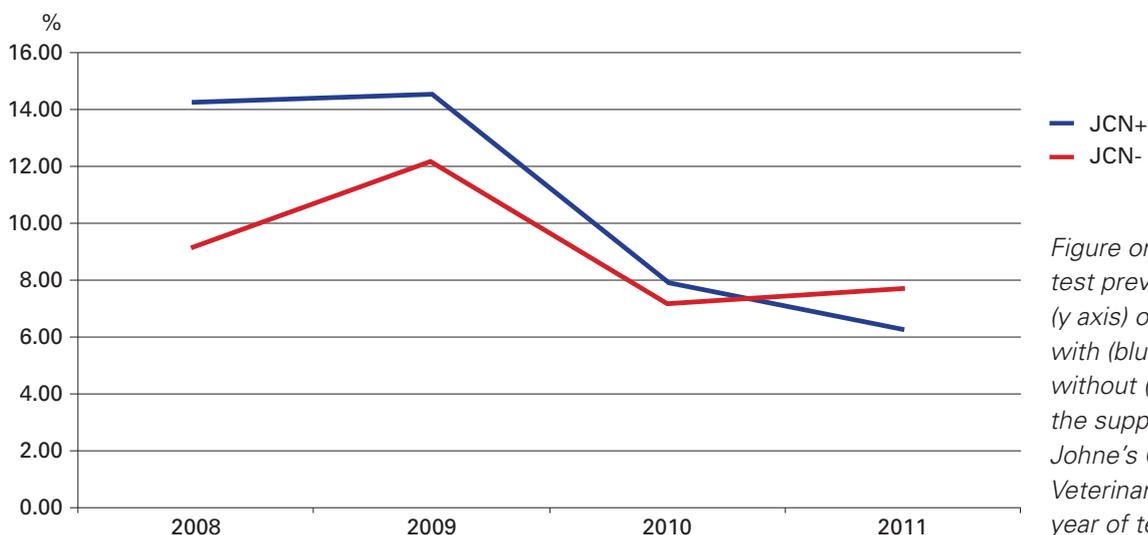


Figure one: Paralisa™ test prevalence (y axis) on farms with (blue line) and without (red line) the support of a Johne's Consultant Veterinarian for each year of testing (x axis)

Programme activity

JD consult project

Discussions with deer industry representatives, farmer groups, researchers, and international Johne's disease experts have been held to better understand how JML can provide the best possible service to the deer industry. The outcome is the JD consult project. In addition to routine JML activity, the Project Manager will personally contact farms with a high lesion prevalence to offer them the services of the JCN and JML including subsidising a small amount of diagnostic testing for the disease. Providing support and affirming a positive outcome can be achieved by implementing an on-farm control programme for Johne's disease are also critical parts of the project which is responding to problem areas based on historical data and the latest hot spot information (see Figure two).

This project represents an important shift for the company from vigorous yet passive promotion of

awareness to actively driving the uptake of on-farm control programmes.

Quarterly analysis of data

Detailed quarterly analysis of national data on JD-like lesions in processed deer. This work shows that between 0.89 and 0.95% of deer processed have JD-like lesions identified. The prevalence of farms supplying young deer (up to two years old) with lesions for processing is higher and growing slowly (Figure three) compared with farms supplying mature deer where the prevalence is comparatively static (Figure four).

The prevalence of farms sending deer with lesions for processing is highest in Otago and Southland but also significant in Canterbury and comparatively low in the North Island.

Notification letter mail outs

Notification letters were sent every four months to farmers with deer in which lesions were detected at processing during that period.

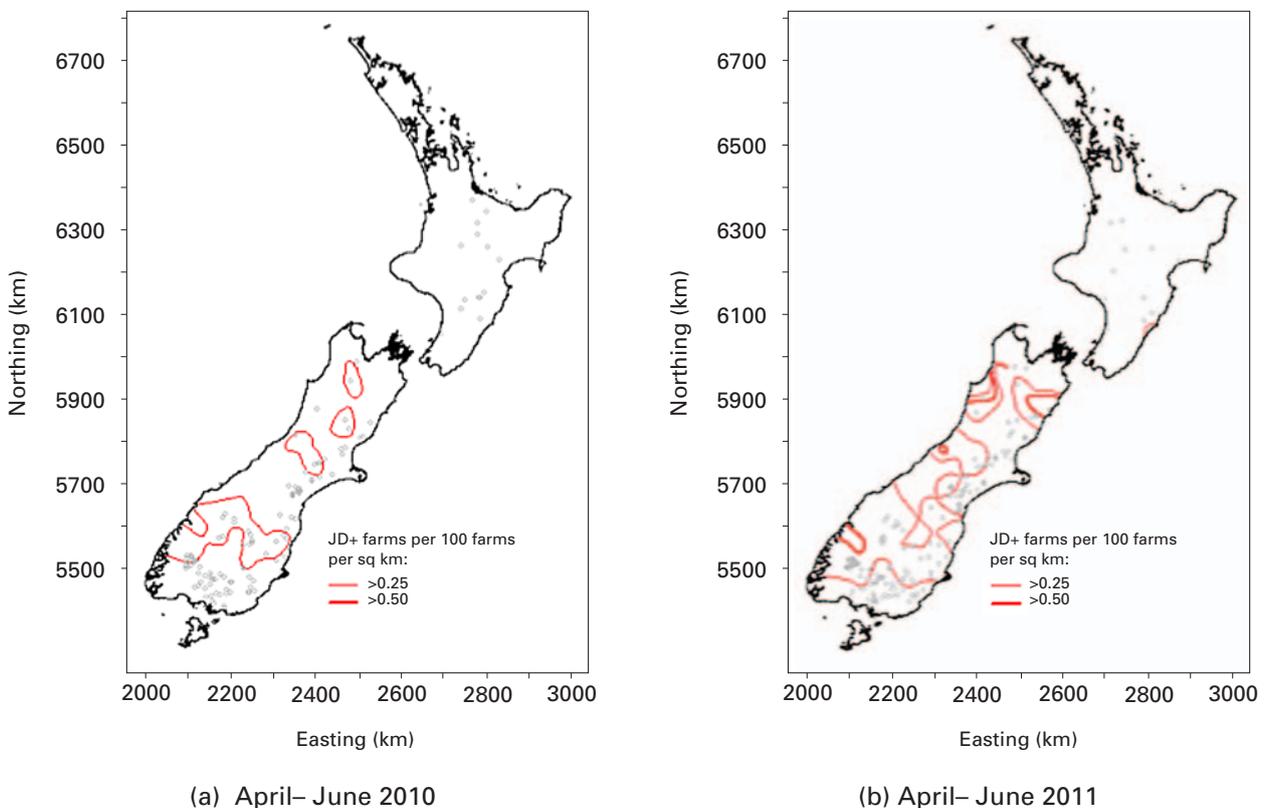


Figure two: Potential Johne's disease hot spots emerging near Westport and Kaikoura. Spatial distribution of locations of farms supplying deer with lesions for processing during April-June 2010 (a) compared with the same period a year later (b). Contour lines delineate areas where the number of EVL-positive farms per 100 farms per square kilometre was greater than 0.25 (thin) and 0.50 (thick).

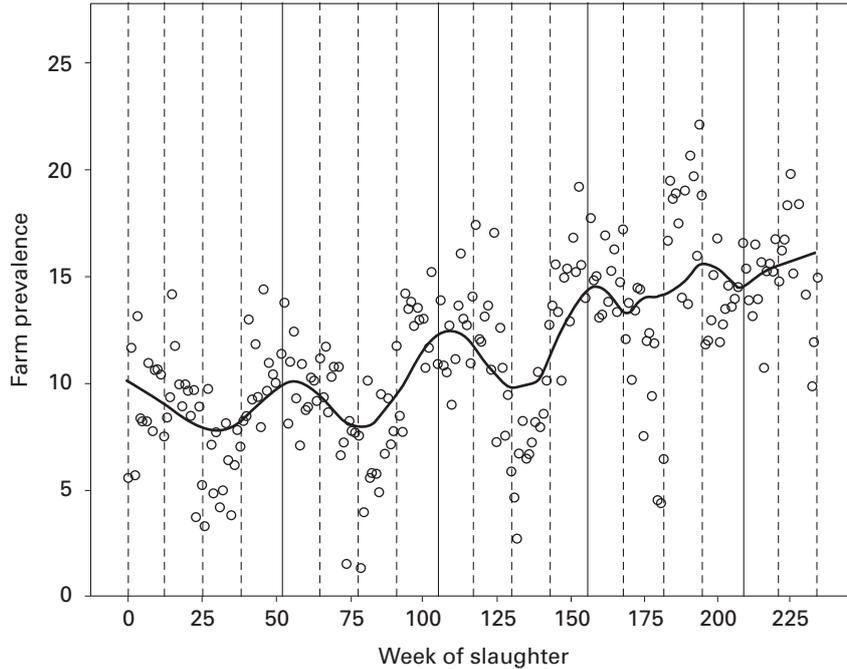


Figure three: Loess smoothed farm prevalence of young deer showing a significant seasonal trend, a long term trend, and a decreased prevalence from September 2010 to June 2011 (time on the x-axis is in weeks: Jan-Dec 2007 = 1–52; Jan-Dec 2008 = 53–104; Jan-Dec 2009 = 105–156; Jan-Dec 2010 = 157–208; Jan-Mar 2011 = 209–221; Apr-Jun 2011 = 222–234).

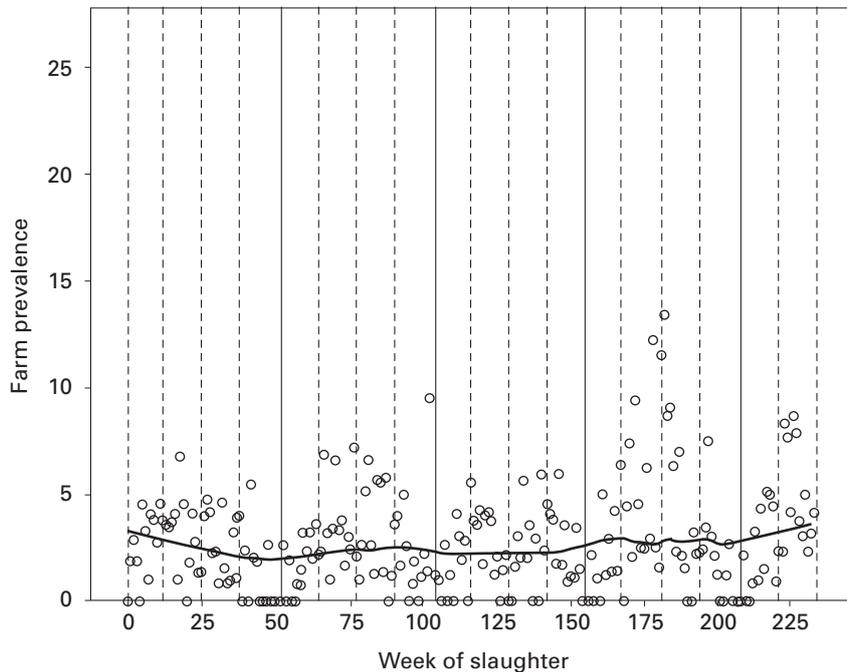


Figure four: Farm prevalence of EVL by week of mature deer (Jan 2007 – Jun 2011). In contrast to young deer, mature deer showed a lower and non-seasonal farm prevalence.

The three mail outs were in November 2010, February 2011 and August 2011 with 188, 360, and 311 letters sent respectively. In 2010-2011 518 farms sent deer with JD-like lesions for

processing which is 24% of all 2161 farms that processed deer.

Field days and other public events

Field days and Focus Farm events are an

excellent promotional opportunity. JML hosted a site at the South Island Agricultural Field Days at Lincoln, the Central Districts Field Days in Fielding, the Wanaka show, and the Lawrence Farmarama. The Project Manager and members of the JCN presented a cost benefit analysis of Johne's disease control on the 'Making a DIFFerence' Deer Industry Focus Farm at Mendip Hills and will also be involved in high profile control activity at the Zino brothers property near Hawarden.

Communication to industry

The JML Project Manager presented recent activity and financial performance figures, including approved budget information to the New Zealand Deer Farmers Association and Venison Processors Committee. Summaries of activity and significant developments are also presented to the deer branch of the New Zealand Veterinary Association, the national Veterinary Conference, MAF, and farmer groups.

Articles on various aspects of Johne's disease in deer are regularly included in the Deer Industry News and periodically published in Country Wide magazine and VetScript.

Information can also be obtained from the new JML website: www.johnes.org.nz.

Advice and assistance

The service provided by JML benefits from the petite nature of the deer industry with individual farmer enquiries followed up and responded to personally by the JML Project Manager. These are typically completed by phone call or mail and special effort is made to link the farmer with their local JCN vet. The strictest of confidentiality protocols are adhered to during these enquiries with information only passed on to a vet with the written consent of the farmer.

New tools for communicating the importance of Johne's disease

2010-11 saw the addition of two new tools to JML. The first is a computer model created by the JML Technical Manager, Kathy Goodin-Ray, with the support of a field of Johne's disease experts. It is a working model to estimate the cost of the disease to the entire deer industry. It can easily be revised in future as new data becomes available to provide up-to-date results. The second is a spreadsheet computer model to enable farmers to calculate the cost of the disease on their own property (Figure five). Both tools will provide valuable information for the purposes of defining the overall impact of the disease at different levels within the deer industry. However, most importantly they provide

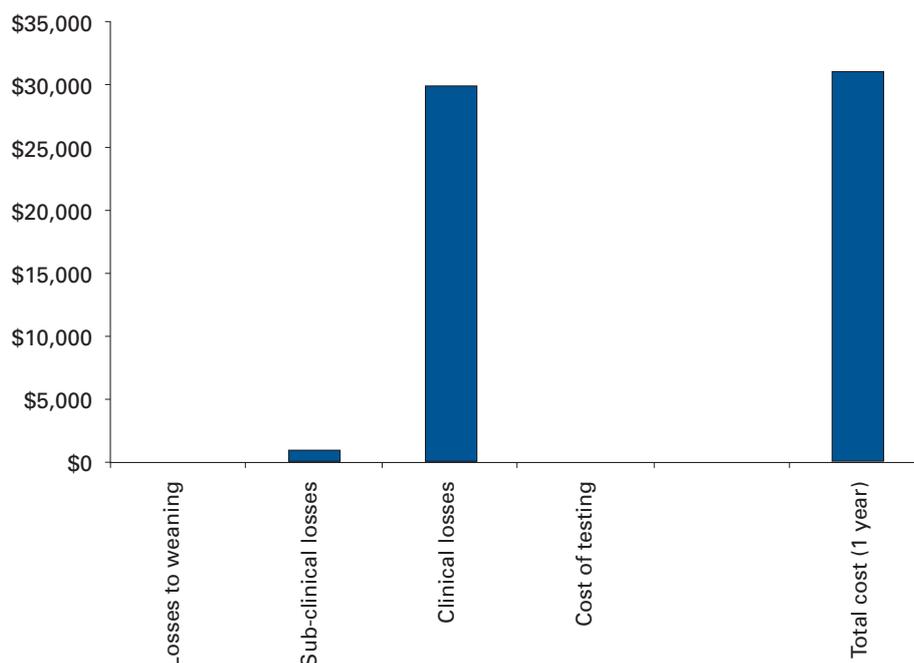


Figure five. Annual cost during 2010-11 of Johne's disease on a finishing farm in Southland

an easily interpretable metric to show farmers the impact of the disease and to stimulate them to put a control programme in place.

Industry bodies

Johne's Consultant Network (JCN)

The Johne's Consultant Network is a critical part of the JML programme. The 38 veterinarians that make up the network provide nation-wide coverage of specialists in the design of tailor made on-farm JD control programmes. The network has much to offer. They offer farmers a mix of local farming knowledge and expertise combined with an understanding of the best ways to control JD, while also providing advice on other animal health issues. In addition they offer JML, which has only a single full time employee, the means to complete much more work than could be achieved otherwise. Network members are involved in a variety of activities related to Johne's disease including the JD consult project, high profile JD control programmes like the Deer Industry Focus Farm at Mendip Hills, JD workshops at the Cervetec conference, and they receive regular newsletters. Their services are promoted through JML presentations, mail outs to farmers and the JML website.

The efforts of every member of the network are greatly appreciated by the Company. The network represents a vital and central resource and concerted action to promote and strengthen the group will continue in 2012.

Venison Processors

The Venison Processors Committee is regularly updated on the activity of JML and they have acknowledged the positive progress being made. The funding system is now well established with the voluntary contribution received for 100% of deer processed during the 2010-2011 year (Figure six). A significant financial surplus was reported at the conclusion and a means of addressing this is discussed below in the section on Funding.

Ovis Management Limited

Ovis Management Limited has continued to provide exceptional service in the maintenance of the JML database and working closely with the JML Project Manager, particularly at Field Day events. In addition, OML Project Manager Mr Dan Lynch has been the main driver in progress by both OML and JML to shift the source of farmer contact detail information from AgriBase to FarmsOnLine. JML is indebted to Mr Lynch for

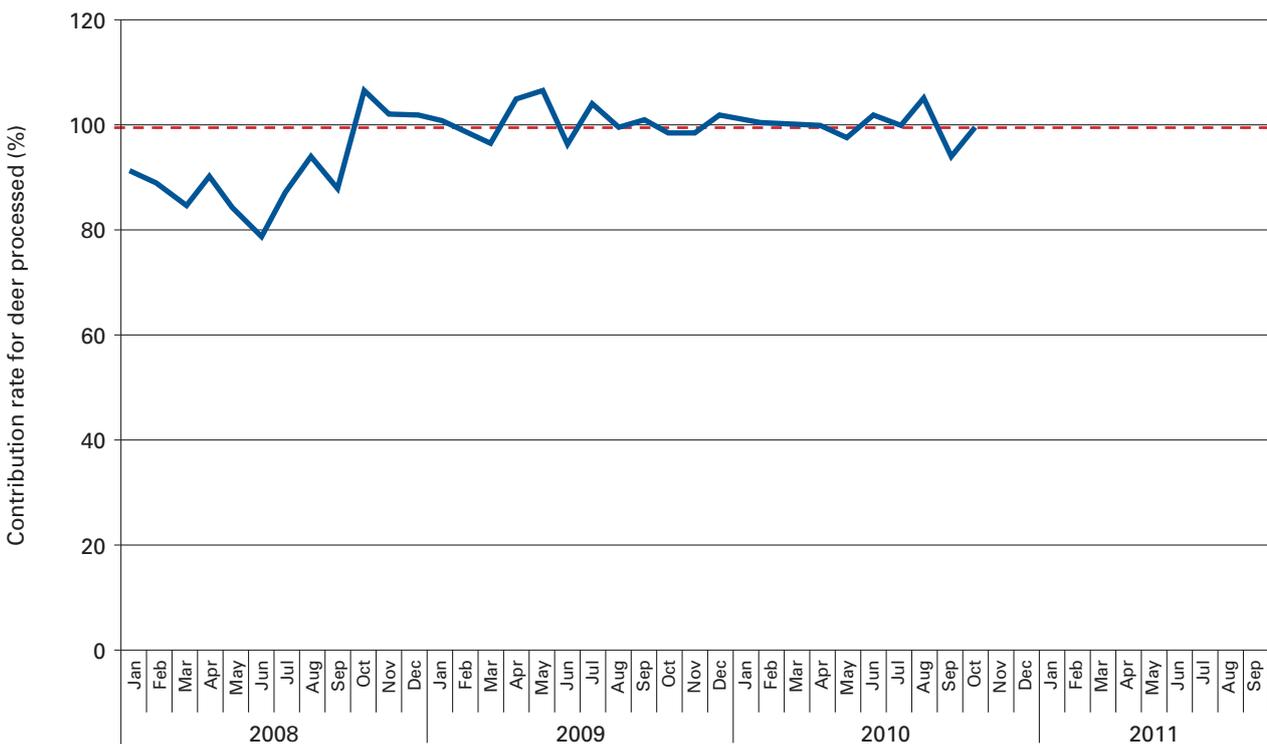


Figure six. The percentage of deer for which the voluntary contribution to JML was received from deer processors

his commitment to the JML program and efficient response to queries and provision of data.

Deer Research Laboratory

Over the years DRL has helped many deer farmers control JD using their Paralisa blood test. They are also continuing to develop and refine their diagnostic procedures which will improve our ability to control the disease in the future. Testing is a key method for understanding JD levels on farm and an important part of any on-farm control programme so their experience, combined with the epidemiological expertise of the JCN enables the best possible control for each farm.

Johne's Disease Research Group 2 (JRG2)

JML is an important component of the JRG2 research group, providing the operational capacity to achieve key milestones, particularly around the JCN, raising the awareness of JD with farmers, and developing the Voluntary Johne's Disease Declaration Form. The research group concludes in 2012, while JML will remain as the platform from which the deer industry can benefit from the numerous and substantial outcomes that this group has achieved.

Johne's Disease Research Consortium (JDRC)

JML participates in the Johne's Disease Research Consortium, representing the deer industry in a wide variety of pan-industry discussions. Recent topics have varied from reviewing the recent JD prevalence report to discussing the likely changes and impacts in disease over the next decade. The effort and expertise that the deer industry has invested in JD over the last decade is well recognised by the consortium and the deer industry stands to benefit strongly from this going forward. Their vision in establishing JML has provided a high benchmark against which JD control in other livestock sectors must try to equal in the future.

EpiCentre, Massey University

JML had less involvement with the EpiCentre than in previous years now that the JML Technical Manager is responsible for the Quarterly Analysis Reports. Still, there is provision

to utilise the EpiCentre as a consultant body and a link with them was maintained by providing data and supervisory support for their visiting French student Claire Cayol's post graduate study.

External review

An independent financial audit of JML by Deloitte in December 2011 was awaiting final sign off as this report went to print and a systems audit by Verification New Zealand was made in January 2012.

Funding

From October 1, 2010 to September 30, 2011, the voluntary contribution from venison processors was \$414,803. Combined with interest and income from JRG2, total income for 2010-2011 was \$436,411. Voluntary contribution income was 18% higher than the budgeted figure of \$370,000.

Expenses for the year totalled \$307,656, 16% less than the budgeted figure of \$366,292. This left JML at the end of the 2010-2011 year with a net operating surplus of \$127,430 and closing equity of \$194,240.

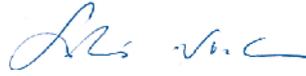
It is the aim of JML to function for only the cost of its operations and not to accrue significant financial reserves. The Project Manager undertook a review of the financial history of JML since the company began and presented it to the Board at the November 2011 meeting. The Board recommended that the voluntary contribution be reduced from \$1.00/hd to \$0.80/hd based on this review. The new lower contribution will begin January 1, 2012. Existing reserves will be reduced during 2011-2012 by providing a small amount of subsidised diagnostic testing to individual farmers to accelerate the 'know your status' promotion. This action fits neatly as both a goal of JML and an important part of the Animal Health section of the deer industry's Productivity Improvement Programme.

Conclusion

As Project Manager I wish to express my sincere thanks to the JML chairman, Mr Geoff Neilson, members of the Board, members of the deer

industry, and all the related groups mentioned above for their support and endorsement of the JML programme. I feel that positive and measurable results are now emerging in what is really only a short time since it began. These encouraging results only strengthen the Company's desire to raise its performance further and offer the best possible return on the

deer industry's investment in controlling Johne's disease. I feel we have had a successful 2010-2011 and look forward to a challenging and rewarding 2011-2012.



Solis Norton

Project Manager

Johne's Management Limited

JOHNE'S MANAGEMENT LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Note	2011 \$	2010 \$
INCOME			
Processor voluntary contributions		414,803	384,714
Interest	4	4,417	1,482
JRG2 contributions		16,891	42,891
Sundry income		300	-
Total Income		436,411	429,087
EXPENSES			
ACC levies		438	460
Accounting fees		15,782	15,000
Agribase		20,549	9,747
Audit fees - Deloitte		4,670	4,400
Bank charges		1,080	-
Computer expenses		870	3,844
Conferences		4,545	4,681
Depreciation	5	5,244	5,967
Directors' fees	6	19,000	18,250
Farmer workshops		4,796	
General expenses, postage, stationery, telephone		14,460	14,685
Johne's Consultant Network		6,366	9,071
Johne's Research Group costs		6,489	49,994
Massey contract costs		-	17,778
Meeting expenses		3,013	4,385
Ovis Management Ltd - service fees		15,000	15,834
Promotion		11,548	23,133
Publications		7,585	4,840
Rebate - Consultant's Initial Visit		250	500
Relocation expenses		-	2,793
Rent		4,236	8,136
Salaries and Superannuation contributions		98,199	118,264
Software maintenance		2,857	3,896
Staff recruiting		-	8,745
System audit - Verification NZ		877	751
Taxation services		980	-
Technical Forum		-	1,296
Travel expenses		27,374	34,080
Validation		31,448	63
Total Expenses		307,656	380,593
Surplus before Taxation		128,755	48,494
Taxation	4	1,325	444
NET OPERATING SURPLUS		127,430	48,050

These statements are to be read in conjunction with the Notes on pages 17 - 19.

JOHNE'S MANAGEMENT LIMITED
 STATEMENT OF FINANCIAL PERFORMANCE
 FOR THE YEAR ENDED 30 SEPTEMBER 2011

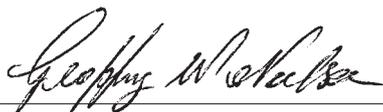
	Note	2011 \$	2010 \$
OPENING EQUITY		66,810	18,760
Operating Surplus after Taxation		127,430	8,050
		<hr/>	<hr/>
Total recognised in Revenue and Expenses		127,430	48,050
		<hr/>	<hr/>
CLOSING EQUITY		194,240	66,810

These statements are to be read in conjunction with the Notes on pages 17 - 19.

JOHNE'S MANAGEMENT LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Note	2011		2010	
		\$	\$	\$	\$
CURRENT ASSETS					
National Bank - current account		4,335		3,302	
- call account		84,180		67,993	
- term deposit		100,000		-	
Accounts receivable and prepayments		36,996		25,923	
			225,511		97,218
LESS - CURRENT LIABILITIES					
Accounts payable		19,563		35,404	
Accruals		11,000		-	
GST payable		5,590		1,782	
Provision for holiday pay		1,376		144	
Taxation payable		14		(55)	
			37,543		37,275
NET CURRENT ASSETS			187,968		59,943
NON-CURRENT ASSETS					
Cost		27,937		23,288	
Less - Accumulated Depreciation		(21,665)		(16,421)	
	5		6,272		6,867
NET ASSETS			194,240		66,810
EQUITY					
Share capital		1		1	
Retained earnings		194,239		66,809	
			194,240		66,810

These financial statements were authorised on behalf of the Board



Chairman

25.11.2011

Date



Director

25.11.11

Date

These statements are to be read in conjunction with the Notes on pages 17 - 19.

**JOHNE'S MANAGEMENT LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011**

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.

Computer Software and Equipment

Computer software 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

Only interest income is taxable as grant income is exempt for taxation purposes. 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.

Income from JRG2 is recognised as expenditure incurred in accordance with the milestones in the Service Agreement, and is then charged back to JRG2.

Changes in Accounting Policies

There have been no changes in accounting policies.

2. 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.

3. 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.

	2011	2010
	\$	\$
Interest income during year	4,417	1,482
Taxation @ 30%	1,325	444

5. Computer Software and Equipment

Opening balance	6,867	5,357
Additions during year	4,649	7,477
	<u>11,516</u>	<u>12,834</u>
Depreciation for the year	5,244	5,967
Closing carrying value 30 September	<u>6,272</u>	<u>6,867</u>

Fixed assets are depreciated on the Diminishing Value basis at rates between 48% - 60%.

6. Directors' Remuneration

Geoffrey W Neilson	15,000	15,000
Edward A Brock	1,500	1,000
Ian S Hercus	-	1,250
Richard Hilson	1,000	-
Mark J O'Connor	-	-
Ian D Stewart	1,500	1,000
	<u>19,000</u>	<u>18,250</u>

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

Ian Hercus resigned from the Board of Directors and was replaced by Richard Hilson during the year.

7. Donations

No donations were received during the year (2010: nil)

8. Interest Register

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

9. 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 2011.



9 January 2012

Mr Geoff Neilson
Chairman of Directors
Johnes Management Ltd
10 Kanuka Court
Mosgiel 9024.

Dear Mr Neilson,

This letter is to verify that the annual audit of the Johnes Management Ltd (JML) procedures and practices for data collection and the disclosure of information - concerning the incidence of M.paratuberculosis infection in deer processed by meat companies; took place in Dunedin on 6 January 2012.

As in previous years, the objectives of the audit were:

- To assess the effectiveness and the extent of application of the various procedures and protocols in place to ensure the security of data supplied by meat companies and the confidentiality of information held by JML.
- To ascertain the extent of compliance with the requirements of the Privacy Act 1993 principally those relating to Principles 3 and 11.
- To review the operational functions of the JML database along with its supporting documentation in order to identify potential improvement opportunities.

As a result of this audit Verification New Zealand Limited has concluded that there was sufficient objective evidence available to demonstrate that JML is complying with the requirements of the Privacy Act 1993 to the extent that this legislation applies to the Company's operations and that the protocols and procedures documented in the JML quality management programme are being implemented except as noted in the annual audit report.

Yours faithfully,

RBaxter

Senior Auditor
Verification New Zealand Ltd.

INDEPENDENT AUDITOR'S REPORT
TO THE READERS OF
JOHNE'S MANAGEMENT LIMITED'S
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

The Auditor-General is the auditor of Johne's Management Limited (the "Company"). The Auditor-General has appointed me, Jacqueline Robertson, using the staff and resources of Deloitte, to carry out the audit of the financial statements of the Company on her behalf.

We have audited the financial statements of the Company on pages 1 to 7 that comprise the Statement of Financial Position as at 30 September 2011, the Statement of Financial Performance and Statement of Movements in Equity for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion on the financial statements

In our opinion the financial statements of the Company on pages 1 to 7:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the Company's:
 - financial position as at 30 September 2011; and
 - financial performance for the year ended on that date.

Opinion on other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Our audit was completed on 25 November 2011. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

Deloitte.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of the financial statements that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures

that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the Company's financial position and financial performance.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors' responsibilities arise from the Financial Reporting Act 1993.

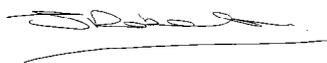
Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements set out in the International Standards on Auditing (New Zealand).

Other than the audit and the provision of tax advice, we have no relationship with or interests in the Company.



Jacqueline Robertson
DELOITTE
On behalf of the Auditor-General
Wellington, New Zealand

