

# JML ANNUAL REPORT

and Statement of Accounts for the 12 months ended 30 September 2013

### **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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## Annual Report 2013

The directors of Johne's Management Limited (the 'Company') have pleasure in presenting the 2013 annual report to our shareholder Deer Industry New Zealand. The report includes all information required to be disclosed under the Companies Act 1993 excluding specific disclosures exempted by the Companies Act 1993 section 211(3) approved by shareholders.

### Principal Activity

The principal activity of the Company is 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.

### Registered Office

Level 5, 154 Featherston Street, Wellington.

### Financial Performance

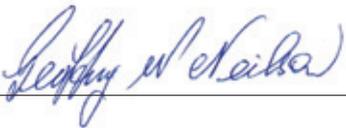
The Company reported an after tax deficit of \$24,075 for the year ended 30 September 2013 (2012: surplus \$49,177). The detailed financial statements of the Company are presented on pages 16 to 25.

### Shareholders

All ordinary shares of the Company are owned by Deer Industry New Zealand.

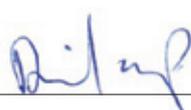
For and on behalf of the Board of Directors:

Director



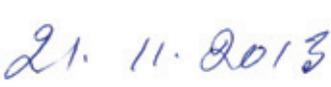
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Director



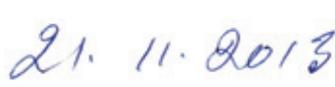
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Date



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Date



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## Notice of annual general meeting

Notice is hereby given that the Annual General Meeting of the shareholders of Johne's Management Limited will be held on the 11th of December 2013 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

- Approve the minutes of the 2011-2012 Annual General Meeting.
- Receive and consider the Directors Report, Auditors Report, and Accounts for the year ended 30 September 2013.
- Appoint auditors for the forthcoming year.
- General business.

## Directory

CHAIRMAN	G. W. Neilson 10 Kanuka Court, Mosgiel 9024
DIRECTORS	D. Coup 4 Darlington Road, Mirimar, Wellington 6022  I. D. Stewart 32 Macefield Drive, Rolleston, 7614  M. Coutts Mcleod Road, RD 4, Timaru 7974  R. Hilson 120 Paget Road, RD 2, Takapau, 4287
SECRETARY	S. Norton PO Box 615, Dunedin 9054
REGISTERED OFFICE	DINZ Level 5, Wellington Chambers building, 154 Featherston Street, Wellington 6011
SOLICITORS	Buddle Findlay 1 Willis Street, Wellington 6011
BANKERS	ANZ Bank of New Zealand Limited, 215-229 Lambton Quay, Wellington Central, Wellington 6011
AUDITORS	Deloitte 10 Brandon Street, Wellington 6011
ACCOUNTANT	M. Pran Meat Industry Association Level 5, Wellington Chambers, 154 Featherston Street, Wellington 6011

## Company Management

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

## Chairman's Annual Report

On behalf of the Directors of Johne's Management Ltd (JML), it is my pleasure to report on this year's performance of the Company.

The overall objective of the Board is to function as a catalyst within the deer industry, providing a programme that will minimize the impact of Johne's Disease (JD) in deer herds and in turn increase profits to deer farmers.

Since its inception in 2007 JML has identified at point of slaughter, all JD suspect lesions and notified deer farmers accordingly. As well, the Company has been in discussions with the processing industry to encourage the recording of these lesions on their kill sheets.

In conjunction with our Johne's Consultancy Network of Veterinarians (JCN), the Company now has just over 100 farms on JML risk management plans. This is in itself a quiet success story, and we will continue to emphasize the benefits to all deer farmers of taking up one of these plans.

A key challenge arising from the Strategic Review undertaken by the Board in 2012, was for the Board to undertake an in depth, independent validation of our data base to correlate JD-suspect lesion rates against the actual impact of JD at the farm level. This has important implications for the way the programme acts on our monitoring information. The validation process is under way and will be concluded within the next twelve months.

The JML data base remains unique in the world as the only example of collecting information industry wide at the individual animal level for the control of Johne's disease. It contains over three million records for virtually all deer processed since 2007, and has enabled the detection of a decline in JD- suspect lesions which has only emerged in the past two years. Demonstration of such progress at the industry

scale is a world first among national JD control efforts, many of which have histories and budgets far larger than those of our programme.

The Company continues to co-operate with and assist all groups invested in the Johne's disease conundrum. In this past year through the drive and initiative taken by our Project Manager, over 30 different organisations have been in discussions with JML, mainly here in New Zealand but also in the UK, Australia, and USA.

We are grateful for the support we receive from the Deer Industry New Zealand Board, the Deer Farmers Association, and the venison processors, as well asASUREQuality and our network of consultant veterinarians throughout the country. We also value greatly the support of the New Zealand Universities, Research Institutes and Diagnostic Laboratories.

Ultimate appreciation must go to the New Zealand deer farmers who are our principle concern and our reason for being!

During the year, one of original Directors resigned from his position with the JML Board. Mark O'Connor represented venison processors through his position as CEO of Deer Industry New Zealand. Mark's input during those early times as we set about establishing structures and forming policies was extremely valuable. We note the time he was with us and wish him well for the future.

My special thanks to our Technical Manager, Kathy Goodwin-Ray, for the work and effort put into analysing and scrutinising our data.

Thanks are due to our Accountant Michael Pran for the work he does in the financial field on our behalf.

Once again we are especially grateful for the support, energy and loyalty of Solis Norton our

Project Manager. Solis has been the front of our programme and his efforts have culminated in creating an awareness amongst all sectors of the deer industry and also real financial gains for deer farmers. We are indebted to him for bringing about the positive gains we have made.

To my fellow Directors I thank you for your support and input into the programme. It has been a privilege to work with you.

**Geoff Neilson**

Chairman

Johne's Management Limited

## Project Manager's Annual Report

The 2012-2013 year marks the sixth since the Johne's Management Limited (JML) programme began. It has seen a continuation of our range of services focussed on raising awareness of Johne's Disease (JD) and its control in farmed deer, as well as monitoring trends in the national herd. But notably it has also seen expansion of our Johne's Consultant Network and development of our Risk Management Plan process. Together, these represent a major advance in our ability to work one-on-one with individual farmers and provide benchmarking information both for Johne's disease and on-farm productivity, essential elements in improving the performance of their farming operations.

Our national database of JD-suspect lesions now holds animal level information on just over 3 million deer from 2007 to the present and the value of this unique resource is really coming in to its own. Our industry level monitoring shows growing evidence of a decline in the incidence of JD-suspect lesions in the last two years. Prior to this, incidence had increased steadily since recording began. Our results are consistent with anecdotal feedback from many farmers over the year but will be verified more rigorously in the coming season.

Networks associated with the programme have continued to expand. In the last year JML has interacted with nearly fifty groups from industry, government, and academia, including links to the United States of America, Australia, and the United Kingdom. Further to this we have links through our Johne's Consultant Network to over forty veterinary practices throughout New Zealand.

In summary, the JML programme continues to focus on helping deer farmers improve the health and productivity of their herds while providing high quality data and relevant feedback to the Deer Industry. Our network of contacts continues to grow both within New Zealand and beyond and we look forward to refining the integration of the many components of our programme to

get the best results for the deer farmers and the Deer Industry in the coming year and beyond. The following is a summary of programme highlights for 2012-13.

### **Programme activity**

#### ***Key statistics***

There are now 103 farms with Risk Management Plans (RMP) in place, up from 88 at the conclusion of 2011-12. Deer from these farms represented 18% of industry production for 2012-13 and 30% of JD-suspect lesions identified.

#### ***Productivity impact***

Financial data collected on the impact of Johne's disease shows that JD related losses range as high as twenty dollars per deer stock unit but in most cases this value is eight dollars or less. Generally, farms with losses of two dollars or less per deer stock unit do not consider JD to be a productivity issue. Farms losing two to four dollars per deer stock unit usually recognise that a productivity issue is present, while farms with losses higher than this see the disease as a serious problem.

#### ***'Know your status'***

Forty five farmers have now made use of our 'know your status' offer of subsidised blood testing to collect some preliminary diagnostic data on JD in their deer. The offer has involved a Johne's Consultant Network veterinarian in thirty two cases and twenty eight farmers continued on to put a JD Risk Management Plan in place.

#### ***Validation***

A key recommendation from the panel in our strategic review last year was to validate the link at the farm level between JD-suspect lesion rate identified at processing and the severity of JD observed on-farm. This is a substantial undertaking for a programme the size of JML. Consequently, the validation process has been designed by JML together with Johne's Disease Research Consortium (JDRC) deer study manager AbacusBio Limited. This collaboration provides a third party to confirm the independence of our

results and affords cost savings to JML through being involved as part of the wider JDRC deer study.

The validation survey will be conducted between November 2013 and February 2014. Results will be communicated to the stakeholders of JML and used within the programme to improve our effectiveness. The results will also be included with other findings from the JDRC deer study in a series of workshops planned for late 2014. The workshops will cover best-practice guidelines for the use of diagnostic tests for Johne's disease in deer.

**Notification letters**

This year has seen a change in our notification letter processes. Previously we have regularly posted notification to all farmers submitting deer with JD suspect lesions, but industry feedback has indicated this is no longer the farmers' preferred option. Our new approach is to send a 'high-risk' letter to owners of deer with higher than a 2% lesion rate and to send a 'heads-up' letter to owners of deer that have had their very first or second lesion identified. In addition we are continuing our efforts to have all processors record the lesion rate for each line on their kill sheet.

**Quarterly analysis of data**

At September 30, 2013 there were records for 3.04 million processed deer, 99.1% of the total industry kill, excluding feral deer. During the 2012-13 season, four more quarterly data analyses have been conducted with the final one still in progress. Once completed there will be 20 analyses on file. Trends identified in these analyses help prioritise disease control efforts.

**Emerging trends**

The characteristic nature of Johne's disease in any species is an insidious drain on productivity, difficult to manage and monitor, complex to evaluate and frustrating for farmers and veterinarians alike. Even so, the JML programme has been collecting data from farmers, veterinarians, and processing plants for six years now and when this data is combined with earlier scientific reports there are signs of a trend emerging.

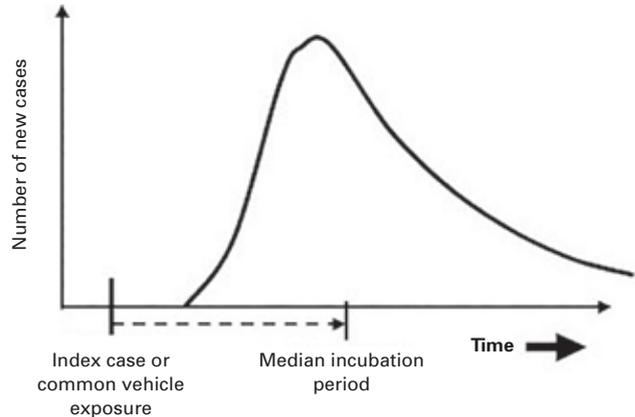


Figure 1. Standard representation of an epidemic curve

That trend suggests an epidemic of JD passing through the deer industry. If we were to make a graph of the cases, these epidemics typically have a shape denoting the very first 'index' case followed by an exponential rise in new cases to a peak, and then following this a decline. An epidemic on a single farm may take several years to play out, at the industry level the timeline is much longer.

Regular spatial analysis has provided evidence of a steady expansion in the regions associated with high rates of farms processing deer with lesions over time. Traditionally the south and west of the South Island were home to most of these farms, but over the years a spread through Otago, Canterbury and more recently on to the West Coast has emerged. Data from the April-June period each year show this trend most clearly, but there is evidence of it from other quarters too.

Detection of trends like this is only possible through the consistent collection of data over long periods. It is a credit to the foresight of the Deer Industry for establishing our database. It is also a credit to the AsureQuality meat inspectors and JML Technical Manager Kathy Goodwin-Ray who collect and analyse this information, enabling JML to apportion its resources in step with this shift in JD risk areas.

When we look at the percentage of farms per month sending deer identified with lesions for processing we see a steady gradual rise from

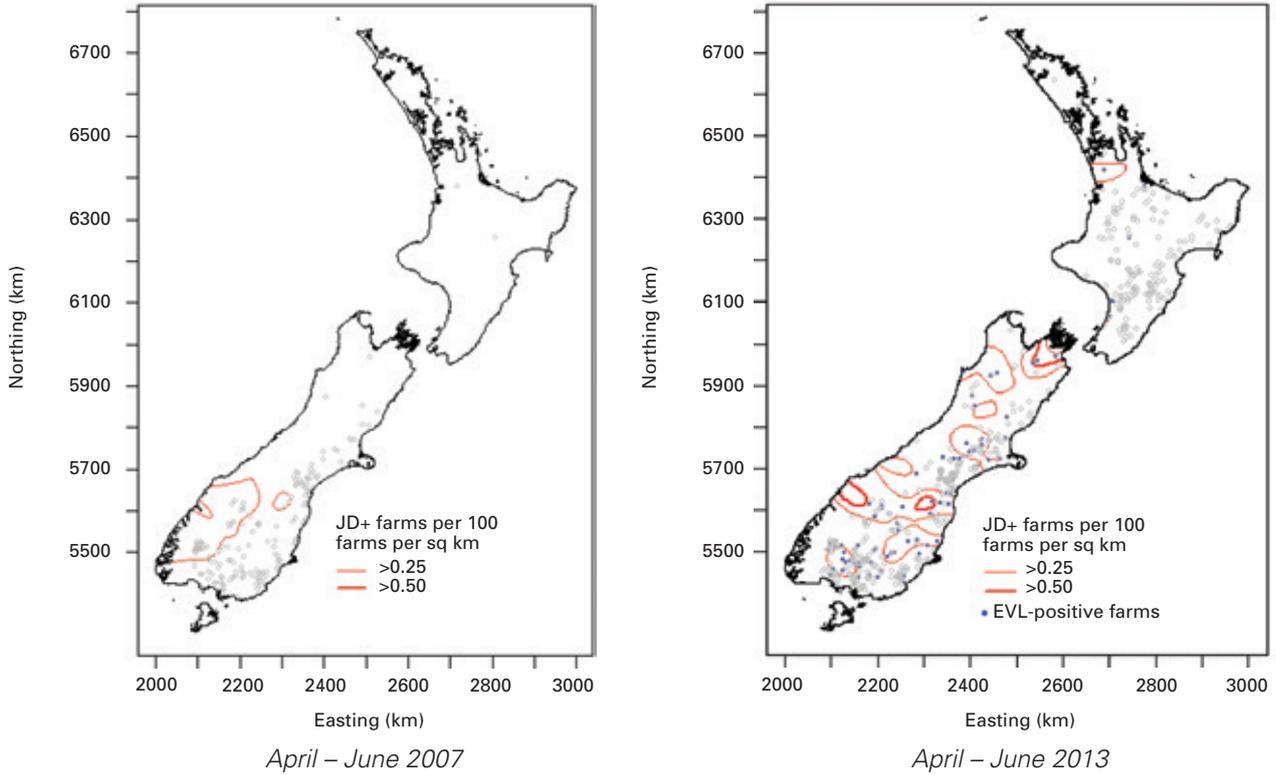


Figure 2. 'Hotspot' areas based on April-June data for the years 2007 - 2013. Contour lines delineate areas where the number of farms processing deer with lesions per 100 farms per square kilometre was greater than 0.25 (thin) and 0.50 (thick).

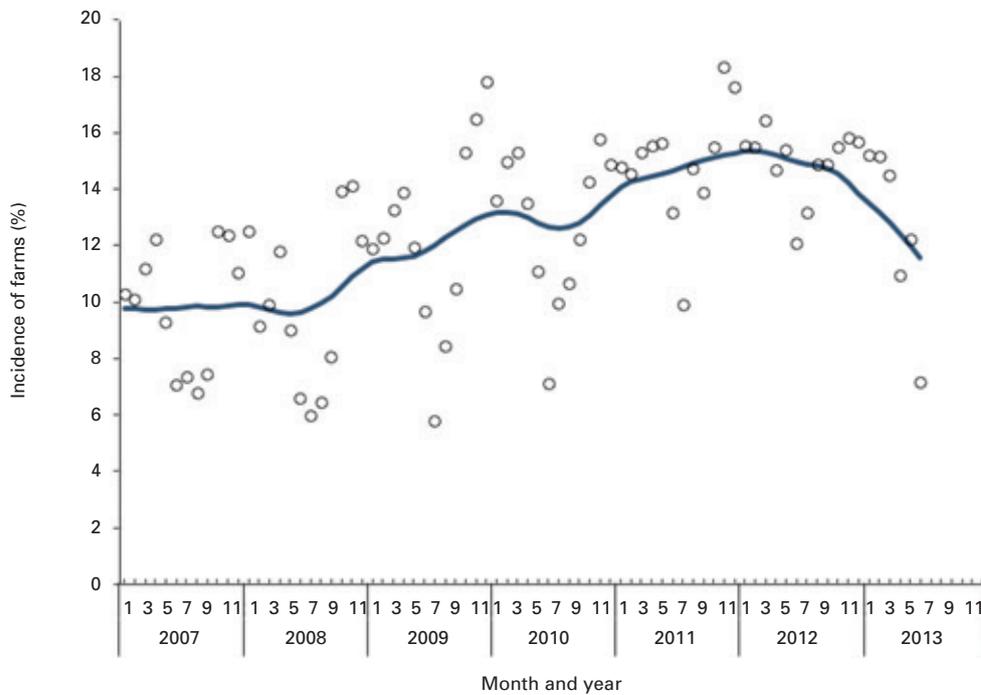


Figure 3. The percentage of farms sending deer for processing identified with JD suspect lesions per month from 2007 to 2013.

2007 through until 2011. But since then a plateau and decline have occurred emerged.

If we go beneath the farm level to the individual animal level, the trend remains consistent and the graph below is for data in the April - June quarter from 2007 to 2013. This suggests what we are seeing is actually happening in the population of farmed deer, rather than being an artefact of changes in the number or size of farms. The decline is also consistent with farmer comments received at field days, conferences, and other meetings. Most often we hear that major outbreaks of JD seem less common than in the past and that, in most cases, overall JD related on-farm losses are dropping.

While this shift to decline is very encouraging, it is too early yet to be certain that the tide is turning. Johne's disease is influenced by many things including farm management as well as environmental and climatic factors. Still, a longer period will hopefully just confirm what we may be starting to see.

**Industry bodies**

Over the last twelve months JML has interacted with forty seven organisations including farmer groups, meat processors, the Deer Industry, government, research providers within New Zealand and beyond, diagnostic providers, University and Polytechnic training facilities, and a raft of others. We also have links through our Johne's Consultant Network to forty two veterinary practices throughout the country. The main groups we work with are listed below.

**Johne's Consultant Network (JCN)**

The fourth workshop to induct veterinarians and industry experts on to the Johne's Consultant Network was run in Hanmer Springs in November 2012. The 22 attendees were mostly there to focus on deer but several others specialised in dairy and even alpaca.

The workshop brought the total number of JCN members to 56 representing 42 veterinary practices throughout the country.

JML keeps in contact with network members via an annual workshop on a current topic of

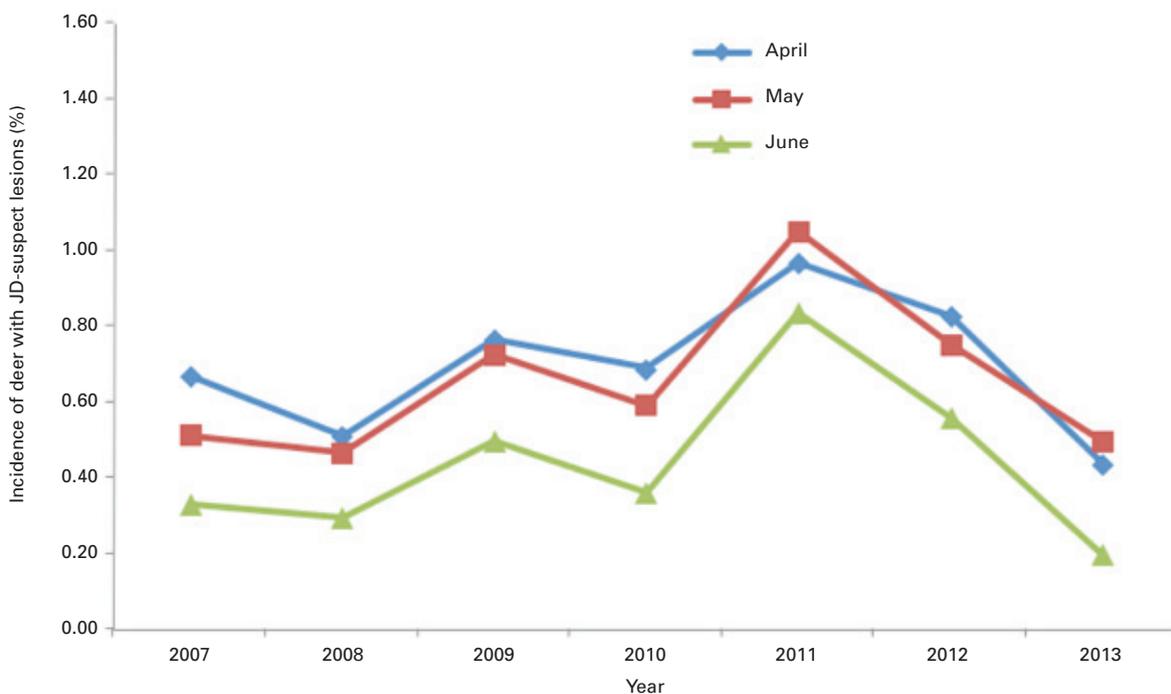


Figure 4. The percentage of deer identified with JD suspect lesions per year for the April - June quarter each year from 2007 to 2013.

interest, a series of newsletters and deer related conferences. JML also works with the network to provide data, analytical support, and advice. Spearheaded by several particularly proactive members, the group is steadily growing its presence within the deer industry and attracting the attention of other industries working to control Johne's disease.

**Venison Processors**

Venison processor staff have been visited again this year to maintain their familiarity with the JML

programme and to highlight their important role in it. Their appreciation of the JML presentation and complimentary catering is always evident and over time a valuable rapport is building between them and the 'Johne's guy'.

It is essential that these key members of the programme are aware of their importance and how highly their work and JML ranks relative to JD control efforts elsewhere in the world. This drives in them pride in their work and cohesion in the overall programme.



Figure 5. JML newsletter.

### ***Ovis Management Limited***

Dan Lynch and Ovis Management Limited have continued to provide outstanding service in the maintenance and updating of the JML database. The support of Martin Lawrence at APT Business Solutions in Palmerston North is also recognised and much appreciated.

This year has seen OML and JML undertake a substantial revision of our service contract, capturing recent updates to our respective programmes and improving clarity around our roles. The final version of our contract is still being refined but it will provide security for us going forward. Many thanks to Dan for driving this process and his ongoing support.

### ***Deer Research Laboratory (DRL), University of Otago***

JML's relationship with the staff at DRL has continued to grow in the past year. Through our 'know your status' promotion and the JDRC deer study JML has benefited from their wealth of knowledge and experience. The year ahead has several important opportunities to develop our relationship further and we look forward to more productive and constructive interaction.

Many thanks to the key staff at DRL Professor Frank Griffin, Simon Liggett, and Dr Rory O'Brien. I look forward to our work in the future and wish them all the best with their current research.

### ***Massey University***

This year the Epicentre at Massey University has provided a second Masters student, Alhajouj Ali, supervised by Professor Cord Heuer and co-supervised by the JML Project Manager to develop analytical skills using the JML database. Ali will work at no cost to JML to investigate trends in lesion rates as part of his Masters of Veterinary Studies in Epidemiology. JML is grateful to Professor Heuer and the EpiCentre for this analytical support and opportunity to participate in the critically important task of training of new scientists.

### ***Johne's Disease Research Consortium (JDRC)***

JML has established a collaborative contract with JDRC to meet the recommendations from

the JML strategic review last year. Working with JDRC as part of their deer study will provide JML with an independent expert review of our database validation and cost savings that could not be achieved by addressing this in-house.

Our thanks go to Kaylene Larking, consortium manager, for her positive and proactive representation of the pan-industry JD perspective and for her constructive and efficient work in establishing our contract. Our thanks also for having the foresight to establish a working group to continue with a watching brief on developments in Johne's disease when the consortium concludes.

### ***AbacusBio Limited***

AbacusBio Limited have won the contract to manage the JDRC deer study and JML has been working closely with them in establishing the methodology for validation of the JML database. Market leaders in Australasian agribusiness consulting, they have internationally recognised scientific expertise in a range of research capabilities. We are fortunate to collaborate with such a group and recognise in particular the assistance of Peter Fennessy, Neville Jopson, and Tim Byrne. We look forward to completing the validation next year and analysing the results with the independent and highly skilled assistance of AbacusBio.

### ***External review***

An independent financial audit of JML as a part of DINZ was completed by Deloitte in January 2013 and a Quality Management Assessment Report by Verification New Zealand Limited was made on January 18, 2013.

### ***Financial summary***

From October 1, 2012 to September 30, 2013 JML operating revenue was \$344,792, 4% higher than budgeted. Operating expenditure was \$379,551, 14% lower than budget.

This left JML at the end of the 2012-13 year with a net deficit for the year of \$24,075 and a closing equity of \$219,342, 10% lower than at the close of last year (\$243,417).

While more details are provided in the Financial Statements there is one further important point to note. The Directors have acted to manage a gradual increase in equity held by the Company, which has occurred over several years. The first action was to reduce the voluntary contribution from \$1.00 to \$0.80 in January 2012, the effect of which was to reduce operating revenue this year by \$68,958. They then reviewed financial forecasting scenarios out to 2015 and maintained the contribution level for 2013/14 while initiating scientifically robust and independent methods to meet recommendations to the Company from the strategic review panel. The end result is a 10% drop in closing equity. This is consistent with the Directors intentions to manage a reduction in equity held by the Company and to operate the JML programme at cost only, with an appropriate financial buffer.

### **Conclusion**

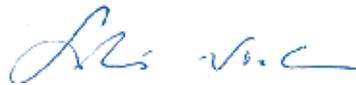
As Project Manager I wish to express my sincere thanks to the JML chairman, Mr Geoff Neilson, and the Company Directors for their support and encouragement. They create a constructive and positive operating environment which makes my

work exciting and enjoyable.

A big thanks also to Kathy Goodwin-Ray, the JML Technical Manager for her specialist skills and the time she puts into our analytical tasks, it is very much appreciated.

Many thanks also to all the members of the Johne's Consultant Network, the Deer Industry, and AsureQuality, for their support and endorsement of the JML programme.

The 2012-13 year has seen substantial development and extension of the Johne's Consultant Network and the on-farm JD risk management plan process, which at the end of the day is what the programme is all about. It has seen a continuation of signs that perhaps the worst of the Johne's disease epidemic may have passed for the Deer Industry and we are in a strong position from which to continue our efforts in 2013/14.



**Solis Norton**

Project Manager

Johne's Management Limited

## Financial Statements for the year ended 30 September 2013

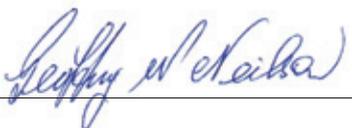
### Directors' Report for the year ended 30 September 2013

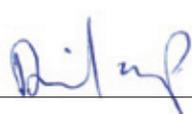
#### Introduction

The Directors have pleasure in submitting the financial statements and auditor's report for Johne's Management Limited, for the year ended 30 September 2013.

The report has been prepared so as to include all information required to be disclosed under the Companies Act 1993 except where the shareholders have unanimously resolved to take advantage of the reporting concessions available to them under Section 211 (3) of the Companies Act 1993.

On behalf of the Board these financial statements were approved for issue on 21st November 2013.

Director 

Director 

Date 21. 11. 2013

Date 21. 11. 2013

## Statement of Comprehensive Income

for the year ended 30 September 2013

	Note	2013 \$	2012 \$
Operating revenue		344,792	397,134
Operating expenditure	1	379,551	354,573
<b>Operating (deficit)/surplus before other income</b>		<b>(34,759)</b>	<b>42,561</b>
Other Income		–	–
<b>Operating (deficit)/surplus before financing income</b>		<b>(34,759)</b>	<b>42,561</b>
Financial income		10,684	9,189
Financial expenses		–	–
<b>Net financing income</b>	2	<b>10,684</b>	<b>9,189</b>
Operating (deficit)/ surplus before tax		(24,075)	51,750
Income tax expense/(benefit)	3	–	(2,573)
<b>Net (deficit)/surplus for the year</b>		<b>(24,075)</b>	<b>49,177</b>
Other comprehensive income			
Other comprehensive income for the year, net of income tax		–	–
<b>Total comprehensive income for the year</b>		<b>(24,075)</b>	<b>49,177</b>

These statements are to be read in conjunction with the Notes on pages 20 to 25.

## Statement of Changes in Equity

*for the year ended 30 September 2013*

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Opening Balance	243,417	194,240
Total comprehensive income for the year	(24,075)	49,177
Closing Balance	219,342	243,417

These statements are to be read in conjunction with the Notes on pages 20 to 25.

## Balance Sheet

for the year ended 30 September 2013

	Note	2013	2012
		\$	\$
<b>Equity</b>			
<b>Issued and paid up capital</b>			
Share Capital		1	1
Retained earnings		219,341	243,416
<b>Total equity</b>		<b>219,342</b>	<b>243,417</b>
<i>Represented by:</i>			
Current assets			
Cash and cash equivalents	4	300,127	242,648
Trade and other receivables	5	42,732	25,378
<b>Total current assets</b>		<b>342,859</b>	<b>268,026</b>
Current liabilities			
Trade and other payables	6	117,657	26,567
Employee benefits	7	10,307	2,465
<b>Total current liabilities</b>		<b>127,964</b>	<b>29,032</b>
<b>Working capital</b>		<b>214,895</b>	<b>238,994</b>
Non current assets			
Property, plant and equipment	8	3,151	2,666
Software	9	1,296	1,757
<b>Total non current assets</b>		<b>4,447</b>	<b>4,423</b>
Non current liabilities			
		–	–
<b>Net assets</b>		<b>219,342</b>	<b>243,417</b>

These statements are to be read in conjunction with the Notes on pages 20 to 25.

## Notes to the Financial Statements

for the year ended 30 September 2013

### Statement of significant accounting policies

#### (i) Basis of reporting

The financial statements presented are for the reporting entity of the Johne's Management Limited (the "Company") a wholly owned subsidiary of Deer Industry New Zealand, a marketing authority established under the Deer Industry New Zealand Regulations. The Company is responsible for the collection of statistics on the frequency and distribution of Johne's disease in New Zealand.

The financial statements of the company are for the year ended 30 September 2013. The financial statements were authorised for issue by the directors on the 21st November 2013.

#### (ii) Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practise in New Zealand (GAAP).

##### (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:

- The entity is not publicly accountable;
- 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.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### (iii) Particular accounting policies

The accounting policies that materially affect the measurement of financial performance and financial position are set out below:

##### *Property, plant and equipment*

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses.

Depreciation of property, plant and equipment is calculated on a diminishing value basis over their useful lives. Gains and losses on disposal of assets are taken into account in determining the operating results for the year. The rates are as follows:

- Office equipment 40%-60%
- Computer hardware 50%-60%

#### Intangible assets

Computer software is stated at cost less any accumulated amortisation.

Amortisation is recognised in the Income statement on a straight line basis over the estimated useful life of the intangible asset.

Computer Software 60%

#### Revenue

- a Revenue represents voluntary contributions received and receivable from venison processors paid on a \$0.80 basis (2012: \$0.80) for deer processed.
- b Revenue from services is recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the service contract.
- c Net financing income comprises of interest payable and interests received on call deposits and are recognised in the Income statement.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

#### Trade and other receivables

Accounts receivable are stated at cost less impairment losses.

#### Trade and other payables

Trade and other payables are stated at cost.

#### Goods and Services Tax

The financial statements are prepared exclusive of Goods and Services Tax (GST), with the exception of receivables and payables, which include GST.

#### Taxation

The tax expense recognised in the Statement of Comprehensive Income is the estimated income tax payable in the current year, adjusted for any differences between the estimated and actual income tax payable in prior periods.

No account is taken of deferred income tax.

#### Expenses

Expense represents amounts paid and payable to suppliers for services received during the year.

## 1. Operating expenditure

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Amortisation of Software	461	–
Audit remuneration	4,000	4,600
Tax services	4,367	–
Depreciation	1,365	3,933
Director's fees – Chairman	15,000	15,000
Director's fees	4,470	5,000
Personnel expenses	96,766	85,754
Other operating expenses	253,122	240,286
<b>Total operating expenditure</b>	<b>379,551</b>	<b>354,573</b>

## Personnel expenses

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Wages and salaries	88,924	84,665
Change in liability for annual leave	7,842	1,089
<b>Total personnel expenses</b>	<b>96,766</b>	<b>85,754</b>

## 2. Net financing income

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Interest revenue	10,684	9,189
Interest expense	–	–
<b>Net financing income</b>	<b>10,684</b>	<b>9,189</b>

### 3. Taxation

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Reconciliation of effective tax rate		
Operating surplus/(deficit) before tax	<b>(24,075)</b>	51,750
Tax @ Company Tax Rate	(6,741)	14,490
Non-assessable income/non-deductible expenses at company rate	9,733	(11,917)
Taxation losses transferred to/(received from) Group entities	(2,992)	–
Tax benefit of losses not recognised	–	–
<b>Income tax expense/(benefit) per income statement</b>	<b>–</b>	<b>2,573</b>

The income tax expense charged against the profit for the year is the estimated liability in respect of that profit and is calculated after an allowance for permanent differences. Future tax benefits attributable to tax losses or timing differences are only recognised when it is probable that taxable profits will be available against which the tax losses or timing differences can be utilised.

### 4. Cash and cash equivalents

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Bank balances	116,743	64,689
Call deposits	183,384	177,959
<b>Balance as at 30 June</b>	<b>300,127</b>	<b>242,648</b>

### 5. Trade and other receivables

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Trade Receivables	26,161	21,717
GST Receivable	10,276	–
Other Receivables and Prepayments	6,295	3,661
<b>Balance as at 30 June</b>	<b>42,732</b>	<b>25,378</b>

## 6. Trade and other payables

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Trade Payables	115,244	22,373
GST Payable	-	1,245
PAYE Payable	2,413	2,949
Balance as at 30 June	117,657	26,567

## 7. Employee benefits

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Liability for Annual Leave	10,307	2,465
Balance as at 30 June	10,307	2,465

## 8. Property, plant and equipment

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Computer hardware</b>		
At cost	8,420	6,570
Accumulated depreciation	6,065	5,344
	2,355	1,226
Current year depreciation	721	908
<b>Office equipment</b>		
At cost	6,271	6,271
Accumulated depreciation	5,475	4,831
	796	1,440
Current year depreciation	644	999
<b>Total property, plant and equipment</b>		
At cost	14,691	12,841
Accumulated depreciation	11,540	10,175
	3,151	2,666
Current year depreciation	1,365	1,907

There is no impairment loss recognised during the year (2012: nil).

## 9. Intangible Assets

	2013	2012
	\$	\$
<b>Software</b>		
At cost	17,180	17,180
Accumulated Amortisation	15,884	15,423
	1,296	1,757
Current year amortisation	461	2,026

There is no impairment loss recognised during the year (2012: nil).

## 10. Capital commitments

There are no capital commitments outstanding as at balance date (2012: nil).

## 11. Contingent liabilities

There are no contingent liabilities outstanding as at balance date (2012: nil).

## 12. Related party information

### (i) Identity of related parties

The Deer Industry New Zealand owns 100% of Johne's Management Limited.

### (ii) Related party transactions

Processor Voluntary contributions are received via Deer New Zealand.

There have been no other transactions with related parties.

### (iii) Remuneration

Total remuneration is included in personnel expenses (see note 1).

Chairman is paid an annual fee; (see note 1).

## 13. Subsequent events

There are no events subsequent to balance date that would materially effect these financial statements (2012: nil).

## INDEPENDENT AUDITOR'S REPORT

### TO THE READERS OF JOHNE'S MANAGEMENT LIMITED'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2013

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 17 to 25, which comprise the balance sheet as at 30 September 2013, the statement of comprehensive income and statement of changes in equity for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information.

#### **Opinion**

##### ***Financial statements***

In our opinion the financial statements of the company on pages 17 to 25:

- 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 2013; and
  - financial performance for the year ended on that date.

##### ***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 21 November 2013. 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, in our judgement, are likely to influence readers' 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.

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 fairly reflect 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 is also responsible for the publication of the financial statements, whether in printed or electronic form.

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 of the External Reporting Board.

Other than the audit, we have no relationship with or interests in Johne's Management Limited.



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

