OSPRI

ANNUAL REPORT
2014/2015

Annual Report

This is the Annual Report for OSPRI New Zealand Limited, NAIT Limited, TBfree New Zealand Limited and the NAIT Data Access Panel.

OSPRI New Zealand (OSPRI) was established on 1 July 2013. It currently manages the National Animal Identification and Tracing (NAIT) and TBfree New Zealand programmes.

NAIT TBfree

OSPRI New Zealand's shareholders:

DairyNZ DEER INDUSTRY NEW ZEALAND beef+lamb new zealand

OSPRI New Zealand's Stakeholders' Council consists of representatives from:

Beef + Lamb New Zealand

Dairy Companies Association of New Zealand

DairyNZ

Deer Industry New Zealand

Federated Farmers Dairy

Federated Farmers Meat and Fibre

Local Government New Zealand

Meat Industry Association New Zealand

Ministry for Primary Industries

New Zealand Deer Farmers Association

New Zealand Stock and Station Agents Association

OSPRI's second year has seen positive developments in both NAIT and TBfree

For NAIT, industry uptake has increased and a lot has been learnt from NAIT's first three years. Consistent with stakeholder feedback, we focused on improving the usability of NAIT for farmers and others in the supply chain, and on better communicating NAIT's benefits.

For TBfree, we're well ahead of schedule for proving eradication of TB from New Zealand is possible, complemented by a record low number of infected herds. A collaborative approach to reviewing the TB Plan was a major focus (a new plan will apply from 1 July 2016). We also contributed to the publication of an important TB research series and won two national IT awards for our livestock disease management system.

Across our activities, our engagement with the Stakeholders' Council improved; we worked extensively with advisory committees and other organisations; and also made great progress with our health and safety programme.

OSPRI as an organisation is fundamentally built on collaboration. We work successfully across industries and government to generate better outcomes for New Zealand's primary sector.

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Chairman's Report

JEFF GRANT, CHAIRMAN

This is OSPRI's second Annual Report and I'm pleased to highlight the progress we've made as a new organisation.

A key role for the Board is the appointment of a chief executive and, on this front, the Board would like to pay tribute to William McCook, who left during the year after a 12 year contribution to both AHB and OSPRI, and welcome Michelle Edge who joins us from Australia.

The Board of Directors wants to acknowledge the high level of support from key stakeholders throughout the year. At Board level, our utilisation of the Stakeholders' Council improved and there is now a stronger platform for OSPRI to benefit from the Council's knowledge and advice ahead. The use of a Plan Governance Group (PGG) to review the National Pest Management Plan (NPMP) was also a success, bringing greater independence and involvement of funders. For OSPRI staff, there are a number of working groups that inform our work, and the Board recognises the high level of commitment from our stakeholders to consistently help out.

The extent of our stakeholder engagement is a reminder that OSPRI as an organisation is fundamentally built on collaboration. We work successfully across industries, and across industry and government, to generate better and more sustainable outcomes for New Zealand's primary sector.

The year has been a really important one for both NAIT and TBfree. For NAIT, we have listened to farmer feedback about usability, and have had a strong focus on improving how the system works for farmers. We've also worked hard to better communicate NAIT's benefits, and improve how we support farmers to use NAIT and understand what's expected. More and more farmers and other NAIT users are integrating NAIT with their business activities and seeing future opportunities for NAIT to play a greater role underpinning lifetime traceability and product integrity.

For TBfree, the programme is ahead of schedule, with record low infected herds and more than 1.2 million hectares of vector risk area now eradicated. The review of the NPMP has progressed well and is on track for a new plan being decided by the Minister for Primary Industries to apply from 1 July 2016. The Board appreciates the effort devoted to that review by Chris Kelly (Chair) and all members of the PGG. Some important changes to the NPMP look likely and underscore the healthy nature of periodic review. We look forward to the NPMP's next phase.

The Board is excited about OSPRI's future under Michelle's leadership. She brings a wealth of livestock experience in traceability, animal health, disease management and incursion response. Combined with her strong focus on partnerships and stakeholder engagement, Michelle is well-placed to lead OSPRI into a new phase.

On behalf of the Board, we appreciate the strong level of stakeholder support, including from the Council which played an important role during the year. We also appreciate the high level of commitment from our skilled and passionate staff. We look forward to their continued support in a changing environment with the new NPMP and further improvement of NAIT.

During the year Andrew Coleman and Micheal Spaans retired as founding directors of OSPRI having made a major contribution establishing the new organisation. We also welcomed Barry Harris and Deborah Roche to the Board. They bring a vast background in policy and agri sector experience. The Board is very focused on further lifting OSPRI's performance, and looks forward to the important phases ahead for NAIT and TBfree.

Jeff Grant
Chairman

CEO's Report

MICHELLE EDGE, CHIEF EXECUTIVE

I'm delighted to have joined OSPRI, and to have the opportunity to work with such committed stakeholders and staff.

It's clear that OSPRI has made significant progress over the two years since it was formed. NAIT has now reached the end of its three year transition phase, with a number of learnings we can build on to further improve its value ahead. OSPRI has improved the usability of NAIT and is focused on encouraging further uptake. NAIT provides a valuable tool to underpin the entire traceability framework. Our work will focus on the whole supply chain to ensure NAIT effectively supports national traceability, market access and livestock management production systems. The movement data contained in NAIT will also help determine risk profiles associated with TB testing under the new National Pest Management Plan (NPMP).

For the TBfree programme, 2014/2015 was a significant year. OSPRI was set the challenge of proving eradication is possible from challenging terrain, something we have now demonstrated in the Hokonui Hills region. We made substantial advances in eradication across a range of other areas, with TB now cleared from from about 1.2 of the 2.5 million hectares targeted for eradication by 2026. Combined with record low numbers of infected herds (41 at year-end) our results have given investors and stakeholders confidence to now contemplate complete eradication of TB from New Zealand. We look forward to the outcomes of the review of the NPMP, to apply from 1 July 2016.

Several other achievements during the year are worth noting. As part of our strong health and safety focus, we aimed to reduce workplace injuries by 25% and achieved a 45% reduction – an early sign our effort is paying off. Change can be hard, so the result reflects positively on how we've approached change and the attitude and effort of our field contractors.

OSPRI received two national IT awards from the Institute of IT Professionals for work on livestock disease management system. OSPRI staff also contributed nine of 15 peer-reviewed scientific articles for a special issue of the New Zealand Veterinary Journal, 'Control of bovine tuberculosis in New Zealand in the face of a wildlife host: A compiled review of 50 years of programme policy, design and research'. The series provides an excellent overview of the research that has driven the outstanding progress in managing bovine TB to date.

Looking ahead, we intend to enhance stakeholder engagement and establish a more collaborative approach to service delivery. OSPRI will deliver on its core programmes with the assistance and advice of our shareholders and stakeholder representatives, and ensure we are responsive to opportunities for improvements and joint work.

Michelle Edge
Chief Executive

Stakeholders' Council Report

ANDERS CROFOOT, CHAIR, STAKEHOLDERS' COUNCIL

It's been a busy year for OSPRI as the new organisation continues to implement its programmes and apply thinking towards generating greater value for its stakeholders. The year has seen enhanced engagement between the OSPRI Board, staff and the Council, and I'm confident this trend will continue in the year ahead.

The TBfree programme is working very effectively, with record low numbers of infected herds and more of New Zealand now free of TB, well ahead of target. The success of the programme has been highlighted by the Plan Governance Group (PGG) in its work reviewing the National Pest Management Plan (NPMP) and determining a new way forward for TB control. The independent Chair, Chris Kelly, has done a masterful job of keeping the programme to schedule.

The PGG's assessment confirms that the TBfree programme over recent years has been very effective. The eradication "proof of concept" results have been most encouraging. It has been shown TB can be eradicated from difficult terrain. This is great news for New Zealand farmers. A new NPMP to apply from 1 July 2016 will mark a new phase for the programme. As I write, the final NPMP details have not been finalised but, whatever the final outcome, I and other stakeholders remain confident that OSPRI is in good shape to implement the new NPMP effectively.

NAIT made good headway during the last year, while recognising there remain some areas of key focus for ongoing uptake and implementation. Farm-to-farm movements, tag application, animal registration and other matters require consistent focus to increase industry awareness and integration with farm practice. OSPRI seeks to continue its course of analysing and addressing issues, communicating with industry and government and designing and delivering new tools and resources that facilitate NAIT implementation in a consistent manner within and across the industry. Under the new NPMP, if farmers want to realise the full cost savings that can arise from better targeted disease testing as proposed by the PGG, they'll also need to ensure their NAIT records are up-to-date.

Despite the inevitable challenges of something new like NAIT, it seems very clear that its future is bright. OSPRI will be looking for opportunities to make the information in NAIT easy for farmers to extract and use, and to add value to farm business activities where applicable. For instance, it is becoming recognised that future utilisation of NAIT for farm and animal management activities may provide some potential.

Across the above and related issues, the Council met four times during the year and received other updates from OSPRI out of session or at other events. OSPRI sought our input on the development of a campaign to promote NAIT's benefits; an area the Council has been keen to see addressed and we are pleased with the progress made. OSPRI also sought our support to undertake assessment work for management of Bovine Viral Diarrhea (BVD), supported by the current BVD Steering Committee; and to explore management of wilding trees, an increasing pest problem for pastoral farming industries and New Zealand. The Council retains the view that considered focus on the ongoing implementation of NAIT and TBfree needs to remain the priority in order to achieve our agreed and stated goals. In the long term, however, the scope for leveraging OSPRI's capability and generating cost savings for existing funders and stakeholders looks promising.

Finally, I'd like to take this opportunity, on behalf of the Council, to thank William McCook, the establishment chief executive of OSPRI who left in February 2015. We've also appreciated the early efforts of new chief executive Michelle Edge to work with the Council, and we're excited about the future of the organisation under her leadership.

Anders Crofoot
Chair, Stakeholders' Council

Highlights

Number of animals registered in NAIT

9 MILLION

Number of TB infected herds as at 30 June 2015

41 HERDS

Farmers registered with NAIT

75,000

Hectares of movement control areas reduced

928,745

Hectares covered by pest control activities

3.4 MILLION

Hectares declared free of TB since 2011 (2.5M target by 2026)

1.2 MILLION

OSPRI at a Glance

When it comes to premium primary products, New Zealand's international reputation is second to none. At OSPRI we seek to deliver programmes that underpin New Zealand's reputation for quality primary products in the areas of pest management, livestock disease management and traceability.

OSPRI was established through a partnership between primary industries and government and manages two national programmes – NAIT and TBfree. NAIT provides New Zealand's national animal identification and traceability system. TBfree manages the eradication of bovine TB and reduces its impact on farmers and other shareholders.

OUR PURPOSE

OSPRI's purpose under its constitution is to deliver a range of public good outcomes through the enhancement of productivity and sustainability in the primary sector in New Zealand.

OUR MISSION

To protect and enhance the reputation of New Zealand's primary industries.

OUR VALUES

We engage, we take the initiative, we're customer focused, we're rigorous and we take responsibility.

OUR CORE PROGRAMMES

NAIT

OSPRI's National Animal Identification and Tracing (NAIT) programme links people, property and livestock in New Zealand through a traceability system.

NAIT was established as an industry-led initiative to improve New Zealand's animal tracing ability and to develop a national system for delivering traceability. Under the scheme, cattle and deer are traced using NAIT approved radio frequency identification device (RFID) ear tags. Once tagged, animals are registered in a national database. The details recorded include:

- the animal's location
- movements in the animal's life, and
- contact details for the person in charge of that animal.

NAIT has been in a three year transition phase of implementation, with increasingly good results in terms of uptake by participating industries.

TBfree

OSPRI's TBfree programme aims to control bovine TB in New Zealand's cattle and deer herds. Bovine TB is an infectious disease spread by close contact between animals. TB can cause production loss and animal health issues in farmed cattle and deer.

In New Zealand, possums also carry and spread TB, requiring extensive pest control as part of the TBfree programme.

TBfree, managed by OSPRI, is responsible for the implementing the National Pest Management Plan (NPMP) for bovine TB. The current NPMP seeks to:

- eradicate TB from large areas of land across New Zealand by 2026
- keep infected herd numbers as low as possible, and
- prove that TB eradication is possible in challenging areas (what is called "proof of concept").


HILUX
OSPRI
PROTECTING AND ENHANCING
THE REPUTATION OF NEW ZEALAND'S
PRIMARY INDUSTRIES | ospri.co.nz
NAIT and TBfree are OSPRI programmes
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NAIT
TBfree

GOVERNANCE

OSPRI New Zealand Limited (OSPRI) was incorporated on 6 June 2013 by the amalgamation of Animal Health Board Incorporated (now TBfree New Zealand Limited) and National Animal Identification and Tracing (NAIT) Limited.

OSPRI's shareholders are DairyNZ Limited, Beef + Lamb New Zealand Limited and Deer Industry New Zealand Limited.

OSPRI recognises the value of strong corporate governance. As a company responsible for the investment of funds by its shareholders or their constituents, the Crown (via MPI), and in some circumstances, other parties, OSPRI must meet and demonstrate sound governance processes to shareholders and stakeholders.

OSPRI is supported by the Stakeholders' Council comprising representatives of the shareholders, the Ministry for Primary Industries and seven other stakeholder groups: the New Zealand Deer Farmers Association, Local Government New Zealand, New Zealand Stock and Station Agents Association, Federated Farmers Dairy, Federated Farmers Meat and Fibre, Meat Industry Association New Zealand and the Dairy Companies Association of New Zealand.

An outline of OSPRI's governance framework.

Governance element	Requirement to be addressed by OSPRI group
Enabling legislation	TBfree New Zealand Limited (TBfree) manages the National Pest Management Plan (NPMP) for bovine tuberculosis (TB), in accordance with the provisions of the Biosecurity Act 1993 and the Biosecurity (National Bovine Tuberculosis Pest Management Plan) Order 1998 - reprint 2013. TBfree is the designated Management Agency for the Plan. National Animal Identification and Tracing (NAIT) Limited is responsible for implementing New Zealand's NAIT programme and operates under the National Animal Identification and Tracing Act 2012 as the NAIT organisation.
Governance legislation	OSPRI, TBfree and NAIT have constitutional requirements and are recognised under the Companies Act 1993 and the Charities Act 2005. The shareholders engage with OSPRI through a formal shareholder agreement and through the constitutional consultation mechanism of the Stakeholders' Council, which operates in accordance with constituted rules.
Financial control	The OSPRI group maintains accounts and records of transactions and affairs in accordance with New Zealand's accepted accounting practices for large companies (NZGAAP). The OSPRI companies are all not-for-profit public entities.
Audit process	OSPRI and its subsidiaries undergo regular internal and external audits to review and assess financials, risk, fraud, quality of internal financial and governance processes and policies.
Fraud and risk management	OSPRI's Audit and Risk Committee is responsible for the fraud and risk management framework, including processes for project, programme and portfolio level risk management, general compliance and operational risk management and financial risk management.
Monitoring performance	OSPRI monitors, measures and evaluates its performance to continually improve its effectiveness and efficiency. These measures are reported to stakeholders on a regular basis.
Reporting to stakeholders	OSPRI formally reports to stakeholders on an annual and quarterly basis, in order to meet regulatory and contractural requirements. Regular engagement also occurs through technical advisory groups, and regional TBfree and national OSPRI committees.
Planning	OSPRI's corporate planning approach includes an Annual Operating Plan that outlines the annual budget, workplans, resources and research requirements for the year. This provides the opportunity for the Stakeholders' Council and shareholders to respond to changing strategic requirements and external drivers for the company.

Stakeholder Consultation

OSPRI is committed to working with its shareholders and stakeholders to maximise the value of the NAIT and TBfree programmes.

Our stakeholders provide valuable advice and input to our strategies, annual programme of activities, budget and key projects. In addition, OSPRI reports information to various groups of industry and government representatives at different levels to ensure awareness and input.

OSPRI works closely with:

- shareholders and investor partners, DairyNZ, Deer Industry New Zealand, Beef + Lamb New Zealand and the Ministry for Primary Industries
- the Stakeholders' Council
- individual producers and processors in the dairy, beef and deer industries
- consultative committees, and
- research and programme partner agencies.

These collaborations help ensure that funding is appropriately invested to deliver tangible results for producers, government, the dairy, deer and beef industries and the New Zealand community.

OSPRI runs three committees that provide advisory input at technical levels:

- STAG – the Stakeholder Technical (TB) Advisory Group
- SNAG – the Stakeholder NAIT Advisory Group, and
- TAG – the Technical Advisory Group (R&D), which advises on the construct, design, methodology, development and implementation of OSPRI's research programme.

OSPRI also consults directly with farmers, both regionally and nationally, through:

- TBfree committees – these committees provide advice and input at local levels on the implementation of the TBfree programme and, on occasion, for NAIT implementation, and
- OSPRI committees – these committees provide advice and input at regional level towards OSPRI's core programmes, NAIT and TBfree, alongside other related project activities, communication activities and general operations of OSPRI.

OSPRI collaborates with a range of other research, Government, industry and commercial partners on programme design, development, operational implementation and research. These include:

AgResearch

AsureQuality

Beef + Lamb New Zealand

Dairy Companies Association New Zealand

DairyNZ

Deer Industry New Zealand

Department of Conservation

Department of Transport

Landcare Research

Massey University

Meat Industry Association

Saleyard Industry Association

WorkSafe

Cooperatives and livestock agents

Meat processors

Pastoral and producer companies

Regional councils

Core Programmes

NAIT Programme Report

30 June 2015 marked the end of NAIT's three-year transition phase. Cattle must now be tagged and registered, and their movements recorded[1].

This transition phase provided valuable experience and learnings for all involved in implementing NAIT. Significant headway has been made. OSPRI sought feedback from farmers and other users of NAIT to identify areas for further development, such as greater reporting capability, integration with other information systems and improved usability.

During the year 5300 PICAs (persons in charge of animals) and 1.7 million animals were registered, bringing the total number of registered animals to over 9 million.

OUR FOCUS

During the year OSPRI set out to:

- improve understanding of NAIT's benefits
- improve the uptake of NAIT by supporting and engaging farmers and other users in the supply chain, and improve usability
- ensure information providers, accredited entities and tag manufacturers could more easily meet their NAIT requirements and integrate NAIT with their business systems
- improve the integrity, accuracy and completeness of NAIT data
- work in partnership with industry and government to explore generating greater value from NAIT
- improve the integration of NAIT with farm and disease management systems, and
- focus on the integration of NAIT and TBfree programmes to increase the value delivered by both intitatives.

[1] Except those permitted as impractical-to-tag, and deer which have a 1 March 2016 transition deadline.

Image courtesy of the NZ Story

INTEGRATING WITH TBFREE

A major focus for the year was the integration of activities across NAIT and TBfree. A key outcome included more efficient and timely identification of the source of some herd infections.

Animal movements play a significant role in the spread of disease. NAIT requires farmers to record animal movements, which inform our assessments of disease risk and improves decision making on how best to mitigate disease risk and prevent future occurance.

NAIT and TBfree data is reconciled to identify and track animals connected with infected herds. NAIT assists with validating animal movements (into and out of infected herds) and the TB testing process related to herd breakdowns.

A proportion of TB breakdowns each year are likely to be related to movements of infected livestock where animals may be in the early stages of infection and/or not sufficiently responsive to diagnostic tests. This is one of the challenges of managing TB. An integral part of our investigations into a new TB breakdown is the ability to trace-back and trace-forward animal movements. The use of NAIT movement data has now become a key tool in managing TB.

IMPROVING USABILITY

Usability improvements included enhancing NAIT search functions and increasing the load speed of the system website.

OSPRI also launched a national series of training workshops to support farmer knowledge and skills in using the system. A number of these workshops were held in partnership with the Dairy Women's Network and LIC. These training workshops provided practical training and were well attended, with more than 1000 attendees and a satisfaction rating from participants of 90%.

OSPRI's contact centre managed 200,000 calls in the year, half of which were NAIT-related. Our highly trained staff are available to assist with queries on any aspect of NAIT and to support farmers to use NAIT and meet their NAIT requirements.

SPREADING THE WORD

We focused on reinforcing the key requirements to tag and register animals and record farm-to-farm movements. We also focused on emphasising the various benefits of NAIT to farmers, industries and New Zealand. This included the use of case studies profiling farmers talking about the benefits they personally see in NAIT. Like our work on usability, this focus reflected feedback and advice from the Stakeholders' Council, and the Council assisted in reviewing campaign materials.

OSPRI continued to build its communications programme in close contact with shareholder agencies to improve alignment. We appreciate the time and resource that partner agencies commit to drive the uptake of the NAIT programme.

IMPROVING DATA INTEGRITY

We took measures to ensure high quality data entered NAIT and regularly reviewed the quality and usability of data extracted from it.

Our achievements included a 36% reduction in the number of pending movements (560,000 pending animal movements resolved), a 100% reduction in the number of duplicate movements (1,260,000 duplicate animal movements resolved), a 28% reduction in rejected movements (25,000 rejected animal movements resolved), a 74% reduction of movements to and a 43% reduction in movements from unknown locations (390,000 animal movements resolved). In addition there was an extensive clean-up of PICA contact information.

FARM-TO-FARM MOVEMENTS

A key challenge remains identifying the number of farm-to-farm movements not being recorded and where these may be occuring across New Zealand. We engaged transport companies to collect data so we could assess the proportion of farm-to-farm movements not recorded in various regions. The results demonstrate this remains a significant area for improvement. We have focused communications on this issue, including direct mail campaigns around key movement events such as farm-to-farm beef weaner sales, on-farm dairy calf sales, and dairy grazing. We are also collaborating with industry organisations and information providers to explore ways to get on top of this issue.

WORKING IN PARTNERSHIP

OSPRI worked with a wide range of parties to enhance the uptake of NAIT and add value to the programme, including the Ministry for Primary Industries (MPI), exporters, processors and manufacturers. One major initiative was to work with MPI (as the primary agency responsible for the initiation and response during a biosecurity emergency) to further develop NAIT's reporting. Our objective was to ensure the easy and rapid transfer of data that may be required in the event of an emergency.

OSPRI partners with a range of accredited information providers and commercial entities that, on behalf of their membership and supplier base, are responsible for managing and entering information into the NAIT system. Currently there are 155 accredited information providers and OSPRI continues to collaborate closely with them to ensure a high standard of data timeliness, accuracy, reporting and verification. These are all important aims of the NAIT system in regards to market assurance, product integrity and biosecurity objectives.

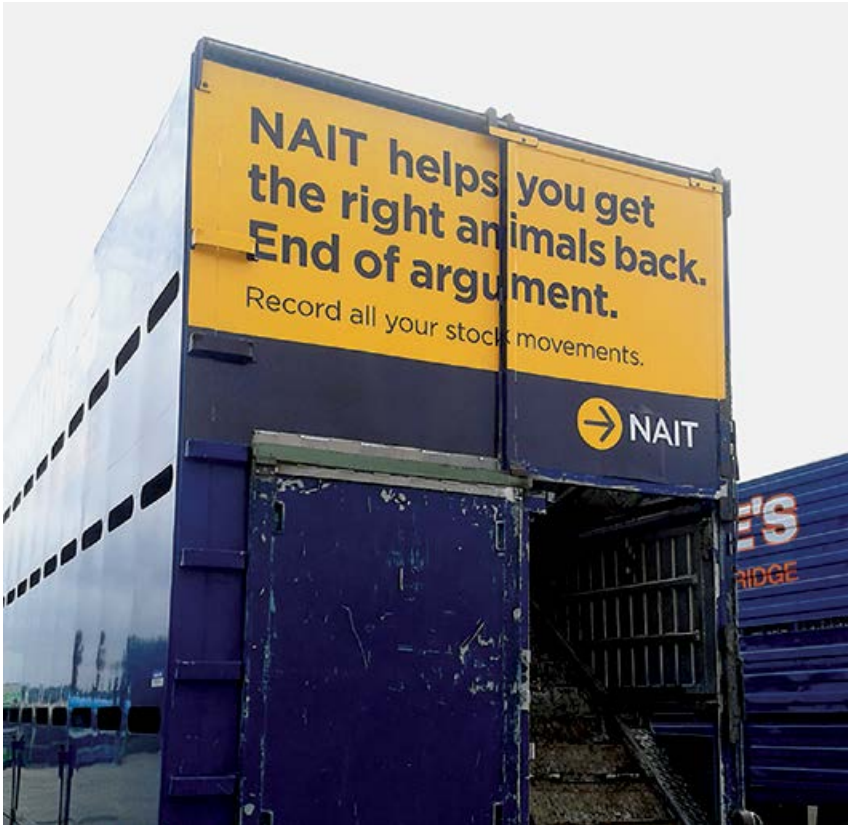
POLICY CHANGES

The end of transition period led to a temporary solution to the impractical-to-tag levy (ITT) for the 2015/2016 by rolling the existing scheme forward. This provided OSPRI, MPI and industry with the opportunity to consider a short, medium and longer- term strategy for ITT.

NAIT'S FUTURE

In partnership with stakeholders, OSPRI is starting to investigate the wider potential uses of NAIT, both on-farm and across supply chains. This includes the integration of NAIT to support product integrity, quality and yield, biosecurity, enhanced traceability and market assurance.

In the future, the increasing need to validate product claims will drive further implementation of traceability systems across supply chains.



TBfree Programme Report

OSPRI manages bovine TB in New Zealand through its TBfree programme. TB can have devastating effects on livestock productivity, farmer livelihoods and, if uncontrolled, New Zealand's ability to sell products into overseas markets.

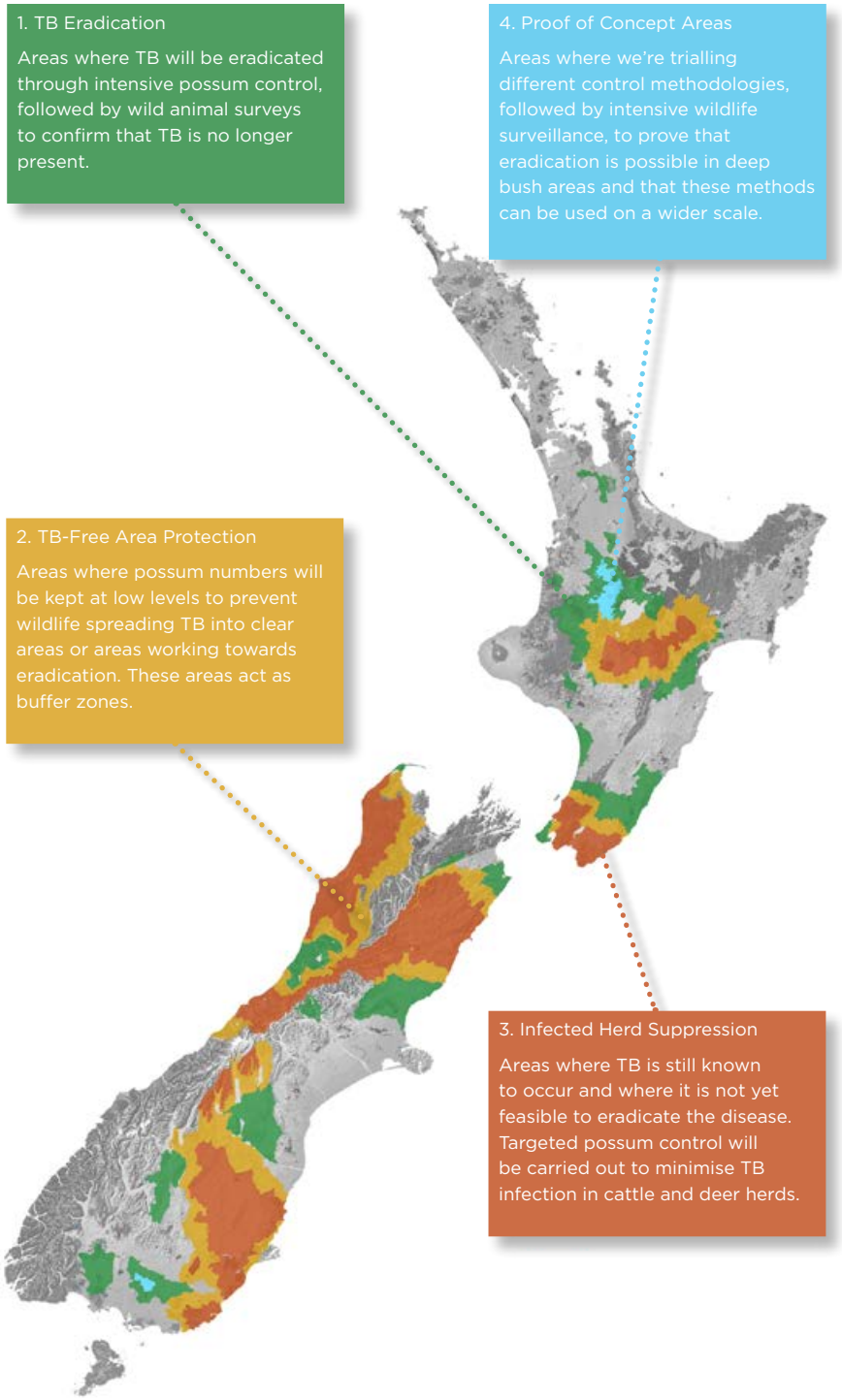
The effective delivery of the National Pest Management Plan (NPMP) helps to protect the productivity of our beef, dairy and deer herds and the reputations of these billion-dollar industries. The NPMP has a focus on control of TB both in livestock and wildlife.

The current strategy of the NPMP (agreed in 2011) has four goals:

1. Eradicate TB from at least 2.5 million hectares by 2026.
2. Keep areas without TB-infected wildlife (vector-free areas) free of TB.
3. Keep infected herd numbers as low as possible.
4. Prove that eradication is possible in two challenging proof of concept areas.

Map 1 shows the strategy as it's applied across New Zealand.

Map 1: Plan for progressive eradication – what we do where



PROGRESS TO DATE

OSPRI, with its industry and government partners, has made excellent progress. Highlights include:

1. 1.2 million hectares already eradicated of TB (almost 50% of the target land), well ahead of schedule.
2. No recent wildlife-related infections in TB-free areas.
3. Infected herds at an all-time low of 41 (at end of June 2015) and the period prevalence well below the 0.4 target at 0.16.
4. Proof that eradication is feasible. We have proven that we can eradicate TB based on work in the Hokonui Hills proof of concept area (final surveillance is currently underway), and we're well advanced towards proving the feasibility of TB eradication from the Hauhungaroa and Rangitoto Ranges proof of concept area.

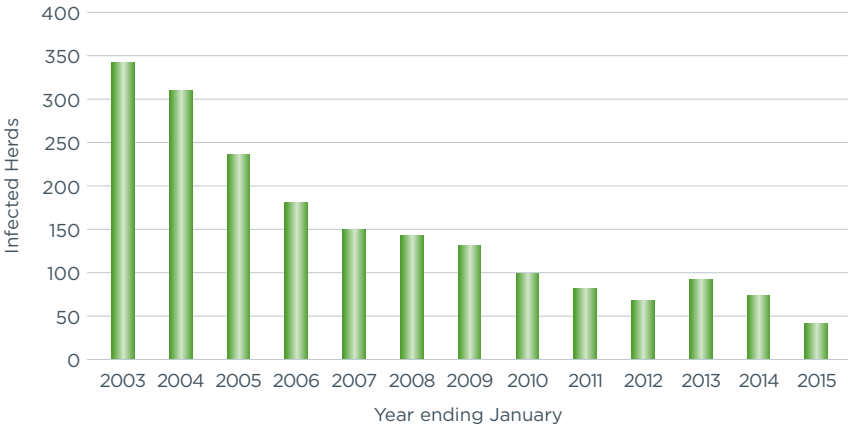
DELIVERING ON OUR STRATEGY

To make the best possible progress towards our goals we delineate areas of land across the country into three specific zones:

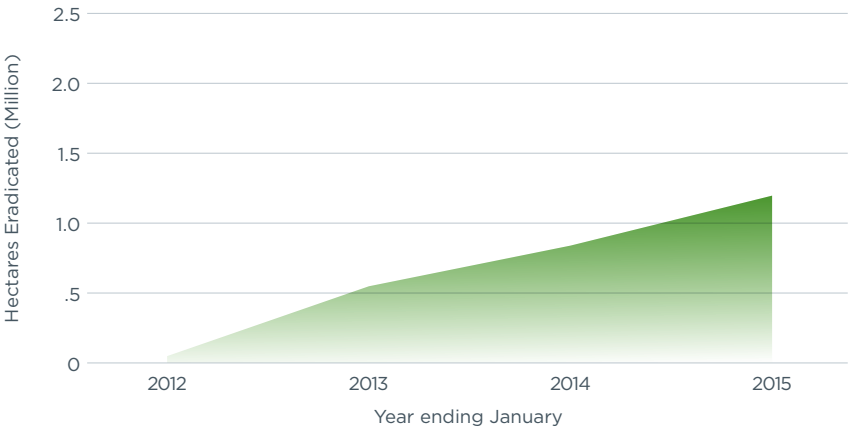
1. Areas where TB will be eradicated.
2. Areas that act as buffer zones to protect land that's TB free.
3. Areas where TB still exists and we need to limit the number of infected herds.

We use a combination of pest management, disease control and movement restrictions to control and eradicate TB. These control tools provide an integrated package that has contributed to the significant reduction in TB infection in New Zealand since the mid-1990s.

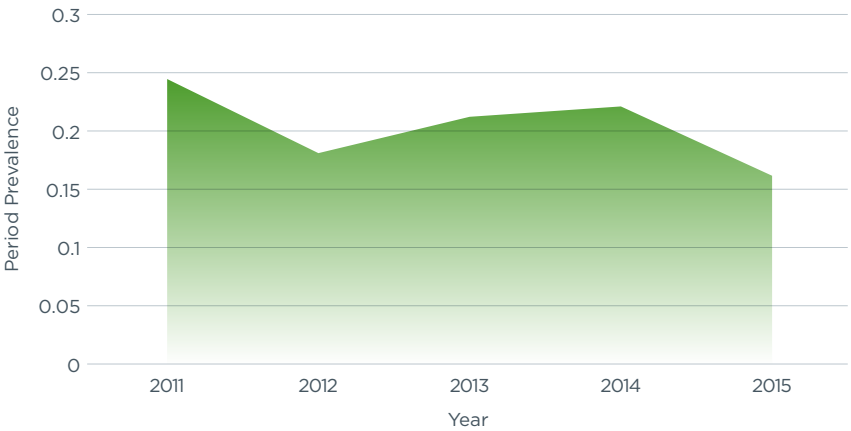
RECORD LOW NUMBERS OF INFECTED HERDS



AHEAD OF TARGET



PERIOD PREVALENCE[1]



[1] What is period prevalence? The annual period prevalence is a technical method of evaluating and reporting on the level of freedom from a disease in herds in a country or region for a chronic disease such as TB. Under this definition, the period prevalence relates to the number of TB-infected herds at the beginning of the year plus the number of new infected herds that occur during the next 12 months, divided by the average number of herds at risk of infection during that time.

The definition of international freedom from TB under the World Organisation for Animal Health guidelines is that the annual infected herd period prevalence remains under 0.2 for at least three years. New Zealand is currently at 0.16 after two years above 0.2 (see graph).

PEST MANAGEMENT

Pest management is by far the largest component of the TBfree programme. We invested $46 million in 2014/2015 on a mix of ground and aerial operations, with approximately $39 million on ground control (including monitoring and surveillance) and approximately $7 million on aerial operations, shown in Map 2.

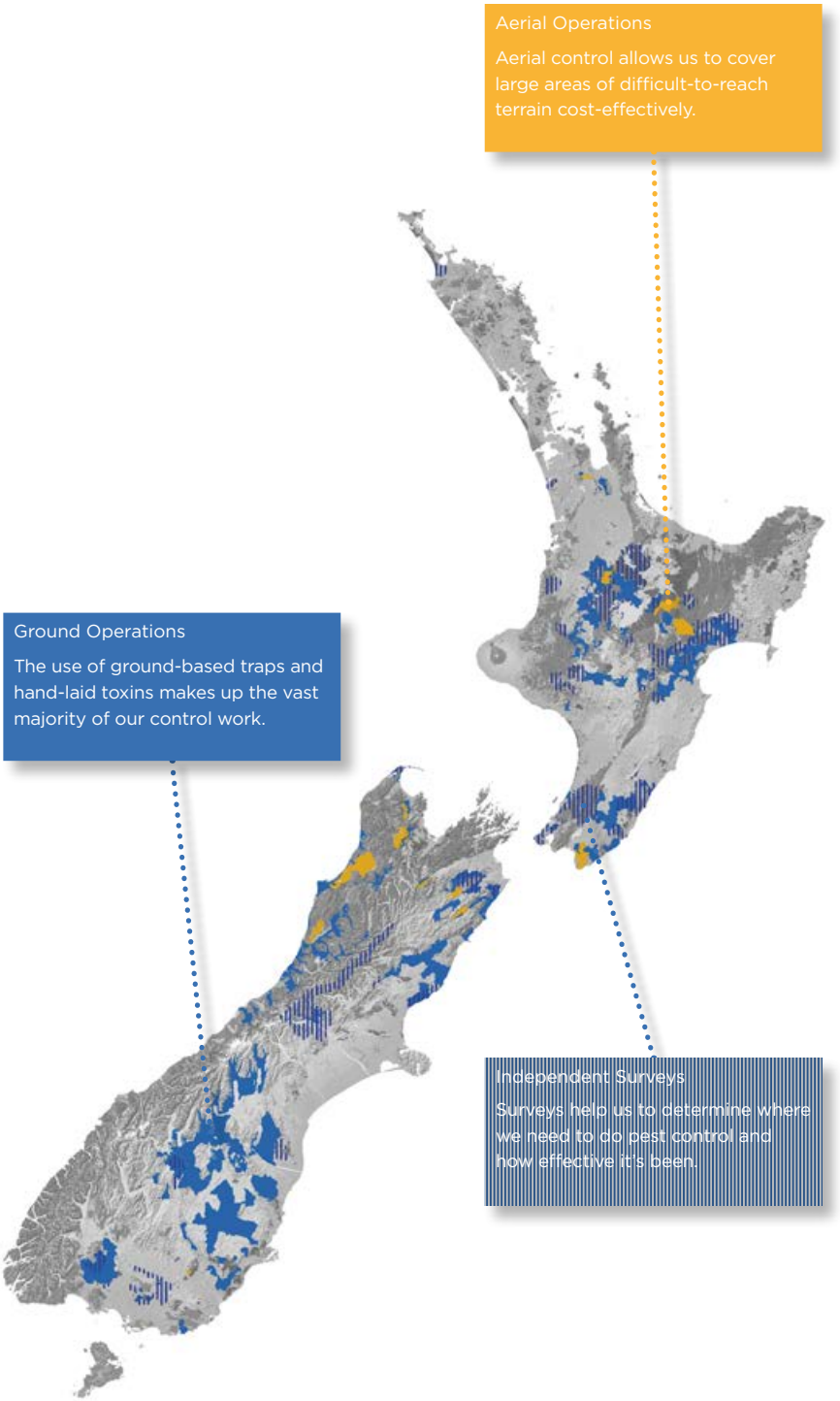
Over the course of these operations, more than 450 contractors spent almost 550,000 hours setting and inspecting more than 201,000 traps, completing field surveillance work, capturing wild pigs for monitoring and conducting aerial treatment operations.

These operations are designed to reduce the number of pests (defined as vectors) that carry and spread TB to farmed livestock. Research demonstrates that possums are the main disease vectors of TB in New Zealand.

Eradication of TB is achieved by reducing the possum density to a very low and even level (about one possum per 10 hectares) for a period of at least five years. This low density means the disease is unable to be maintained within possum populations and will subsequently disappear from both possums and other wildlife.

An important aspect of the TBfree programme is surveying wildlife to identify and detect whether TB remains. We do this by trapping or culling possums and other sentinel species, such as pigs and ferrets, followed by post-mortem examination and analysis. This is done primarily in areas where we believe TB has been eradicated. The results are used to help determine whether freedom from TB within designated land areas has been achieved. We expect to find minimal numbers of possums

Map 2: Pest control operations



or other wildlife infected with TB from these surveillance activities, as significant possum control effort has already been undertaken.

Pest control demonstration days

Demonstration days have been an important part of increasing understanding and public awareness of the benefits of our pest control work, including our aerial operations. During 2014/2015 we held four pest control demonstration days in Cromwell, Waipara, Wellington and Hawke's Bay. These popular days are held in conjunction with local conservation groups DOC and Forest & Bird, and give people a chance to witness how an operation is managed and carried out. The focus is on creating an understanding of the technical precision and risk management processes that accompany any pest management operation. It's also an opportunity for attendees to interact with staff and contractors and get a better understanding of pest control and the progress made.

Why we use 1080

Aerially applied 1080 (or sodium fluoroacetate) is the most cost-effective method for controlling introduced possums and other predators such as rats and stoats over large areas of difficult-to-access forest. Ground based control is required to be undertaken either annually or every second year, in order to maintain possum levels sufficiently low to control TB. Aerial application of 1080 can last for longer than five years and be applied accurately over large tracts of difficult-to-access bush terrain. As well as reducing the risk of TB in cattle and deer herds through infected wildlife, there are concurrent biodiversity benefits from significantly reducing the pest population.

Every year introduced pests kill significant numbers of native birds and destroy native bush, with many of our native species struggling to survive in the wild. Without the use of 1080 to control possums and other predators (rats and stoats), birds such as kiwi, whio and mōhua, among many others, would ultimately disappear from mainland New Zealand.

The use of biodegradable 1080 is ideally suited for New Zealand conditions as it is particularly effective against introduced mammals. New Zealand only has introduced mammalian pests. The only native mammals are bats which have very low susceptibility to 1080 and have limited access to areas where it is used. It is therefore possible to target pest species without risk to native mammalian species, unlike elsewhere in the world.

1080 naturally breaks down in the environment into harmless substances following rainfall through the process of biodegradation and dilution. It does not accumulate or leave permanent residues in soil, plants, water or animals.

There have been considerable improvements in baiting technology over the years. For example, the amount of bait applied per hectare has been reduced from approximately 25kg/ha in the 1970s and 1980s to current application levels of 2kg/ha or less. This equates to about four to six baits in an area the size of a tennis court. The baits are applied using helicopters equipped with sophisticated GPS technology to ensure that bait is accurately applied. Currently there are trials underway aimed at further reducing the application rate that are showing promising results. For more information visit 1080thefacts.co.nz

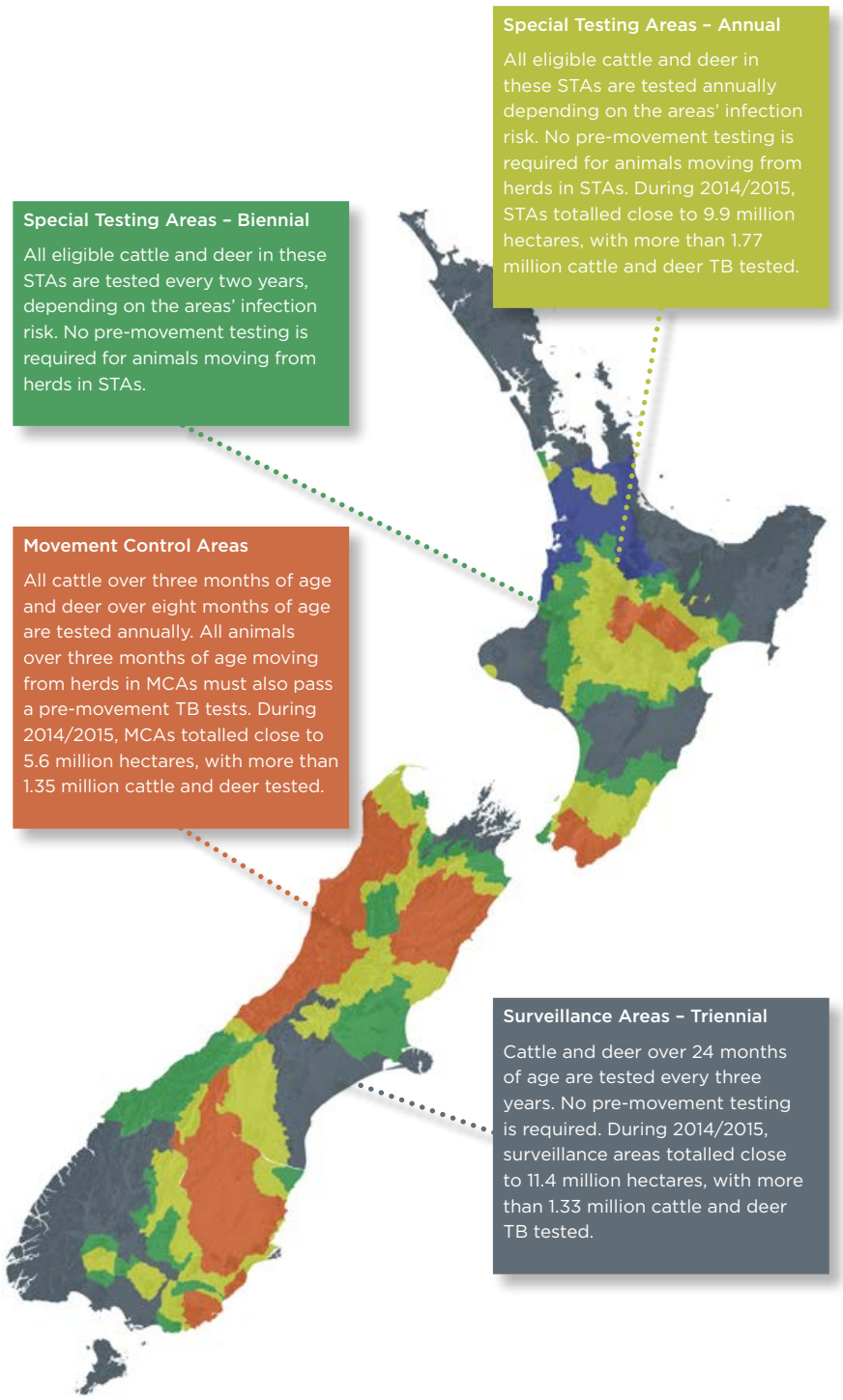
DISEASE CONTROL AND MOVEMENT RESTRICTIONS

TB control and eradication relies on identifying the risk of infection in cattle and deer herds. We do this via routine TB testing and meat inspection at processing premises. If TB is identified we aim to diagnose and remove it from a herd as soon as possible. This is completed through a process of case management for each infected herd. Veterinary staff investigate potential sources of infection using forward and backward tracing analysis of animal movements utilising NAIT data where possible. This work, combined with assessment of local wildlife infection and DNA analyses of samples, helps determine whether the infected cattle or deer became infected via contact with wildlife or from cattle-to-cattle (or deer-to-deer) spread either within or between herds.

There is a requirement to restrict the movement of stock out of both infected herds (where in most circumstances, cattle or deer can only move to slaughter) and movement control areas where the TB risk from wildlife is considered high. Under our programme, New Zealand is split into distinct disease control areas that have specific livestock testing requirements. These are known as movement control areas (MCAs), special testing areas (STAs) and surveillance areas (see map 3).

In 2014/2015 TB tests were carried out on more than 4.4 million cattle and 250,000 deer, throughout the country. The cattle testing was undertaken by two testing organisations AsureQuality and

Map 3: Disease control areas (DCAs)



VetEnt. Both the cattle and deer testing programmes are managed and administered by OSPRI's contact centre and have the results recorded within the Disease Management System (DMS).

TB infection in a herd can be a very challenging and stressful time for farmers (financially and personally). OSPRI's team of veterinarians works closely with herd owners and staff, local TBfree committee members and regional support services (through industry groups and Federated Farmers) to support and help them manage infection in their herds and work towards clearance as soon as possible. This is done through a combination of intensive testing, on-farm management, animal slaughter where necessary and, if appropriate, concurrent wildlife control. In 2014/2015 two independent contractors also provided infected herd case management services to OSPRI – Buller Vets and Sonya Shaw in the Westland, Grey, Buller and Tasman districts.

OSPRI also relies on a number of laboratory organisations for testing services – AgResearch for cattle blood-testing diagnostics, culturing and DNA typing; Gribbles Veterinary Pathology for histology; Otakaro Pathways and Canterbury Health for polymerase chain reaction (PCR) assays; and the Disease Research Laboratory for deer blood-testing diagnostics. We're grateful to these organisations for their expertise, professionalism and ongoing collaboration.

REVIEW OF THE NATIONAL PEST MANAGEMENT PLAN

A review of the NPMP commenced during 2014/2015. This review was required under the Biosecurity Act 1993 and reflected the importance and healthy nature of periodic reviews. During 2015/2016 the Minister for Primary Industries will consider the recommendations arising from the review and make decisions on a new plan to apply from 1 July 2016.

The review was conducted by the Plan Governance Group (PGG), and independently chaired by Chris Kelly. The PGG comprised the chief executives of Beef + Lamb New Zealand, DairyNZ, Deer Industry New Zealand and OSPRI, as well as the Chair of OSPRI's Stakeholders' Council, a senior manager from MPI, an independent member (Russ Ballard) and two other senior managers from OSPRI.

The PGG review provided a demonstrable example of collaborative work by industry, government and OSPRI. It was a thorough and inclusive process – including public consultation and workshops – with the PGG examining a wide range of strategic, policy and operational issues. This included commissioning an independent scientific review of whether complete eradication of TB from New Zealand is possible – with the report concluding that it is. The review also recognised the programme's results to date, which have given funders high confidence in OSPRI's ability to successfully implement a new plan.

In its consultation proposal, the PGG suggested that the new plan aims to achieve full biological eradication of TB from New Zealand by 2055 and have primary objectives to (1) achieve TB freedom from livestock by 2026; (2) achieve statistical freedom of TB in possums by 2040; and (3) maintain the annual infected herd period prevalence below 0.2. The PGG identified that both disease testing and vector control could be better targeted under a new plan, building on OSPRI research and significant operational breakthroughs made to date.

Depending on the final details of the new plan, one of the key challenges for OSPRI will be managing the transition between the current and new plans. Some changes may require phased implementation, such as the introduction of risk-based testing. Detailed and cooperative implementation work with our stakeholders will also be required for many areas of the new plan.

We appreciated the opportunity to work closely with industry and government agencies through the plan review. We look forward to the plan's next phase and to working effectively with all our stakeholders to continue our collective success.

Research and Development

OSPRI has supported a significant research programme for more than 20 years. Our research is directed at the development and implementation of new tools and processes for vector control, and understanding the ecology of wildlife vectors and TB. We contribute to veterinary science and epidemiology, biology and environmental science.

OSPRI's research programme aims to:

- investigate how TB persists in possum populations
- examine how the disease transmits between wildlife and livestock species
- determine options for cost effective control of wildlife vectors
- design methodologies for the diagnosis of TB in livestock, and
- establish measures for the determination of TB eradication within a designated area.

In 2014/2015, OSPRI funded a $2.5 million applied research programme of projects covering the following areas:

- Immunology, vaccines and alternative diagnostic testing methodologies.
- New control tools, methods of application, and monitoring.
- Toxins – including investigation of impacts on the environment and native flora and fauna, as well as evaluating the effectiveness of toxins on wild animals that carry and spread TB (known as vectors).
- Epidemiology, ecology and modelling - including investigation of the role of wildlife species in the epidemiology of TB, exploring the use of wild animals as TB sentinels and modelling to forecast outcomes.

In 2014/2015 the Plan Governance Group (PGG) examined the effectiveness of the quality, design and process of the research undertaken in the previous five years. The work concluded that "New Zealand's TB research programme provides a remarkable success story in terms of its outcomes to date against the National Pest Management Plan (NPMP) intent to test the feasibility of eradicating TB alongside achieving soon to be proposed (through the NPMP review) eradication goals".

The second review examined the science behind the proposition that TB can be completely eradicated from New Zealand. The review concluded that the science is sound. These reviews provided independent confirmation that OSPRI's research programme, delivered through significant collaboration with key research partners, has been appropriately focused and delivered significant benefits.

A further highlight this year was the significant effort by 19 authors, nine of which were OSPRI personnel, towards the development and publication of a special issue of the New Zealand Veterinary Journal. OSPRI was a significant contributor to the papers and assisted in coordination of the work on this edition of the journal titled "Control of bovine tuberculosis in New Zealand in the face of a wildlife host: A compiled review of 50 years of programme policy, design and research". The journal was published in June 2015. It provides an excellent overview of the research that has driven the outstanding progress in managing TB under the NPMP for New Zealand and can be viewed at tandfonline.com/toc/tnzv20/63/sup1

REASONS FOR TB PERSISTENCE – DEFINING PREDICTIVE MODELS

The possum TB model used for testing control scenarios and for making predictions of TB persistence often cannot get TB to persist without having very high TB transmission rates. This project examined the potential of three likely sources of variation in disease transmission that might enable the disease to persist in a wild animal population:

1. Individuals occurring in clusters as opposed to being randomly distributed (the Space test)
2. Individuals with more contacts also being those with longer periods of infectiousness (the Social test), and
3. Individuals being able to resolve disease lesions (temporarily stop or slow the disease) with subsequent future relapse (the Resolution test).

Incorporating each of these three likely sources of variation into the TB model showed that lesion resolution contributed the most to disease persistence. Previous research observed that some TB-infected possums appeared to be able to resolve lesions temporarily. Given both the empirical and observed findings from this project it is recommended that this factor be considered for inclusion in the possum TB model to improve the model's representation of TB epidemiology.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REDUCING AERIAL 1080 BAIT SOWING RATES

In the past 10 years, research focused on bait quality, application patterns and sowing rates, has enabled sowing rates of 1080 baits to be reduced from in excess of 10 kilograms per hectare down to the currently used low rate of 1-2kg/ha. This equates to a reduction from 833 to 83 12-gram baits sown across a rugby field. This project, directed specifically at reducing aerial 1080 bait sowing rates, built on previous research and aimed to further reduce the cost of aerial control and the amount of 1080 bait being applied to the environment. It also looked specifically at using lower-cost, fixed-wing aircraft for applying the bait. Previous research had shown that in the northern South Island high country, possums had a large forage range, averaging 339 metres over three nights. This research suggested that 95% of possums would be put at risk even if bait were sown in strips along flight paths 150m apart. This current project tested the effects of flight path spacing on kill efficacy. On an area of Marlborough high country (un-forested), bait was sown in strips, but at the equivalent broadcast sowing rates of 0.4kg/ha (125m flight path spacing) in one treatment block and 0.285kg/ha (175m flight path spacing) in another. This latter sowing rate was the equivalent of about 24 12g baits sown across a rugby field. Both sowing rates achieved a 100% kill of radio-collared possums. These results showed that in unforested areas sowing rates can be reduced to very low levels, but the currently used 1-2kg/ha is probably still required for controlling possums and rats in complex forest habitats.

SEX PHEROMONES AS POSSUM LURES

Ever since possums were first trapped for fur in New Zealand in the 1920s, trappers have used a wide variety of food-based scents such as aniseed, cloves, cinnamon, and curry, believing these smells act as lures and therefore increase capture rates. Research has shown that most food-based scents don't work as lures. This project, which examined the effects of the presence of pheromones on possum behaviour, indicated that both male and female possums were interested in trap sites where sex pheromones (oestrus female urine) were present. The compounds present in oestrus female urine have been identified using mass spectrometry and mixtures (bouquets) of synthetic compounds are now being tested to find which mixtures elicit the greatest responses in possums.

OPTIMAL SIZE OF CEREAL PELLET BAITS FOR AERIAL CONTROL OF POSSUMS

This project looked to determine the optimum bait size for aerial 1080 operations when taking into account possum body weight and their susceptibility to 1080. Previous research used captive penned possums, which raised questions about how representative they were of wild possums. This trial was carried out in challenging field environments in which radio-collared possums were pre-fed with non-toxic cereal pellets and then offered single cereal baits of varying sizes and therefore toxic dosage. Each possum-bait encounter was video monitored to determine the lethality of each possum's first encounter with these baits. All possums that ate more than 9g of bait died. However, the research showed that in some areas not all possums would eat bait of 9g or larger and some of these possums survived. Although this research project is ongoing, initial results reinforce the need for pre-feeding to encourage all possums to eat sufficient bait to get a lethal dose of 1080.

USING LIVESTOCK AS SENTINELS OF TB IN POSSUMS

The aim of this project was to develop a model that uses livestock TB surveillance data to predict a probability of disease freedom in an overlapping or adjacent possum population. For example, the project sought to examine situations where livestock on farms that surround areas of possum habitat may not have TB, but may provide information that is predictive of the probability TB being prevalent in possums occupying ranges that overlap these farms. The model enables surveillance data from livestock to be used, along with data from possums, pigs, ferrets, and deer, to increase the sensitivity of surveillance programmes when generating probabilities of TB freedom using the Proof of Freedom Utility (a computer model designed specifically for deciding how certain we are about TB being absent). The potential benefits of this project are reduced surveillance costs and reduced time to achieve a target probability of TB freedom in wildlife. A case-study area in North Canterbury using livestock as sentinels increased the probability of TB freedom from 0.9 (just using wildlife) to 0.97, which allowed declaration of TB freedom (ie >0.95). And, because it uses data obtained from livestock slaughter surveillance once an area has been declared TB free and all other surveillance programmes (ie surveys of possums, pigs, and

ferrets) have stopped, this new model will be especially valuable for future surveillance.

JUDAS POSSUMS

Eradicating TB from possums requires populations to be reduced to very low levels and then maintained at those levels for five to ten years. The maintenance phase is especially challenging for control contractors, and expensive for OSPRI, because a lot of control effort (usually trapping) has to be applied to catch only a few animals. In other pest management programmes where a lot of effort is required to find a few survivors (eg goat control), one effective solution is to capture a few individual animals, radio-collar them and then release them and give them time to find conspecifics (other animals of the same species). These individuals are called Judas animals because they betray their "friends" by being easily located using the radio-collars, and enable the cost-effective control of the conspecifics clustered near them. This method has not been tested on possums until now, and was tested for the first time in western Southland. The capture rate around Judas possums was double that of a previous control contract using standard trapping methods. Although the differences in the cost per possum killed were not as marked (because of the costs of catching, collaring, and tracking the Judas possums), it was still very cost effective.

LOOKING AHEAD – MEASURING AND IMPROVING THE EFFECTIVENESS OF AERIAL 1080 OPERATIONS FOR POSSUM CONTROL

This project aims to increase the percentage of possums killed by aerial 1080 operations from the routinely achieved 90-95% to 100%. If we can kill all possums in an area with one aerial 1080 operation, TB will not be able to persist. One step to achieving this is to determine why some possums survive aerial 1080 operations. Researchers have developed a novel use of very low-dose anticoagulant poisons as biomarkers that enable them to determine, for the first time, if surviving possums have eaten no bait, pre-feed bait only, pre-feed and a sub-lethal amount of toxic bait, or just a sub-lethal amount of toxic bait. Knowing this will enable appropriate mitigation strategies to be developed for achieving 100% kill rates.

Key Projects


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Industry Systems

We continuously improve our systems and technology to enhance the cost effectiveness of our work.

The nature of our work requires us to manage extensive data and enhance a number of systems and tools. The importance of high-quality data cannot be underestimated. For example, examining a long history of pest control and herd infection data is central to our decisions to declare areas free of TB. For NAIT, the completeness and integrity of data is central to how quickly New Zealand can respond to disease outbreak incidents.

Using the tools we have developed, we can combine different datasets, "layering" data to better target pest control operations and improve decision-making. We use a number of tools, such as hand-held GPS units for data collection in the field, to improve the quality and effectiveness of what we do.

The examples below underscore the important part that systems and technology play in our work. Our staff, disease testers, pest control contractors and others, are all supported by systems and tools that help deliver the NAIT and TBfree programmes more efficiently.

MANAGING ENHANCEMENTS EFFECTIVELY

Developing software, systems and technology can be complex, requiring excellent project controls to execute projects efficiently and on budget. We have now been nationally recognised for the development of our livestock disease management system, winning two awards, the IT Project Excellence and Excellence in Software awards, at the inaugural Institute of IT Professionals awards in October 2014. These awards were great recognition of our staff involved in projects and demonstrate the high standards of our work being delivered on behalf of the industry and farmers.

USABILITY OF NAIT

Improving NAIT's usability for farmers and other industry participants was a key focus during the year.

Farmers identified that the NAIT system load times were a barrier to using NAIT. We improved system performance by altering how the data was stored and retrieved in the background.

NAIT's search feature was improved, making it easier for farmers to search for people and NAIT numbers. This then made it simpler to process animal movements. A new function called "stocktake" was launched to help farmers get their NAIT accounts up to date. The stocktake feature allows users to scan a whole herd, or a group of animals, and upload the tag numbers to the NAIT system in one go.

ENHANCEMENT OF NAIT DATA INTEGRITY

We identified and addressed a number of areas where the quality and availability of NAIT data could be improved at all stages of the data management process. Testing of existing data reports was also carried out to ensure they met internal and external needs. Some new reports were also created to improve biosecurity, compliance and operational management.

INTEGRATION OF DATA AND SYSTEMS

A single view of disease control and traceability

We ran a proof of concept to test a solution to integrate OSPRI's core systems. Our goal was to reduce the effort required to manage and maintain data across different systems and help improve the efficiency of our services to farmers. We were successful and, as a result, implemented the integration infrastructure to enable our core systems to interact.

This technology allowed farmers to use a single number, either their NAIT number or DMS (TBfree's Disease Management System) herd numbers when speaking to us. DMS can now search by NAIT number, providing a complete view of the information OSPRI holds on the herd. This has reduced response times in the contact centre. The coming year will see us explore even greater use of this technology to support our programmes.

Reducing the risk of inaccurate data

Data integration is helping to reduce inaccurate data being recorded out in the field. By our systems automatically providing individual animal radio-frequency identification (RFID) details, meat processors are now able to identify and flag a herd accurately when they receive a TB-infected animal. This significantly reduces the likelihood of manual errors in logging and using information about the animal's identity.

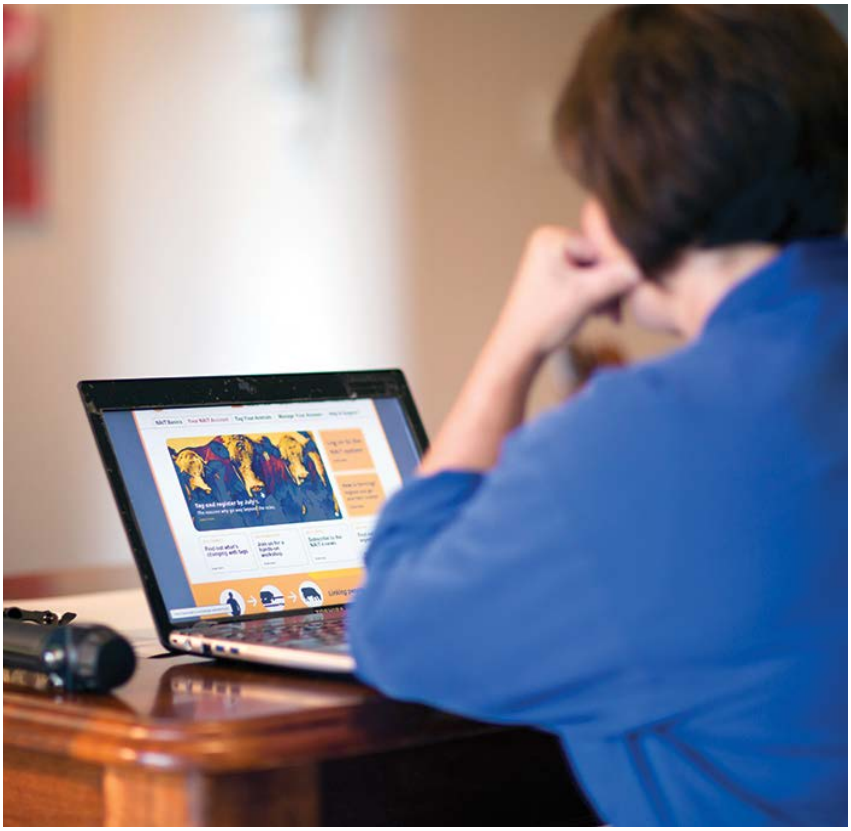
ENHANCEMENT OF KEY TBFREE SYSTEMS

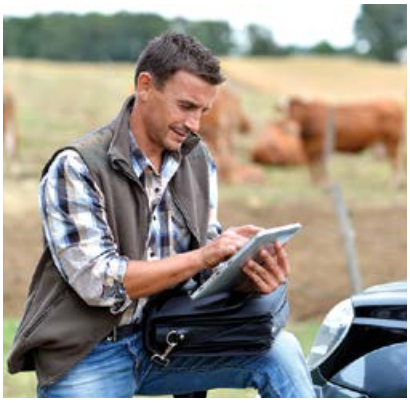
Surveillance

Our pest control work has been streamlined through improvements to the recording of surveillance activities. We have completed system enhancements to accommodate new possum detection devices such as WaxTags® and ChewTrack Cards. These devices reflect advancements in the monitoring and surveillance of possums under the TBfree programme. We can now upload data and report automatically on where detection devices were used. By enhancing our existing system, a range of paper-based and manual workarounds have been eliminated, giving us greater efficiency and integrity in our pest control work.

Disease Management System

We completed work on a geospatially-enabled livestock Disease Management System (DMS). This tool supports core disease management activities, including TB testing administration for over 75,000 herd and farm owners. It was developed in partnership with internal and external users, including post mortem inspectors at meat processing plants, TB testing organisations and laboratories. In 2014/2015, several key features were deployed and an 'Agile' approach was adopted to manage the project. This allowed for regular engagement with users to test system functionality prior to release.





Collaborative Initiatives

OSPRI partners with its shareholders on a range of scientific, technical, industry and government agencies to achieve greater benefits through co-investment and alignment of priorities. Examples include joint research and projects on pest control methodologies, surveillance mechanisms, pest control operations, livestock traceability systems development, traceability approaches and verification, animal health, and emergency animal disease response and management.

OSPRI continues to contribute to a number of collaborative initiatives with the Ministry for Primary Industries, DairyNZ, Beef + Lamb New Zealand, Deer Industry New Zealand, the Meat Industry Association of New Zealand, the Department of Conservation (DOC), the Veterinary Association of New Zealand, the Red Meat Profit Partnership, the National Science Challenge, Landcare Research, AgResearch and with Massey, Auckland, Waikato, Lincoln and Otago Universities.

Some examples of collaborative initiatives during 2014/2015 are discussed here.

PEST MANAGEMENT WORK WITH REGIONAL COUNCILS

OSPRI collaborates with regional councils for the successful implementation of the TBfree programme across the country. Alongside this, it is recognised that there is a natural alignment with the role and leadership of regional councils in improving biodiversity outcomes through targeted landowner and public land pest control initiatives.

This year, successes included Wellington, where no TB-infected wildlife was found, and the Otaki eradication zone which was declared free of TB. Canterbury also had a successful year with the Overton vector control zone eradicated of TB, adding to the almost 290,000 hectares of TB risk area already eradicated from Canterbury since 2011.

Looking to the future, OSPRI has identified opportunities to work with the local government sector. This includes co-investment and joint delivery of aligned activities – including the implementation of multi-species control programmes such as the programme recently completed in Wairarapa with the support of the Wellington Regional Council. It is vital OSPRI and regional councils work together to achieve better results for primary industries.

A NEW APPROACH FOR DETERMINING TB FREEDOM IN POSSUMS

In collaboration with Landcare Research, OSPRI implemented a field trial for determining when an area may be declared free of TB. This project was based on utilising wide-scale surveillance work to inform the subsequent control operation, and was made possible by recent technological advances in OSPRI's approach to our surveillance work. This strategy was commenced as a research experiment, but then applied on a larger scale by combining the trial with a planned possum control operation covering over 6,500 hectares of the Hokonui Hills in Southland. The results confirmed a 99% probability that TB has now been eradicated in possums in the Hokonui Hills.

The trial was an example of using research findings to achieve TB eradication results at lower cost. OSPRI field staff work closely with researchers to ensure that our operational decisions are supported by sound science and that there is direct uptake of research knowledge and any new technologies or approaches in the field.

Image courtesy of the NZ Story

NAIT WORKSHOPS

In response to stakeholder requests for better guidance on using NAIT, OSPRI set up workshops in collaboration with a range of industry partners (DairyNZ, Deer Industry New Zealand and Beef + Lamb New Zealand). The workshops were designed to provide users (e.g. farmers and information providers) with the skills to complete a range of tasks within the NAIT system and to provide OSPRI with feedback on possible system improvements.

Information providers and tag manufacturers provided valuable input into the development and delivery of the workshop. OSPRI facilitated workshops in combination with LIC and the Dairy Women's Network. OSPRI's shareholders along with industry service providers and Federated Farmers supported workshop promotion. Over 1000 farmers attended the workshops from April through to June. The same stakeholders have also been active in promoting the benefits of NAIT to their members through the various communication mediums they use throughout the year.

IMPROVING THE SKIN TEST USED FOR IDENTIFYING TB INFECTED LIVESTOCK

OSPRI collaborated with PolyBatics, AgResearch, AsureQuality and VetEnt to assess developments in TB testing methodologies for diagnostic and ongoing surveillance purposes. While existing TB diagnostic tests currently demonstrate a reasonably high degree of accuracy, further improvements to the methodology have valuable potential for the TBfree programme. They could reduce time and investment, and ensure a higher degree of accuracy. At present, to test for TB infection in livestock a skin test is used in the field which requires Observe™ tuberculin to be injected into the caudal fold near the base of the animal's tail. Although this test has high accuracy overall, in some groups of animals it can also falsely identify some animals as infected ("false positives"). OSPRI, with PolyBatics, AgResearch, AsureQuality and VetEnt, established a collaborative project that would address whether the number of "false positives" may be reduced with testing approaches and through a comparison of the sensitivity and specificity of the intradermal injection of a new reagent (Assign-bTB reagent - PolyBatics) with that of the currently used Observe™ tuberculin. The Chief Technical Officer of MPI provided approval for the experimental design of the project. To date, a sufficient number of tuberculous reactors are yet to be diagnosed that could effectively demonstrate the potential difference between Assign-bTB and ObserveTM tuberculin sensitivity, but further testing intended to continue over the coming months will provide results during the latter part of 2015.

BATTLE FOR OUR BIRDS

OSPRI collaborated with the Department of Conservation (DOC) to integrate TBfree and Battle for our Birds programme activities and to further eradicate TB and promote biodiversity results for both agencies and the New Zealand community.

DOC predicted that, due to high levels of seed production in beech forests, a rodent, possum and stoat population explosion could further endanger birds such as mōhua, kākā, kea, whio and kiwi along with other at-risk species such as bats and land snails. OSPRI worked with DOC on two aerial operations – the Mokihinni and the Blue Mountains – to help fight this explosion.

Mokihinui and Atarau

We undertook the Mokihinui aerial operation and included an additional block of allocated DOC land within our Atarau aerial operation in order to support DOC's Battle for our Birds programme. DOC integrated possum control in their Kahurangi

National Park operations, an area that OSPRI had identified as requiring further work as part of its vector control programme. The Mokihinui operation provided protection for native species including whio (blue duck), roroa (great spotted kiwi), kea, kākā, kākāriki, and populations of threatened long-tail bats and Powelliphanta snail species found in the area. It also provided the added benefit of additional support to our ground and aerial operations in the surrounding areas.

Blue Mountains

The Blue Mountains, in West Otago, are a designated TB risk area inhabited by infected wild animals. By collaborating with DOC on an aerial operation in this region, OSPRI achieved considerable cost savings for the current vector control programme alongside excellent results for DOC's Battle for our Birds campaign – in particular, the protection of the habitat of the resident mōhua population. Monitoring that was conducted through tracking tunnels demonstrated that stoat populations were likely to be less than detectable levels (0%) following the operation, compared with 38% prior to the operation. Tracking results have also shown that rat, mice and possum numbers in the area were reduced in population significantly.

Image courtesy Matt Binns

Image courtesy James Reardon

Image courtesy Janice McKenna

PEST MANAGEMENT COLLABORATIONS

Project Aorangi

This is a collaborative project designed to protect native birds and bush as well as provide for the control of TB in the southern Wairarapa area. The project was established with DOC, the Greater Wellington Regional Council (GWRC), the Aorangi Restoration Trust (ART), Aorangi Deer Hunters, local iwi, OSPRI and the Victoria University of Wellington over a ten year term.

The aim of this project is to reduce the number of possums, stoats and rats over approximately 30,000 hectares of the Aorangi Forest Park. During the course of the ten year project, the aerial operation will occur every three years to ensure maximum biodiversity gains are achieved. This will be achieved at approximately the same cost as completing aerial control every five years by reducing the sowing rate and inserting a gap in the baiting swath width of 40 metres. Deer repellent was used across the entire operational area. The first aerial operation of this collaborative project was completed in August 2014. The aerial operation is scheduled to occur again in the winter of 2017.

Victoria University of Wellington is conducting a ten year study on the environmental effects of the use of 1080. A range of biodiversity indicators are being used to determine these effects. Early indications appear to show that no bird species have suffered any significant population losses in the months immediately after the aerial operation.

Baton – Arthur

OSPRI were approached by the Friends of Flora community conservation group to see if we could integrate extra landmass to our Baton-Arthur pest control operation, within a project that would see us building on a similar successful collaboration in 2013. Through a memorandum of understanding with Friends of Flora and DOC, OSPRI and these partner agencies successfully delivered the extended operation.

This activity assisted the Friends of Flora with their pest management programme aimed at protecting threatened flora and fauna in the area, including roroa (great spotted kiwi) and whio (blue duck). The collaboration included support from local volunteers to help clear tracks and prepare the operation.

Hokonui Hills

In collaboration with Landcare Research, OSPRI completed research work as part of the June 2014 Hokonui Hills aerial operation with the aim of facilitating a 'belt and braces' approach to assessing the feasibility and effectiveness of a new approach to declaring TB freedom in possums. Alongside this research, studies on the impact of 1080 on birdlife are being undertaken with the support of DOC, Te Ao Marama and the Hokonui Runanga.

The TB freedom research involved radio-tracking possums, monitoring possum numbers pre and post aerial control and performing necropsies on possums after the aerial control operation to look for the presence, or absence, of TB.

The bird studies underway involve annual acoustic recording and analysis of bird song to determine the long-term impact of pest control (year one of a ten year project), and a study into the acute impact of 1080 on ruru. The ruru study involved harnessing and radio tracking birds pre and post aerial control to assess survival rates. The 100% survival rate has led to a 'follow on' study into the nesting and fledgling success of the harnessed ruru (ongoing).

OTHER INITIATIVES

Community and stakeholder engagement regarding 1080

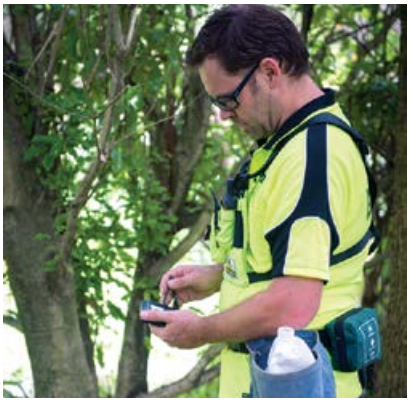
OSPRI worked to highlight the benefits of 1080 in close collaboration with DOC, Forest & Bird, PCET, GWRC, and Federated Farmers. The use of aerial 1080 is opposed by some individuals in the public domain, many of whom challenge the view that possums spread TB. Other community concerns include whether there are any adverse biodiversity impacts of 1080 or whether alternatives are available. OSPRI will continue to assess the most appropriate available alternatives for effective pest control operations. It will take into account factors such as area of operation, efficacy, and technological developments. OSPRI contributes significant research towards pest control approaches including alternative baiting options and regularly engages and addresses community concerns.

Contribution to community and environmental initiatives

OSPRI worked closely with local people, other agencies, organisations, iwi and conservation organisations to ensure the TBfree programme outcomes included clear and recognised benefits for communities and landholders. OSPRI develops partnerships with the farming community, as well as working in tandem with relevant conservation organisations to ensure a more effective approach to pest control on public and private land areas.

Transport

The livestock transport companies play a key role in the implementation of the NAIT programme, especially, in relation to the recording of farm-to-farm movements. In order to gain a better understanding of barriers and issues, we conducted a research project in collaboration with transport companies. This involved a series of interviews, site visits, process modelling and data analysis. The research provided useful insights into the real life issues the transport companies face and will inform the development of possible solutions to help improve the NAIT recording of farm-to-farm movements.



Corporate Activities

Health, Safety, Security and Environment

OSPRI seeks to demonstrate a strong commitment to health and safety by strategy and collaborative work with contractors.

OSPRI currently employs 165 staff and operates in collaboration with 750 contractors who carry out TB testing and pest control around New Zealand. Our widely dispersed workforce and the nature of our operations in the field present a broad and dynamic range of risks. Staff and contractors carry out work to deliver our programmes in outdoor environments ranging from the urban fringe and farming enterprises to forests and larger isolated and mountainous land masses.

STRATEGY OVERVIEW

OSPRI's health, safety, security and environment (HSS&E) strategy is designed to mitigate risks and ensure that we can achieve our mission without harming our people or environment. During 2014/2015 our strategy, and supporting improvement plan, called for a 25% reduction in workplace recordable injuries achieved through implementing a zero-harm culture amongst OSPRI staff and contractors. This target was achieved in 2013 (the first year of the strategy), and we now strive for a further 25% reduction in the remaining two years.

Our primary measure of success is referred to as the "total recordable injury frequency rate", or TRIFR. TRIFR is the number of people injured per million hours worked. TRIFR captures reported injuries requiring more than first aid, and is recognised as the most comprehensive and reliable lagging measure of safety performance. We are pleased to report that we have exceeded our target. By the end of June 2015, both the rate of injury and number of injuries had dropped by 45% against the previous year, meaning that 24 people had avoided recordable injuries compared with the previous year's result.

Recent independent reviews of OSPRI's strategy noted that our strengths include corporate leadership to ensure a focus on health and safety in the workplace and an agreed vision accompanied by clearly stated goals.

OSPRI will continue to refine its strategy to ensure it remains fit for purpose and will continue with its vision of a healthier and safer workplace.

LEADERSHIP

Our leaders are vital to achieving a transformation in safety performance. The visibility of our senior leaders at safety events and their attendance at safety meetings demonstrates to our employees and our supply chain that OSPRI is committed to improving HSS&E performance.

An independent review by Deloitte commended OSPRI on its management approach to health and safety. The report identified 16 existing initiatives within our strategy as areas of strength and commended the level of managerial support. The report also noted that the visibility of leaders at safety events had reinforced the importance of the HSS&E strategy, not only for OSPRI but to its stakeholders. These observations are supported by feedback collected from workers.

Collaboration with WorkSafe NZ's Safer Farms

Underscoring OSPRI's commitment to health and safety is a Memorandum Of Understanding with WorkSafe New Zealand, signed in late 2014 as part of the Safer Farms programme. OSPRI provides approximately 15,000 farmer engagements through our current operational programme delivery activities per month and is in regular contact with approximately 60% of New Zealand's farmers each year (amongst other supply chain business owners, operators, service providers and employees).

OSPRI personnel are also able to demonstrate safe work practices to farmers, supporting initiatives that seek to bring about change in the way health and safety is perceived and managed in the farming sector. As part of the agreement, OSPRI will promote Worksafe NZ's Safer Farms programme through its existing connections with farmers, contractors and staff.

COMPETENCY AND TRAINING

OSPRI works with accredited industry training organisations and stakeholders to improve course content, delivery and take-up. We worked with the Primary Industry Training Organisation to update the TBfree certificate to ensure it reflects current best practice and integrates our most recent health and safety initiatives. Key changes included a requirement that vehicle training be delivered by AgExcel-endorsed tutors, and the addition of unit standards covering hazard management. Our contract requirements were also updated to operationalise the changes and ensure the latest certificate requirements were implemented by target end-users.

ACC TERTIARY CERTIFICATION

A project to attain ACC Workplace Safety Management Practices certification was undertaken during the year. The auditor feedback documented that the information submitted demonstrated an excellent and comprehensive health and safety system in action. The result was OSPRI gaining the highest possible level of certification.

CONTRACTOR SAFETY

OSPRI has a strong focus on working collaboratively with contractors on health and safety, recognising the obligations of both parties in a contractual relationship and the desirability of working together to achieve the objectives of policies and procedures.

Safety culture survey

OSPRI is continually working towards a "zero-harm culture" to be demonstrated amongst our employees and contractors. In order to measure our progress, OSPRI commissioned an independent health and safety culture survey of pest management contractors. Approximately 350 people responded to the survey and workshops were held at OSPRI field safety days and contractor meetings. Independent facilitators supported the workshops to obtain feedback from participants and the results were used to establish an implementation plan that will integrate the intent of the zero-harm culture approach alongside specific benchmarks which OSPRI can use to measure the success of our health and safety initiatives.

Safety days

OSPRI facilitated seven safety days across the country, attended by approximately 450 contractors and staff. Presentations included:

- quad bike safety
- an introduction to the Safer Farms programme
- a newly developed work-start programme
- hygiene around potentially infected animals, and
- and first aid in remote locations.

The days resulted in an increase in minor incident reporting and contractor-initiated HSS&E queries in the months following the safety days.

Quad bike safety programme

Quad bike use poses a significant risk to our workers in the pest management part of the business. Around 850 people are injured in quad bike related accidents annually. Many of OSPRI's activities require all-terrain mobility which increases the risk associated with quad bike use.

OSPRI implemented a sustained quad bike safety programme, taking a multifaceted approach that includes raising awareness via newsletters and quad bike stickers, replacing our own quad bike fleet with safer light utility vehicles, providing contractual incentives for contractors to switch to safer alternatives, and revising industry training.

The programme has been a major contributor to a 45% reduction in the number of quad bike related incidents. As a result of this work, OSPRI was selected as a finalist in the Safeguard Workplace Health and Safety Awards. This programme is an example of an initiative that could be extended across the primary industries to other sectors that use quad bikes.

TB testing initiative

OSPRI TB testers often visit more than one farm in a day – and subsequently may be exposed to significant variations in the safety risks within the workplaces they visit. We facilitated a workshop with TB testers, members of the beef, dairy and deer industries, and Federated Farmers to discuss how we might improve tester safety. Feedback from the workshop resulted in the development of an agreed trilateral hazard management process.

This process ensures that awareness of health and safety begins with the notification of a test due, which is now accompanied by information explaining the minimum health and safety expectations for safe TB testing. This gives farmers the opportunity to identify and remedy hazards before the testers arrive on site. The TB testers are encouraged to engage with farmers when they arrive on farm, to identify and work around any problems not already addressed. Finally, any critical risks that remain uncontrolled are reported to OSPRI, which engages with the farmers directly and requests resolution prior to the next test.

Marketing and Communications

During the year, we focused on improving communication and engagement across our work, including building greater awareness of OSPRI as a new organisation and its management of the TBfree and NAIT programmes.

OSPRI

We updated our mission – 'to help protect and enhance the reputation of New Zealand's primary industries' – to underscore our support role and link our work to the aspirations of key stakeholders. Our upcoming work with stakeholders to define a new strategy for OSPRI will likely lead to further enhancements in how we describe our role.

We also made branding refinements and updated a significant amount of content to improve the professionalism and coherence of our branding across OSPRI, TBfree and NAIT. This improved our ability to link programmes to OSPRI and helped build better understanding of OSPRI's role overall. We saw benefits of this at National Fieldays, with a high level of attendance.

We continued a strong media presence, including extending our use of social media. Facing a large number of information requests each year, we also commenced development of a wider suite of factsheets to explain key technical, policy and operational aspects of our programmes. We built our marketing capability internally with a view to enhancing the targeting and value of our activity.

NAIT

Consistent with the feedback of our key stakeholders, we placed a strong focus on better communicating the benefits of NAIT for livestock supply chains. This included print advertising across national rural publications, complemented by radio spots and advertising on stock trucks.

In print media, our communications led with benefits described by farmers themselves, supplemented by information on NAIT's requirements. To ensure our messages were timely and relevant, we also tailored them to key agricultural events and dates.

At Fieldays, our team provided hands-on training with the NAIT system, assisting farmers with their NAIT accounts and answering a wide range of queries. We also ran training workshops around the country, based on step-by-step instruction guides available to all farmers. Over 1000 people attended the workshops, with a very high satisfaction rating for the content and trainers.

Based on analysis of NAIT data, we commenced targeted campaigns – what we call 'NAIT Nudge' – to improve uptake and compliance with NAIT. While early days, these have had positive and very cost-effective results.

TBFREE

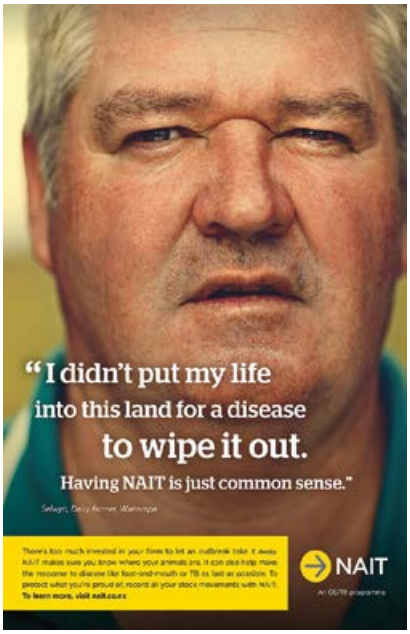
Our significant headway in reducing infected herds and eradicating TB from vector risk areas provided a strong platform for our TBfree communications.

There was high interest during the year in the review of the NPMP and the maintenance of adequate funding over the transition year (2015/2016) while the review was being undertaken. We provided communications support to the NPMP review, and put significant effort into regional communications on why there remained a good case for councils to continue to fund for 2015/2016.

Keeping stakeholders and the public informed about our pest control activities is a key aspect of the programme, along with a large number of communications and engagements regarding aerial operations using 1080. We also ran community information and demonstrations days to answer queries and build awareness of how our pest control operations work.

As part of thinking laterally about how to reach different audiences, we created a number of short videos to explain key parts of the programme. These included videos explaining the use of pigs (including 'Judas' pigs we follow with tracking devices) as sentinels for TB and our partnership with DOC and the community group Project Tongariro to eradicate pests in the Tongariro region.


"The benefits of using NAIT are huge.
Stock management, disease control - it's all there at your fingertips"
NAIT


"I didn't put my life into this land for a disease to wipe it out.
Having NAIT is just common sense."
NAIT


OSPRI
Think of NAIT as insurance, protecting your number one asset.
Record all your movements at www.NAIT.co.nz and you'll be doing more than just playing by the rules.
"ONE OF THE WORST THINGS THAT CAN HAPPEN IS HAVING TO DEAL WITH A DISEASE OUTBREAK"
NAIT
Like
Comment
Share


NAIT nudge
NAIT


NAIT
OSPRI
TBfree
TBfree
WORKSAFE
NAIT
TBfree

Disease Control Report

Disease Control Report

A substantial decrease in herd infections occured in 2014/2015, such that our infected herd numbers were at an all-time low of 41 at 30 June 2015.

The large reduction in the number of newly infected herds in 2014/2015 strongly influenced the annual infected herd period prevalence, which dropped from 0.21 at the end of 2013/2014 to 0.16 in 2014/2015.

This was due to outstanding results across all three streams of work: pest control, movement control and TB testing.

Based on the criteria set by the World Organisation for Animal Health, if New Zealand maintains its infected herd period prevalence rate at less than 0.2 for another two years it can be classified internationally as TB-free. This is not to be confused with the different objectives under the NPMP, which broadly relate to reducing infection in livestock while making headway towards eradicating TB from New Zealand.

INFECTED CATTLE AND DEER HERDS, REACTORS AND TUBERCULOUS ANIMALS

At 30 June 2015, there were 39 infected cattle and two infected deer herds, a reduction of 30 from June 2014. During 2014/2015, TB was identified in 23 new cattle herds, a 61% decrease in herd breakdown rate relative to 2013/2014. Eight of these newly identified infected cattle herds were located in vector-free areas (VFAs) compared with 17 in 2013/2014. They were all dairy or dairy dry herds, of which six were located in the North Island VFA. One herd became infected as a result of an inward movement of an infected cow. Other herds under the same ownership became infected as a result of a spread of infection within the herds and movements of infected cows between herds before infection was detected. Sixteen of the new infected cattle herds were located in a vector risk area (VRA) compared with 43 in 2013/2014 (a 65% reduction). Epidemiological investigations found that vectors, primarily infected possums, were considered the source of infection for 50% of the new TB-infected cattle herds identified within VRAs during the 2014/2015 year, also a reduction on the longer-term average for this as a source of infection.

The NAIT and LIC MINDA databases proved valuable in identifying sources of infection for herds. The databases provided individual animal movement histories, which enabled animal movements to be traced. However, the complexity of tracing animals through more than one movement, and also tracing any associated contacts, required intensive investigations by disease control staff. As a result, OSPRI developed a software tool that is able to interrogate animal movements using both the NAIT database and, with permission from DairyNZ, carefully defined components of the LIC MINDA database. This has enabled cost-effective and efficient tracing of cattle movements into and from newly identified infected herds. Going forward, this tool will also be used to determine the most important sources of infected animal movements.

A consequence of finding fewer infected herds in both VFAs and VRAs in 2014/2015 led to a substantial reduction in the number of cattle being declared TB reactors (370 in 2014/2015 compared with 775 in 2013/2014). Approximately 40% of these reactors came from the North Island relative to 15% in 2013/2014. This relative increase was due to the number of reactors that came from six interlinked

infected dairy herds. As a result of the levels of infection diagnosed in these interlinked herds, the percentage of reactors diagnosed with bovine TB, either with visible TB lesions or through laboratory diagnoses, increased to 38% compared with the low level of 14% found in 2013/2014.

It was interesting to note that while the West Coast–Tasman area had 48% of New Zealand's infected herds, only 26% of the total TB cattle came from the area in 2014/2015.

This indicates that the targeted wild animal control being undertaken in the area and the annual testing requirements appear to be limiting within-herd levels of infection, underscoring the complementary and integrated nature of different parts of the programme.

The number of infected deer herds decreased from three to two, with two infected herds clearing infection and one herd becoming infected in 2014/2015. The number of deer tested in 2014/2015 was very similar to that in 2013/2014, suggesting that the major reduction in the total number of deer and herds may be bottoming out. Four deer were found infected in 2014/2015 (three lesioned reactors and one found during routine slaughter), relative to zero TB deer in 2013/2014 (a normal level of variability expected at this time of the programme).

Table 1 summarises nationally important cattle and deer TB information.

Table 1: Infected herds; period infected herds; TB reactors and tuberculous animals for 2014/2015 (showing differences relative to 2013/2014 categorised by cattle and deer as well as cattle and deer combined)

	Cattle	Deer	Cattle and deer
TB-infected herds as at 30 June 2015 (herds infected as % of total herds)	39 (0.06%)	2 (0.08%)	**41 (0.06%)**
Difference from 30 June 2014 (%)	-30 (-43%)	-1 (-33%)	**-31 (-43%)**
TB-infected herds during 2014/2015[1] (period prevalence %)	93 (0.14%)	4 (0.16%)	**97 (0.14%)**
Difference from 2013/2014 (%)	-52 (-36%)	-1 (-20%)	**-53 (-35%)**
Number of TB reactors in 2014/2015	370	234	**604**
Difference from 2013/2014 (%)	-405 (-52%)	+3 (+1.3%)	**-402 (-40%)**
Number of tuberculous animals in 2014/2015[2]	167	4	**171**
Difference from 2013/2014 (%)	+1 (+0.6%)	+4	**+5 (+3.6%)**

[1] Number of infected herds for 2014/2015 includes herds classified as infected at 1 July 2014, together with new herds found infected during the 2014/2015 financial year.

[2] Tuberculous animals include reactors and non-reactors found at slaughter with gross lesions of TB, which, based on histology, culture or previous herd history of infection, are categorised as being caused by *Mycobacterium bovis*. They also include reactors that had no lesions at slaughter but cultured *M. bovis* from pooled lymph node samples.

CATTLE

Infected cattle herds

At 30 June 2015, there were 39 (0.06%) infected cattle herds, compared with 69 at 30 June 2014. Seventy-two percent of the infected herds were located in VRAs, 67% were located in the South Island and 73% were dairy or dairy dry herds.

The herd breakdown rate (incidence) for 2014/2015 was 4 per 10,000 herds compared with 9 per 10,000 herds in 2013/2014. The herd clearance rate was 67% relative to 66% in 2013/2015. The lower herd breakdown rate was the reason for the lower herd infection rate of 0.06% at 30 June 2015 relative to 0.1% at 30 June 2014.

Veterinarians estimated that of the 39 herds infected at 30 June 2015 (both new and previously infected herds), TB wild animals were the source of infection for 45%, movement-related infection was responsible for 39%, and residual infection was responsible for 16% (Table 2).

Of the 23 newly infected herds, 56% were assessed as infected due to movement, reflecting the situation in the North Island dairy herds. Of the 15 newly infected herds identified in VRAs, TB wild animals were assessed as the source of infection for 47% and 33% were due to movement-related reasons. Thus in 2014/2015, 30% of all herd breakdowns were ascribed to wildlife sources, a significant decrease relative to the 80% ascribed to wildlife sources in 2005/2006. The reason for the difference is that possum control has significantly reduced the number of TB possums nationally, leading to a reduction in absolute numbers of vector-related herd infections.

A consequence of this large reduction is a change in the proportion of movement-related herd infections, which increased from less than 20% in 2005/2006 to 56% in 2014/2015. This percentage is expected to decrease over time as smarter means of identifying, tracing and detecting TB animals before spread occurs are implemented. It is also important to note that the primary source of TB infection for cattle and deer in New Zealand is either, cattle-to-cattle spread (subsequent to wild animal sourced infection, residual anergic animals, or infected animals that have moved), or direct infection from TB wild animals. Movements of already infected cattle or deer may be identified as the source of infection for the herd(s) to which they move, but if traced back the primary source of infection is either cattle or wild animal.

Figure 1 (page 43) shows for each vector area status (VFA and VRA) the annual number of infected herds since June 2003. The total number of infected herds reduced significantly during 2014/2015. This was due to the clearing of infection from herds and a large reduction in the number of herds breaking down, especially in VRAs, due to ongoing possum control. The ability to maintain these low numbers will depend on the extent and intensity of possum control that can be applied and the ability to use NAIT data to manage potentially risky cattle movements.

What is not readily apparent from the 2014/2015 data are the impacts in past years of widespread possum control on infected herd period prevalence, herd breakdown and clearance rates. Table 3 shows the large difference that vector control has made since 1992/1993, when there was minimal possum control and infected possums were still spreading from VRA boundaries. In comparison, by 2002/2003 most VRAs had received some possum control. By 2014/2015 widespread and effective possum control has been undertaken in most areas and, indeed, TB has been eradicated from infected possum populations from 1.1 million hectares since July 2011. Thus resources are no longer needed to be targeted at these areas and herds in these areas are no longer at risk of wild animal infection.

Table 3 shows that, especially in VRAs, the herd breakdown rate is driving the period prevalence, given that herd clearance rates were relatively similar in the last two time periods.

Cattle testing and reactors

Cattle testing data is summarised in Table 4, which compares the number of TB tests carried out on cattle with the number of reactors to diagnostic tests in 2013/2014 and 2014/2015. In the financial year to 30 June 2015, 4.41 million cattle (3.19 million dairy and 1.22 million beef) were tested using the intradermal caudal-fold tuberculin test (primary skin test), compared with 4.21 million in the previous year. The small increase in the number of cattle tested in 2014/2015 relative to 2013/2014 is in part due to variability in the number of herds and animals programmed for testing in the triennial and biennial testing areas as well as an increase in the number of dairy cattle that were tested in the annual testing area.

During 2014/2015, 9640 cattle were classed as positive to the primary skin test (99.8% were negative) and 104 were slaughtered without further testing because they were determined as high risk. The remaining 9536 test-positive cattle were administered serial ancillary (blood) tests as follows:

- Standard gamma interferon (Bovigam©) tests were applied to 4950 cattle, of which 0.4% tested positive and were declared

TB reactors. On slaughter, 33% of these TB reactor animals were found to have TB lesions, or *M. bovis* was cultured from lymph nodes following slaughter.

- Special Antigen gamma interferon (Bovigam©) tests were applied to 4586 cattle, of which 3.5% tested positive and were declared TB reactors. On slaughter, 54% of these TB reactors were found to have TB lesions, or *M. bovis* was cultured from lymph nodes following slaughter.

The use of the serial blood test is designed to reduce the number of false-positive animals taken for slaughter as TB reactors. The primary skin test applied across any population is expected to falsely identify about 1 in 1000 animals as positive (or 99.9% specificity). By utilising serial blood testing it is expected that this will reduce to around 4 in 100,000 animals tested

Table 2: Sources of infection for newly infected and all infected cattle herds as at 30 June 2015

	Cattle introduced from infected herds	Cattle introduced from non-infected herds	Residual herd infection	Wild animal
Newly infected herds in VRA and VFAs	6 (26%)	7 (30%)	3 (13%)	7 (30%)
Newly infected herds in VRAs	1 (7%)	4 (27%)	3 (20%)	7 (47%)
All infected herds[3,4]	**1 (3%)**	**15 (38%)**	**6 (15%)**	**17 (44%)**

Table 3: Disease metrics over three time periods for cattle and deer herds located in VFAs and VRAs

Vector area status	Infected herd period prevalence percent			Herd breakdown rate per 1000 herds			Infected herd clearance percent		
Period	1992/1993	2002/2003	2014/2015	1992/1993	2002/2003	2014/2015	1992/1993	2002/2003	2014/2015
VFA	1.3%	0.15%	0.03%	6.8	0.73	0.14	68%	83.3%	56%
VRA	14.9%	3.8%	0.64%	50.3	13.21	1.42	32%	58.5%	69%
Total	**3.6%**	**0.91%**	**0.14%**	**13.4**	**3.3**	**0.36**	**42%**	**61.4%**	**66%**

[3] All infected herds includes all herd that were classified as infected at 30 June 2015.

[4] Note that a research herd where cattle are experimentally infected has been included in this dataset.

that would need to be slaughtered. As the number of actual infected animals reduces within the New Zealand herd, the percentage of false positives will slowly increase. However, the need to find the remaining truly infected, test-positive animals becomes more important as leaving undetected infection within herds will result in the potential spread of the disease.

In addition, ancillary parallel gamma interferon (Bovigam©) tests were performed on 32,940 cattle that tested negative to the primary skin test for TB, but were part of an infected herd. Of these, 87 (0.3%) tested positive and were slaughtered as TB reactors. On slaughter, 24% of these TB reactors were found to have gross TB lesions at slaughter, or *M. bovis* was cultured from tissues. Parallel blood tests were used in acutely, or chronically, infected herds to reduce the time to eradicate infection. Further, the majority of cattle in infected herds are required to pass a parallel Bovigam© test following their second clear skin test before they can be cleared of TB. Parallel testing is also used for pre-movement testing of cattle moving from infected herds.

A crude caudal-fold test specificity of 99.9% can be derived from this data (cattle positive to the primary test as a percentage of cattle tested, assuming all test positives were not infected).

Figure 2 shows the trend in cattle reactors from 2002/2003 to 2014/2015. It clearly shows the increase in the number of cattle reactors slaughtered in 2012/2013 and then, as predicted, returning to the expected low number of reactors observed in recent years.

Tuberculous cattle

The number of tuberculous cattle includes the total number of cattle (including reactors and cattle found during routine slaughter) with gross TB-like lesions – or otherwise identified as infected following culture of *M. bovis* or use of the PCR on tissues. During 2014/2015, 141 (38%) of the 370 reactors slaughtered showed visible TB lesions or had lesions sampled that were confirmed as being infected with *M. bovis*. Bovine TB was also identified in a further 26 cattle during routine slaughter (1.1 per 100,000 cattle slaughtered). Figure 3 illustrates the long-term trend for TB found in cattle from 2002/2003 to 2014/2015 and shows the fall in the number of TB cattle following the spike that occurred in 2012/2013.

The spike in infected herd numbers during 2012/2013 was caused by several large movement related TB breakdowns occurring in dairy herds in Northland, Taranaki, Waikato and Canterbury. DNA TB strain-typing confirmed that the separate breakdowns were unrelated so the clustering of these was considered coincidental. At 30 June 2015 all of these large herd breakdowns have been cleared.

Table 4: Cattle TB test results for 2013/2014 and 2014/2015

Cattle testing	2013/2014	2014/2015
Primary tuberculin tests on cattle	4,213,896	4,410,953
Cattle positive to primary skin test	8424	9640
Primary test-positive cattle slaughtered	231	104
Primary test-positive cattle ancillary serial tested	8193	9536
Ancillary serial test-positive cattle	377	179
Ancillary parallel test-positive cattle	167	87
Total cattle reactors slaughtered	**775 (20/100,000 tested)**	**370 (8/100,000 tested)**

Figure 1: Number of infected cattle herds

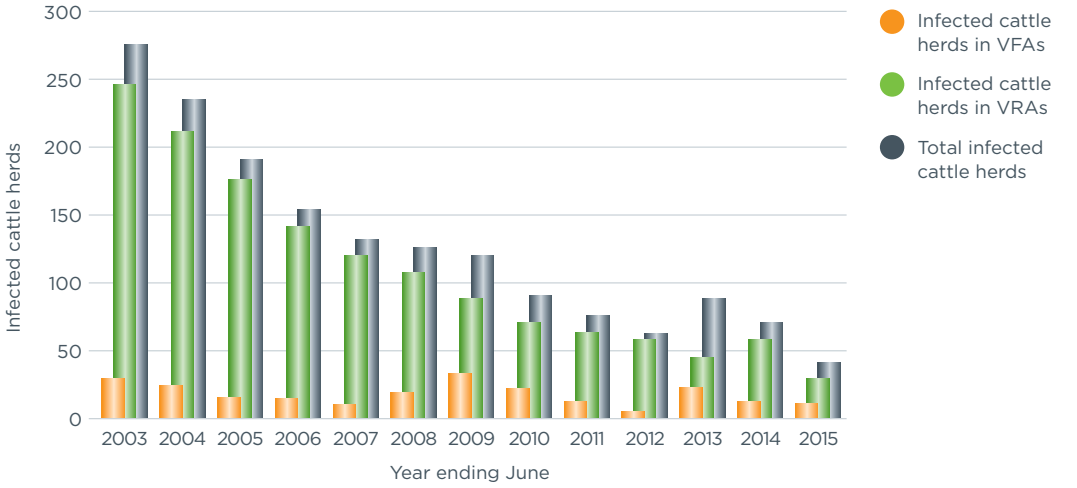


Figure 2: Number of cattle TB reactors

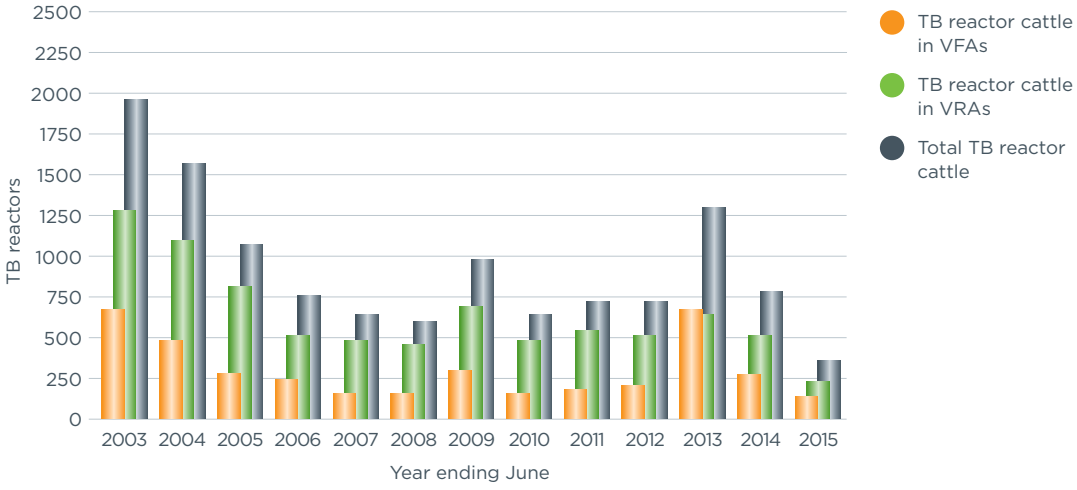
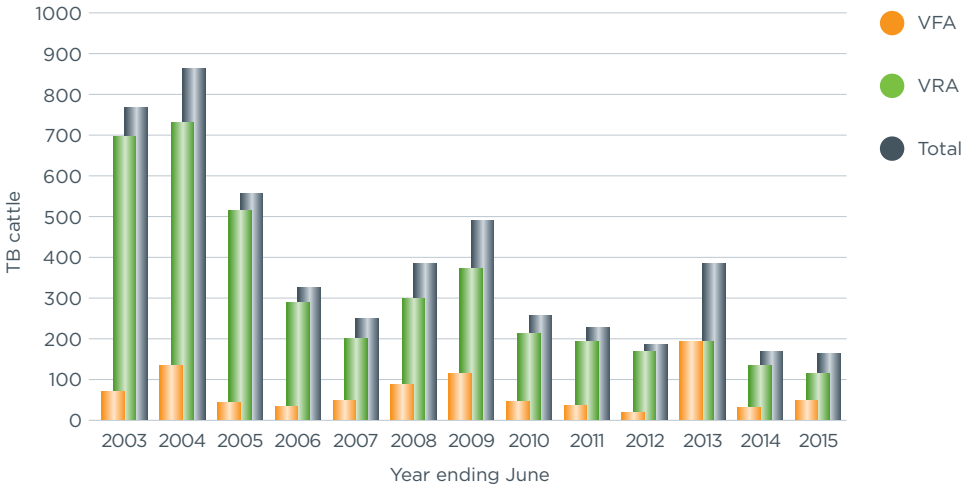


Figure 3: Number of tuberculous cattle



DEER

Infected deer herds

At 30 June 2015, there were two infected deer herds (0.08% of the total farmed deer herd population). Both herds were located in South Island VRAs.

Figure 4 shows that since June 2003, there has been a relatively steep decline in the number of infected herds and then a levelling off at very low numbers since June 2011.

The reduction since 2003/2004 is largely due to maintaining low possum densities over large areas of New Zealand. It also reflects a period when there was a large reduction in the number of deer being farmed due to low financial returns for venison and velvet. Ferret trapping in TB risk areas, and testing policy changes aimed at clearing infected herds more quickly, also contributed to the decrease early in this period, particularly in the Canterbury and Otago VRAs.

It is expected that the number of infected deer herds will continue to remain low.

Deer testing and reactors

Deer testing data is summarised in Table 5, which compares the number of TB tests performed and the number of reactors with tests in 2013/2014 and 2014/2015. In the year to 30 June 2015, 252,551 primary mid-cervical intradermal tuberculin tests (skin tests) were performed on deer compared with 252,682 in 2013/2014.

During the year, 1240 deer tested positive to the mid-cervical skin test and 207 of these were slaughtered without further testing. The remaining 1033 deer were administered serial ancillary tests including:

- comparative cervical skin tests on 110 deer, with no positive animals, and
- ETB or Modified ETB (IgG1 ELISA) tests on 923 deer, of which 27 (3%) tested positive and were declared TB reactors. On slaughter, two (7%) of the TB reactors were found to have TB lesions or *M. bovis*. confirmed.

No ancillary parallel ELISA tests were performed on deer in 2014/2015.

A crude mid-cervical test specificity of 99.9% can be derived from this data (deer positive to the primary test as a percentage of deer tested, assuming all test positives were not infected).

Figure 5 shows the trend in deer reactors from 2002/2003 to 2014/2015 by TB risk status area. Future reactor deer numbers are expected to fluctuate between 150 and 400.

Tuberculous deer

The number of tuberculous deer includes the total number of deer (including reactors and deer found during routine slaughter) with visible TB-like lesions – or otherwise identified as infected following PCR assay or culture of *M. bovis* from tissues.

During 2014/2015, there were three reactors with visible TB lesions and one animal found with TB lesions during routine slaughter. Figure 6 shows the trend in the number of tuberculous deer between 2002/2003 and 2014/2015.

Table 5: Deer TB testing results for 2013/2014 and 2014/2015

Deer testing	2013/2014	2014/2015
Primary tuberculin tests on deer	252,682	252,551
Deer positive to primary mid-cervical test	1925	1240
Primary test-positive deer slaughtered	165	207
Primary test-positive deer ancillary serial tested	1760	1033
Ancillary serial test-positive deer	66	27
Ancillary parallel test-positive deer	0	0
Total deer reactors slaughtered	**231 (9/10,000)**	**234 (9/10,000)**

Figure 4: Number of infected deer herds

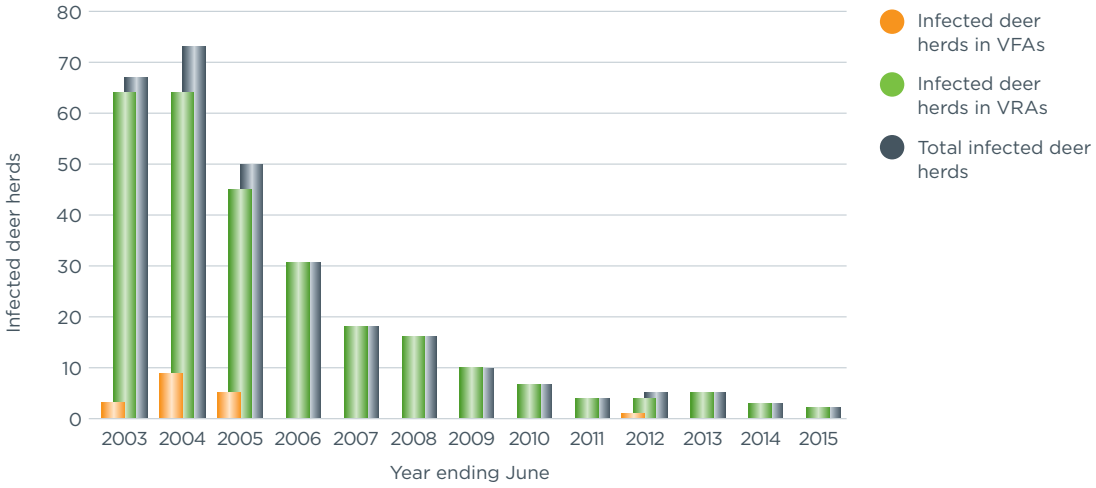


Figure 5: Number of deer TB reactors

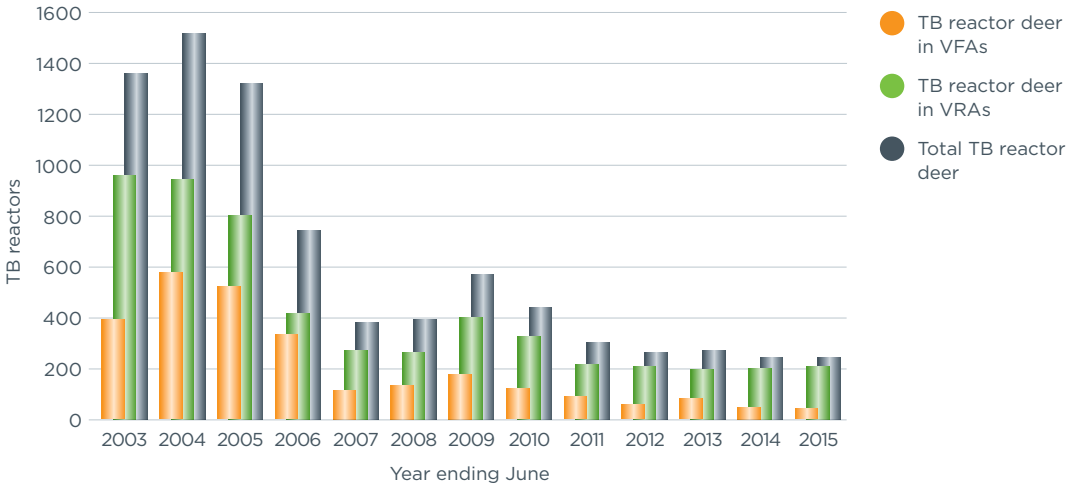
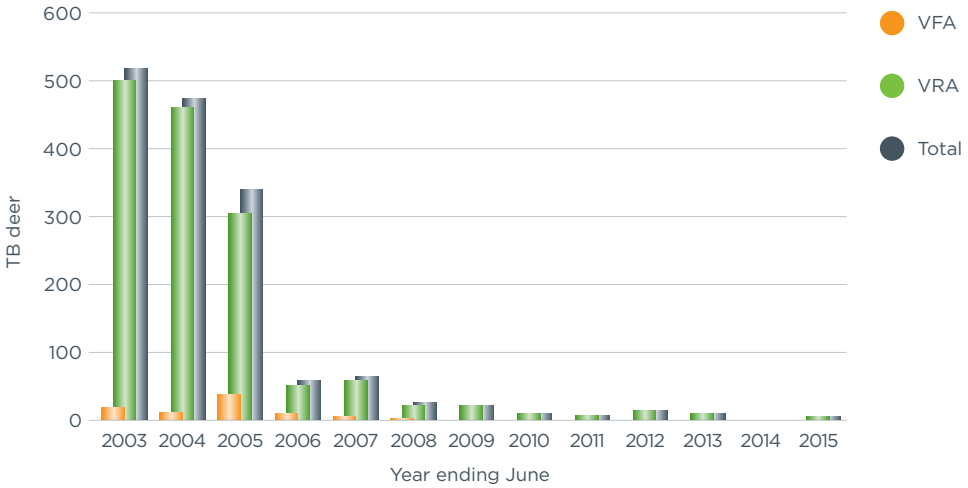


Figure 6: Number of tuberculous deer



DISEASE CONTROL AREAS (DCAS)

Table 6 shows the impacts of categorising cattle and deer herds by their locations in relation to areas where TB wild animals pose a risk of infection. Animals located in herds in MCAs have the highest risk of coming into contact with TB possums (and/or TB ferrets); animals in herds in special testing areas (STAs) under annual testing have a significantly lower risk of coming into contact with TB possums; and animals in herds in STAs under biennial testing and in herds in surveillance areas have a negligible risk of making contact with TB wild animals. The risk of cattle or deer coming into contact with TB possums or ferrets is then reflected in the metrics associated with infection in cattle and deer herds shown in Table 6. Thus herds located in MCAs have the highest (1) number of infected herds, (2) infected herd period prevalence; and (3) herd breakdown rates. Herds located in STAs have significantly lower numbers and rates and herds in surveillance areas have the lowest numbers and rates.

Table 6: Disease control areas and summary statistics for cattle and deer herds combined

	MCAs	STAs (annual and biennial)	Surveillance areas	New Zealand
Land area	52,880km^2	101,034km^2	113,450km^2	267,364km^2
Total herds at June 2015	4585	22,164	43,107	69,856
Infected herds at June 2015	27	8	6	41
Infected herd period prevalence % for 2014/2015	1.42%	0.09%	0.03%	0.14%
New infected herds per 1000 herds during 2014/2015	3.1	0.3	0.1	0.4
Percentage of infected herds cleared of TB during 2014/2015	59%	72%	65%	66%
Animals tested in 2014/2015	**1,180,460**	**1,978,724**	**1,504,320**	**4,663,504**

VECTOR RISK AREAS

The NPMP's objectives include the progressive reduction in the size of VRAs and the prevention of TB becoming established in VFAs. A number of intensive wild animal surveys were carried out in VFAs adjacent to VRA boundaries in 2014/2015. These surveys are undertaken where there is a risk of TB-infected wild animals moving into VFAs. Surveys to check for infected wild animals are also undertaken where a cluster of infected herds have been found in a VFA.

As of June 2014, there were 17 designated VRAs.

For an area (vector control zone – VCZ) to have its VRA status removed, a review is undertaken of a case presented by the area disease manager. The case requires that the evidence indicate there is sufficient probability that TB has been eradicated from the possum population. This decision is based on whether an area has met certain criteria, including three major components, which are:

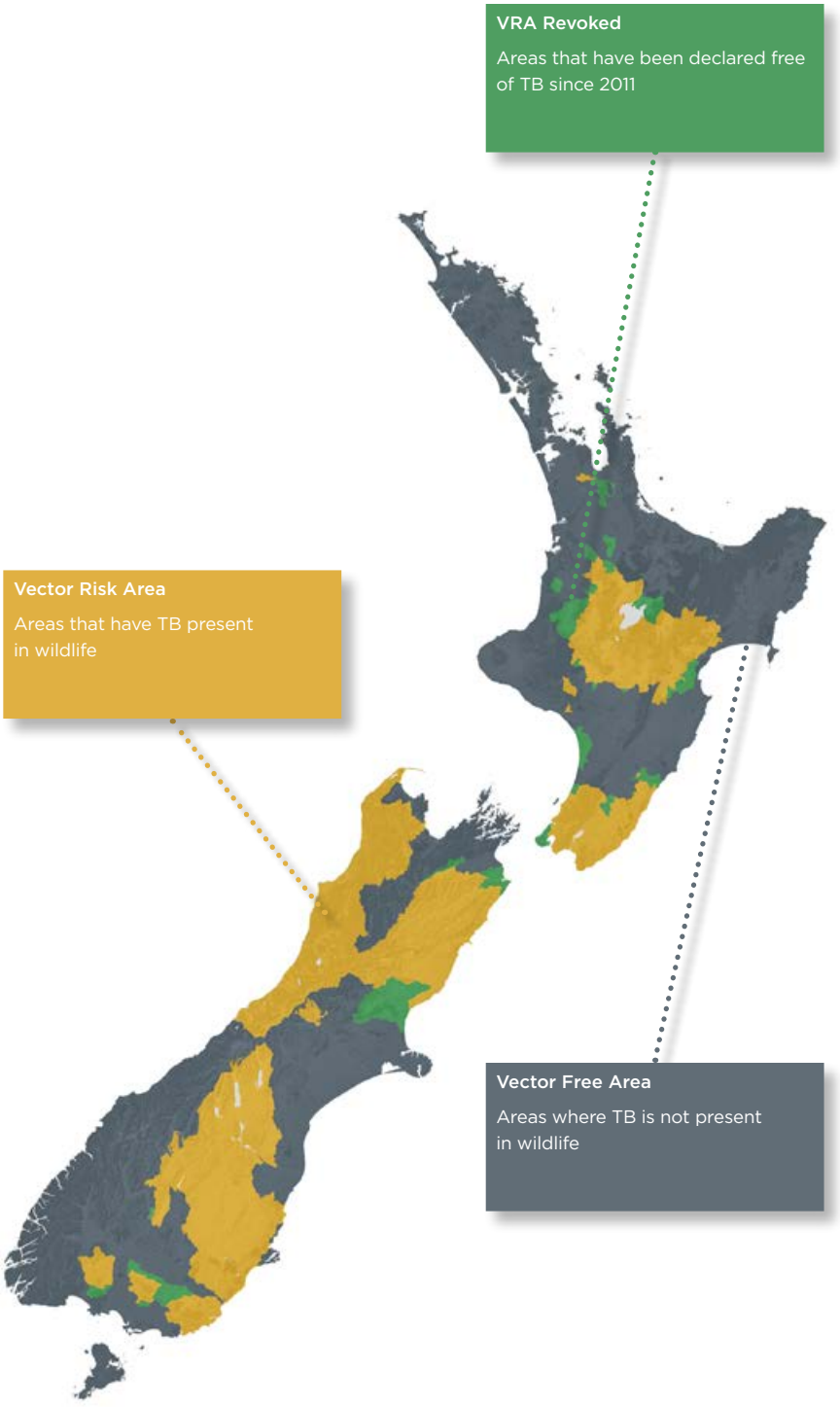
1. Qualitative data, such as information on the area's TB history, the effectiveness of possum control and the results of wildlife surveys
2. Quantitative data that includes the outputs from a Spatial Possum Model and Bayesian-based software (Proof of Freedom Utility) that indicates there is sufficient probability (based on a risk assessment) that TB has been eradicated from the possum population

3. A risk assessment that evaluates the risks and potential costs of making a wrong decision.

In 2015, reports on VCZs proposed for VRA revocations were reviewed by a panel of five experts, including two external panellists. After considering the three major components of each report, it was determined that there was sufficient probability (using the current indicator level of 95%) that TB had been eradicated from the 30 VCZs, equating to a total of 342,689 hectares. This included reductions in the size of VRAs in the central North Island, southern North Island, North Canterbury-Marlborough, Hokonui Hills and Catlins.

As of 30 June 2015 there remained 17 discretely defined VRAs with a combined area of 89,798km^2.

Map 1: Vector risk areas



Financial Statements

GOVERNANCE

The Board of Directors (the Board) is responsible for and committed to maintaining the highest standards of corporate governance, ensuring transparency and accountability to shareholders and stakeholders.

Nomination and Appointment of Directors and the Chief Executive

Procedures for the appointment and removal of directors are governed by the company's constitution. The major shareholders, DairyNZ and Beef + Lamb New Zealand are each entitled to appoint one director. The Stakeholders' Council identifies and nominates candidates to fill the remaining four or five director vacancies for approval by shareholders. The maximum term for which a director may be appointed is three years. A director is eligible for re-appointment or re-election after the expiry of his or her term of appointment.

OSPRI New Zealand Limited has appointed directors to the boards of each of the two subsidiaries, TBfree New Zealand Limited, and NAIT Limited.

The Board farewelled the inaugural chief executive Mr William McCook on 28 February 2015. The Board appointed Ms Michelle Edge, who commenced on 4 May 2015. Mr Stu Hutchings was acting chief executive in the intervening period.

BOARD COMMITTEES

The Board has established the following committees to examine proposals and make recommendations.

Audit and Risk Committee

The Committee consists of at least three Board members. Collectively, people appointed to the Audit and Risk Committee need to have:

- financial expertise
- knowledge of governance, assurance, and risk management best practice, and
- other attributes as deemed appropriate (for example, legal or information technology experience).

The Committee's role is to assist the Board to fulfil its responsibilities in relation to the oversight of the:

- quality and integrity of financial reporting
- independence and performance of the external auditor, and
- adequacy of the internal control system for financial reporting integrity.

Human Resources Committee

The objective of the Committee is to assist the Board in setting policies and standards for employees relating to remuneration, and employment. The Committee also oversees the OSPRI Director Mentoring Programme.

The Committee's role is to assist the Board to fulfil its responsibilities in relation to:

- the development of an effective policy and structure for the management of health and safety
- monitoring health and safety performance and delivery, and
- setting and reviewing the remuneration policies and practices of OSPRI and its subsidiaries.

GOVERNANCE

Board and Committee Meetings

The Board normally meets at least ten times a year or whenever necessary to deal with specific matters. The table below shows the directors' Board attendance and committee members' attendance at meetings during the year ended 30 June 2015.

	Board	Audit and risk committee	Human resources committee
Jeff Grant	12	3	2
Lesley Campbell	12		2
Ted Coats	12		2
Andrew Coleman (resigned July 2014)	1		
Barry Harris	11	2	
Deborah Roche (appointed January 2015)	5	1	
Keith Sutton	12	3	

OSPRI Board

JEFF GRANT
CHAIR

LESLEY CAMPBELL
DIRECTOR

TED COATS
DIRECTOR

BARRY HARRIS
DIRECTOR

DEBORAH ROCHE
DIRECTOR

KEITH SUTTON
DIRECTOR

OSPRI Chief Executive and Group Managers

MICHELLE EDGE
CHIEF EXECUTIVE

STU HUTCHINGS
GROUP MANAGER, PROGRAMME DEVELOPMENT

KAYO SAKEY
GROUP MANAGER, BUSINESS TRANSFORMATION

PETER ALSOP
GROUP MANAGER, NEW BUSINESS

MATTHEW HALL
GROUP MANAGER, PEST MANAGEMENT

SAM MCIVOR
ACTING GROUP MANAGER, NAIT AND FARM OPERATIONS

REMUNERATION REPORT

DIRECTORS' REMUNERATION

Directors' Fees

These fees were applied for the year from 1 July to 30 June.

Position	2014/2015	2013/2014
Chair	$70,000	$70,000
Director	$35,000	$35,000
Committee Chair	$4,000	$4,000

Remuneration Details of Directors

Details of the total remuneration and the value of other benefits received by each OSPRI director for the 2015 financial year are as follows. Directors' fees exclude GST where appropriate. In addition, Board members are entitled to be reimbursed for costs directly associated with carrying out their duties, including travel costs.

Director	Position	2014/2015	2013/2014
J Grant	Chairman	$70,000	$70,000
L Campbell	Director	$39,000	$39,000
E Coats	Director	$35,000	$35,000
B Harris	Director	$35,000	–
M Spaans	Director	–	$35,000
K Sutton	Director	$39,000	$39,000
Total		**$218,000**	**$218,000**

Employee Remuneration

The table below shows the number of OSPRI employees who received remuneration and other contracted benefits (including redundancy or termination payments) during 2014/2015 of at least $100,000.

The remuneration figures analysed include all monetary payments actually paid during the course of 2014/2015 whether in respect of 2014/2015 or other periods.

Remuneration bands	Number of employees 2014/2015	Number of employees 2013/2014
$100,000 - $109,999	5	7
$110,000 - $119,999	5	4
$120,000 - $129,999	4	3
$130,000 - $139,999	4	2
$140,000 - $149,999	5	1
$150,000 - $159,999	2	2
$160,000 - $169,999		3
$170,000 - $179,999	2	
$180,000 - $189,999	1	
$190,000 - $199,999		2
$200,000 - $209,999	1	1
$210,000 - $219,999	1	1
$230,000 - $239,999	1	
$260,000 - $269,999	1	
$270,000 - $279,999	1	
$410,000 - $419,999		1
$770,000 - $779,999	1	
Total	**34**	**27**

Auditor's Remuneration

KPMG was appointed the auditor of OSPRI Group. The following amounts were paid to the auditor of OSPRI New Zealand and its subsidiaries during the year.

Auditor	Work undertaken	2014/15	2013/14
KPMG	For audit work	$35,000	$35,000
KPMG	For other work	$57,445	-

STATUTORY DISCLOSURES

DISCLOSURES OF INTERESTS BY DIRECTORS

Disclosures of Interests by Directors

The following are particulars of general disclosures of interests by directors holding office as at 30 June 2015, pursuant to section 140(2) of the Companies Act 1993. Each such director will be regarded as interested in all transactions between OSPRI and the disclosed entity.

J J Grant	
AgResearch Limited	Director
Copper Valley Holdings Limited	Director/Shareholder
Finance Now Limited	Director
Massey Lincoln University Trust	Trustee
Milford Sound Development Authority	Chairman
Mt Linton Station	Chairman
National Animal Identification and Tracing (NAIT) Limited	Chairman
New Zealand Young Farmers	Director
SBS Bank	Director
Southern Institute of Technology	Director
TBfree New Zealand Limited	Chairman
The Plantations	Partner/Owner
Tower Hill Trust	Partner/Trustee
L A Campbell	
FishServe Innovations NZ Limited	Director
National Animal Identification and Tracing (NAIT) Limited	Director
Seafood Innovations Limited	Director
TBfree New Zealand Limited	Director
E G Coats	
National Animal Identification and Tracing (NAIT) Limited	Director
New Zealand Animal Evaluation Limited	Director
TBfree New Zealand Limited	Director
Waiohotu Company Limited	Director/Shareholder
B S Harris	
AgResearch Limited	Deputy Chairman
DairyNZ Limited	Director
Food Innovation Waikato	Chairman
National Animal Identification and Tracing (NAIT) Limited	Director
Primary ITO	Director
TBfree New Zealand Limited	Director
WEL Networks Limited	Director
D Roche	
Finroc Limited	Director/Shareholder
Ministry for Primary Industries	Deputy Director-General, Policy and Trade
National Animal Identification and Tracing (NAIT) Limited	Director
TBfree New Zealand Limited	Director
K G Sutton	
Antipodean Lands Limited	Director
Bangor Farm Limited	Shareholder/Director
Bangor Park Limited	Shareholder/Director
Gisborne Rural Trustee Limited	Director
Gough Group Limited	Director
Maori Trustee Advisory Board	Member
Moanui Farm Limited	Director
National Animal Identification and Tracing (NAIT) Limited	Director
Rangatira Forests Limited	Shareholder/Director
Run 351 Limited	Shareholder/Director
Rural Livestock Limited	Director
Sealord Group Limited and related companies	Director
Sutton McCarthy Limited	Shareholder/Director
Taranaki Investment Management Limited	Chairman
Tasman Farms Limited	Chairman
TBfree New Zealand Limited	Director
Te Hau Station Limited	Director
Te Tarake Forests Limited	Shareholder/Director
The Van Diemen's Land Company	Governor
Waitangi Falls Trust	Trustee
Wellington International Airport Limited	Director
Wools of New Zealand Limited	Director

STATUTORY DISCLOSURES

INDEMNITY AND INSURANCE

In accordance with section 162 of the Companies Act 1993 and the constitution of the company, OSPRI has continued to indemnify and insure its directors and officers, including directors of subsidiary and associated companies, against potential liability or costs incurred in any proceeding, excluding actions for gross negligence, criminal liability, breach of fiduciary duty or breach of directors' duties.

SUBSIDIARY COMPANY DIRECTORS

Currently all companies of the Group share all directors in common. Directors' fees are paid by OSPRI and directors' costs are allocated across the Group.

SHAREHOLDERS

The Group has the following subsidiaries:

Name	Holding	Principal activity	Charity #
National Animal Identification and Tracing (NAIT) Ltd	100%	Implementing and maintaining the animal identification and tracing programme	CC47735
TBfree New Zealand Ltd	100%	Implementation of the National Pest Management Plan	CC49248

Neither subsidiary is equity accounted as they are charitable entities. OSPRI will not receive any future tangible financial benefits from either subsidiary nor will OSPRI be entitled to any distributions on winding up.

STATUTORY DISCLOSURES

STAKEHOLDERS' COUNCIL

The Stakeholders' Council performs the functions required of it by the constitution.

Its obligations are:

- approve the appointment and election of directors
- recommend annual Board remuneration
- convey the stakeholders' views to the Board
- review and comment on the Group's long-term strategies, the annual budget and business plan, and the-half year and annual reports
- consult on new funding and business opportunities and other specific projects that warrant consideration by the Board, and
- consider and consult on constitution changes.

The Stakeholders' Council representatives during 2014/2015 were:

Stakeholder	Representative
Beef + Lamb New Zealand	Andy Fox
Dairy Companies Association of New Zealand	Kevin Old
DairyNZ	Ben Allomes
Deer Industry New Zealand	Dan Coup
Federated Farmers Dairy	Katie Milne
Federated Farmers Meat and Fibre	Anders Crofoot (Chairman)
Local Government New Zealand	Fenton Wilson
Meat Industry Association of New Zealand	Tim Ritchie
Ministry for Primary Industries	David Hayes
New Zealand Deer Farmers Association	Paddy Boyd
New Zealand Stock and Station Agents' Association	Andrew Clark

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

		Group		Parent	
		2014/2015	2013/2014	2014/2015	2013/2014
	Note	$000	$000	$000	$000
Revenue					
TBfree		79,373	80,701	-	-
NAIT		9,446	9,135	-	-
OSPRI		-	-	1,000	650
Total Revenue	1, 2	**88,819**	**89,836**	**1,000**	**650**
Expenditure					
NAIT Operations		3,832	2,893	-	-
Contact Centre and Compliance		2,181	1,986	-	-
Pest Control and Management		53,276	54,281	-	-
Disease Management and Testing		16,417	17,810	-	-
Research		2,383	2,565	-	-
Business Service Support		10,668	8,192	940	685
Funding Expense		126	61	-	-
Total Expenditure	1, 3	**88,883**	**87,788**	**940**	**685**
Surplus/(Deficit) for the Year		**(64)**	**2,048**	**60**	**(35)**
Net Finance Income	4	269	220	3	5
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income		**205**	**2,268**	**63**	**(30)**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	Group		Parent	
	2014/2015	2013/2014	2014/2015	2013/2014
	$000	$000	$000	$000
Retained Earnings				
Balance at Beginning of Year	5,305	-	(30)	-
Acquisition of National Animal Identification and Tracing (NAIT) Ltd	-	3,037		-
Surplus for the Year	205	2,268	63	(30)
Balance at end of the Year	5,510	5,305	33	(30)
Other Comprehensive Income	**-**	**-**	**-**	**-**
Total Equity	**5,510**	**5,305**	**33**	**(30)**

These statements should be read in conjunction with the Statement of Accounting Policies and Notes to the Financial Statements

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

		Group		Parent	
		2014/2015	2013/2014	2014/2015	2013/2014
	Note	$000	$000	$000	$000
Current Assets					
Cash and Cash Equivalents		12,833	7,895	6	179
Term Deposits		-	3,500	-	-
Receivables	7	6,525	6,620	195	506
Prepayments		162	82	162	82
GST Receivable		-	475	132	145
Total Current Assets		**19,520**	**18,572**	**495**	**912**
Non-Current Assets					
Property, Plant and Equipment	5	1,391	1,715	1,137	1,376
Intangible Assets	5	8,900	8,426	141	211
Total Non-Current Assets		**10,291**	**10,141**	**1,278**	**1,587**
Total Assets		**29,811**	**28,713**	**1,773**	**2,499**
Current Liabilities					
Payables		9,821	11,551	923	1,140
Employee Entitlements		817	1,389	817	1,389
Revenue in Advance	8	1,708	1,941	-	-
GST Payable		153	-	-	-
Total Current Liabilities		**12,499**	**14,881**	**1,740**	**2,529**
Non-Current Liabilities					
Revenue in Advance	8	11,802	8,527	-	-
Total Non-Current Liabilities		**11,802**	**8,527**	**-**	**-**
Total Liabilities		**24,301**	**23,408**	**1,740**	**2,529**
Net Assets		**5,510**	**5,305**	**33**	**(30)**
Equity					
Retained earnings		5,305	3,037	(30)	-
(Deficit) / Surplus for the Year		205	2,268	63	(30)
Total Equity		**5,510**	**5,305**	**33**	**(30)**

Approval by the Directors

The Financial Statements were authorised on behalf of the OSPRI Board of Directors on 18 August 2015:

J J Grant
Chair of the Board

K G Sutton
Chair of the Audit and Risk Committee

These statements should be read in conjunction with the Statement of Accounting Policies and Notes to the Financial Statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

	Group		Parent	
	2014/2015 $000	2013/2014 $000	2014/2015 $000	2013/2014 $000
Operating Activities				
Cash was Received from:				
Crown	32,148	32,859	-	-
Industry Contributions	46,979	43,771	-	-
Levies	6,612	9,223	-	-
Regional Funding Contributions	6,087	5,537	-	-
Management Fees, Reactor Proceeds and Other	1,044	1,630	921	568
Payments Made on Behalf of Subsidiaries	-	-	9,564	6,333
Net GST Receivable	628	-	10	-
	93,498	**93,020**	**10,495**	**6,901**
Cash was applied to:				
Payments to Employees	13,014	11,600	5,101	2,281
Payments to Suppliers and for Other Operations	76,902	72,711	5,459	2,885
Net GST Payable	-	148	-	143
	89,916	**84,459**	**10,560**	**5,309**
Net Cash Flow from Operating Activities	**3,582**	**8,561**	**(65)**	**1,592**
Investing Activities				
Cash was Received from:				
Cash Received on Acquisition of TBfree	-	4,545	-	-
Cash Received on Acquisition of NAIT	-	2,723	-	-
Mature Term Deposits	5,545	-	-	-
Interest	276	215	3	5
	5,821	**7,483**	**3**	**5**
Cash was Applied to:				
Purchase Intangible Assets	2,301	3,142	-	193
Purchase Property Plant and Equipment	119	1,507	111	1,225
Purchase Term Deposits	2,045	3,500	-	-
	4,465	**8,149**	**111**	**1,418**
Net Cash Flow from Investing Activities	**1,356**	**(666)**	**(108)**	**(1,413)**
Net Increase/(Decrease) in Cash and Cash Equivalents	4,938	7,895	(173)	179
Opening Cash and Cash Equivalent Balance	7,895	-	179	-
Cash and Cash Equivalents at 30 June	**12,833**	**7,895**	**6**	**179**

These statements should be read in conjunction with the Statement of Accounting Policies and Notes to the Financial Statements

RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

FOR THE YEAR ENDED 30 JUNE 2015

	Group		Parent	
	2014/2015 $000	2013/2014 $000	2014/2015 $000	2013/2014 $000
Net Surplus / (Deficit) for the Year	205	2,268	63	(30)
Items Not Involving Cash Flows				
Depreciation	444	309	351	235
Amortisation	1,826	1,387	70	72
Movement in Doubtful Debt Provision	-	9	-	-
Loan Forgiveness	-	(177)	-	-
Impact of Changes in Working Capital Items				
(Increase) / Decrease in Receivables	(262)	4,074	(83)	(87)
Increase / (Decrease) in Payables	(1,167)	255	258	(245)
Increase / (Decrease) in Employee Entitlements	(571)	566	(571)	1,389
Increase / (Decrease) in Accruals	64	(82)	(153)	258
Increase / (Decrease) in Revenue in Advance	3,043	(48)	-	-
Net Cash Flow from Operating Activities	**3,582**	**8,561**	**(65)**	**1,592**

These statements should be read in conjunction with the Statement of Accounting Policies and Notes to the Financial Statements

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2015

A REPORTING ENTITY

These financial statements are for OSPRI New Zealand Ltd (the Parent), as a separate entity and the consolidated financial statements are for the OSPRI New Zealand Ltd Group (the Group), which includes the subsidiaries National Animal Identification and Tracing Limited (NAIT) and TBfree New Zealand Limited (TBfree). The Parent and the Group are designated as public benefit entities for financial reporting purposes. OSPRI New Zealand Ltd is a company incorporated in New Zealand; the registered office of OSPRI is located on Level 9, CallActive House, 15 Willeston Street, Wellington 6011.

TBfree manages the National Pest Management Plan (NPMP) for bovine tuberculosis (TB) in accordance with the provisions of the Biosecurity Act 1993.

NAIT is responsible for implementing New Zealand's National Animal Identification and Tracing (NAIT) programme and operates under the National Animal Identification and Tracing Act 2012.

The Parent was incorporated on 6 June 2013; the Group was formed upon the acquisition of NAIT and TBfree. The Parent and the Group are domiciled in New Zealand and are registered under the Companies Act 1993.

These financial statements for the year ended 30 June 2015 were approved for issue by the Board of Directors on 18 August 2015.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Companies Act 1993, the Biosecurity Act 1993, the National Animal Identification and Tracing Act 2012 and the Charities Act 2005, which require compliance with New Zealand generally accepted accounting practice (NZGAAP) for large companies.

Both the Parent and Group financial statements have been prepared in accordance with NZGAAP and comply with New Zealand equivalents to International Financial Reporting Standards and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

(a) Basis of Preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(i) Historical cost convention

These financial statements have been prepared under the historical cost convention.

(ii) Accrual basis and going concern

The accrual basis of accounting has been used unless otherwise stated and the financial statements have been prepared on a going concern basis.

(b) Functional and Presentation Currency

Items included in the financial statements are presented in New Zealand dollars, which is the Group's and Parent's functional and presentational currency. All values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

(c) Income Tax

The Parent and all subsidiaries are registered as charitable entities with the Charities Commission and are therefore exempt from income tax on normal operations.

(d) Goods and Services Tax

The Statement of Comprehensive Income has been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(e) Employee Benefits

All employees of the Group are employed by the Parent. Liabilities for wages and salaries, and annual leave are recognised in the provision for employee benefits in respect of employees' service up to the reporting date and measured at the amounts expected to be paid when the liabilities are settled. These are allocated to each member of the Group on a proportional basis.

(f) Expense Allocation

OSPRI as the Parent incurs expenditure on behalf of its subsidiaries. Expenses that relate to the activities of a subsidiary are charged to that subsidiary. Central governance and other expenditure is charged to the subsidiaries according to appropriate allocation principles.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2015

(g) Comparatives

The presentation of the OSPRI Group's comparatives has been reclassified from those reported in the 30 June 2014 financial statements where appropriate, to ensure consistency with the current year's position and performance, and with the OSPRI Group. The net position and net surplus reported in the comparatives are consistent with last year's financial statements.

(h) Critical Accounting Estimates

The Group makes estimates and assumptions regarding the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial period are outlined below:

(i) Useful lives of property, plant and equipment and intangible assets

In determining the amortisation charge for the year the Group estimates the economic lives of intangible assets based on judgement.

(ii) Accrual of expenses

As detailed in the pest control expenditure note (Note 3), TBfree estimates the percentage of completion of these pest control and management contracts based on information provided by the OSPRI Pest Management group.

(iii) Revenue recognition

The revenue of the Group comprises revenue from levies raised on the slaughter of cattle and deer, the sale of cattle tags and funding agreements with the Ministry for Primary Industries (MPI), DairyNZ Incorporated, Beef + Lamb New Zealand Limited, Deer Industry New Zealand and regional councils. Revenue is recognised when received or receivable; it is recognised exclusive of GST. Interest income is recognised on a time proportion basis using the effective interest method. Interest is accrued on held-to-maturity investments using the effective interest rates proportioned over the durations of the investments.

Tag levy revenue received includes revenue for services yet to be provided by NAIT, as the average on-farm life of tagged cattle is six years. A portion of this tag levy revenue is held as revenue in advance to offset future animal tracing expenditure. This revenue in advance is determined by analysing current trends in animal lives and tag sales.

Non-exchange revenue received has been disclosed separately in the financial statements.

(i) Significant Management Judgements in Applying Accounting Policies

(i) Capitalisation of internally developed software

Judgement is required when distinguishing between the research and development phases of customised software projects and whether the costs meet the recognition requirements for capitalisation. Post capitalisation, management monitors whether the recognition requirements continue to be met, or whether there are any indications that capitalisation costs should be impaired.

As enhancements to internally developed software are created and capitalised, OSPRI in accordance with IAS 38 reviews the useful lives of the existing assets. If an enhancement will extend the useful life of an asset, this is adjusted. Historical amortisation is not affected but amortisation for the extended life of the asset is revised on a straight-line basis.

(ii) Impairment

Opening asset values have been reviewed for impairment to determine that the carrying amount does not exceed the recoverable amount. By doing so, the Group has determined that asset carrying values are in line with recoverable values.

(j) Changes in Accounting Policies

Uniform accounting policies have been applied by the Parent and the Group on a consistent basis throughout the period.

(k) Standards, Amendments and Interpretations Issued that Have Not Been Early Adopted

The OSPRI Group is a not-for-profit (NFP) public benefit entity and will be required to adopt a new suite of accounting standards (PBE Standards – with NFP guidance) applicable to NFP entities.

Owing to the size of OSPRI Group (with total expenses over $30 million), the Group will fall under Tier 1 of the new Accounting Standards Framework, and therefore must apply all of the PBE Standards and meet the full disclosure requirements. The Group will be required to adopt these standards from 1 July 2015, and therefore will apply to the 30 June 2016 financial statements, including comparatives of these financial statements. The Group has chosen not to early adopt these standards. The impact of the adoption of these standards has yet to be assessed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

1 SEGMENT INFORMATION

The Group is organised and reports to its directors on the basis of three functional areas: the Parent, OSPRI and both subsidiaries, NAIT and TBfree.

Inter-segment allocations - segment expenses include expenses arising from business support services provided by the Parent to its subsidiaries. These transfers are accounted for at cost and are eliminated on consolidation. The total amount charged for these services was $1 million. (2014: $0.65 million).

1.1 Operating Statement Segment Information

2014/2015	OSPRI	NAIT	TBfree	Group
	$000	$000	$000	$000
Operating Income				
Crown Revenue NAIT/TBfree	-	2,140	30,201	32,341
Slaughter Levies NAIT/TBfree	-	2,526	29,798	32,324
Tag Levies	-	3,591	-	3,591
Industry and Regional Funding	-	36	18,984	19,019
Amortisation of Revenue in Advance	-	1,147	-	1,147
Other Income	1,000	6	390	1,396
Total Operating Income	**1,000**	**9,446**	**79,373**	**89,818**
Operating Expenditure				
Infection Management	-	-	609	609
Disease Management and Testing	-	-	15,808	15,808
Research	-	-	2,383	2,383
NAIT Operations	-	3,832	-	3,832
Contact Centre and Compliance	-	1,025	1,156	2,181
Pest Control and Management	-	-	53,276	53,276
Business Service Support	940	4,649	6,206	11,794
Total Operating Expenditure	**940**	**9,506**	**79,437**	**89,883**
Net Operating Surplus/(Deficit) for the Year	**60**	**(60)**	**(64)**	**(65)**
Elimination of Inter-Segment Transactions	**(1,000)**	**615**	**385**	**-**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

2013/2014	OSPRI	NAIT	TBfree	Group
	$000	$000	$000	$000
Operating Income				
Crown Revenue NAIT/TBfree	-	1,590	30,249	31,839
Slaughter Levies NAIT/TBfree	-	3,320	27,270	30,590
Tag Levies	-	3,018	-	3,018
Industry and Regional Funding	-	48	22,417	22,465
Amortisation of Revenue in Advance	-	1,147	-	1,147
Other Income	650	12	765	1,427
Total Operating Income	**650**	**9,135**	**80,701**	**90,486**
Operating Expenditure				
Infection Management	-	-	1,338	1,338
Disease Management and Testing	-	-	16,472	16,472
Research	-	-	2,565	2,565
NAIT Operations	-	2,893	-	2,893
Contact Centre and Compliance	-	865	1,121	1,986
Pest Control & Management	-	-	54,281	54,281
Business Service Support	685	3,762	4,456	8,903
Total Operating Expenditure	**685**	**7,520**	**80,233**	**88,438**
Net Operating Surplus/(Deficit) for the Year	**(35)**	**1,615**	**468**	**2,048**
Elimination of Inter-Segment Transactions	**(650)**	**400**	**250**	**-**

Inter-segment revenue and expenses relate to the management service fees charges by OSPRI to NAIT and TBfree.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

1.2 Balance Sheet Segment Information

2014/2015	OSPRI	NAIT	TBfree	Group	Elimination of inter-segment transactions
	$000	$000	$000	$000	$000
Non-Current Assets	1,278	4,854	4,160	10,292	-
Current Assets	495	6,264	13,862	19,520	1,101
Total Assets	**1,773**	**11,118**	**18,022**	**29,812**	**1,101**
Non-Current Liabilities	-	3,211	8,591	11,802	-
Current Liabilities	1,740	2,975	8,886	12,500	1,101
Total Liabilities	**1,740**	**6,186**	**17,477**	**24,302**	**1,101**
Retained Earnings	(30)	4,790	545	5,305	-
Surplus/(Deficit) for the Year	63	142	(0)	205	-
Total Equity	**33**	**4,932**	**545**	**5,510**	**-**

2013/2014	OSPRI	NAIT	TBfree	Group	Elimination of inter-segment transactions
	$000	$000	$000	$000	$000
Non-Current Assets	1,587	4,868	3,686	10,141	-
Current Assets	912	9,004	11,699	18,572	3,043
Total Assets	**2,499**	**13,872**	**15,385**	**28,713**	**3,043**
Non-Current Liabilities	-	3,968	4,559	8,527	-
Current Liabilities	2,529	5,114	10,281	14,881	3,043
Total Liabilities	**2,529**	**9,082**	**14,840**	**23,408**	**3,043**
Retained Earnings	-	3,037	-	3,037	-
Surplus/(Deficit) for the Year	(30)	1,753	545	2,268	-
Total Equity	**(30)**	**4,790**	**545**	**5,305**	**-**

Inter-segment transactions have been eliminated from the Group total. These transactions relate to intercompany payables and receivables within the Group. They also reflect the net GST payable by the Group at 30 June 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

2 REVENUE

Management Service Fee

The Parent provides and charges for management services to NAIT and TBfree in accordance with a management services agreement with each of the subsidiaries.

Tag Levy

Tag levy revenue is received from the sale of NAIT ear tags. Tag levy revenue received includes revenue for services yet to be provided by NAIT. This is recognised as revenue in advance based on the average estimated farm life of a tagged animal.

Slaughter Levy

NAIT received a slaughter levy on all tagged cattle killed of $0.50 per animal for the year. Between 1 July 2013 and 28 February 2014 this levy was at a rate of $1.00, reducing to $0.50 from 1 March 2014.

A slaughter levy was charged on all untagged NAIT cattle and deer (deemed an impracticable-to-tag levy) at a rate of $13.00 per animal. (2014: $13.00).

TBfree received a levy on all adult cattle slaughtered during the year at a rate of $11.50 per animal. (2014: $11.50).

Crown Funding

Crown funding was received for the NAIT programme and the TBfree programme in accordance with the respective funding agreements.

Industry Funding

Industry funding was received from the dairy, beef and deer sectors in accordance with industry agreements.

Regional Funding

Ten regional councils and two district councils contributed $5.4 million (2014: $5.1 million) pursuant to agreed funding arrangements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3 OPERATING EXPENDITURE

NAIT Operations

NAIT operations includes all costs that relate to the operation of NAIT's on-farm and compliance activities.

Disease Management & Testing

Disease management and testing consists of the costs related to conducting cattle tests for TB, investigations of herd breakdowns, the implementation and management of area and herd movement control requirements, laboratory services, compliance monitoring and TB reactor management.

Research

Research includes the costs associated with conducting research into TB and pest control.

Pest Control & Management

Pest control and management includes the costs involved in the management and implementation of the pest operation programme.

Pest management control costs are recognised as an expense in the financial statements to the extent of work undertaken on each operation. Where invoices have not been received by TBfree at balance date, an estimate of the value of work completed is used as the basis for an accrual.

Business Service Support

OSPRI provides governance, strategic support and shared service support for its subsidiaries, NAIT and TBfree.

3.1 Business Service Support

	Group		Parent	
	2014/2015 $000	2013/2014 $000	2014/2015 $000	2013/2014 $000
Allocated Remuneration and Employee Benefits for Business Support	4,864	3,457	443	284
Communications	1,391	747	68	22
Total Administration Overheads (Incl Rent, Business Services, IT)	3,993	3,679	387	348
Depreciation and Amortisation	420	308	42	31
Doubtful Debt Provision	-	2	-	-
Bad Debts Expense	-	-	-	-
Total	**10,668**	**8,193**	**940**	**685**

4 NET FINANCING COSTS

Finance income includes interest income on funds held on-call and in term deposits. Interest income is recognised as it accrues.

	Group		Parent	
	2014/2015 $000	2013/2014 $000	2014/2015 $000	2013/2014 $000
Finance Income				
Interest Income	269	220	3	5
Net Finance Income	**269**	**220**	**3**	**5**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

5 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Cost

Property, plant and equipment and intangibles are initially recorded at cost. Cost is the value of the consideration given to acquire the assets and the value of other directly attributable costs incurred in bringing those assets to the locations and condition necessary for their intended use.

Subsequent costs are included in the assets' carrying amounts or recognised as separate assets, as appropriate, only when it is probable that the future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably. All repair and maintenance expenditure is expensed as it is incurred.

The costs of self-constructed assets are recognised as capital work in progress until the assets are operating in the manner intended, at which time they are transferred to property, plant and equipment or intangible assets.

Depreciation and Amortisation

Depreciation and amortisation are calculated on a straight-line basis so as to expense the costs of the assets to their residual values over their expected useful lives as follows:

Type of Asset	Life
Computers and Equipment	2 - 6 years
Furniture, Fittings and Plant	2 - 15 years
Leasehold Improvements	5 - 8 years
Motor Vehicles	4 - 5 years
Software	2 - 7 years

The depreciation of assets used by the subsidiaries in their operations, but held by the Parent, is allocated within the accounts of the subsidiaries.

The residual values and useful lives of property, plant and equipment are reassessed annually.

As enhancements to internally developed software are created and capitalised, OSPRI in accordance with IAS 38 reviews the useful life of the existing asset. If the enhancement will extend the useful life of the asset, this is adjusted.

Acquisition of Subsidiaries

The historical cost and accumulated depreciation and amortisation at acquisition are shown in order to provide a realistic annual depreciation and amortisation value that more closely matches the ongoing charges of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

Reconciliation of the Carrying Values of Property, Plant and Equipment

	Group				
	Leasehold improvements	Furniture and fittings	Computer equipment	Motor vehicles	Total
	$000	$000	$000	$000	$000
Cost					
Opening Balance	-	-	-	-	-
Additions on Acquisition	264	668	990	74	1,996
Additions	901	316	184	121	1,522
Disposals	(136)	(356)	(92)	-	(584)
Balance at 30 June 2014	**1,029**	**628**	**1,082**	**195**	**2,934**
Opening Balance	1,029	628	1,082	195	2,934
Additions	-	62	58	8	128
Disposals	(1)	-	(27)	(24)	(52)
Balance at 30 June 2015	**1,028**	**690**	**1,113**	**179**	**3,010**
Accumulated Depreciation					
Opening Balance	-	-	-	-	-
Additions on Acquisition	214	530	672	52	1,468
Depreciation Expense	78	54	166	11	309
Disposals	(134)	(334)	(91)	-	(559)
Balance at 30 June 2014	**158**	**250**	**747**	**63**	**1,218**
Opening Balance	158	250	747	63	1,218
Depreciation Expense	155	89	171	29	444
Disposals	-	-	(27)	(16)	(43)
Balance at 30 June 2015	**313**	**339**	**891**	**76**	**1,619**
Carrying Value					
At 30 June 2014	871	378	335	132	1,716
At 30 June 2015	715	351	222	103	1,391

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

	Parent				
	Leasehold improvements	Furniture and fittings	Computer equipment	Motor vehicles	Total
	$000	$000	$000	$000	$000
Cost					
Opening Balance	-	-	-	-	-
Additions on Acquisition	146	480	990	-	1,616
Additions	792	255	178	-	1,225
Disposals	(132)	(341)	(92)	-	(565)
Balance at 30 June 2014	**806**	**394**	**1,076**	**-**	**2,276**
Opening Balance	806	394	1,076	-	2,276
Additions	-	54	58	-	112
Disposals	-	-	(27)	-	(27)
Balance at 30 June 2015	**806**	**448**	**1,107**	**-**	**2,361**
Accumulated Depreciation					
Opening Balance	-	-	-	-	-
Additions on Acquisition	132	417	672	-	1,221
Depreciation Expense	41	30	165	-	236
Disposals	(132)	(334)	(91)	-	(557)
Balance at 30 June 2014	**41**	**113**	**746**	**-**	**900**
Opening Balance	41	113	746	-	900
Depreciation Expense	122	60	169	-	351
Disposals	-	-	(27)	-	(27)
Balance at 30 June 2015	**163**	**173**	**888**	**-**	**1,224**
Carrying Value					
At 30 June 2014	765	281	330	-	1,376
At 30 June 2015	643	275	219	-	1,137

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

Reconciliation of the Carrying Values of Intangible Assets

	Group			Parent		
	Software	WIP[1]	Total	Software	WIP[1]	Total
	$000	$000	$000	$000	$000	$000
Cost						
Opening Balance	-	-	-	-	-	-
Additions on Acquisition	14,768	1,973	16,741	613	55	668
Additions	3,175	3,142	6,317	248	193	441
Capitalisation of Work-in-Progress	-	(3,175)	(3,175)	-	(248)	(248)
Disposals	(2,820)	-	(2,820)	-	-	-
Balance at 30 June 2014	**15,123**	**1,940**	17,063	**861**	**-**	861
Opening Balance	15,123	1,940	17,063	861	-	861
Additions	4,010	2,300	6,310	-	-	-
Capitalisation of Work-in-Progress	-	(4,010)	(4,010)	-	-	-
Disposals	-	-	-	-	-	-
Balance at 30 June 2015	**19,133**	**230**	19,363	**861**	**-**	861
Accumulated Amortisation						
Opening Balance	-	-	-	-	-	-
Additions on Acquisition	10,070	-	10,070	578	-	578
Amortisation Expense	1,387	-	1,387	72	-	72
Disposals	(2,820)	-	(2,820)	-	-	-
Balance at 30 June 2014	**8,637**	**-**	8,637	**650**	**-**	650
Opening Balance	8,637	-	8,637	650	-	650
Amortisation Expense	1,826	-	1,826	70	-	70
Disposals	-	-	-	-	-	-
Balance at 30 June 2015	**10,463**	**-**	10,463	**720**	**-**	720
Carrying Value						
At 30 June 2014	6,486	1,940	8,426	211	-	211
At 30 June 2015	8,670	230	8,900	141	-	141

The majority of computer software comprises the NAIT database and disease management systems. Both systems have estimated remaining useful lives of five years as at 30 June 2015.

6 FINANCIAL INSTRUMENTS

The Group and the Parent are party to financial instruments as part of their operation. Financial instruments carried in the Statement of Financial Position include cash and cash equivalents, receivables and payables. All financial assets are classified as loans and receivables and are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method. Financial assets are derecognised when the rights to receive cash flows have been transferred and the entity has transferred substantially all the risks and rewards of ownership. All financial liabilities are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method.

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with financial institutions with an original maturity of less than 90 days and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

(ii) Term deposits

Investments are classified as held to maturity if the holder has the intention and ability to hold them until maturity. The Group classifies six month and longer-term deposits as held-to-maturity investments.

[1] Work-in-Progress

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

(iii) Accounts receivable

Accounts receivable are carried at estimated realisable value after providing for debts where collection is doubtful. The collectability of accounts receivable is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to their original terms. The amount of the provision is recognised in the Statement of Comprehensive Income.

(iv) Accounts payable

These amounts represent liabilities for goods and services provided to the Group and Parent prior to the end of the financial year that are unpaid. The amounts are unsecured and are usually paid with 30 days of recognition.

6.1 Credit Risk

Credit risk arises from cash and cash equivalents as well as credit exposures to industry participants including outstanding receivables and committed transactions. The Group does not require any collateral or security to support financial instruments relating to receivables or financial institutions. The Group holds all its cash and cash equivalents with New Zealand-registered banks with a short-term debt ratings of not less than A-1.

All receivables are current. The carrying value of collective financial assets for which an impairment allowance has been recognised by the Group is $9,000. (2014: $9,000) This relates solely to the Otago Land Levy.

The maximum exposure to credit risk is equivalent to the amounts recorded in the Statement of Financial Position.

6.2 Interest Rate Risk

The Group is exposed to interest rate risk through the returns on any funds it has invested and the cost of borrowed funds, which will fluctuate due to changes in market interest rates. Interest rate risk is monitored on a regular basis.

6.3 Liquidity Risk

The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient cash and borrowing facilities to meet its liabilities when due, under both normal and stressed conditions. The only financial liabilities that the Group has are payables and accruals, which are expected to settle within 60 days of the Statement of Financial Position date.

6.4 Fair Value

The fair value is equivalent to the carrying amount disclosed in the Statement of Financial Position.

6.5 Capital Management

The Group's capital includes retained earnings. The Group manages its capital with long-term objectives tailored to each subsidiary.

6.6 Financial Instruments by Category

The Group's and Parent's financial instruments by category are equivalent to the values disclosed in the Statement of Financial Position.

	Group		Parent	
	2014/2015	2013/2014	2014/2015	2013/2014
	$000	$000	$000	$000
Assets as per Statement of Financial Position				
Trade Receivables	6,525	6,621	195	506
Cash and Cash Equivalents	12,833	7,894	6	179
Bank Term Deposits with Maturities Greater than 3 Months	-	3,500	-	-
	19,358	**18,015**	**201**	**685**
Liabilities as per Statement of Financial Position				
Trade Payables	6,028	7,804	797	863
Non-Non-Trade Payables and Accrued Expenses	3,793	3,747	126	277
Employee Entitlements	817	1,389	817	1,389
	10,638	**12,940**	**1,740**	**2,529**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

7 TRADE AND OTHER RECEIVABLES

2014/2015	OSPRI	NAIT	TBfree	Group
	$000	$000	$000	$000
These comprise:				
DairyNZ	-	-	1,485	1,485
Deer Industry New Zealand	-	2	63	65
Slaughter Levies NAIT/TBfree	-	226	2,577	2,803
Regions	-	-	729	729
Tag Levy	-	1,384	-	1,384
Other Receivables	195	-	67	67
Less Doubtful Debt Provision	-	-	(9)	(9)
Total	**195**	**1,612**	**4,912**	**6,524**

2013/2014	OSPRI	NAIT	TBfree	Group
	$000	$000	$000	$000
These comprise:				
Crown	-	-	8	8
DairyNZ	-	-	1,485	1,485
Deer Industry New Zealand	-	-	66	66
Slaughter Levies NAIT/TBfree	-	670	2,531	3,201
Regions	-	-	575	575
Tag Levy	-	1,166	-	1,166
Other Receivables	506	10	118	128
Less Doubtful Debt Provision	-	-	(9)	(9)
Total	**506**	**1,846**	**4,774**	**6,620**

Movement in Doubtful Debts	Group		Parent	
	2014/2015	2013/2014	2014/2015	2013/2014
	$000	$000	$000	$000
Opening Balance	9		-	-
Provision Acquired at Acquisition	-	7	-	-
Increase in Doubtful Debt Provision	-	2	-	-
Balance at 30 June	**9**	**9**	**-**	**-**

The provision for doubtful debts relates to the carrying of receivables for the Otago Land Levy.

8 REVENUE IN ADVANCE

Funding received by TBfree from funding providers and not fully expended in the financial year has been recognised as a liability. The net of funders' liabilities and assets has been classified as a liability and held as funders' revenue in advance in the Statement of Financial Position.

Funding received by NAIT from funding providers and not fully expended in the 2011/12 financial year was recognised as a liability and held to reduce future levies over the subsequent three years. The 2014/15 financial year is the final year in which this revenue in advance is amortised and it has a nil balance as at 30 June 2015.

Tag levy revenue received includes revenue for services yet to be provided by NAIT, as the average on-farm life of tagged cattle is six years. A portion of this tag levy revenue is held as revenue in advance to offset future animal tracing expenditure. This revenue in advance is determined by analysing current trends in animals lifespans and tag sales.

Movement in Doubtful Debts	Group		Parent	
	2014/2015	2013/2014	2014/2015	2013/2014
	$000	$000	$000	$000
Funders' Revenue in Advance	8,591	5,707	-	-
Tag Revenue in Advance	4,919	4,761	-	-
Total Revenue in Advance	**13,510**	**10,468**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

9 STATEMENT OF COMMITMENTS AS AT 30 JUNE 2014

9.1 Capital Commitments

Capital commitments for the Parent and Group at 30 June 2015 are $105,360 (2014: $214,000).

9.2 Pest Management Carry Forwards

TBfree enters into contractual arrangements for the completion of pest control operations.

The assessed cost to complete pest control operations that were not accrued, but had been contracted at 30 June 2015 is $0.97 million. (2014: $1.78 million). All of these operations will be completed within the following financial year from funding contained within the 2015/16 year's budget.

9.3 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are expensed on a straight-line basis over the periods of the leases.

The Group has entered into a number of non-cancellable operating leases for buildings, operating equipment and motor vehicles. The Parent's lease commitments include building and office equipment. The lease commitments are based on current rentals. Future commitments at year end in respect of these are as follows:

	Group		Parent	
	2014/2015	2013/2014	2014/2015	2013/2014
	$000	$000	$000	$000
Property Leases	1,381	2,316	1,021	1,699
Vehicle Leases	354	489	-	-
Office Equipment Leases	70	157	70	157
Total	**1,805**	**2,962**	**1,091**	**1,856**

	Group		Parent	
	2014/2015	2013/2014	2014/2015	2013/2014
	$000	$000	$000	$000
Less than One Year	1,182	1,293	740	765
Longer than One Year but No Longer than Two Years	580	1,128	348	740
Longer than Two Years but No Longer than Five Years	43	541	3	351
Total	**1,805**	**2,962**	**1,091**	**1,856**

9.4 Research Contracts

TBfree has entered into a number of funding agreements for research projects. The continued funding of these is subject to performance reviews. Future commitments at year end in respect of these funding agreements are as follows:

	Group		Parent	
	2014/2015	2013/2014	2014/2015	2013/2014
	$000	$000	$000	$000
Less than One Year	1,082	1,971	-	-
Longer than One Year but No Longer than Two Years	1,065	1,160	-	-
Longer than Two Years but No Longer than Five Years	740	487	-	-
Total	**2,887**	**3,618**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

10 RELATED PARTIES

Subsidiaries, Associates and Joint Ventures

Related party transactions arise when an entity or person(s) has the ability to influence significantly the financial and operating policies of the Parent and Group.

OSPRI's shareholders are DairyNZ Limited (45.5%), Beef + Lamb New Zealand Limited (45.5%) and Deer Industry New Zealand Limited (9%). Beef + Lamb New Zealand Limited and DairyNZ Limited are related parties as they have significant influence over OSPRI; Deer Industry New Zealand Limited is a related party due to OSPRI's associate-relationship with Deer Industry New Zealand Limited.

The Parent and Group have related party relationships with their subsidiaries and key management personnel. TB reactor compensation, operational response events and locally initiated programme payments may have been made to directors or businesses associated with directors in the ordinary course of business.

Unless otherwise stated, transactions with related parties in the years reported have been on an arm's-length basis; none of the transactions included special terms, conditions or guarantees.

Transactions with Related Parties

Group	Total funding provided		Balance outstanding	
	2014/2015	2013/2014	2014/2015	2013/2014
	$000	$000	$000	$000
AgResearch Limited	1,342	1,605	165	323

	Total funding received		Balance outstanding	
Deer Industry New Zealand Limited	1,396	1,467	75	76
DairyNZ Limited	15,500	15,500	1,490	1,490

Balance of outstanding amounts at year end includes GST.

Transactions with Subsidiaries

The Parent provided administrative and management support to subsidiary entities, which was allocated to the subsidiaries for a value of $9.6 million in the year. (2014: $5.7 million)

OSPRI received annual management fees from both subsidiaries, as defined in the Master Services Agreements with the subsidiaries, of $1 million (2014: $0.65 million). Of this, $615,000 was provided by NAIT, with TBfree providing $385,000. At balance date there are no amounts outstanding for management fees.

Key Management Personnel and Directors

	Group	
	2014/2015	2013/2014
	$000	$000
Key Management Personnel	1,945	1,201
Directors' Fees	218	218

Key management personnel have not entered into any other transactions with the Group other than above. Key management personnel include the Chief Executive and her direct reports.

11 CONTINGENCIES

The Parent and Group did not have any contingent liabilities as at 30 June 2015. (2014: Nil).

12 EVENTS AFTER BALANCE DATE

There have been no significant events after balance sheet date that would have a material impact on the financial statements. (2014: Nil).

INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS OF OSPRI NEW ZEALAND LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of OSPRI New Zealand Limited (the company) and the group, comprising the company and its subsidiaries, on pages 68 to 86. The financial statements comprise the statement of financial position as at 30 June 2015, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information for both the company and the group.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these company and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the company and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company and group's preparation of the financial statements that give a true and fair view of the matters to which they relate 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 and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

Our firm has also provided other services to the company in relation to ITA and other assurance services to National Animal Identification and Tracing (NAIT). Subject to certain restrictions, partners and employees of our firm may also deal with the company on normal terms within the ordinary course of trading activities of the business of the company. These matters have not impaired our independence as auditor of the company. The firm has no other relationship with, or interest in, the company.

Opinion

In our opinion the financial statements on pages 68 to 86:

- comply with generally accepted accounting practice in New Zealand and
- give a true and fair view of the financial position of the company as at 30 June 2015 and of its financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by OSPRI New Zealand Limited as far as appears from our examination of those records.

KPMG

18 August 2015
Wellington

Director Profiles

JEFF GRANT
CHAIRMAN

Jeff farms sheep and deer at Balfour in Southland and has extensive agri-business and rural sector leadership experience. He is chairman of the Board of Directors for OSPRI. Jeff is also chairman of the Milford Sound Development Authority. He is a director of SBS Bank, AgResearch Limited, Finance Now, and New Zealand Young Farmers; and a former chairman of the New Zealand Meat Board, Meat and Wool New Zealand, and the Primary Industry Council. He has also served as a Member of Parliament.

LESLEY CAMPBELL

Lesley has more than 20 years' experience in the primary production sector. She brings vast experience in working with government agencies and ministers, and an ability to lead change and manage diverse and complex industry stakeholder interests. Lesley is currently the chief executive of Commercial Fisheries Services Limited (FishServe) and is also a director of FINNZ, a subsidiary consulting company of FishServe. Lesley's areas of expertise include strategic and business planning, budgeting, cost recovery processes, policy development and preparation of legislation, and converting legislation into operational systems.

TED COATS

Ted is a dairy farmer originally from Waikato, with wide dairy-sector interests and experience. He now lives just north of Wellington. He is the former chairman of the NAIT Board, and a board member of New Zealand Animal Evaluation Limited. Ted was a director of LIC and Dairy InSight and went on to be a board member for DairyNZ after the InSight/Dexcel merger. Ted also served as a board member to the previous Animal Health Board.

BARRY HARRIS

Barry is a company director with extensive governance and executive experience. Barry has held a number of chief executive roles, including with Environment Waikato, Greater Wellington Regional Council and Hamilton City Council. He was also a senior executive with Fonterra for five years. Barry is currently deputy chair of AgResearch, and director of DairyNZ, Primary ITO and WEL Networks. Previous boards have included CentrePort; RD1; International Nutritionals; Hamilton Riverside Hotels; and Local Authority Shared Services. Barry has a Master of Agricultural Science (Honours) and lives in Hamilton.

DEBORAH ROCHE

Deborah joined the Ministry for Primary Industries (MPI) as the Deputy Director-General Policy and Trade in February 2013. Before joining MPI, Deborah was seconded to the Department of the Prime Minister and Cabinet for 18 months, where she was the advisor on state services, Better Public Services, defence, sport and recreation, and a member of the Officials' Committee on Economic Growth and Infrastructure.

Prior to this, Deborah spent over 15 years in various roles in health. She holds an MSc (London School of Economics), MAppSc (University of South Australia), CertTT (Waikato Polytechnic), and a DipPhys (Auckland Institute of Technology).

KEITH SUTTON

Chairman of Taranaki Investment Management Limited, Governor of The Van Diemen's Land Company and a director of Sealord Group Limited, Wellington International Airport Limited, Gough Group Limited, Wools of New Zealand Limited, OSPRI New Zealand Limited and Rural Livestock Limited. Member of the Te Tumu Paeroa Advisory Board. Also a director of Antipodean Lands Limited, Run 351 and Sutton McCarthy and related companies.

NAIT Information System Access Panel Annual Report

OSPRI's NAIT programme is an industry-led initiative that links people, property and agreed classes of livestock in New Zealand. At present cattle and deer are traced using NAIT-approved RFID ear tags. Once tagged, each animal is registered in a national database and the details recorded include:

- the animal's location
- movement in the animal's life, and
- contact details for the person in charge of that animal

NAIT data is captured for a whole range of reasons to benefit industry, government and New Zealand including:

- biosecurity
- food safety
- market access
- human health
- animal productivity
- natural disasters
- policy development, and
- lifetime traceability of animals.

In order to ensure that NAIT data is available for these purposes, whilst protecting the privacy of the individuals and organisations that contribute to this dataset, the NAIT Legislation provides a comprehensive regime for the management of the data collected by NAIT. Significant applications for NAIT data are considered by the NAIT Information System Access Panel; a group of industry representatives elected for this purpose.

During the year the panel was chaired by Ted Coats with Jeff Grant, Keith Sutton and Barry Harris as members. The interests of panel members are recorded in an interests register. Where a panel member is conflicted, this is noted in the panel's minutes and in the interests register and the member abstains from participating in the decision on the application.

As required by the Legislation, information about the number of applications referred to the panel and the nature, purpose, outcome and conditions of those applications is set out in the tables shown here.

DETERMINATIONS BY THE ADMINISTRATOR

In addition to the determinations by the panel the NAIT Information System Administrator determined 79 applications of a less significant nature. A breakdown of the reasons for and outcomes of the applications is provided below.

In the year ended 30 June 2015 there were:	
8	Applications referred to the panel
4	Panel meetings
0	Complaints received
0	Breaches of conditions

Outcomes of applications determined by administrator	Year ended 30 June 2015
Successful	67
Declined	7
No information to provide	3
More information requested to fulfil request	2
Total	**79**

Reasons for applications determined by administrator	Year ended 30 June 2015
Treatments	12
Animal welfare	11
Export requirements	9
Incursion response planning	7
NAIT tags	7
Theft	6
Industry-good initiative	5
Management of bovine TB	4
Applicant's own information	3
Market assurance	3
Liquidation/Insolvency	3
Wandering/Dead stock	3
Insurance claim	2
NAIT compliance	2
Import requirements	1
Natural disaster	1
Total	**79**

Nature/Purpose	Information sought	Outcome	Conditions
Management of wandering stock	Farmer contact information	Granted	• No third party provision
Management of bovine TB in New Zealand	Farmer contact, location, animal and movement information	Granted	• Use restricted to stated purpose
Industry productivity initiative	Farmer contact, location, animal and movement information	Granted	• Individual consent required • Data stored securely
Biosecurity management	Animal numbers by location	Granted	• Use restricted to stated purpose • No third party provision • Data sharing agreement to be made
On-farm performance and profitability project	Anonymised animal movement data	Granted	• Data stored securely • No third party provision • Use restricted to stated purpose • Data to remain anonymised
Animal products and biosecurity management	Contact, location, animal and movement data	Granted	• Use restricted to stated purpose
Industry-good research	Location, animal and movement data	Granted	• Data stored securely • Data to remain anonymised • Use restricted to stated purpose • Data to be destroyed post research • Research provided to Panel prior to distribution
Research, industry-good	Contact information	Declined	• N/A