



JML ANNUAL REPORT

and Statement of Accounts for the 12 months ended 30 September 2016

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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Cover photo courtesy of M Stone.

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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 17th of February 2016 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 2014-2015 Annual General Meeting.
- Receive and consider the Directors Report, Auditors Report, and Accounts for the year ended 30 September 2016.
- 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 Masefield Drive, Rolleston 7614 M. Coutts Mcleod Road, RD 4, Timaru 7974 R. Hilson 120 Paget Road, RD 2, Takapau 4287 K Blair (associate director) 4 Nelson Road, RD 2, Balclutha 9272
SECRETARY	S. Norton PO Box 615, Dunedin 9054
REGISTERED OFFICE	DINZ Level 5, Wellington Chambers building, 154 Featherston Street, Wellington 6143
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 6140

Company Management

PROJECT MANAGER	Dr S. Norton, Dunedin
TECHNICAL MANAGER	Dr K. Goodwin-Ray, Palmerston North

Chairman's Annual Report

On behalf of the Directors it is a pleasure once again to comment on the Company's activities for the past year.

Our efforts to control Johne's disease in the deer industry have continued strongly. Maintenance of the national slaughter house surveillance database plus educational and promotional programmes, the extension of our database reporting services, the overall support given to deer farmers and veterinarians all highlight activities that the Directors have never lost sight of, including the importance of farm-level control plans.

This quote from a former Chief Executive of one of our venison processors is as relevant to Johne's disease in deer as it is to Cystercircus ovis in the sheep industry, and I feel it's worthy of recording here. I have taken the liberty of exchanging the names Ovis Management and sheep measles with Johne's Management and Johne's disease.

"Johne's Management Ltd is an industry funded organisation to control Johne's disease across the deer sector. It is an exemplar of how industry can pull together and underpin the quality of our product and ensure we maintain our globally recognised status as a producer of fresh, natural and safe food. The work of Johne's Management Ltd effectively gives one of the "visa" entry stamps to global markets and at the same time contributes to farm productivity".

The sentiments expressed in this quote say it all.

Following a request from Deer Industry New Zealand (DINZ) the Board undertook a review of what additional value JML could offer the industry and deer farmers in the future. The Board focussed on leveraging off the best aspects of the programme to date, to reach for new ways to benefit deer farmers and industry initiatives more widely, especially through the 'Passion to Profit' Primary Growth Partnership.

The Project Manager and Directors have invested a huge effort in responding to this request. The result is a comprehensive strategy document entitled "DeerPRO – a proposal to broaden the scope of Johne's Management Ltd". It has been distributed in recent months to stake holders for comment.

It is pleasing to report that agreement is converging on the strategy. I quote from the document "this young industry appears to be embarking on another phase of growth and development, with exciting new markets and a collective push to lift productivity and financial returns. Achieving this growth will require good quality, individually tailored information to assist farmers and their support networks, just as it will require benchmarks and methods to demonstrate progress".

This will see the demise of JML and the formation of a new company DeerPRO Ltd. The new strategy will be a marked evolution from JML into novel areas of productivity reporting, in addition to Johne's disease monitoring. Bringing the initiative to fruition has been a great result for the industry, special thanks to everyone involved!

It has always been the Board's policy for the programme to operate at cost only, from a financial contribution of 70 cents per head of deer slaughtered. This rate has been in place since 2014 but over the past year much of the programme's small surplus has been consumed in meeting a shortfall in income due to a dramatic fall in the number of deer processed. To contend with the fall in kill and to move forward with the new strategy at around the same cost as the present JML programme, it is necessary to lift the contribution to 90 cents per head.

JML has always received requests for data, information or assistance from third parties such as researchers, farmer groups, or processors. Recently these requests have

increased both in regularity and complexity, prompting a review of how they are addressed. They are still considered on a case by case basis. Where appropriate, and where unconditional assurance can be guaranteed of compliance with Privacy Act, the programme will now establish a contract with the third party describing how the request will be met and with a means of recovering associated costs where necessary.

To all who have contributed to this programme's success, the deer farmers, the processors and staff at the processing plants, veterinarians and those in the research institutions, particularly the EpiCentre at Massey University, and to the Board, Chief Executive and staff at Deer Industry New Zealand we are indeed grateful for your support.

To Dan Lynch, Project Manager for Ovis Management Limited and his Field Officer Murray Kerr, our appreciation for your swift and skilful updating of the Johnes Management Limited database with new processing data.

DINZ Producer Manager, Tony Pearce, by special invitation, attends our Board Meetings, and is always responsive throughout the year for general information and advice. His extensive knowledge of the industry and its stakeholders has been extremely beneficial to the Board's programme setting and development. A very special thanks Tony!

To our Technical Manager, Kathy Goodwin-Ray, we appreciate the work you do for us - thanks!

To Michael Pran, our accountant, thanks for the work you undertake in keeping our financial administration and records in order.

Our Project Manager, Dr Solis Norton, has been at the forefront of bringing together the DeerPRO strategy as well as maintaining the everyday operation of the Company this past year.

His natural talent, academic knowledge of all things Johnes, administration skills, enthusiasm and ability to relate easily to everyone involved in our programme is unequal anywhere. We thoroughly appreciate all Solis has done on our behalf these past years.

This year has seen the conclusion of the term of service for two Directors. Richard Hilson, who represents the Deer Farmers on the Board, indicated his willingness to serve another three year term and was re-appointed by the Deer Farmers Association.

Ian Stewart from Mountain River Venison, having represented Venison Processors on the JML Board since its formation 10 years ago, has indicated his wish to retire.

Ian's time in the deer industry, spanning some 50 years, and the wealth of knowledge that he has brought to the Board has been, in every sense, unique and invaluable. Ian's ability to give the Board up to date, realistic forecasts on kill predictions and general trends within New Zealand and on the international scene, contributed substantially to the Board's vision when setting budgets and programme operations each year. A person with such institutional knowledge as Ian has will be hard to replace. Our special thanks for your time on the Board - we wish you well for the future.

The Venison Processors Technical Committee has the responsibility to consult with all venison processing companies in regard to their representation on the JML Board. On the retirement of Ian Stewart the committee have appointed Simon Wishnowski, Venison Manager for Venison Packers, Fielding.

We welcome Simon to the Board. With his extensive experience and understanding of the Deer Industry, I am sure Simon's contribution to the Board's deliberations will be vital, especially as it embarks on driving DeerPRO

from the proposal stage into full operation.

To my fellow Directors, thanks for your input, tolerance and support over this past year. It has been a real team effort, once again, thanks.

After ten years as Chairman I retire from the Company at this Annual Meeting. I should take the opportunity to reflect on this transition and the long path that came before it.

Firstly, I wish your incoming Chairman, Ken Blair, all the best for his time with you. Ken brings invaluable governance experience and renowned leadership qualities, together with a good measure of common sense. These attributes will be essential as you develop and implement the new programme.

Secondly, I offer some thoughts on ten years chairing the establishment and development of JML. At the outset, my immediate challenge as Chairman was to develop a culture of understanding and co-operation between all stakeholders. From there we could weave every one's contribution into a single force that was to eventually achieve the success we recognise today.

There is always a need to rejuvenate any organisation. The danger in staying around too long risks affecting the organisation's ongoing success and the success too of the individual themselves. It can also deny the individual the opportunity to contribute elsewhere.

I leave with no regrets, just lessons learnt. And I leave with a great deal of satisfaction that the team I was privileged to lead achieved so much. I saw this team achieve a greater wisdom than that of its individual members despite their great depth of experience and

highly developed skills. The older I get the more I understand how much I have needed other people - I left school at 15 with no qualifications and there have been times in my life where I have felt vulnerable because of this. But I take some subtle comfort from the present Vice Chancellor of Massey University when he said recently "It is not what you know, but what you can do with what you know"! The implications of this apply as much to the individual as to the team and they enable our vulnerability to be put aside so together we can focus on the job at hand.

To all past and present Directors, to Dr Solis Norton our present Project Manager and to Dr Jamie Hunnam our first one; to Dr Kathy Goodwin-Ray our Technical Manager, to the Chief Executives and staff at the processing plants, to the Chief Executives of DINZ, Dan Coup and his predecessor Mark O'Connor, to those involved in our research institutes, the Epicentre at Massey University in particular, to those dedicated deer farmers who matter the most and the various industry groups and individuals with which I have had contact over the years, I simply thank you all!

Finally, I believe this new strategy, DeerPRO will take the best out of what we have seen and use it to help make the best out of what we will see in the future. It will make a significant contribution to the ongoing emergence of the Deer Industry as a cohesive and respected entity within New Zealand agriculture. I wish you well.

Geoff Neilson

Chairman

Johne's Management Limited

Project Manager's Annual Report

The 2015-16 season saw a continuation of 'business as usual' by the programme but also a new initiative with significant and lasting impact. This initiative has grown out of a lengthy consultative process in pursuit of what more JML can do, and do better, for deer farmers and the wider industry. It builds on from analytical services developed in last couple of years.

Consultation has involved all levels of stakeholder across the Deer Industry executive, venison processors, Deer Farmers Association, Advance Party meetings, conferences, and field days throughout the year. From this a proposal has emerged to broaden the mandate of JML to enable it to function as a deer productivity reporting system, in addition to its role in the control and monitoring of Johne's disease. This new programme, "DeerPRO", would operate for virtually the same cost as JML, retain the same governance structure, and keep the same general operational format. But it would provide key venison production indices and Johne's disease statistics at the farm level for any deer farmer. A 'hands free' summary of performance over the last five years to inform health planning and production management for any deer unit in New Zealand.

It is not without challenges, particularly in drawing practical benchmark information from deer classified as 'young'. But it is a major step toward providing industry and farm level benchmarking to measure progress and strengthen critical decisions made by deer farmers. The comment from one industry leader was 'I think if we can just sort the age thing, we have the best set of useful information for farmers in the dry stock sector.'

The following is a summary of programme highlights for 2014-15.

Programme activity

Key statistics

There are now 301 farms on our client list, receiving our reports annually and on request.

This is slightly up on the 274 we had last season. Deer from these farms represented 42% of industry production and 62% of JD-suspect lesions, up from 30% and 58% respectively last season.

National trend in Johne's Disease

Two years ago we saw a rise in the percentage of farms processing young deer identified at slaughter with JD-suspect lesions, particularly in the early months of 2015. But since then the levels have dropped again and the averaged increase is substantially less pronounced now with a declining trend apparent (Figure 1).

The percentage of farms processing mature deer identified at slaughter with JD-suspect lesions also appeared to be decline this year (Figure 2).

These trends of decline would be reversed by a fairly small increase in lesions detected next year so optimism should be measured. Even so, the message from these graphs is consistent with the message from deer farmers and veterinarians: the impact of Johne's disease on-farm is less severe than it was five to ten years ago. This is despite compelling evidence that the disease is more widespread today than it was then (Figure 3).

We will monitor with interest over the coming couple of years as strengthening venison prices make deer production an increasingly competitive land use option. Resulting higher levels of deer trading may trigger more Johne's disease; trading is an internationally recognised major risk factor for a raft of animal health issues including JD.

Improvements in the capture of processor data

Data from processors supplied to the national slaughterhouse surveillance database administered by JML has historically arrived in a variety of formats and intervals. This has made the entry process challenging at times for the team at Ovis Management Limited and has lead on occasion to periods of data being missed with no easy means of recovery.

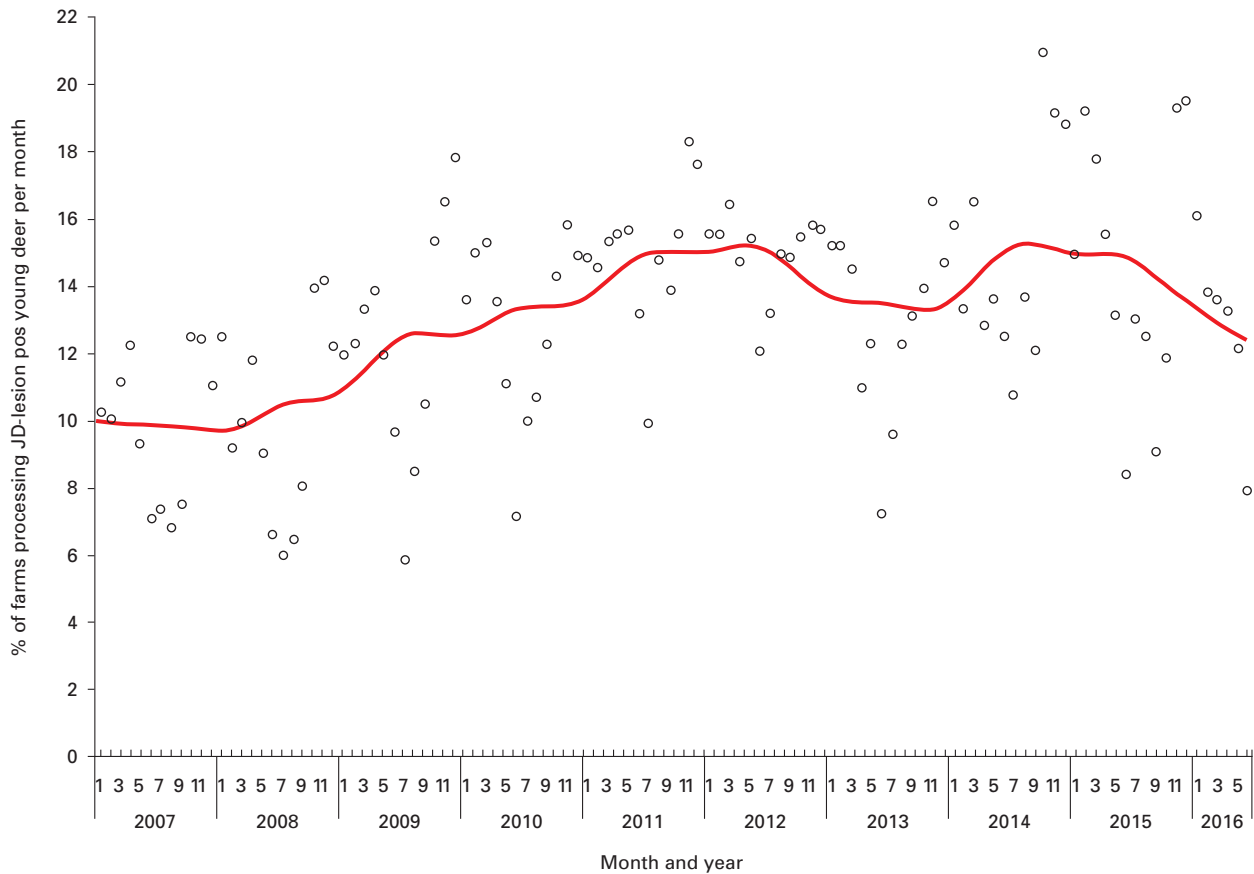


Figure 1. Percent of farms each month that processed young deer identified with JD-suspect lesions at slaughter.

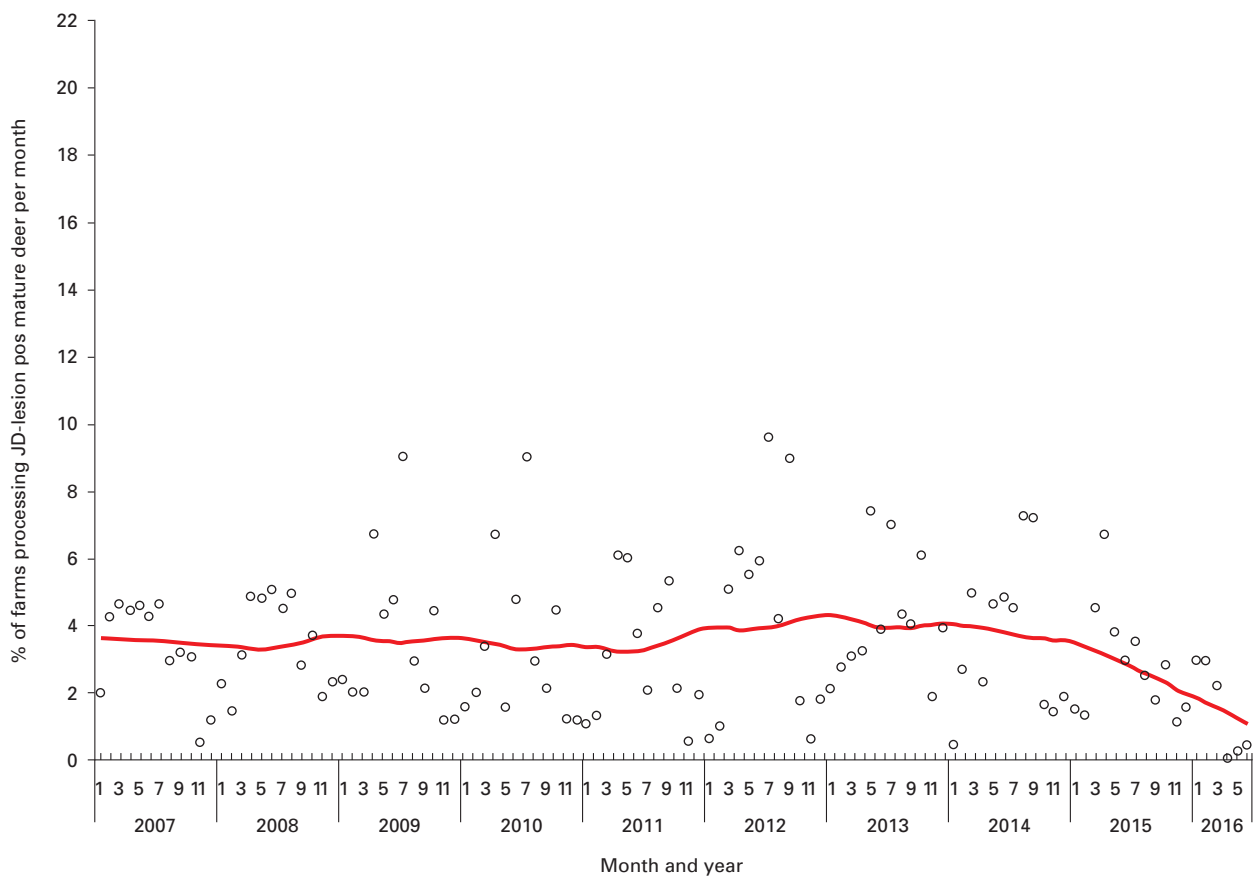


Figure 2. Percent of farms each month that processed mature deer identified with JD-suspect lesions at slaughter.

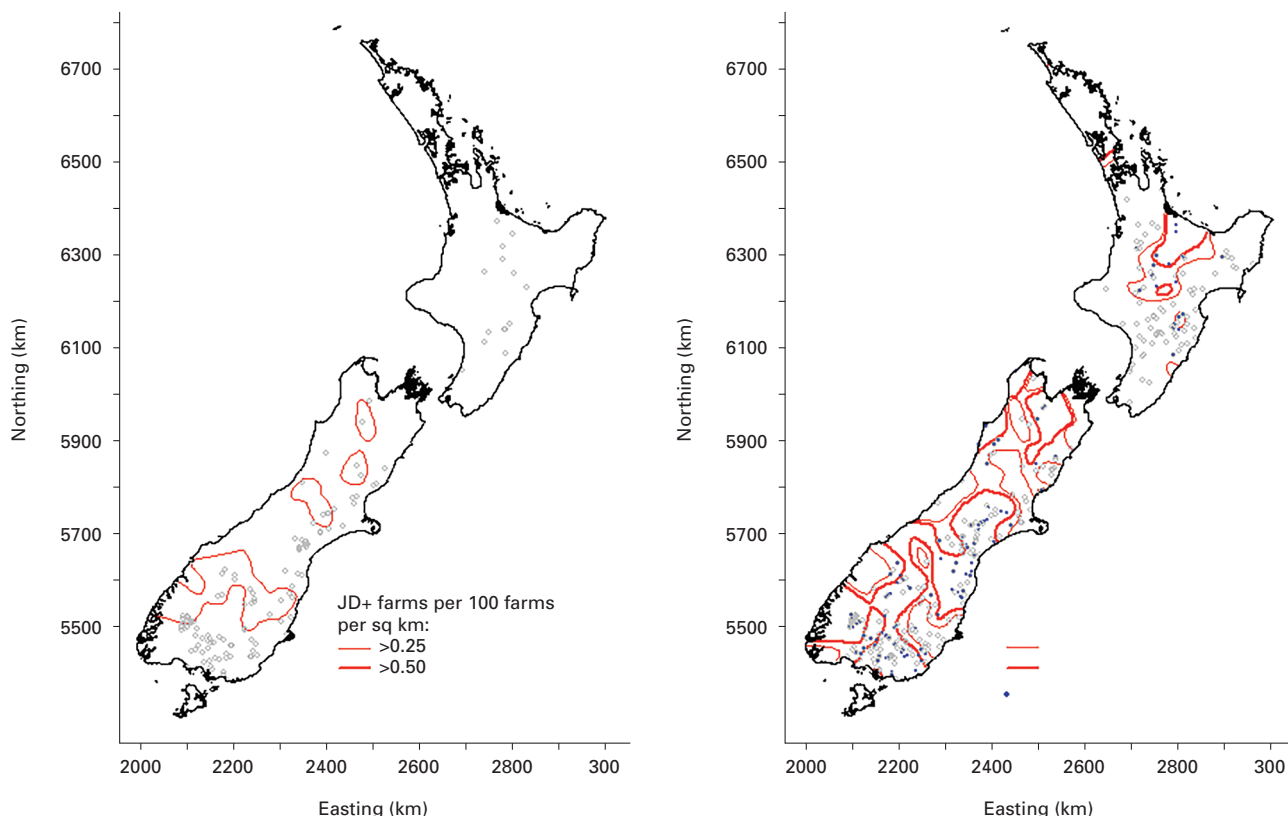


Figure 3. Comparison of the areas where deer farms sent stock identified at processing with JD-suspect lesions: the April-June quarter for 2010 (left map) and for 2016 (right map)

Triton Commercial Systems provide the computing systems for most of the processors and this year JML approached them with a view to creating a standard delivery format tool that processors could utilise to overcome this issue.

After several months of development and testing the tool was deployed at two key plants and successfully used to recover missing data retrospectively. Since then it has proven a useful addition to the programme. The tool has lifted JML's overall data capture rate from around 96% back up to 99.4%. While only several percentage points, this increase contributes substantially to the integrity of JML's cornerstone and confidence in the conclusions drawn from it.

A big thank you to Ash Price and Tony Hurley at Triton for their time and efforts. Also a big thanks to the team at Duncan South, especially Cindy Stevens and Gus Martin for the time and skill they invested in testing and refinement as we worked toward the finished product.

Improvements in the storage and handling of data

The most significant improvement in information derived from the database over the last five years was the addition of fields for a standard age categorisation, and for 'young' deer, fields for 'days from birth to slaughter', and 'growth rate'.

However the drawback of these metrics was that they could only be calculated using the statistical software which JML links to the database in order to produce farm reports and industry statistics.

This year, with the help of Mark Teviotdale from AbacusBio Ltd and Martin Lawrence of APT Business Solutions, these metrics were embedded in the database itself. The change makes this essential production information easily available to farmers and their support teams either in raw data format or as seasonal averages. It is consistent with our aim to get quality, useable information to as many stakeholders as possible.

Thanks to Mark and Martin for making this improvement possible.

Supporting deer veterinarians

The Cervetec conference in May was highlighted by a valuable workshop on health planning run by Kate Griffiths, lecturer in pastoral livestock health at Massey University. The workshop illustrated the detailed skill set veterinarians apply in identifying and solving deer health issues.

But it also illustrated a gap between a focus on health and a focus on identifying and capitalising on production opportunities. Some senior veterinarians have comprehensively filled this gap, becoming powerful forces in consulting as a result. But the gap remains a challenge for many younger and less experienced veterinarians, as well as an enduring frustration for farmers.

Recognising the substantial scale and challenging nature of this gap, JML is contributing to a solution where it can. The benchmarked information being derived from over four million individual animal production records in our database will be a reference for practicing veterinarians, to combine with the other valuable industry resources to establish a clearer picture of the potential of deer farming systems. Under performance will be easier to detect, measure, and correct for the financial benefit of both client and veterinarian. Furthermore, anonymised benchmarks and key production statistics are being provided as a teaching resource for veterinary students, to create an awareness and interest in deer farming and demonstrate it as a productive and profitable land use.

Thank you to Kate for a productive and rewarding opportunity.

The Passion2Profit programme

The Deer Industry looks set to embark on another phase of growth after several years of declining processing numbers and this timing creates opportunities to fuel and direct the expansion to best suit farmers and the wider industry. The prime mover for assessing these opportunities and implementing them into real on-the-ground progress is the Deer Industry's Primary Growth Partnership programme 'Passion2Profit'.

JML has been fortunate to be included with the diverse the P2P Champions group. As practical drivers of the P2P programme this group are advancing the understanding and optimisation of deer production with outputs flowing back for the benefit all deer farmers. This forum has provided valuable feedback and insights into the JML programme and how it might support farmers with production based information beyond just Johne's disease. It will also be an ideal conduit for socialising advances in JML amongst industry leaders and farmers. A good example is our contract with P2P to offer 200 farmers with no previous interaction with JML tailored productivity information for their deer unit.

A big thanks to Innes Moffat, P2P programme manager for providing JML with this valuable opportunity to contribute to the next phase of growth in the Deer Industry.

Industry monitoring

This year has seen more enquiry from Deer Industry New Zealand for industry level information that can be derived from the JML database. Examples include describing changes in the size and distribution of deer farms over the last five years and investigating changes in kill trends that may indicate retention of stock by farmers. In addition to this the regional benchmarks for contrasting on-farm production in the JML farm reports have been revised. It is encouraging to see the growing interest in our data to deepen high level understanding of industry trends and position. JML technical manager Kathy Goodwin-Ray has developed the analytical processes to answer these questions, steadily growing the analytical capacity of the programme.

External review

An independent financial audit of JML as a was completed by Deloitte in November 2016 and a Quality Management Assessment Report by Verification New Zealand Limited was made on March 14, 2016.

Financial summary

Programme funding this year continued at 70c/head of deer processed as it had in 2014-15. This

was on the back of three seasons at 80c/head to reduce a financial surplus that accumulated mainly from 2009 to 2011 when the contribution was \$1/head and kill numbers were higher.

Operating revenue (\$222,558) this year was 20% below budget, driven primarily by an unexpectedly sharp drop in the numbers of deer processed through summer and autumn of 2016. Expenses were 11% below budget at \$305,179. The net operating deficit of \$66,151 was met with financial reserves held by the company which declined to \$121,881.

Financial projections indicate equity at 70c/head will drop to zero in the 2017-18 season. They also show that a lift in contribution to 90c/head would ensure the Company's continuation for the next several seasons. Stakeholder discussions regarding this lift are in progress.

Governance

As Project Manager I wish to express my sincere thanks to the Company Directors for their continued support and encouragement. We have had a busy and exciting year, exploring the potential of DeerPRO. Their efforts to make the most of it have given me inspiration as well as making my task much easier.

In particular I would like to acknowledge the support of Ian Stewart, who will stand down as director in February 2017. Ian has been involved with the Company since it began and has been a wealth of knowledge, timely information, and historical perspective. For someone such as myself who joined the company with little experience of deer or the deer industry, his support has been absolutely unbeatable. I wish Ian all the very best for the future and look forward to continued contact through JML's interactions with Mountain River Processors.

The Chairman Geoff Neilson will also stand down in February 2017. He too has been involved with the Company since it began, skilfully guiding its development into a respected and cohesive service provider to the Deer Industry as well as one of the most comprehensive national control programmes for John's disease in the world.

For me personally, Geoff has been an exceptional guide and role model. His leadership and teaching with endless patience and good humour has shepherded me along the path from academia to an industry based environment, a journey that has represented a significant part of my professional career and development. For this and the memories of all our adventures along the way I am deeply grateful.

Ken Blair will take up the chairmanship and I am already sure that his great mix of governance experience and down to earth practicality will be a fine compliment to this Company and its Directors. I appreciate the considerable time Ken has dedicated from his already busy professional life to develop an understanding of the Company, the Deer Industry and its stakeholders. And I look forward to working together with Ken toward the Company's new goals and achievements in the future.

The Company owes a substantial debt of gratitude to Kathy Goodwin-Ray, Technical Manager, for her efforts. Kathy brings a rare combination of high level analytical capacity, scientific rigour, and down to earth practicality to her role. Her work with the Company role increased in the last year and this has been to the benefit of both the Company and the Deer Industry more widely. Thank you Kathy, I appreciate your efforts and support.

Thanks also to the Company accountant Michael Pran for the quick and thorough handling of our financial affairs.

Many thanks also to members of the John's Consultant Network, the Deer Industry, andASUREQuality, for their support and endorsement of the JML programme. The Company relies on these diverse teams of people to meet its programme goals and it is rewarding to see these relationships develop so constructively over time.

Conclusion

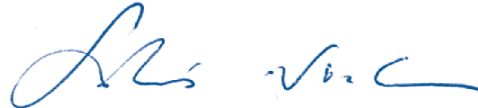
This year has been a combination of providing the service in controlling JD that we have established a reputation for over the years and exploring what additional value we could bring to the Deer

Industry and its farmers. From it one thing in particular has emerged on the highest of levels.

As much as it seems increasingly difficult to forecast future events with any certainty, it becomes increasingly important to have flexible and adaptable services to support farmers in the efficient, profitable, and sustainable production of healthy food.

With this in mind, I look forward to 2016-17 as an opportunity to integrate a high level vision

of good food production with down to earth practical solutions for farmers and Deer Industry stakeholders.



Solis Norton

Project Manager

Johne's Management Limited

Financial Statements for the year ended 30 September 2016

Directors' Report for the year ended 30 September 2016


Introduction

The Directors have pleasure in submitting the Annual Report of Johne's Management Limited incorporating the financial statements and auditors report, for the year ended 30 September 2016.

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 30th November 2016.

Director 

Director 

Date 30.11.2016

Date 30/11/16

Statement of Financial Performance

for the year ended 30 September 2016

	Note	2016	2015
		\$	\$
Operating revenue		222,558	273,952
Operating expenditure	1	305,179	314,794
Operating (deficit) before other income		(82,621)	(40,842)
Other Income		9,820	5,899
Operating (deficit) before financing income		(72,801)	(34,943)
Financial income		6,250	7,845
Financial expenses		-	-
Net financing income	2	6,250	7,845
Operating (deficit) before tax		(66,551)	(27,098)
Income tax expense	3	-	-
Net (deficit) for the year		(66,551)	(27,098)
Total comprehensive income for the year net of income tax		(66,551)	(27,098)

These statements are to be read in conjunction with the Notes on pages 21 to 25.

Statement of Changes in Accumulated Funds

as at 30 September 2016

	2016	2015
	\$	\$
Opening Balance	191,144	218,242
Total comprehensive income for the year	(66,551)	(27,098)
Closing Balance	124,593	191,144

These statements are to be read in conjunction with the Notes on pages 21 to 25.

Statement of Financial Position

as at 30 September 2016

	Note	2016 \$	2015 \$
Accumulated Funds			
Issued and paid up capital			
Share Capital		1	1
Retained earnings		124,592	191,143
Total accumulated funds		124,593	191,144
<i>Represented by:</i>			
Current assets			
Cash and cash equivalents		133,195	193,007
Trade and other receivables	4	21,146	30,486
Total current assets		154,341	223,493
Current liabilities			
Trade and other payables	5	24,242	23,809
Employee benefits	6	7,194	11,893
Total current liabilities		31,436	35,702
Working capital		122,905	187,791
Non current assets			
Property, plant and equipment	7	1,393	2,753
Software	8	295	600
Total non current assets		1,688	3,353
Non current liabilities		-	-
Net assets		124,593	191,144

These statements are to be read in conjunction with the Notes on pages 21 to 25.

Statement of Cash Flows

for the year ended 30 September 2016

	2016	2015
	\$	\$
Cash flows from Operating Activities		
Operating Receipts	247,134	302,342
Operating Payments	(306,946)	(316,744)
Net cash outflow from Operating Activities	(59,812)	(14,402)
 Cash flows from Investing Activities	 -	 -
 Cash flows from Financing Activities	 -	 -
Net decrease in Cash	(59,812)	(14,402)
Add Opening Cash Balance	193,007	207,409
Closing Cash Balance comprising of:	133,195	193,007
Bank accounts and cash	33,195	14,956
Short term deposits	100,000	178,051

These statements are to be read in conjunction with the Notes on pages 21 to 25.

Notes to the Financial Statements (1)

for the year ended 30 September 2016

ENTITY INFORMATION

Type of Entity and legal basis

Johne's Management Limited (the "Company") a wholly owned subsidiary of Deer Industry New Zealand, is a marketing authority established under the Deer Industry New Zealand Regulations.

Purpose

The Company is responsible for the collection of statistics on the frequency and distribution of Johne's disease in New Zealand.

Structure of the Company's operations, including governance arrangements

The Company has a Board of five who oversee the governance function. A project manager undertakes management services, financial services are provided by the Meat Industry Association and voluntary processor levies are collected by Deer Industry New Zealand and paid through to the Company.

Main sources of the Company's cash and resources

Funding comprises a voluntary levy paid by venison processors of \$0.70 per head.

STATEMENT OF ACCOUNTING POLICIES

Basis of Preparation

The Board has elected to apply PBE SFR-A (Public Benefit Entity Simple Format Reporting – Accrual (Public Sector)) on the basis that the Company does not have public accountability (as defined) and has total annual expenses of less than \$ 2 million.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Company is a going concern.

Goods and Services Tax

These financial statements are prepared on a GST exclusive basis apart from accounts receivable and accounts payable which are on a GST inclusive basis.

SIGNIFICANT ACCOUNTING POLICIES

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 Statement of Financial Performance 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 \$0.70 basis (2015: \$0.70) 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 Interest received on call deposits is recognised in the Statement of Financial Performance as interest accrues using the effective interest rate method. Interest income is earned on cash and cash equivalents.

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.

Income Tax

The tax expense recognised in the Statement of Financial Performance 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

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

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies.

Notes to the Financial Statements (2)

for the year ended 30 September 2016

1. Operating expenditure

	2016	2015
	\$	\$
Amortisation of Software	305	579
Audit fees	4,500	4,500
Tax services provided by Deloitte	1,250	1,250
Depreciation	1,360	2,106
Director's fees – Chairman	16,995	16,995
Director's fees	4,043	4,200
Personnel expenses	89,843	93,470
Other operating expenses	186,883	191,694
Total operating expenditure	305,179	314,794

2. Net financing income

	2016	2015
	\$	\$
Interest revenue	6,250	7,845
Interest expense	-	-
Net financing income	6,250	7,845

3. Taxation

	2016	2015
	\$	\$
Reconciliation of effective tax rate		
Operating (deficit) before tax	(66,551)	(27,098)
Tax at Company tax rate (28%)	(18,634)	(7,587)
Non-assessable income/non-deductible expenses at company rate	24,884	15,432
Taxation losses transferred to/(received from) Group entities	(6,250)	(7,845)
Tax benefit of losses not recognised	-	-
Income tax expense per income statement	-	-

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. Trade and other receivables

	2016	2015
	\$	\$
Trade Receivables	17,774	23,735
Other Receivables and Prepayments	3,373	6,751
Balance as at 30 September	21,147	30,486

5. Trade and other payables

	2016	2015
	\$	\$
Trade Payables	20,952	17,919
GST Payable	85	2,742
PAYE Payable	3,205	3,148
Balance as at 30 September	24,242	23,809

6. Employee benefits

	2016	2015
	\$	\$
Liability for Annual Leave	7,194	11,893
Balance as at 30 September	7,194	11,893

7. Property, plant and equipment

	2016	2015
	\$	\$
Computer hardware		
At cost	7,782	7,782
Accumulated depreciation	6,534	5,283
	1,248	2,499
Current year depreciation	1,251	1,914
Office equipment		
At cost	6,271	6,271
Accumulated depreciation	6,126	6,017
	145	254
Current year depreciation	109	192

Total property, plant and equipment

At cost	14,053	14,053
Accumulated depreciation	12,660	11,300
	1,393	2,753
Current year depreciation	1,360	2,106

There is no impairment loss recognised during the year (2015: nil).

8. Intangible Assets

	2016	2015
	\$	\$
Software		
At cost	17,743	17,743
Accumulated Amortisation	17,448	17,143
	295	600
Current year amortisation	305	579

There is no impairment loss recognised during the year (2015: nil).

9. Capital commitments

There are no capital commitments outstanding as at balance date (2015: nil).

10. Contingent liabilities

There are no contingent liabilities outstanding as at balance date (2015: nil).

11. 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 Industry New Zealand. As at year end, the Company has recognised a receivable from Deer Industry New Zealand for the amount of \$17,774 (2015: \$23,735).

There have been no other transactions with related parties.

During the year ended 30 September 2016, the Company received \$222,558 (2015: \$273,952) as voluntary contributions from Deer Industry New Zealand which was included in operating revenue.

(iii) Remuneration

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

Chairman, Geoff Neilson is paid an annual fee of \$16,995 (see note 1).

12. Subsequent events

There are no events subsequent to balance date that would materially affect these financial statements (2015: nil).

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF JOHNE'S MANAGEMENT LIMITED'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

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

Opinion

We have audited the financial statements of the Company on pages 5 to 12, that comprise the Statement of Financial Position as at 30 September 2016, the Statement of Financial Performance, Statement of Changes in Accumulated Funds and Statement of Cash Flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Company:

- present fairly, in all material respects:
 - its Financial Position as at 30 September 2016; and
 - its Financial Performance and Cash Flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not for Profit).

Our audit was completed on 30 November 2016. 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 Directors and our responsibilities, and 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 preparation of the Company's financial statements 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 Directors;
- the adequacy of the 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. Also, we did not evaluate the security and controls over the electronic publication of the financial statements.

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

Responsibilities of the Directors

The Directors are responsible for the preparation and fair presentation of financial statements for the Company that comply with generally accepted accounting practice in New Zealand and Public Benefit Entity Simple Format Reporting – Accrual (Not for Profit).

The Directors' responsibilities arise from the Companies Act 1993.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Directors are also responsible for the publication of the financial statements, whether in printed or electronic form.

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 and the provision of taxation advice, we have no relationship with or interests in the Company. These services have not impaired our independence as auditor of the Company.



Trevor Deed
Deloitte Limited
On behalf of the Auditor-General
Wellington, New Zealand

General Business

Over the last 12 months stakeholder consultation has been conducted regarding a proposed strategy to broaden the mandate of Johne's Management Limited. Under this broader mandate the Johne's disease work would continue as normal, but the programme would also have scope to develop and distribute productivity information to deer farmers. The information would be derived from the national database of processed deer administered by the programme.

The programme name would be changed from Johne's Management Limited to DeerPRO Limited in recognition of the broader mandate.

Stakeholder support for this proposed strategy has been unanimous.

A paper describing the business case, consultation process, and outcomes will be tabled at a meeting of the Board of Directors

of Deer Industry New Zealand, as the sole shareholder of Johne's Management Limited, on February 17.

Therefore the following resolution is tabled:

That, following confirmation by the shareholder, the directors of Johne's Management Ltd (JML) be authorised to change the name of the programme from "Johne's Management Limited" to "DeerPRO Limited".

That other decisions necessary to transition to the DeerPRO strategy be made as required, at all times keeping the shareholder informed of progress.

That the Company Mission Statement be amended to:

"To provide the New Zealand deer industry with information and services to improve productivity and animal health"



JML ANNUAL REPORT

and Statement of Accounts for the 12 months ended 30 September 2016