OSPRI

ANNUAL REPORT
2018–2019


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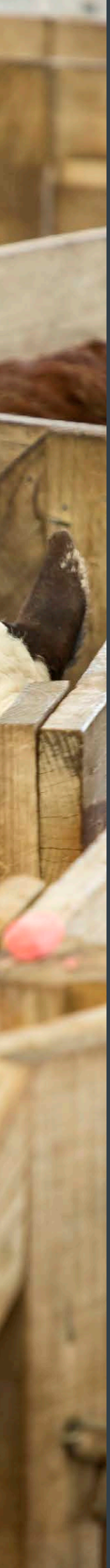

ANNUAL REPORT
2018–2019

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

This is the Annual Report for OSPRI New Zealand Limited and its wholly-owned subsidiaries NAIT Ltd and TBfree New Zealand Ltd. The TBfree New Zealand Annual Report provides a review and report on the Operational Plan for the National Bovine Tuberculosis Pest Management Plan, as required under S100B 1 (b) and S100B (2) (a) of the Biosecurity Act 1993.

NAIT TBfree

OSPRI New Zealand's shareholders and funders:

DairyNZ DEER INDUSTRY NEW ZEALAND beef+lamb new zealand Ministry for Primary Industries Manatū Ahu Matua

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 Wool

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


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CHAIRMAN & CEO REPORT

Barry Harris
Chairman

Stephen Stuart
CEO

Fresh energy to take OSPRI ahead

Developing the strategy to position OSPRI for the next stage of its evolution and identifying a new Chief Executive to lead its delivery have been priority matters for the Board during the 2018–2019 year.

Early in the last financial year the Board recognised a need to review the organisation's strategy to ensure its long-term sustainable future and enhance farmer investment. The strategy development process involved listening to our shareholders, funders, and wider stakeholders to get clarity about their priorities for the organisation and areas for future improvement and focus. This feedback helped us identify the value and impacts that OSPRI's work can deliver for stakeholders over the next five years and into the future, and resulted in completion of the Strategic Plan 2019–2024.

The need to transition the organisation to deliver the strategy, together with the continued achievement of its programme obligations through an integrated set of services and a focus on stakeholder relationships, was a key driver during the extensive six-month search for a new Chief Executive.

The Board and organisation acknowledge the work of Michelle Edge, the previous Chief Executive, who left in September 2018. During her three-year tenure, the organisation underwent significant change as part of the implementation of the outcomes of the TB review, worked with industry on a review of the NAIT system, and started work on updating IT infrastructure.

We also want to thank Dr Pim Borren who acted as interim Chief Executive during the recruitment process and assisted at the start of the strategy review and delivery process.

Since Steve Stuart's appointment as permanent Chief Executive in March, we have worked together to finalise the Strategic Plan, identifying two connected strategic outcomes for the organisation – disease management underpinned by robust traceability, and the four critical enablers required to be in place to support the delivery of these outcomes. A core set of 13 key performance indicators will measure and monitor achievement of our goals.

Another key task for the Board has been the work to progress a closer relationship between the Board and the Stakeholders' Council following the restatement of the Council's functions and powers in the constitutional revisions passed at the company's 2018 Annual Meeting.

We have established regular meetings between both parties, and between the respective Chairs, and at Chief Executive level. Discussions and reporting continue to evolve to assist the Council to deliver its key tasks of reviewing the group's objectives and long-term strategies and how these are being delivered at the organisational and Board levels, assisting with shareholder director appointments and Board succession planning.

The Board has also maintained a keen interest throughout the year in the organisation's work to:

- continue the successful delivery of the TBfree programme

- implement the organisation-level recommendations from the NAIT review report to assist in delivering a stronger traceability system for New Zealand, particularly in light of the *Mycoplasma bovis* incursion which highlighted areas of the scheme requiring fixing, and
- build internal and external conditions to assist in delivering the new Strategic Plan 2019–2024; as part of the latter, an Information Systems Strategic Plan for the next five years has also been completed.

The TBfree programme has matured into a phase where the feasibility of eradication has been proven and infected herds have been brought down to 26 from a peak of 1700 in the mid-1990s. The clear challenge that remains is the removal of TB infection from the possums that transmit disease between wildlife and livestock.

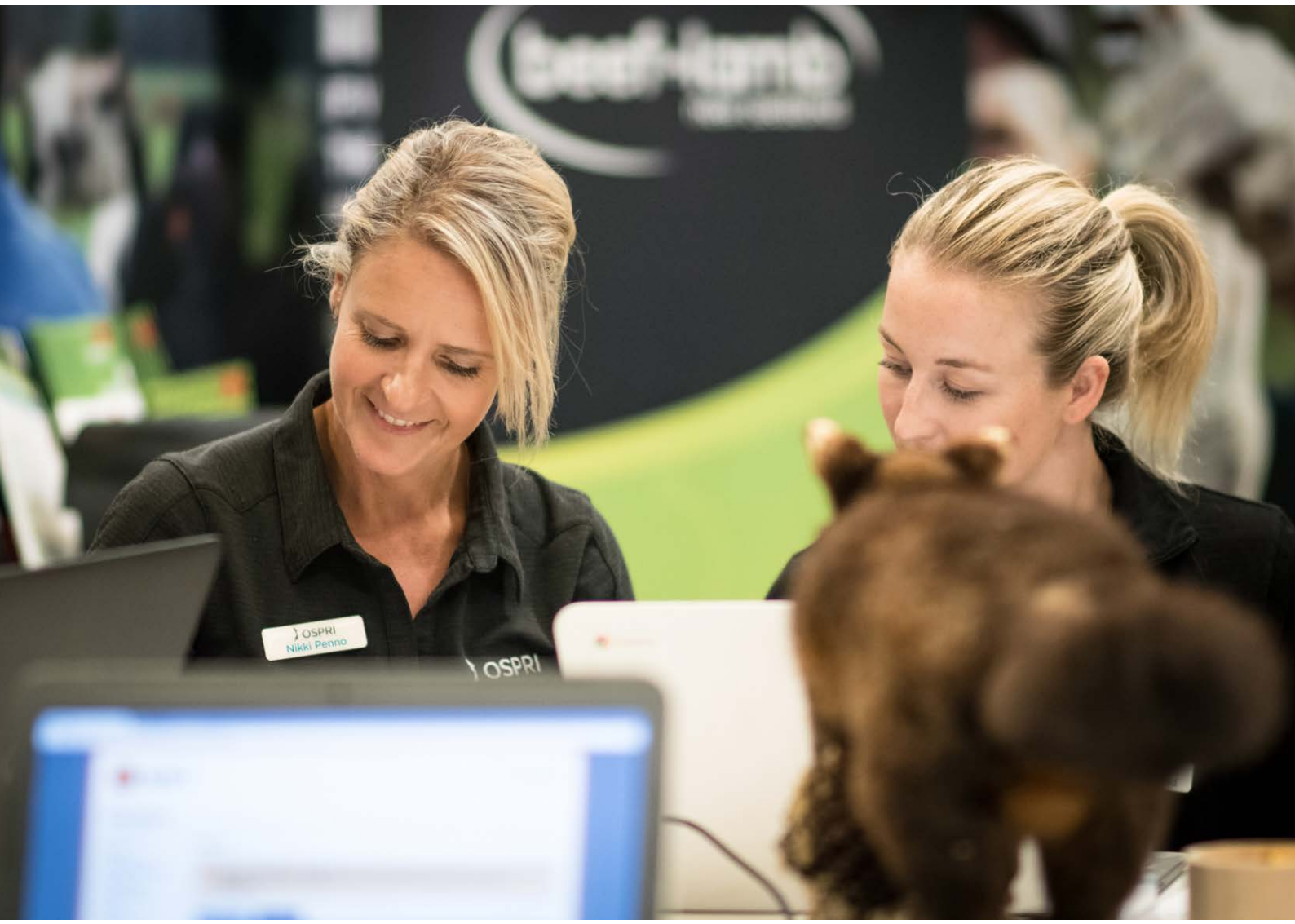
This means continuing our control operations in the remaining regions of disease risk and collaborating closely with partner organisations such as the Department of Conservation and Predator Free NZ, which deliver similar pest control operations, albeit for different goals. It also means continuously refining our methodology through field-based scientific research and remaining open to innovative approaches to the problems we need to solve. That includes the evolution of smarter, cheaper technology for remote pest control and surveillance, and research towards alternative control solutions.

During the past year, OSPRI has also continued the development of smarter technologies such as the electronic Animal Status Declaration and moved further towards a risk-based approach to surveillance for TB in livestock. That involves ensuring the meat processing industry is equipped for a greater reliance on post-mortem surveillance to enable better targeting of on-farm TB testing.

The importance of traceability to underpin assurances to markets and consumers on animal health and product quality has never been clearer with the incursion of *Mycoplasma bovis*, which revealed that the NAIT system was not fit for purpose and failed to perform as required for a serious incursion. While the NAIT system was able to provide valuable data reports to MPI during the early stages of the incursion, the response tested the integrity of the database and highlighted areas of significant vulnerability due to low levels of compliance, and system usability and data integrity issues.

The challenges encountered highlighted issues unresolved since the implementation of the NAIT system and untested by a biosecurity incursion. As a relatively new system, compared with traceability systems in other countries, these weaknesses made the *Mycoplasma bovis* response more difficult to manage, but delivered valuable insight and lessons on the fixes required to the system.

OSPRI's immediate response to solving the technological, data management and relationship issues has resulted in a commitment to significant investment in the NAIT system and team, and the development of an integrated programme of work to deliver improvements. The new streams of work include enhancing usability, improving data quality and the regulatory framework, and working with MPI to increase levels of compliance with the scheme. The company's new strategy includes the development of a Traceability Compliance Scale and specific organisational KPIs that will ensure the issues are resolved.



A nationwide campaign of messaging and reminders has been required to lift NAIT compliance and re-registration, one of the review recommendations implemented. The Board has followed the re-registration campaign closely as it resulted in an initial overload of Contact Centre resources during a two-month period. With the introduction of temporary and longer-term solutions, Contact Centre performance statistics have now returned to normal levels.

Consulting our stakeholders and others in New Zealand impacted by OSPRI's work is fundamental to the support we need to successfully achieve the objectives of our programmes. Over the past year, a period of formal consultation about proposed wildlife control operations has helped inform OSPRI's TBfree programme design, and farmer and industry input into the NAIT scheme has helped shape a better system. Our regional committees are a key resource helping us to communicate with farmers.

Managing disease is at the heart of OSPRI. Our success with the TB eradication programme has been achieved using combined expertise and the experience of over 30 years of managing TB and working on traceability. This breadth and depth of experience can be applied to a range of other diseases where the organisation could provide value to other areas of the primary sector.

OSPRI moves into the coming year with a fresh energy and clear direction, having worked hard this year to unite the organisation's focus on its disease management and traceability objectives.

STAKEHOLDERS' COUNCIL REPORT

James Buwalda
Chairman, Stakeholders' Council

The Council has been focused during the past year on implementing the recommendations from the shareholder-led review of OSPRI's governance framework and establishing its new direction, including working more closely with the OSPRI Board.

Amendments to the company's Constitution and Stakeholders' Council Rules, giving effect to the review recommendations, were passed by shareholder resolutions at the Annual Meeting in November 2018. The changes included clarification of the Council's purpose and focus and changes to the director appointment process. My appointment as independent Chair also arose out of the review recommendations.

The core functions of the Council are to:

- engage with the Board in reviewing and commenting on the Board's strategy for the company and providing feedback on the company's performance in achieving that strategy and objectives
- oversee the performance and effectiveness of the Board
- support succession planning for the Board, based on a consideration of the skill mix appropriate for the company's strategy
- manage a director recruitment and selection process, and recommending director appointments for shareholder consideration and decision.

To be effective in fulfilling these core functions, the Council must establish and maintain a critical and respectful working relationship with the Board (especially the Chair), while also earning and holding the confidence of shareholders. Over the past year, we have been concentrating on a closer and more strategic relationship with the Board, particularly to inform and influence the company's new strategy and to establish practical working arrangements in relation to our input to assessing Board performance, succession planning and director appointments.

Board strategy

The Council has engaged with the Board and Chief Executive during the development of the company's new strategy. Key areas of focus have included: (i) shareholder and stakeholder confidence; (ii) staff capability and culture; and (iii) KPIs that relate to fulfilling stakeholder and investor expectations and building longer-term capability and reputation. Now that the strategy for 2019–2024 has been finalised, the Council looks forward to being able to work with the Board in the upcoming year to track company performance of the deliverables.

Board performance and effectiveness

The Council's view of Board performance and effectiveness for 2018–2019 is based mainly on assessment against priorities set out in the Annual Operating Plan. The Council acknowledges that the TBfree programme continues to deliver on progress to meet long-term disease eradication targets. The NAIT programme has had a challenging year, with the *Mycoplasma bovis* response highlighting shortcomings with the system and compliance

levels, and a lack of resource to assist farmers through the re-registration project. The Council is keen to ensure that implementation of the NAIT review recommendations within the company's remit are completed and that improved communication and compliance continue to be a focus.

The Council notes the appointment of three new staff in senior management roles during 2018–2019, and now looks forward to a more settled period and delivery of a challenging body of work in the 2019–2020 financial year.

Board succession planning

Now that there has been a re-set of the company direction, the Council looks forward to assessing skill needs at Board level and providing advice on succession planning based on this assessment. The Council acknowledges that to be effective in fulfilling this function, it will need to build a critical understanding of governance challenges associated with the new strategy and is exploring options for this. In practice, the Council expects to work closely with the Board in such assessment, but recognises its responsibility to provide critical advice as and where needed.

Director assessment and recruitment

The Council notes terms for two Board members (Mike Pohio and James Parsons) are due to expire during 2019–2020. The incumbents have been assessed in terms of their suitability for reappointment. In both cases, the Council is recommending to shareholders that the incumbents be reappointed for further 3-year terms.

Council operations

There have been some personnel changes on the Council, and I thank Andy Fox (Beef+Lamb), Grant Bryden (Ministry for Primary Industries), and Kevin Old (DCANZ) for their contributions. New members joining from those organisations in the past year have been Phil Smith, Grace Campbell-Macdonald, and Shane Lodge respectively. We also welcome Steve Morrison who has joined as representative for the NZ Stock and Station Agents' Association. Don Wilson, representative for the Road Transport Forum, and Estelle Pērā-Leask, representative of Predator Free 2050 Ltd, will join the Council at the start of the 2019–2020 year.

The Council met four times in the 2018–2019 year and expenditure totalled $69,075 comprising $6,247 meeting expenses, $20,600 legal fees for the Constitution and Rules changes, $33,734 Chair's fee, and $8,495 for consultation on the review and company strategy.

The Council looks forward to embedding its relationship with the OSPRI Board, and to focusing on the strategic objectives of the company.


OSPRI

STRATEGIC PLAN 2019–2024

OSPRI's Strategic Plan 2019–2024 was developed during the year by the Board and Stakeholders' Council with input from funders. The plan arose out of the strategic framework which starts from a value statement, supported by two key strategic outcomes and four critical enablers that describe the internal and external conditions that must be present if OSPRI is to deliver the strategic outcomes.

The framework also describes seven impacts that OSPRI will achieve in the upcoming five years, which will be monitored using 13 key performance indicators.

The Annual Operating Plan and budget paper for each financial year will describe the annual work plan with clearly defined and linked milestones that drive accountabilities and plot the path to the ultimate achievement of the strategic outcomes.

OUR VALUE

Farmers and markets can depend on us to provide assurance as to the health and status of animals

OUR STRATEGIC OUTCOMES

DISEASE MANAGEMENT

Animal diseases for which we have primary responsibility are managed to agreed outcomes

TRACEABILITY

There is full traceability of the animals within the National Animal Identification and Traceability scheme

OUR CRITICAL ENABLERS

- We have the culture, capability and capacity to deliver our programmes effectively and efficiently
- Our shareholders, stakeholders and funders agree that we understand their needs and expectations
- We have superior information management systems and technology to support the successful delivery of our strategy and programmes
- There is broad understanding and support of our programmes and the strategies we deploy to implement them

OUR IMPACT

- In the event of a disease incursion those who must manage the incursion have timely, accurate animal traceability information
- Those responsible for the management of animal health and disease have confidence in the traceability scheme and its performance
- Livestock are free of TB by 2026
- Possums are free of TB by 2040
- Other parties with a legitimate interest are able to verify the provenance of animals
- Stakeholders have trust and confidence in OSPRI and in the delivery of its programmes
- We are asked to take on responsibility for the management of other diseases

ABOUT OSPRI

OSPRI New Zealand Limited (OSPRI) was established in 2013, bringing together the Animal Health Board Incorporated and National Animal Identification and Tracing (NAIT) Limited.

OSPRI is owned by three industry shareholders – DairyNZ, Beef+Lamb and Deer Industry NZ, and is funded by levies and Government investment through the Ministry for Primary Industries (MPI). Shareholders engage with OSPRI through a formal Shareholder Agreement and through the constitutional consultation mechanism of the Stakeholders' Council.

The OSPRI Board currently comprises five directors. The Board owns the company's strategic plan and is responsible for directing the management of OSPRI's business and affairs to ensure achievement of the strategic plan objectives. Committees of the Board include the Audit and Risk Committee and Human Resources Committee. The NAIT Data Access Panel is a separate and independent governance body that oversees data access in accordance with the provisions of the NAIT Act 2012.

The Board is supported by a Stakeholders' Council representing 11 stakeholders. Key functions and powers of the Stakeholders' Council include review of the Board's long term objectives and strategies for the OSPRI group, monitoring and discussing with the Board the performance of those objectives and strategies, and reporting on them to shareholders.

As at the end of June 2019, OSPRI has 112 employees in seven locations across New Zealand, supported by 12 regional OSPRI Committees made up of farmer representatives.

OSPRI's value

As an integrated service provider, OSPRI offers end to end disease management expertise, supported by traceability services and systems, which are scalable up to national level. Farmers and markets can depend on OSPRI to provide assurance as to the health and status of animals.

Our programmes of work

OSPRI is the sole shareholder of TBfree NZ Limited (TBfree) and NAIT Limited which are the statutory management agencies for the delivery of the TBfree and NAIT programmes respectively.

Accountabilities for delivery of these programmes are contained both in legislation and in National Operational Plans developed by OSPRI and provided annually to the Minister for Primary Industries.

TBFREE PROGRAMME

TBfree manages the National Pest Management Plan for bovine tuberculosis (TB) as management agency, in accordance with the provisions of the Biosecurity Act 1993 and the Biosecurity (National Bovine Tuberculosis Pest Management Plan) Order 1998.

The TBfree programme is directed at the biological eradication of bovine tuberculosis (TB) from New Zealand by 2055 with milestone targets of livestock TB freedom by 2026 and possum TB freedom by 2040, while maintaining an annual infected herd period prevalence at or below 0.2%.

Services are delivered in the areas of:

- disease management including TB testing and diagnostics, case management, monitoring livestock movement, and disease surveillance
- pest management through a possum control programme, wildlife surveillance, field operations and monitoring
- research and programme development to support the control and eradication of TB in wildlife and livestock
- communications to farmers, stakeholders and other affected parties about the TBfree programme, activities and operations.

NAIT PROGRAMME

NAIT is New Zealand's national animal identification and tracing programme, capable of tracing livestock (currently cattle and deer) movements across the supply chain from farm to meat processing, for the purposes of managing animal health, disease outbreaks, food safety and biosecurity risks.

NAIT Ltd is responsible for implementing the NAIT programme, operating under the NAIT Act 2012.

Activities undertaken by OSPRI to achieve the objectives of the NAIT programme include:

- providing and maintaining the NAIT database
- providing training and service support to users
- communicating NAIT requirements and promoting programme uptake and adoption
- providing resource and input to livestock trace-back exercises facilitated by Government
- overseeing policy and standards development
- providing reporting to users, industry and Government.

KEY HIGHLIGHTS FROM 2018–2019

4 MILLION
ANIMALS REGISTERED IN NAIT

78,000
FARMERS ACTIVE IN NAIT

12 MILLION
MOVEMENTS RECORDED IN NAIT

REDUCED TB INFECTED HERDS TO **26**

DISEASE CONTROL AREA CHANGES RESULTED IN MORE THAN
33,000
FEWER LIVESTOCK TB TESTS FOR FARMERS

3.80 MILLION HECTARES
COVERED BY WILDLIFE CONTROL AND SURVEY ACTIVITIES

TB FREEDOM IN POSSUMS DECLARED
272,000 HECTARES
ACROSS NEW ZEALAND

3.07 MILLION
LIVESTOCK TB TESTS WERE CARRIED OUT

200+ PEST CONTROL CONTRACTORS SPENT ALMOST
275,000 HOURS CHECKING MORE THAN
295,000 TRAPS AND DETECTION DEVICES FOR WILDLIFE CONTROL AND MONITORING OPERATIONS.

MAINTAINED INFECTED HERD PERIOD PREVALENCE **BELOW 0.2%**

240%
INCREASE IN OSPRI WEBSITE TRAFFIC

DISEASE MANAGEMENT PROGRAMME

One of our two strategic outcomes is that ‘’animal diseases for which we have primary responsibility are managed to agreed outcomes”. OSPRI is currently responsible for the management of the TBfree programme – this section reports on how we are meeting the programme objectives.

Objectives of the TBfree Programme

The TBfree programme aims to eradicate bovine TB from New Zealand, by achieving:

- TB freedom in cattle and deer herds by 2026
- TB freedom in possums by 2040
- Biological eradication of TB from New Zealand by 2055.

A further objective of the plan is to maintain the annual infected herd period prevalence below 0.2% for the term of the plan.

Summary of progress

The key targets for the 2018–2019 year, as specified in the National Operating Plan, were to:

- Be on track to achieve TB freedom in possums across at least 1.2 million hectares during the two years ending June 2020
- Reduce the number of TB infected herds to 27
- Maintain infected herd period prevalence below 0.2%.

The following progress was made as at 30 June 2019:

- TB freedom in possums was declared for 272,000 hectares of land in North Island and Northern South Island areas during 2018–2019
- It is expected that TB freedom in possums will be achieved for a further 935,000 hectares in 2019–2020, which will meet the performance target of achieving TB freedom in possums across 1.2 million ha in the two years to June 2020
- Note: TB freedom in possums has been achieved for 695,000ha since the current plan commenced in 2016, and for 2.29m ha in total since the start of the previous 2011 plan.
- Successful clearance of TB from six infected herds, with 26 infected herds (23 cattle and 3 deer) remaining at year end with three located in the North Island and the rest in the South Island
- Annual infected herd period prevalence was at 0.07%
- Disease Control Area changes from 1 March 2019 covered 350,000 hectares, involving nearly 600 herds and resulting in 33,000 fewer cattle and deer TB tests per year.

Delivery of the TBfree Programme

To meet the TBfree programme objectives OSPRI delivers an integrated range of services:

- disease management, including TB testing and diagnostics, case management, monitoring livestock movement, and disease surveillance
- an annual review of areas across New Zealand where there is a risk of the transmission of TB from wildlife vectors
- pest management through a possum control programme, wildlife surveillance, field operations and monitoring
- research and programme development to support the control and eradication of TB in wildlife and livestock
- local farmer-led committees which communicate the TBfree programme, activities and operations to farmers
- a range of other communications and extension activity to farmers, stakeholders and other affected parties.

The following graphs demonstrate progress of the TB programme through various management plans since 2003.

FIGURE 1: NUMBER OF CATTLE AND INFECTED DEER HERDS AT 30 JUNE

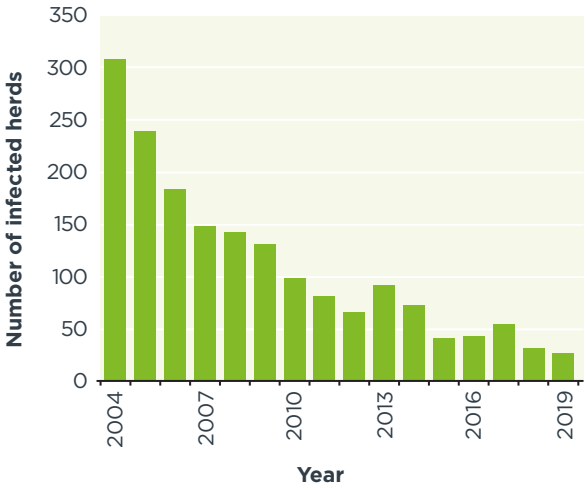
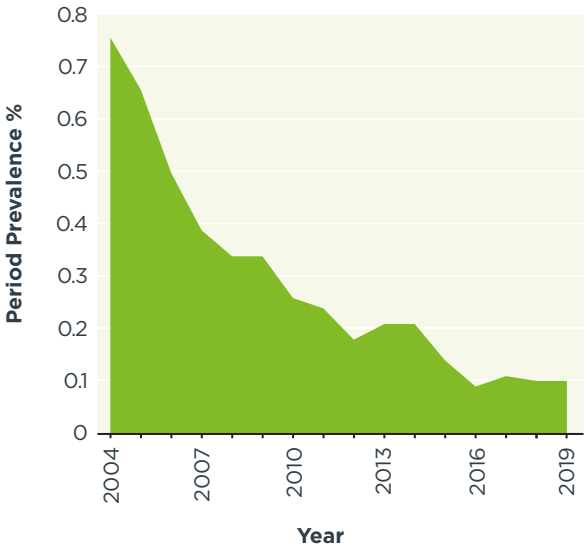


FIGURE 2: ANNUAL INFECTED HERD PREVALENCE (CATTLE AND DEER)



Overview of 2018–2019 delivery of the TBfree Programme

Further in-depth detail of the 2018–2019 disease management activities is in the Appendix.

LIVESTOCK DISEASE MANAGEMENT

Infected cattle herds

At 30 June 2019, there were 23 infected cattle herds, compared to 27 at 30 June 2018. During the year, TB was identified in 45 cattle herds, 22 less than in 2017–2018.

During the 2018–2019 year 19 cattle were found with TB as a result of TB testing, and a further 25 cattle were found with TB during routine slaughter inspection.

Infected deer herds

The number of infected herds at 30 June 2019 was three, compared to five at 30 June 2018. There were no deer found with TB in 2018–2019.

Infected herd period prevalence

The annual infected herd period prevalence (for cattle and deer combined) at 30 June 2019 was 0.07%. This period prevalence is derived from the total number of infected herds at the start of the year, plus new infected herds identified during the year, divided by the total herds in the country, expressed as a percentage. The annual period prevalence has been less than 0.2% for the last five financial years and New Zealand thus meets the World Organisation for Animal Health (OIE) standard for being classified as being officially TB free – an important international milestone.

Disease management

TB control and eradication relies on an effective disease management system that includes disease health surveillance through on-farm TB testing and post-mortem inspection of cattle and deer at slaughter, restricting the movement of at-risk livestock either at area or herd level, and effective case management of infected herds following TB diagnosis.

The restriction of livestock movement from infected herds (where in most circumstances, cattle or deer can only move to slaughter) and from movement control areas where the TB risk from wildlife is considered high is part of OSPRI's TB plan. Under the TB programme, New Zealand is divided into distinct disease control areas that have specific livestock testing requirements.

CASE STUDY

Disease Management in action: What happens when a TB infection is found?

OSPRI disease manager Jane Sinclair explains the process when an animal returns a positive result to a TB test.

New Zealand farmers are familiar with livestock TB testing. A farm's disease area status determines whether testing is annual, biennial or triennial, and extra tests may be required when stock moves between farms.

To TB test an animal, a small dose of purified proteins derived from TB bacteria (called tuberculin) is injected into the skin to provoke a reaction if an animal is carrying *Mycobacterium bovis.* A visible and palpable swelling at the injection site a few days later indicates that bovine TB could be present. A blood test is then required to confirm disease, as many reactions are caused by other bacteria that can produce "false-positive" results.

If one animal in a herd has TB, it might mean others do too. That depends on several factors: how long has the animal been infected? How long since the herd was last tested?

An animal that returns a positive blood test is called a "reactor" and must be slaughtered so that a post-mortem examination can be made. If TB is then confirmed, the herd will be deemed "Infected" and animals will be legally restricted from moving off the farm.

A TB infection is difficult news for a farmer to receive, and for the OSPRI team to deliver. It has serious implications for most farmers – about farm management; about confidence in work practices; about the value of livestock. Because of that, OSPRI and other agencies have support systems available to help the farmer, the family and the neighbours through the next steps in the process.

Affected farmers may be angry or distressed. Good farmers know and love their animals and everything they do each day is for the benefit and health of their livestock. Often they express disbelief. They want to know how their herd was infected: did a TB-infected possum wander onto the farm and spread the bacteria directly? Did livestock from another area infect their new herd-mates?

However bovine TB arrived, an Area Disease Manager will start an investigation using movement records from OSPRI's traceability system NAIT to identify if livestock movement might have been the cause of infection, and whether any other herds might be at risk.

If the disease has arrived "on the back of a truck," there are no implications for neighbours. Infection can be contained and managed without affecting the wider community. If an infection has come from wildlife, possum control operations over a wider area might be planned or brought forward. Surveys of possums, pigs or ferrets will identify the location of infected wildlife.

Some herds remain infected for years: from the declaration of "Clearance" (when the infection has been removed from the herd) to the optimum status of "C10" (10 years clear) is a decade. That's a long time for a farming family. It's really important at this stage to keep talking to each other and to the neighbours, and to dismiss any self-blame for a TB infection.

The good news is that OSPRI's disease management strategy is working to remove TB from all New Zealand's cattle and deer herds, and works with every farmer affected to help manage any infection and keep farm businesses running successfully.

REDUCTION OF VECTOR RISK AREAS

Meeting the TB plan's objectives requires the progressive reduction in size of Vector Risk Areas (VRA) – where TB is considered to be present in possums and other wildlife – and the prevention of wildlife TB becoming established in Vector Free Areas (VFA).

In 2018–2019, 26 reports on areas proposed for VRA revocation were reviewed by a panel of three experts, including two external panellists. After considering each report, the panel agreed that there was a high probability TB had been eradicated from all 26 areas.

The OSPRI Board of Directors subsequently approved the revocation of the VRA status for these 26 sites, totalling 272,425 hectares. This included reductions in the size of VRAs in the North Island and Northern South Island (the appendix contains a breakdown). As at 30 June 2019 there were 14 remaining discretely defined VRAs, with a combined area of 7.51m hectares.

For an area to have its VRA status revoked, a panel of reviewers must agree that the evidence indicates a very high probability of freedom from TB in the possum population. This decision is mainly based on:

- qualitative data on the area's TB history, the effectiveness of possum control and the results of wildlife surveys
- quantitative data that includes the outputs from a Spatial Possum Model and Bayesian-based software (Proof of Freedom utility) that indicates there is ~ 95% probability that TB has been eradicated from the possum population
- risk assessment that evaluates the risks and potential costs of making a wrong decision.

WILDLIFE DISEASE MANAGEMENT

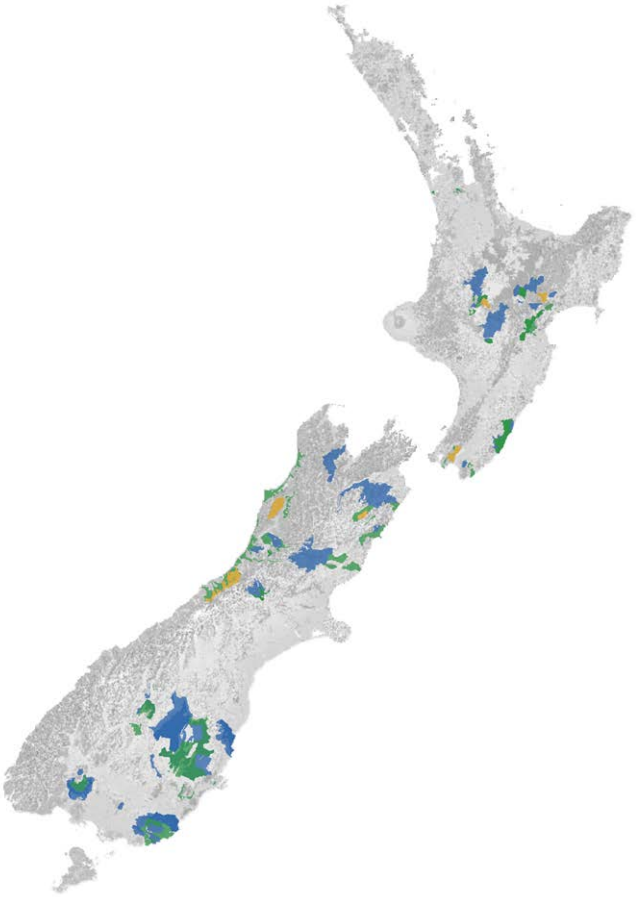
Wildlife management is the largest component of the TBfree programme. Control operations are designed to reduce the number of pests (vectors) that carry and spread TB to farmed livestock. Research demonstrates that possums are the main wildlife vectors of TB in New Zealand and they are the primary focus of control operations.

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 eventually other wildlife.

An important aspect of the TBfree programme is surveying wildlife to detect whether TB is still present following a period of sustained possum control. This involves trapping or culling possums and other sentinel species, such as pigs and ferrets, followed by post-mortem examination and analysis. The results are used to help determine whether freedom from TB within designated areas has been achieved, or if further control work is needed. We expect to find few – if any – TB-infected possums or other wildlife in these surveys, as significant possum control effort has already been undertaken.

MAP 1: 2018–2019 PEST CONTROL OPERATIONS

- Aerial Operations
- Ground Operations
- Survey Operations



MAP 2: VECTOR RISK AREA REDUCTIONS SINCE 2011

- VRA Reductions 2018-2019
- Vector Free Areas achieved between 2011–2018
- Existing Vector Risk Areas

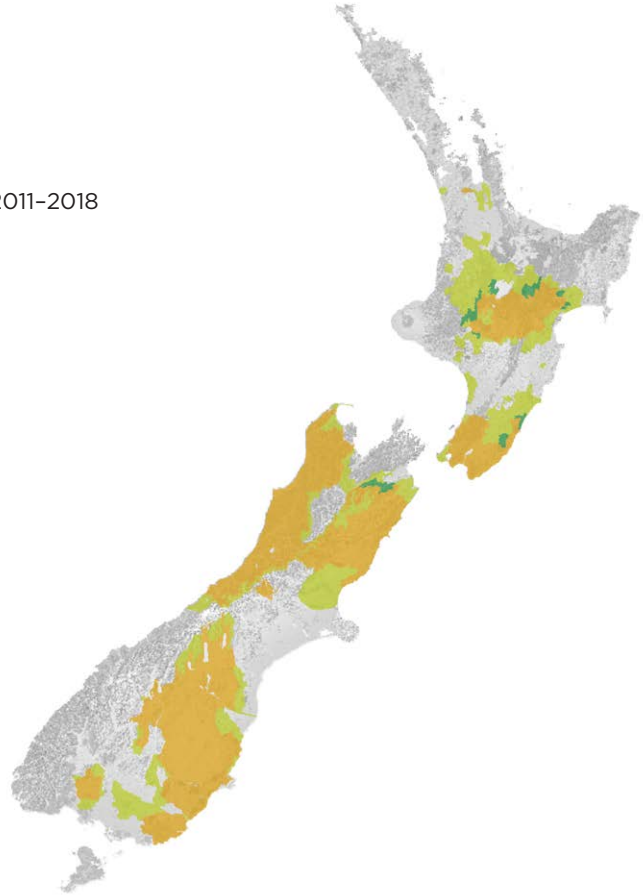
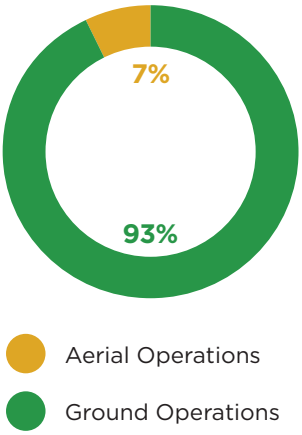


FIGURE 3: BREAKDOWN OF NATIONAL GROUND AND AERIAL CONTROL OPERATIONS BY AREA AND SPEND

	TOTAL HECTARES	SPEND
Ground Operations	3,560,715	$26,628,753
Aerial Operations	247,881	$6,816,079

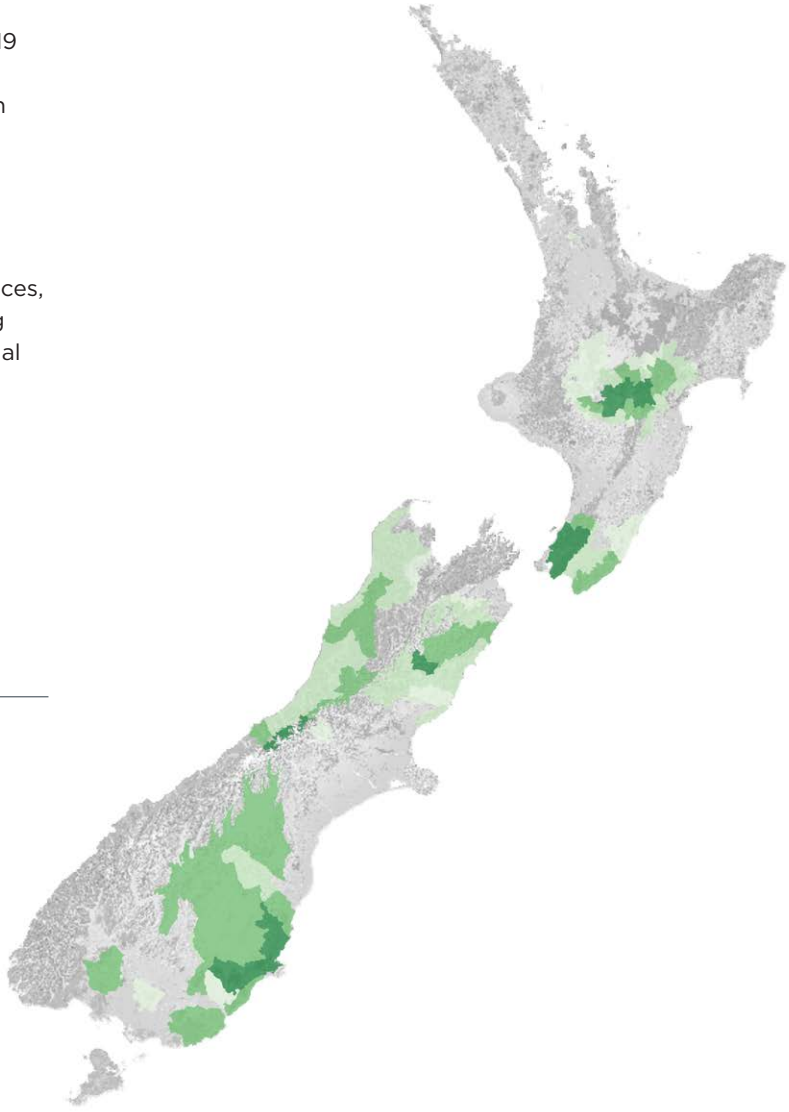


$33.4 million of ground and aerial wildlife control operations was delivered in 2018–2019 – $26.6 million on ground control (including monitoring and surveillance) and $6.8 million on aerial operations.

During these operations, 15 contracting organisations employed more than 200 field staff who spent 275,000 hours setting and inspecting 295,000 traps and detection devices, completing field surveillance work, capturing wild pigs for monitoring and conducting aerial treatment operations. The breakdown of national pest control operations delivered is shown in Figure 3.

MAP 3: TB MANAGEMENT POSSUM TB FREEDOM PLAN

- Planned eradication by 2020
- Planned eradication by 2025
- Planned eradication by 2030
- Planned eradication post 2030



Collaboration and strategic partnerships

OSPRI continues to collaborate with central and regional agencies and is proud to apply its considerable experience in efficient and effective large-scale animal pest control, especially in an environment of growing regional support for national predator-free objectives.

Close consultation and collaborative projects are enabling iwi and landowners in key areas of disease risk to work together on operations that deliver mutual benefits. While OSPRI is focused primarily on eradicating TB through tightly targeted possum control, the benefits for an area's ecology, environment and taonga species create special interest for some landowner groups.

Collaboration requires the formation of strong relationships between trusted partners, and OSPRI is proud of the willingness to pursue shared goals demonstrated in the following projects.

Ngati Pahauwera Development Trust (NPDT)

OSPRI agreed a Memorandum of Understanding with the Trust to undertake possum control in the 12,000-hectare Mohaka Forest in northern Hawke's Bay. Working with the Trust's own pest control programme, OSPRI and NPDT share the joint objective of eradicating TB in the forest. The arrangement means seven areas will each receive annual possum control for eight years, according to mutually agreed targets. The MOU brings autonomy and employment for the community, while supporting the achievement of TB freedom.

Taranaki Mounga Project

As part of an ambitious collaborative project to remove all predators from the 34,000-hectare Egmont National Park, OSPRI was contracted to control possums across areas of Mt Taranaki and eradicate them from the Kaitake Range using aerial 1080 prefeed and toxic applications. The Taranaki Mounga Project involves eight iwi, Department of Conservation, NEXT Foundation and a large network of voluntary community organisations. Its objectives align with the Government's vision of a predator-free New Zealand by 2050.

Predator Free Dunedin

OSPRI is working with the Landscape Connections Trust/Halo Project to set up trapping in peri-urban areas adjacent to the Mt Cargill TB Management Area. OSPRI's contribution helps fund a coordinator for the Trust and shares catch data to support a succession plan that will see possum and pest control continue in the region after TBfree eradication work is complete. The project has achieved optimal possum control coverage in all current project areas, and 195 traps have been installed by about 150 volunteers involved in the wider Halo Project.

Tiakina Ngā Manu (Battle for our Birds)

During the 2018–2019 year, OSPRI completed two aerial 1080 operations for Department of Conservation as part of the Tiakina Ngā Manu programme. The Hope-Cascade operation in South Westland treated 20,000 hectares in August 2018. A month later, the Wilberforce operation covered a further 12,000 hectares of public conservation land in the Canterbury high country. Post-operation possum monitoring four months after the operations returned encouraging results: a six-night waxtag monitor recorded no possum bites across the 20 monitoring lines.

COMMUNICATION AND ENGAGEMENT

Programme extension is a key component of OSPRI's engagement work, including managing OSPRI's annual presence at over 42 primary sector events during the 2018–2019 year. OSPRI's event sites were extremely busy during the most recent event season, with many farmers taking the opportunity to talk one-on-one with our people and seek help with their NAIT and TB control needs.

OSPRI's programme extension team is also accountable for regional farmer, shareholder and stakeholder support and training for the TBfree and NAIT programmes. The team is regionally based with representation across the country from Hamilton to Dunedin. It provides support to farmers with TB-infected herds and assists the corporate communications team to deliver nationwide communication on TB strategy.

OSPRI also continues to support the next generation of farmers through our involvement with New Zealand Young Farmers. This group is seen as key to ensuring continued awareness of the TB programme. During 2018–2019 OSPRI sponsored the NZYF conference and provided NAIT modules for the Junior Young Farmer of the Year regional finals, and the Grand Final in Hawke's Bay.

In addition to these activities, Programme Extension has supported or led the following work during the past year:

- Slaughter surveillance project – undertaking refresher training of meat inspectors across the country to ensure awareness of the TB plan, and to support the ever-increasing importance of effective detection of TB cases at slaughter
- Implementation of extension days with AsureQuality TB testers to ensure these trusted rural professionals understand TB plan goals and can answer farmer questions
- Support and facilitation of the regional network of OSPRI farmer Committees
- Promotion and landowner notification of Vector Risk and Disease Management Area changes through community newsletters and rural publications
- Coordination of wildlife control and infected herd management plans for long standing infected herds
- Content for dairy company supplier diaries
- Audits on NAIT and TB compliance.

OSPRI COMMITTEES

OSPRI's Programme Extension team supports and facilitates 12 regional farmer committees and networks to maintain valuable links with rural communities. The committees promote the TBfree programme in their area and provide feedback to OSPRI on local community issues.

In the coming year OSPRI will continue to work on invigorating the farmer committees by increasing contact and information flow between the organisation and these grass roots representatives. OSPRI believes the committees are well positioned to assume greater responsibilities and their scope could be broadened to include wider disease management, NAIT, and as an effective interface between OSPRI, Government and farmers.

2018–2019 disease management activity and progress by region

NORTH ISLAND

The North Island started the 2018–2019 year with two infected herds and ended the year with three, all in Hawke's Bay.

There have been no findings of established possum infection outside of TB VRAs during 2018–2019. The VRA status of 215,900 hectares was revoked through the proof of freedom process during 2018–2019.

Wildlife control operations within the North Island are summarised in Figure 4.

Successes of the North Island wildlife control operations included:

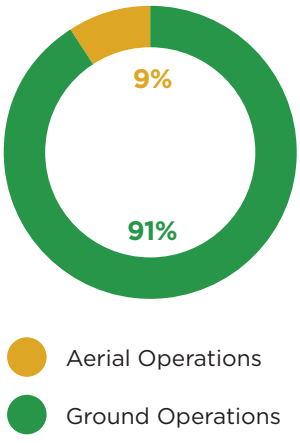
- Four aerial operations, three successfully completed and one partially completed, with the balance of the block to be finished in the 2019–2020 year
- OSPRI working closely with the Department of Conservation and the North Island regional councils to coordinate their work programmes and ensure no duplication of effort in pest management
- The Rangipo Deer Survey achieved very close to the target of 150 heads through the combined efforts of aerial shooting and ground hunter submissions. Information on the animals sampled, e.g. species, sex, age, and condition is passed to the Sika Foundation to provide them with additional information on the state of the Sika herd.

Current challenges in the North Island for wildlife control operations are:

- Land access in the Central North Island – achieving access for control where little or no work has been done for the TBfree Programme before
- TB breakdowns in north-western Hawke's Bay; a coordinated response covering disease management, programme extension and operations teams is being developed for delivery.

FIGURE 4: BREAKDOWN OF NORTH ISLAND GROUND AND AERIAL CONTROL OPERATIONS BY AREA AND SPEND

	TOTAL HECTARES	SPEND
Ground Operations	701,908	$6,501,310
Aerial Operations	67,330	$2,411,973



CASE STUDY

Pioneering TBFree Chair steps aside after 15 years

The Canterbury OSPRI Committee is embarking on a new era after Malcolm Gilbert decided to step aside as Chair after 15 years.

North Canterbury based Mr Gilbert, who farms deer and goats, bowed out with no regrets and with the satisfaction of knowing his local committee was at the forefront of building more awareness around wildlife vectors and their potential to spread bovine tuberculosis (TB) rapidly.

"It's been a big part of my life, I got involved back in 1992, when it was the Canterbury Regional Animal Health Committee. After the final meeting as Chair, it suddenly dawned on me this was the end of an era in my life," he says.

Mr Gilbert remembers the initial TB control effort was ad hoc and dependent on the efforts and determination of affected local farmers.

"Back in the day, there was no national strategy, so we started up voluntary farmer vector control groups which encouraged herd owners to manage and control their own properties. At its peak, there must have been around 40 farmer voluntary groups involved."

Malcolm oversaw 21 of these groups, a forerunner to the Locally Initiated Programmes (LIPs).

"It was only circumstantial evidence we had at the time, but the AHB backed us and provided resources and funding for toxins and traps."

He and the committee were instrumental in convincing the then Animal Health Board (AHB) to research the impact the large ferret population was having on the TB cycle in arid North Canterbury.

The turning point was when the AHB implemented a regional strategy in 2000, effectively targeting areas from the coast to the hinterlands. Thereafter, livestock infections markedly decreased as more farmers got involved in vector control and in promoting the importance of TB management in their communities.

"We rolled out many initiatives as a committee and targeted the hunting community, as we discovered discarded pig offal was another route for ferrets to get infected, which was a threat to the blocks of land we had got under control.

"We supported pig hunts and went on a crusade to educate and inform hunters of wildlife vector control and how they could play their part," says Malcolm.

Nowadays, TB infected herds are rapidly declining throughout New Zealand with fewer than 30 herds affected, down from a historical high of around 1700 in the 1990s. In North Canterbury, there is currently only one herd.

"There used to be 167 in our region, so we've made significant progress. Still, we have a way to go nationally. It's important not to forget the hard times, so that the younger generations stay on track to reach those milestones and objectives.

"That's the challenge, as farmers tend to focus on the here and now."

Mr Gilbert believes the current *Mycoplasma bovis* response could benefit from following the model the OSPRI Committees have adopted. He says farmers need to be involved in decision-making and be engaged often with straightforward messaging.

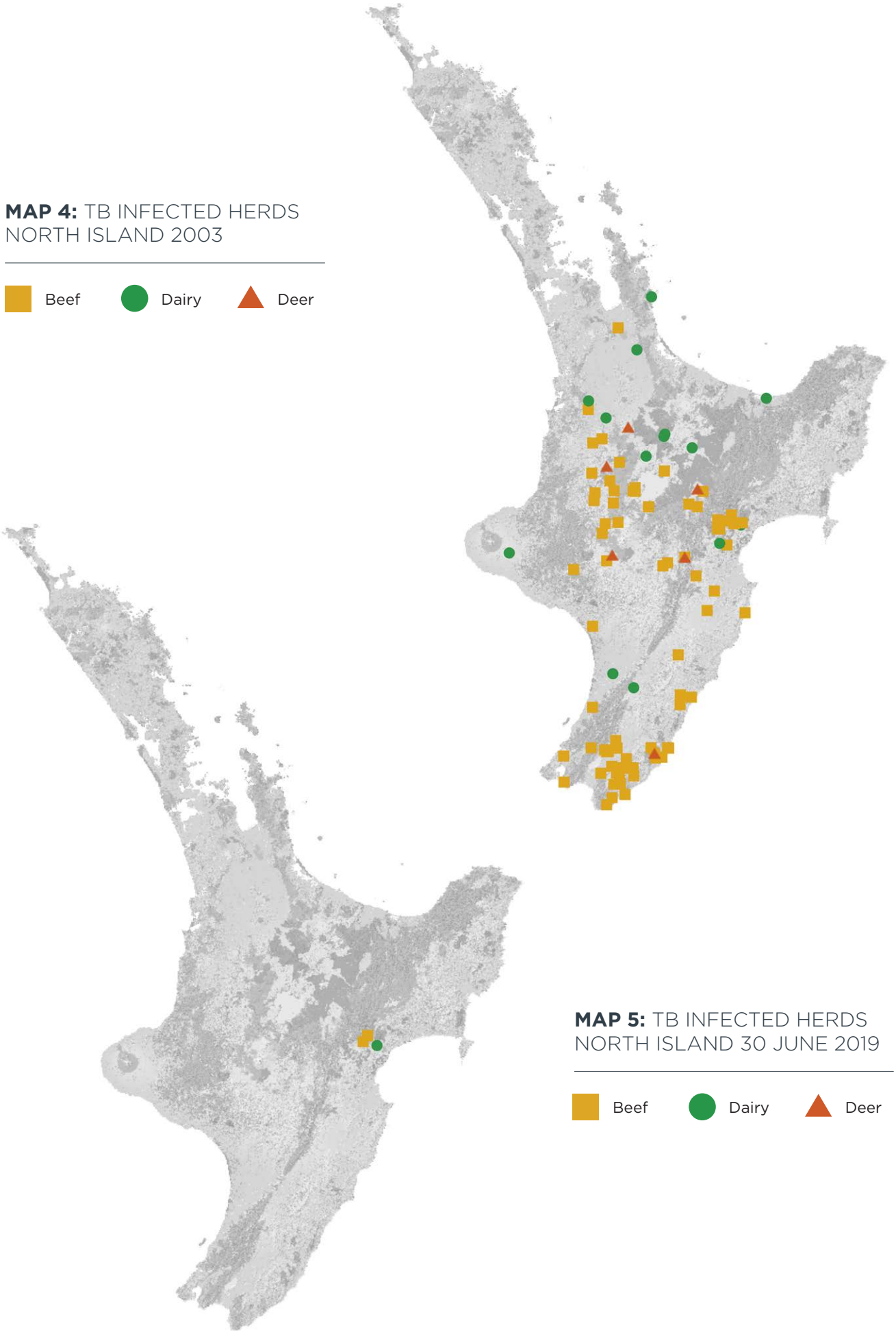
"TBfree management has been a success because farmers got involved early. If you don't engage farmers directly, they'll get disenfranchised and not respond. The Committee set up ensures farmers' voices are heard and it can act as the middle man for transferring information between the farmgate and Government."

A keen salmon fisher and hunter, Mr Gilbert intends to continue deer velveting for a few years. He has no aspirations to get involved in further farmer politics but does not rule it out.

"I do have a habit of questioning things, it's just me, you just never know."

MAP 4: TB INFECTED HERDS NORTH ISLAND 2003

Beef Dairy Deer

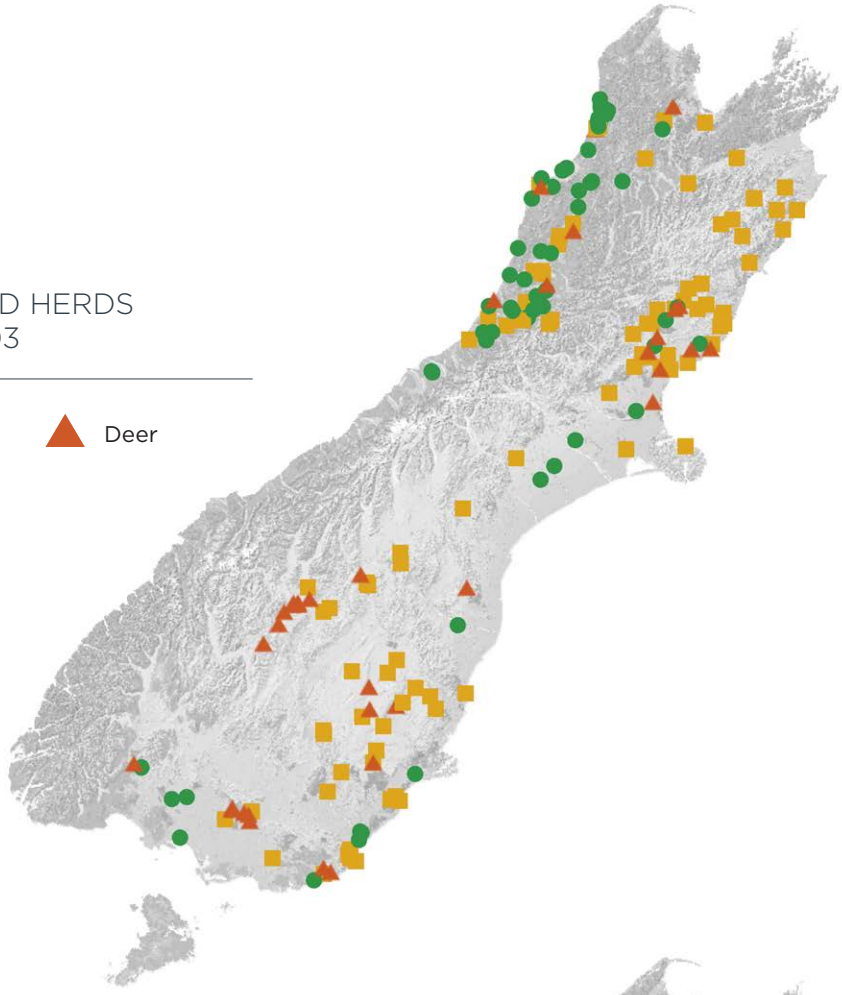


MAP 5: TB INFECTED HERDS NORTH ISLAND 30 JUNE 2019

Beef Dairy Deer

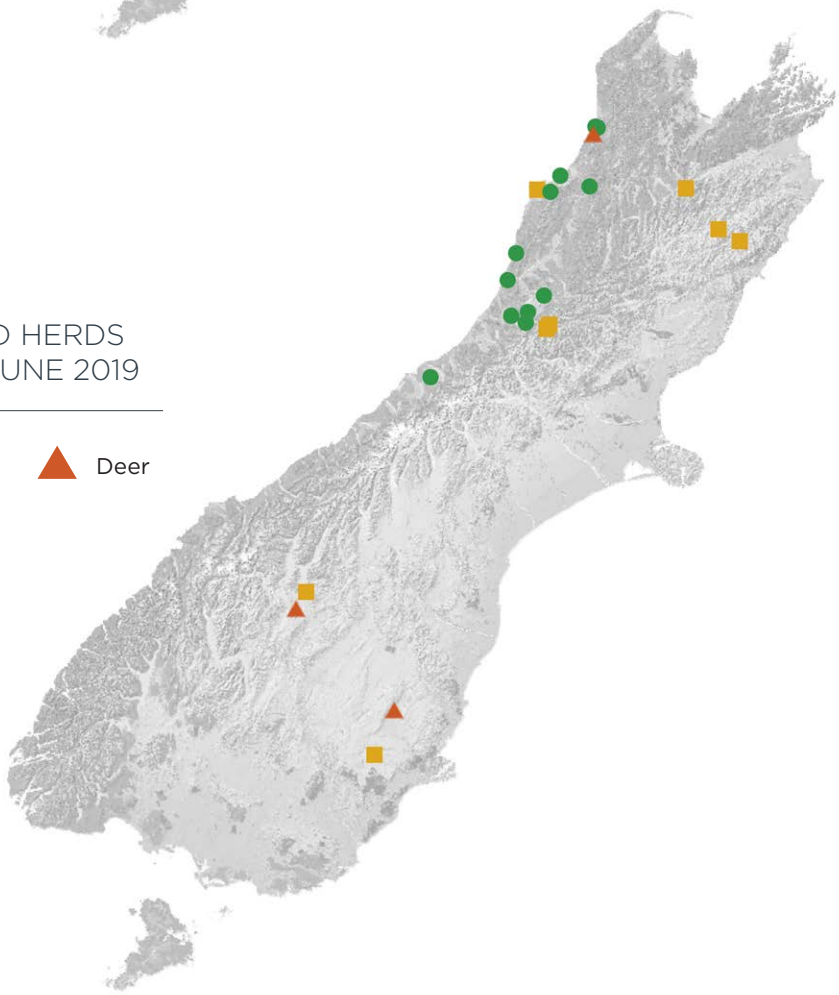
MAP 6: TB INFECTED HERDS
SOUTH ISLAND 2003

Beef Dairy Deer



MAP 7: TB INFECTED HERDS
SOUTH ISLAND 30 JUNE 2019

Beef Dairy Deer



NORTHERN SOUTH ISLAND

The Northern South Island started the 2018–2019 year with 24 infected herds and ended the year with 19. Of these herds, 16 were on the West Coast and three were in Marlborough.

There have been no findings of established possum infection outside of TB VRAs during 2018–2019. The VRA status of 56,500 hectares was revoked through the Proof of Freedom process during 2018–2019.

Wildlife control operations within the Northern South Island are summarised in Figure 5.

Successes of the Northern South Island wildlife control operations included:

- 2200 pest monitoring lines completed by Kumanu Environmental as sole supplier in Northern South Island
- Nine TBfree aerial control operations fully completed in 2018–2019, with two partially complete (completed in July 2019)
- Two aerial control operations completed for DOC
- The density assessment Proof of Concept on the West Coast was completed; this assesses possum density to help prove TB freedom in remote areas which lack surveillance species such as pigs.

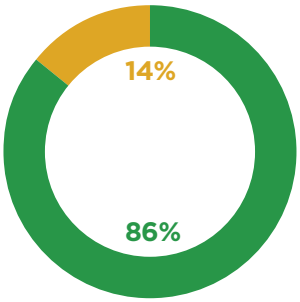
Current challenges in the Northern South Island for wildlife control operations are:

- Identifying an effective deer repellent for use in the East Coast high country (see separate box)
- Constraints on the use of some ground baiting and trapping methods on the West Coast due to presence of kiwi and weka
- Delivering aerial 1080 operations under the Department of Conservation's "Aerial 1080 in Kea habitat" code of practice, which may prevent aerial 1080 application in kea habitat areas outside a beech mast event – approximately 500,000 hectares of VRA falls under this code of practice
- Adjusting to the sensitivity of WaxTags performance monitoring with current control tools and limitations particularly on the West Coast
- The Department of Conservation's expanded Battle for our Birds programme has impacted on the availability of bait, helicopters and experienced pilots, bait storage, freight, and security services.

DEER REPELLENT TRIAL

The 1080 deer repellent trial in the Clarence and Awatere Valleys progressed with the application of 1080 bait with and without deer repellent being completed, with final results pending. The Awatere 'control zone' where deer repellent was not used resulted in a 99% possum kill and 100% wild deer kill.

Preliminary results from the deer repellent baiting application in the Clarence Valley indicate about 100% of possums and 60% of deer being killed. The 100% Awatere possum kill allows TBfree to pre-approve a second 1080 bait supplier which will help manage bait supply in the future.



Aerial Operations

Ground Operations

FIGURE 5: BREAKDOWN OF NORTHERN SOUTH ISLAND GROUND AND AERIAL CONTROL OPERATIONS BY AREA AND SPEND

	TOTAL HECTARES	SPEND
Ground Operations	1,094,573	$8,727,784
Aerial Operations	178,578	$4,194,960

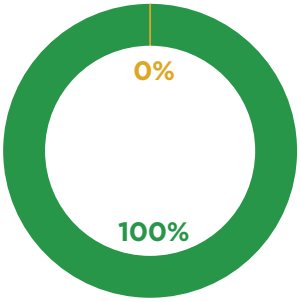


FIGURE 6: BREAKDOWN OF SOUTHERN SOUTH ISLAND GROUND AND AERIAL CONTROL OPERATIONS BY AREA AND SPEND

	TOTAL HECTARES	SPEND
Ground Operations	1,764,234	$11,399,659
Aerial Operations	1,973	$209,146

SOUTHERN SOUTH ISLAND

The Southern South Island started the 2018–2019 year with six infected herds and ended the year with four. All of these herds were in Otago.

There have been no findings of established possum infection outside of TB VRAs during 2018–2019. There were no VRA reductions in this region during 2018–2019.

Wildlife control operations within the Southern South Island are summarised in Figure 6.

Successes of the Southern South Island wildlife control operations included:

- 57 ferret surveys were completed; ferrets are an important sentinel species in the Southern South Island to help determine if TB is still present in wildlife for an area. The ferret surveys covered 575,000 hectares, and 4,719 ferrets were caught and necropsied for TB
- Engagement with local stakeholders in Dunedin has led partners such as Dunedin City Council, Predator Free Dunedin and Halo Project to publish stories about the positive effects on birds that pest management brings. As well, most OSPRI-related articles in local newspapers have been portraying OSPRI's work in a positive way.

Current challenges in the Southern South Island for wildlife control operations are:

- Eradicating TB from wildlife in areas that were previously deemed non-possum habitats
- Contractors struggling to recruit and retain competent workers, with growing concerns the TBfree programme is phasing out.

CASE STUDY

Committee chair has end of TB in sight

Beyond the long view over rolling hill country above Kawhia Harbour on the Waikato coast, Chris Irons can see the future.

"I am looking forward to the day when risk-based testing will mean we no longer have to test our herd for TB," he says.

The TBfree programme has successfully eradicated TB from livestock across most of the North Island, but herd testing and possum control need to continue until the disease is eradicated from wildlife.

"In our area we TB test our herd once every three years," says Chris, who has been chair of the Waikato OSPRI Committee for the past three years.

"I've always had an interest in disease management and was keen to get the message out about TB. Joining the committee, I could see an opportunity to help with eradication. As a farmer you want to help the industry and support an initiative which is for the greater good."

Apart from being a good distance from areas of vector risk, where possums can carry TB infection between wildlife and livestock, the risk is further reduced by the way he farms.

"Ninety-nine per cent of our animals go straight to slaughter," he said.

Irons farms with his partner Debbie Hastie at Te Waitere, between Taharoa and Kawhia, where they run Angus and South Devon beef cattle and 1600 Perendale sheep on 440 hectares of rolling-to-steep land.

Chris says the TBfree programme is getting to a crucial stage where it's important to keep progressing towards the eradication goals of freedom from disease in livestock by 2026 and from wildlife by 2040.

"We have had so much investment into the TBfree programme we cannot stop now.

"We are at the pointy end and we're just about there.

"We don't want to waste the investment we have already put into it, or let the disease back in to areas that have been cleared."

Chris Irons says there's good reason for farmers to join an OSPRI regional committee. "Well, you can't change anything moaning behind the farm gate. If you want to make a difference, get involved. We need farmers talking to farmers, because that is the type of communication farmers can best relate to. You'll be helping the primary sector with one of the many future challenges it faces."


Dog Trial Club
I'm sweet enough
GALLAGHER

THE TRACEABILITY PROGRAMME

It is crucial that New Zealand's traceability scheme has high levels of compliance and is easy to use, two key lessons from the *Mycoplasma bovis* incursion. OSPRI's high-level ambition is to provide full traceability of animals within a scheme in which users have full confidence and which compares favourably to international traceability schemes. This section reports on progress towards this goal during 2018–2019.

In the upcoming year we are commencing a new programme of work to address stakeholder feedback. This includes improving usability, compliance, data integrity and communications.

Development of NAIT regulatory framework

Key work during the reporting year has involved the implementation of operational recommendations proposed by the 2016–2018 NAIT Review and to respond to the challenges of the *Mycoplasma bovis* outbreak.

The following actions have been taken to implement the 23 operational recommendations in the NAIT Review report (from a total of 38):

- the development of new NAIT standards and guidelines; these are expected to strengthen and enhance the NAIT system and devices, align with international standards, and provide value and incentives for farmers (see section below for full details)
- a major system upgrade starting in late 2018 which uses Land Information NZ parcel data as the primary source for establishing NAIT locations; this means that NAIT numbers are now fixed to a specific geographical location (regardless of ownership change) to provide more effective traceability and improved biosecurity preparedness
- a project to develop an easier to navigate and more intuitive online system which involved feedback from seven farmer focus groups, and the launch of a prototype in June at the National Fieldays; the new look NAIT interface is expected to be rolled out in early 2020
- the introduction of an on-line "compliance summary" self-audit and reporting function, which assists with livestock management by confirming the status of registered animals on a NAIT number and detailing actions to ensure correct registration
- the deployment of a NAIT compliance module for MPI field inspectors which provides enhanced functionality including enabling inspectors to upload a scan file and ascertain the NAIT compliance status of premises on the spot.

The Ministry for Primary Industries (MPI) also publicly consulted on proposed Act and regulatory changes recommended in the NAIT Review. In addition, the Government announced plans to overhaul the current Biosecurity Act with a focus on improving animal traceability in response to lessons learned from the *Mycoplasma bovis* disease outbreak.

NAIT standards

During 2018–2019, OSPRI consulted on and introduced three revised NAIT standards and one guideline which are in effect from 29 July 2019:

- **Accreditation of Entities dealing with NAIT Animals Standard**
- **Accreditation of Information Providers Standard**
- **Animal Identification Device Standard**
- **Animal Identification Device Approval Guidelines.**

Two standards relate to accredited entities and information providers who undertake services to manage NAIT accounts on behalf of farmers. The changes will increase accountability for livestock data transfer and privacy with formal contracts, regular audits, and a three-yearly renewal of accreditation.

The third standard and the guideline focus on the manufacture and distribution of NAIT tags and result from farmer and industry feedback to the NAIT review about tag retention and readability issues. OSPRI will manage a tag reporting process which will enable farmers and industry to raise issues with tag products and their performance.

We are now working on the development of a standard for entities dealing in animals. It is proposed that the new Entities Trading in NAIT Animals Standard will make it mandatory for all entities trading in NAIT animals to be registered with the NAIT Organisation and will include stock agents (individuals and body corporates), online sales platforms and operators of sale yards.

Re-registration project

Early in 2019 OSPRI undertook the single biggest system change since NAIT was introduced seven years ago. All farmers and PICAs (persons in charge of animals) now use an interactive map to register a NAIT location. This was developed in response to recommendations made under the NAIT review and feedback from NAIT users. As a result of the upgrade all existing NAIT users are required to update their user registration details, with re-mapping each NAIT location using Land Information New Zealand land parcel information.

At the end of the financial year close to 40,000 NAIT locations (41.8% of the total) had re-registered. Completion of the re-registration activity will continue to be a focus in the upcoming year.

Supporting compliance

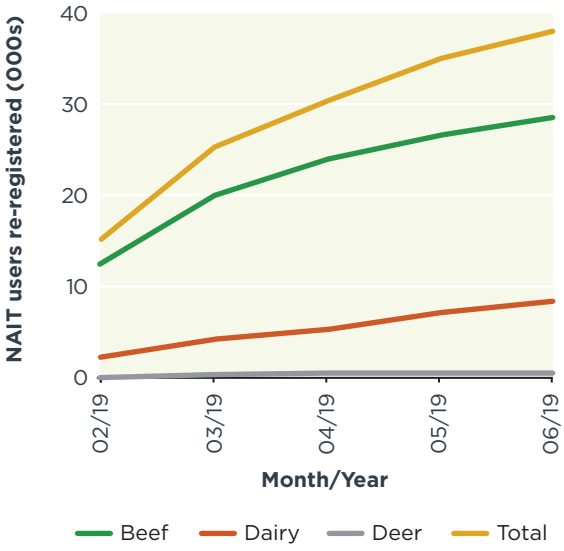
The *Mycoplasma bovis* disease outbreak in July 2017 highlighted the importance of animal traceability as a critical tool for disease management. Where accurate records were maintained for registered NAIT locations and the animals held there, the tracing of livestock and their movements has been faster and easier. As the Government and industry response has moved to an eradication strategy, it has emerged that animal movements between farms have not always been recorded, and that calf and grazing movements have also been under reported.

As a result of these failings, there was an increased focus by MPI and OSPRI on compliance and enforcement activities during the 2018–2019 year, another key recommendation of the NAIT review. Compliance activity undertaken by OSPRI included:

- assisting to train new NAIT authorised officers
- identifying persons in charge of animals (PICAs) with poor NAIT engagement and records of non-compliance, issuing reminder notices to these PICAs about their NAIT obligations, and providing system data to MPI NAIT Officers when compliance did not improve; analysis is showing that the initial notification of NAIT obligations has been positive with many PICAs increasing their engagement activity with the NAIT online system
- the launch of a "NAIT nudge" campaign to address the issue of tagged animals not being registered in the NAIT online system; data revealed that over 21,000 farmers had moved non-registered animals off-farm during 2018.

MPI and OSPRI agreed a high-level compliance action plan during the past year. This sets out agreed roles, actions, responsibilities and reporting obligations. Its implementation, supported by a targeted communications plan with a focus on the areas of re-registration and auto registration, together with supporting MPI enforcement and prosecution activity, and the development of a Traceability Compliance Scale are key work activities for the 2019–2020 year.

FIGURE 7: RE-REGISTRATION OF NAIT LOCATIONS ACHIEVED



In order to be able to demonstrate confidence in the NAIT scheme to farmers, industry, Government and stakeholders, OSPRI developed a set of NAIT Information System performance targets that will be used to benchmark the scheme's readiness. The performance targets are adapted from similar targets developed in Canada and Australia.

OSPRI proposes to host an annual joint agency table-top exercise using real time data to benchmark our performance and identify opportunities for improvement.

Both the NAIT Compliance Action Plan and NAIT Compliance Targets are crucial in supporting the scheme and will enable MPI and OSPRI to address the areas of highest risk and maximum impact.

Education and communication

While compliance and enforcement activities are the joint responsibility of NAIT Limited and MPI, OSPRI's primary engagement focus is to provide guidance and support to farmers and PICAs.

OSPRI has therefore increased its presence and NAIT education activities at regional field days and stakeholder industry events, including Federated Farmers' industry AGMs, during 2019. It also introduced regional farmer workshops and on-farm verification activities by the extension team to assess compliance and provide support to enable PICAs to meet their NAIT obligations.

Over 2000 farmers engaged with the NAIT pit stop during the National Fieldays at Mystery Creek. Questions about the NAIT programme continue to dominate our engagements at events, as Figure 8 illustrates.

FIGURE 8: PROGRAMME RELATED QUERIES

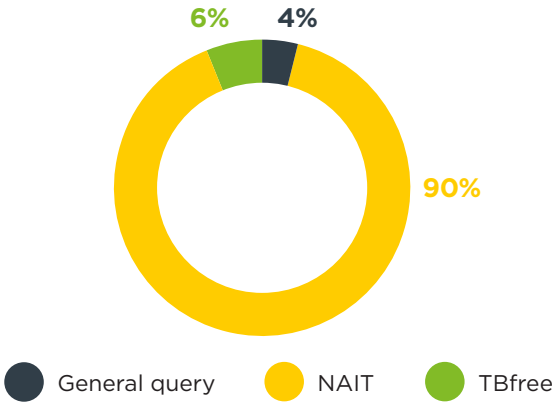
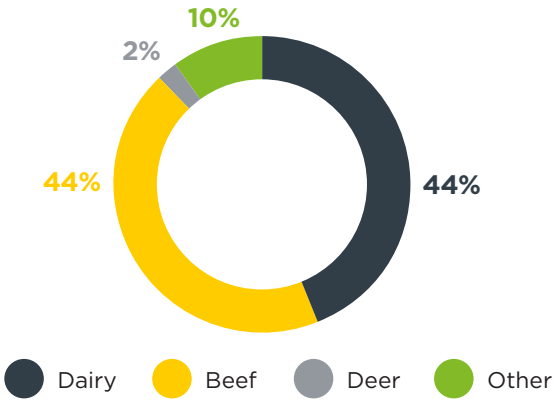
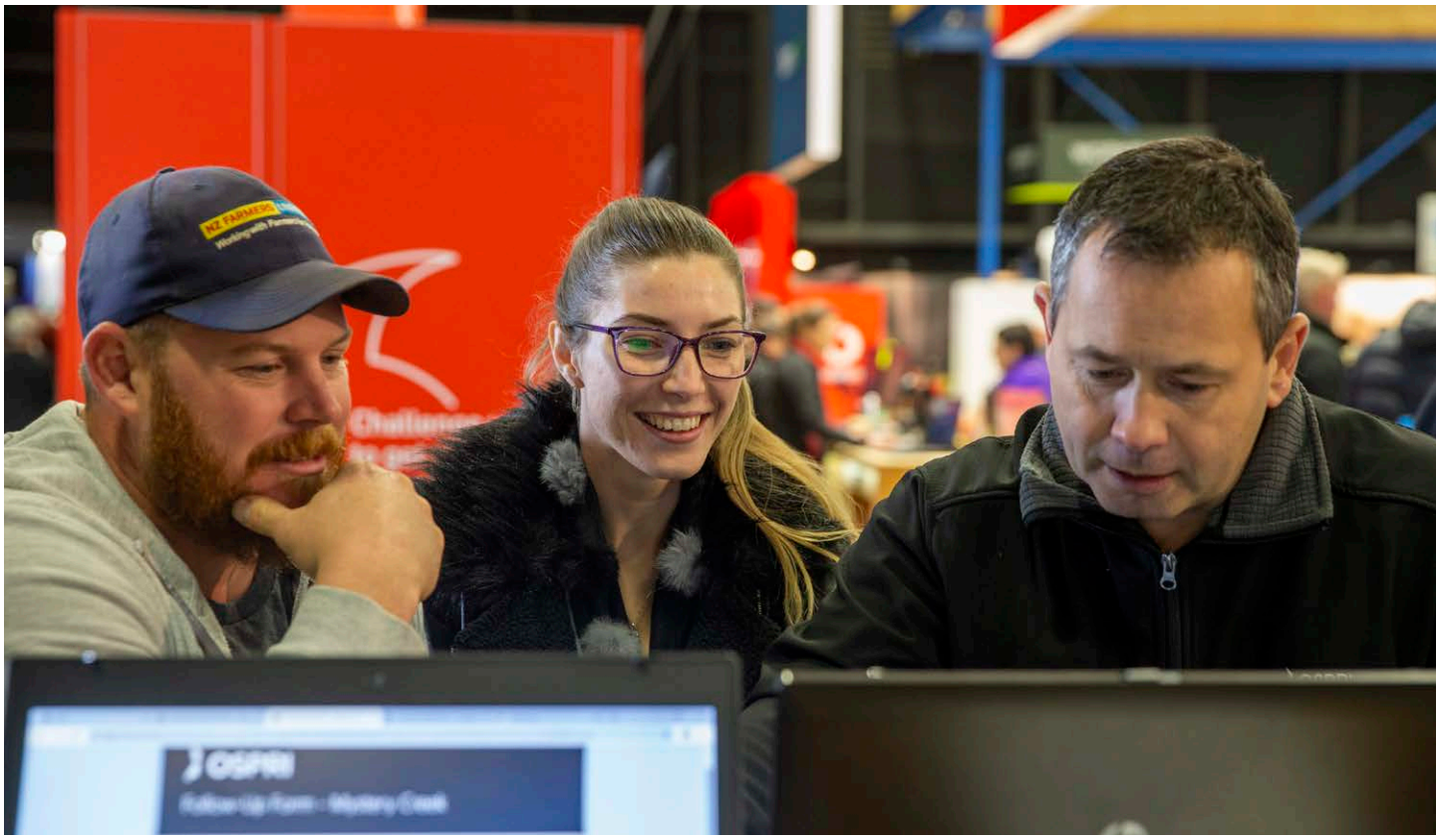


FIGURE 9: QUERIES BY PRODUCTION TYPE





WHAT ARE FARMERS ASKING US?

- 90% of farmers visiting the site asked a question or sought help around the NAIT programme.
- 67% of farmers visiting the site required NAIT re-registration or other help updating their NAIT accounts.

At Mystery Creek there was an even split between beef and dairy farmers visiting the site at around 44% each (totalling 88% of all visitors). About 10% of visitors were general public.

Over the past year the team has experienced a significant increase in requests for NAIT education and training forums. The Programme Extension Team has responded to these requests by running training events for a range of stakeholder groups, including dairy companies and Federated Farmers, along with supporting individual farmers where required.

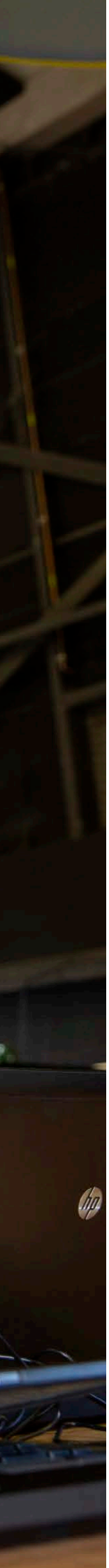
This farmer support and training will continue to build during 2019–2020 through a more structured process which will be aligned to the release of the new NAIT interface.

Contact Centre staff numbers were expanded to manage the NAIT re-registration process, as the amount of assistance required by farmers for this exercise was under-estimated. During the initial impact, several short-term measures were implemented to improve service levels, including secondment of MPI staff to the Contact Centre, improved capacity of OSPRI's telephone system, and the temporary extension of Contact Centre hours.

We have also undertaken research and gathered focus group feedback during development of a revised NAIT communications approach.


TBfree

CORPORATE ACTIVITIES



Contact Centre

OSPRI's Contact Centre is the first port of call for customer service, providing specialist support for the NAIT and TBfree programmes. Our focus over the past year has been to assist farmers with their legal obligations to tag, register and record all livestock movements, NAIT re-registration and land parcel identification to improve the quality and accuracy of data.

We have also worked to streamline the service we provide farmers through OSPRI's TBfree programme, including creating a dedicated reactor management team to better serve farmers dealing with TB infection in their herds.

In early 2019 an unprecedented surge in demand from farmers seeking support with their NAIT accounts temporarily impacted our Contact Centre's ability to answer calls as quickly as our customers and we are used to.

The main driver of this increase was the requirement for all NAIT users to update their accounts after we launched a NAIT system upgrade in February. Dairy farmers seeking support to ensure they met all their NAIT requirements in the lead up to Moving Day also contributed to this.

Prior to the update requirement our Contact Centre of 20 people would typically deal with around 1000 calls per week, which jumped to over 4000 calls a week. This demand also exceeded our phone lines' capacity which resulted in callers not being able to reach the Contact Centre, or lengthy call waiting times. We acknowledge that our service levels during this time did not meet expected standards, and caused frustration.

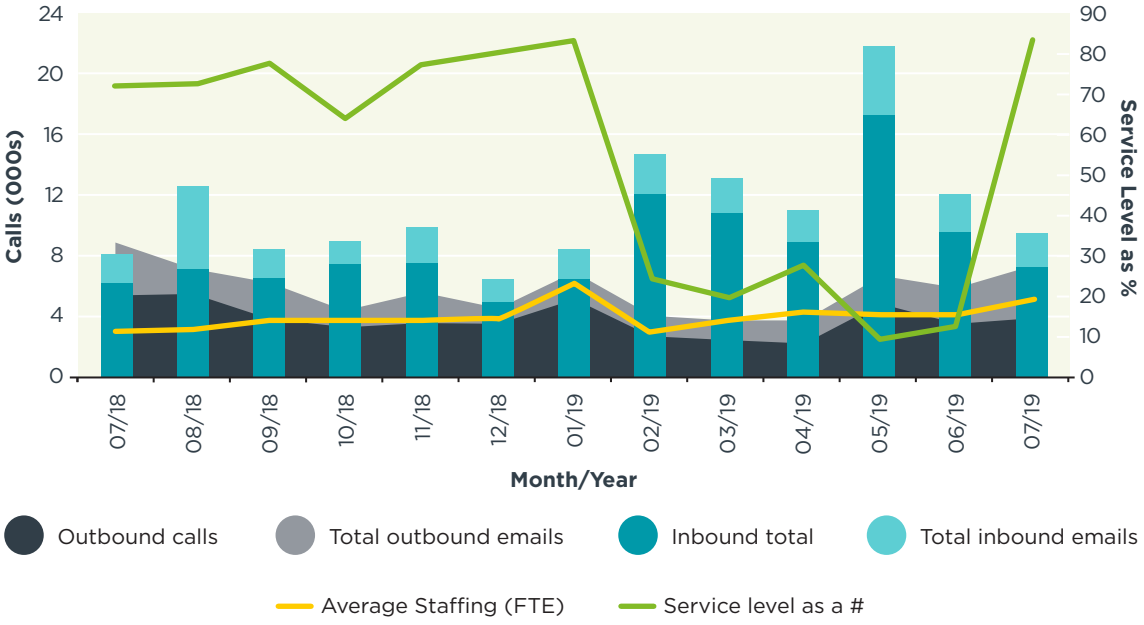
Determined to put this right, we took a range of steps to increase support available for farmers:

- Contact Centre resource was increased 50 percent by hiring a temporary pool of workers while we recruited more permanent staff
- We outfitted an additional floor in our Wellington office to accommodate our increase in numbers
- A subset of the temporary workforce directly contacted large farm holdings to assist with the re-registration process
- Contact Centre opening hours were extended to 8pm on weekdays and 9am–1pm on Saturdays for a period of eight weeks
- Calls relating to TB testing were routed to the AsureQuality call centre to enable our staff to focus on NAIT calls.

These measures enabled us to recover from the overload in around six weeks. We are extremely grateful for the support we received during this time from colleagues at MPI, AsureQuality and other industry partners and third-party providers.

In the coming year we will review the current and potential role and scope of the Contact Centre including staffing levels, technology and integrated planning processes with other parts of the business to ensure we are equipped to provide a high standard of service (see Figure 10).

FIGURE 10: CONTACT CENTRE ACTIVITY TYPE, STAFF NUMBERS AND SERVICE LEVEL 2018–2019



Health and safety

OSPRI's health and safety strategy is designed to mitigate risks and ensure it can deliver its programme objectives while protecting our people and the environment.

OSPRI achieved encouraging health and safety results over the past year against a backdrop of change and several organisational challenges, including the turnover of key staff, new executive leadership and a disruption to the safety accreditation programme. We have a new Health and Safety Manager, a refreshed and active internal Health and Safety Committee, and strong links to our contractors in this area.

Proactive safety performance, reporting of safety conversations and leadership tours have lifted the profile and awareness of health and safety within the organisation. Leading indicators improved 138% from 2017–2018 with most of that success coming from our contractors.

OSPRI lagging indicator performance improved slightly on the previous year, with increased close-call reporting, but there was an encouraging reduction in injury and illness statistics which contributed to our overall improved safety key performance indicator.

KEY PERFORMANCE INDICATOR

One measure of OSPRI's health and safety performance is monitoring and reporting on the frequency rate of recordable injuries per million hours worked, known as the total recordable injury frequency rate (TRIFR). The TRIFR over the 2018–2019 financial year finished at 29.3, down 35% from the start of the period (see Figure 11).

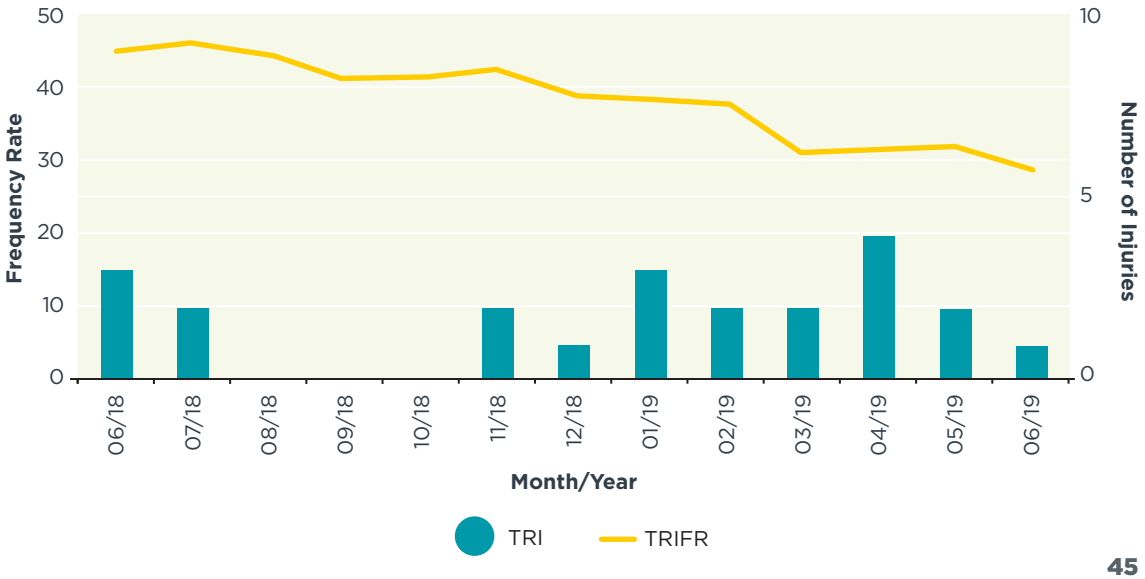
TOP FIVE CRITICAL RISKS

OSPRI's top five critical risks during the reporting year were consistent with the previous years:

- operating a vehicle
- working remotely
- hazardous substances
- aircraft operations
- working with animals.

From May 2019, a more critical incident and investigation review process was conducted to ensure that incidents are accurately recorded, and effective controls implemented that make sense and a positive difference to how we control risk at OSPRI.

FIGURE 11: TOTAL RECORDABLE INJURIES (MONTHLY) AND FREQUENCY RATE (12-MONTH ROLLING)



Communications and engagement

OSPRI's communications and engagement activities must clearly articulate and demonstrate the value of the TBfree and NAIT programmes. Central to this is building understanding, and providing support and information to help farmers comply with their obligations. The following section outlines our work during the past year to support this focus.

SOCIAL MEDIA

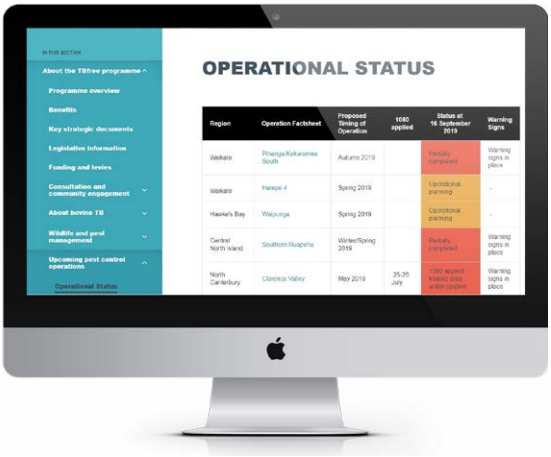
Greater stakeholder engagement has been a key driver to increasing the audience and post sharing on the OSPRI Facebook page. While disease management posts have led audience participation and overall reach, animal traceability posts are trending upward, with multiple posts related to the farming calendar and industry events comfortably in the thousands.

In February 2019, a Facebook post on OSPRI's possum control work with Predator Free Dunedin attracted almost 16,000 people with over 2750 engagements – the top performing post of the past year.

An emerging trend in OSPRI's social media promotion has been the increasing use of video and animation to highlight disease management activities, associated milestones, and the merits of animal traceability.

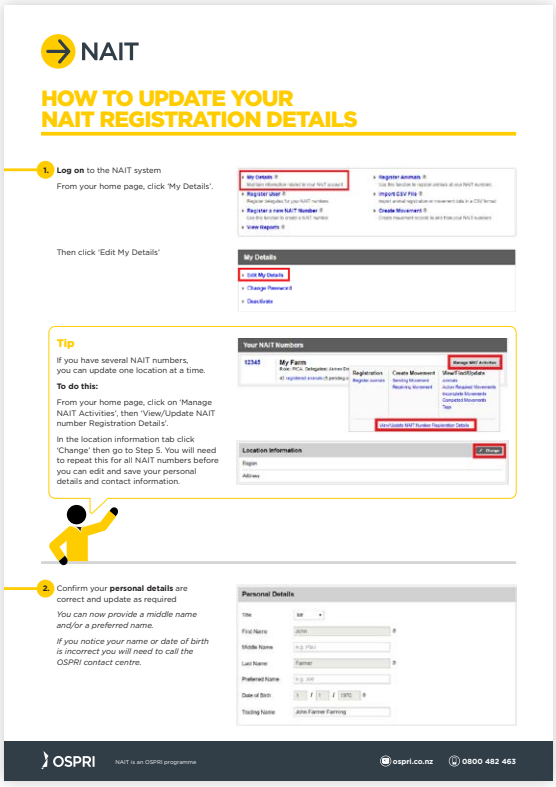
During autumn 2019, the NAIT re-registration campaign was a frequent Facebook post typically complemented with a tutorial video. Since the video was published on YouTube in April it has attracted almost 5,000 views.

To support our new strategic plan and increased emphasis on greater stakeholder engagement, OSPRI is planning to build its social media presence with more resources and focus. This medium ideally supports our NAIT educational activities and events, keeping farmers and industry suitably informed of their obligations for effective disease management and traceability.



OSPRI WEBSITE

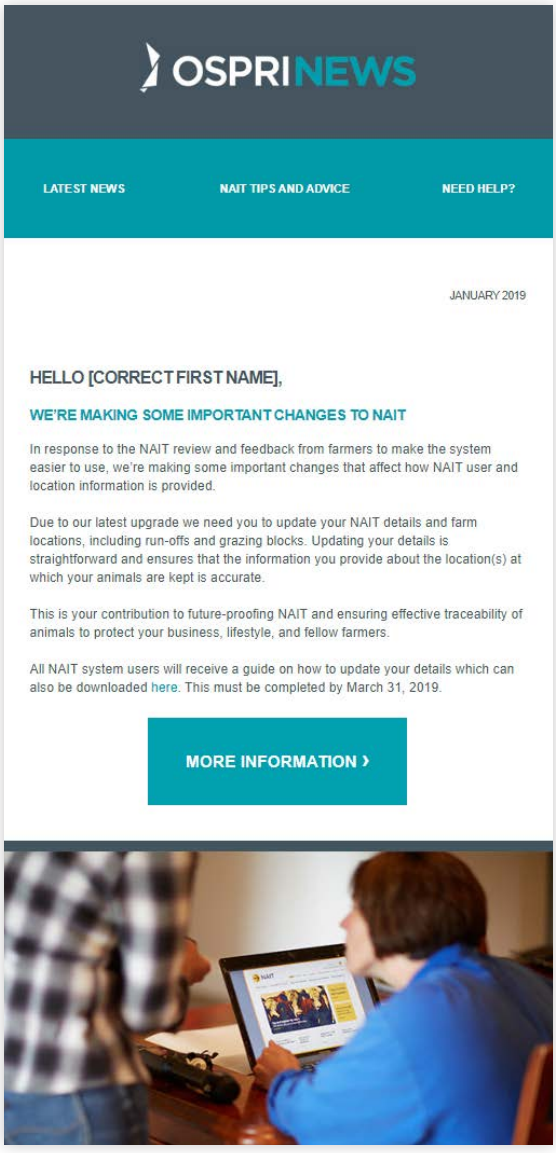
OSPRI's website has recorded unprecedented growth in visitors with an increase of 240 % in the past 18 months accounting for over 75,000 new website users. To maintain momentum and to meet demand, OSPRI is reviewing website resources with plans to improve user experience and navigation. A recent development is the ability for website visitors to view the current live status of pest control operations throughout the country. In March 2019, all NAIT information resources were successfully migrated to the OSPRI website with new webpages created to guide farmers on their NAIT obligations during key farmer calendar events.



NAIT EDUCATION

In September 2018, OSPRI launched a suite of NAIT guides for farmers and the wider industry. These publications followed the NAIT review and were supported by refreshed website pages with video animations illustrating best practice for animal traceability.

There are plans to update the current NAIT information resources to reflect proposed changes outlined first in the NAIT review and then in Government's biosecurity overhaul. This includes new guides and videos for using the NAIT online system, which is set to undergo a major refurbishment in early 2020.



OSPRI NEWS

Our monthly e-newsletter is a vital channel for keeping farmers, industry and key stakeholders informed and engaged with OSPRI's disease management and traceability activities. In a highly competitive online environment, the OSPRI News continues to perform above the industry average with open rates in the past year as high as 35%. From August 2019, the production of the OSPRI News moved in-house, with a focus on efficiencies around delivery, and tailoring content around the farmer calendar with supporting publications and guides.

OSPRI MEDIA COVERAGE

News media stories and press releases created extensive coverage of OSPRI's brand and disease management and traceability programmes. Proactive and reactive statements and media liaison were produced according to business demands.

Metropolitan daily newspapers and websites plus farmer-focused industry newspapers and magazines carried the most news about OSPRI. Radio and television coverage reported news of national and local significance, and specialised regional supplements carried stories specific to farming districts.

Significant news events and campaigns included:

- NAIT programme industry review and subsequent legislative changes
- Annual Disease Control Area changes: "Fewer TB tests for farmers"
- Disease management aerial possum control operations: biggest story of the year "War on pests"

OSPRI CASE STUDIES

First-person print, online and video interviews covered stories about OSPRI's farming leaders and their work in local communities. To support the distribution of information around OSPRI's key programmes, detailed and illustrated factsheets were produced for distribution via OSPRI's OurPatch intranet noticeboard, externally as content on ospri.co.nz and items in OSPRI News, as collateral for extension activity and public meetings, and via our shareholder channels.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GALLAGHER
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SAVE 15%

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

GOVERNANCE

The OSPRI Board of Directors (the OSPRI 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

Procedures for the appointment and removal of directors are governed by the company's constitution. The process applicable during the 2018–2019 year changed at 1 December 2018, the date at which alterations to the constitution passed at the 2018 Annual Meeting took effect.

Prior to 1 December 2018, the major shareholders, DairyNZ Limited and Beef+Lamb New Zealand Limited, were each entitled to appoint one director, with the Stakeholders' Council nominating candidates to fill up to five additional director positions, for approval by shareholders.

After 1 December 2018, all director positions are approved by shareholders after recommendation by a four-person Director Assessment Panel. The Panel comprises one member of the Stakeholders' Council, two persons collectively nominated by the shareholders, and one independent person nominated by the other Panel members.

The maximum term for which a director may be appointed is three years. A director is eligible for reappointment after the expiry of his or her term of appointment but cannot hold office for a continuous period of more than nine years unless shareholders and the Director Assessment Panel agree exceptional circumstances warrant a longer continuous period.

OSPRI New Zealand Limited has appointed directors to the boards of each of the two subsidiaries, TBfree New Zealand Limited, and National Animal Identification and Tracing (NAIT) Limited.

Director changes

Stephanie Rowe ceased attending meetings of the Board as an observer on behalf of the Ministry of Primary Industries in May 2019.

There were no other director changes during the 2018–2019 year.

Board committees

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

AUDIT AND RISK COMMITTEE

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

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

The Chair of the Audit and Risk Committee shall not be the Chair of the OSPRI New Zealand Limited Board. The membership shall be for one year and shall provide for both continuity of membership and the contribution of fresh perspectives.

The Committee's responsibilities include the following:

- liaison with internal and external auditors
- review of the annual audit plan with the external auditors and their letter of engagement
- approval of the annual internal audit plan, and the terms of reference for each audit
- review of audit findings and monitoring of any consequential actions
- review of half-yearly and annual financial statements
- prior clearance of public releases of financial information in reports and to the media
- review of accounting policies
- review of the adequacy of the internal control structure and associated organisational policies
- review and monitoring of legislative and statutory compliance processes
- review of the frequency and significance of all transactions between the company and related parties and assessment of their propriety
- review of the appointment of external and internal auditors and their fees
- review of the independence of the external auditors and the appropriateness of any non-audit services they undertake for OSPRI
- supervision of any special investigations requested by the Board
- oversight of the risk management system for the company
- advise the Board and recommend and monitor any remedial action plan in respect of any significant non-compliance with policies
- review all whistle blowing matters raised and escalate to the full Board.

HUMAN RESOURCES COMMITTEE

The objective and role of the Human Resources Committee is to assist the Board to fulfil its responsibilities in relation to setting and reviewing policies and standards for employees relating to remuneration and employment practices of OSPRI and its subsidiaries. The Committee also oversees the OSPRI Director Mentoring Programme.

The Human Resources Committee consists of at least three board members. The Chair of this Committee shall not be the Chair of the OSPRI New Zealand Limited Board. The membership shall be for one year and shall provide for both continuity of membership and the contribution of fresh perspectives.

Board and committee meetings

The Board normally meets at least 10 times a year and/or whenever necessary to deal with specific matters. The table below documents the directors' board attendance and committee members' attendance at meetings during the year ending 30 June 2019.

Director	Board	AR Committee	HR Committee
Barry Harris	9	1	
Lesley Campbell	10		5
Fenton Wilson	10	5	5
Mike Pohio	10	5	
James Parsons	10	3	5

Barry Harris

Chair

Lesley Campbell

Director

Fenton Wilson

Director

Mike Pohio

Director

James Parsons

Director

The Audit and Risk Committee comprised Mike Pohio (Chair), Fenton Wilson, and James Parsons (from December 2018).
The Human Resources Committee comprised Lesley Campbell (Chair), Fenton Wilson and James Parsons.
The Chairman of the Board is an ex-officio member of all committees of the Board.

REMUNERATION REPORT

Directors' remuneration

Directors' fees

These fees have been applied for the year from 1 July 2018 to 30 June 2019.

Position	2018/19	2017/18
Chairman	$70,000	$70,000
Director	$35,000	$35,000
Committee Chair	$4,000	$4,000
NAIT Data Access Panel member	$6,000	$6,000

Remuneration details of directors

Details of the total remuneration and the value of other benefits received by each OSPRI director for the 2018–2019 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. Some Board members were remunerated for their time as members on the NAIT Data Access Panel (set up under the National Animal Identification and Tracing (Information System Access Panel) Regulations 2012).

Director	Position	2018/19 Fees	2017/18 Fees
B Harris[1]	Chair	$70,000	$41,000
L Campbell[2]	Director	$45,000	$45,000
F Wilson[3]	Director	$41,000	$35,000
M Pohio[4]	Director	$45,000	$45,000
J Parsons	Director	$35,000	Nil
J Grant[5]		Nil	$70,000
Total		**$236,000**	**$236,000**

1 B Harris resigned from the NAIT Data Access Panel and was appointed Chair on 29 June 2018
2 L Campbell is Chair of HR Committee and a member of the NAIT Data Access Panel
3 F Wilson was appointed to the NAIT Data Access Panel on 29 June 2018
4 M Pohio is Chair of the A&R Committee and a member of the NAIT Data Access Panel
5 J Grant resigned from the Board and as Chair on 29 June 2018

Employee remuneration

The table below shows the number of OSPRI employees who received remuneration and other contracted benefits (including redundancy or termination payments) during FY2019 of at least $100,000.

The remuneration figures analysed include all monetary payments actually paid during the course of FY2019 whether in respect of FY2019 or other periods.

Remuneration bands	# employees 2018/19	# employees 2017/18
$100,000 – $109,999	8	5
$110,000 – $119,999	3	8
$120,000 – $129,999	5	3
$130,000 – $139,999	2	2
$140,000 – $149,999	4	2
$150,000 – $159,999	2	1
$160,000 – $169,999	1	
$170,000 – $179,999	5	3
$180,000 – $189,999		2
$190,000 – $199,999		
$200,000 – $209,999		
$210,000 – $219,999		
$220,000 – $229,999		
$230,000 – $239,999		1
$240,000 – $249,999		
$250,000 – $259,999	1	
$350,000 – $359,000		1
Total	**31**	**28**

Given the personnel changes in the CE role during the year, the full year CE remuneration is not reflected in the above table.

Auditors remuneration

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

Auditor	Work Undertaken	2018/19	2017/18
KPMG	For Audit Work	$42,000	$40,000
KPMG	For Other Work	$ nil	$ nil

STATUTORY DISCLOSURES

Disclosures of interests by directors

The following are particulars of general disclosures of interest by directors holding office as at 30 June 2019, 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. "Associated entities" refers to non-operating and related subsidiaries.

B S Harris	
Food Innovations Waikato (NZ Food Innovation (Waikato) Limited) and associated entities	Chair
McFall Fuel Limited	Chair
National Animal Identification and Tracing (NAIT) Limited	Chair
National Institute of Water & Atmospheric Research Limited and associated entities	Chair
RMF Holdings Limited	Director
TBfree New Zealand Limited	Chair
Ultra Fast Fibre Limited	Director
Waikato Institute of Technology and associated entities	Chair
Waikato Regional Airport Limited and associated entities	Chair
Waikato River Authority and associated entities	Member
WEL Networks Ltd and associated entities	Director

L A Campbell	
FishServe Innovations NZ Ltd	Director
National Animal Identification and Tracing (NAIT) Limited	Director
Seafood Innovations Ltd	Director
Seafood Standards Council	Chair
TBfree New Zealand Limited	Director

F D Wilson	
Centralines Limited	Director
Hawke's Bay Regional Council	Councillor
National Animal Identification and Tracing (NAIT) Limited	Director
Oruru Land Company Ltd	Beneficial Shareholder/Director
Predator Free New Zealand	Chair
TBfree New Zealand Limited	Director
Wairoa Community Development Trust	Chairman

M E Pohio	
Argosy Property Limited	Director
BNZ Partners, Waikato Region	Chairman
National Animal Identification and Tracing (NAIT) Limited	Director
National Institute of Water & Atmospheric Research Limited and associated entities	Director
Ngai Tahu Holdings Corporation Limited and associated entities	Director
Panuku Development Auckland Limited	Director
Pohio Family Trust	Trustee
TBfree New Zealand Limited	Director
Te Atiawa Iwi Holdings Management Limited and associated entities	Director
Te Atiawa (Taranaki) Holdings Limited	Director
The Rees Hotel Group Holdings Limited and associated entities	Director

J R Parsons	
AgFirst	Consultant
Ashgrove Limited and associated entities	Director
Beef+ Lamb Genetics Limited	Director
National Animal Identification and Tracing (NAIT) Limited	Director
NZ Nuffield Scholarship Trust	Trustee
New Zealand Rural Leadership Trust	Trustee
TBfree New Zealand Limited	Director
Trevear Limited	Director

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 allocated across the Group.

Subsidiaries

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 scheme	CC47735
TBfree New Zealand Ltd	100%	Implementation of the National Pest Management Plan for Bovine Tuberculosis	CC49248

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

Stakeholders' Council

The Stakeholder's Council (the Council) performs the functions required of it under the second schedule of the constitution.

As at 30 June 2019, following amendments to the constitution which were approved by shareholders at the 2018 Annual Meeting and took effect from 1 December 2018, the functions and powers of the Council are to:

- Convey stakeholders' views to the Board
- Participate in consultation on Board membership, succession planning and the assessment and recommendation to shareholders of persons for appointment or election as directors
- Provide oversight on the performance and effectiveness of the Board
- Review and comment on the Group's long term objectives and strategies, discuss with the Board the Group's performance in achieving those objectives and strategies including review of Board reports, and report to shareholders on the Group's direction, performance and operations
- Support the Board, including in relation to the procurement of funding for the Group
- Consider and propose constitution changes
- Prepare the Council's financial year programme and budget and report on Council activity.

The Stakeholders' Council representatives during 2018–2019 were:

Stakeholder	Representative
Beef + Lamb New Zealand	Phil Smith
Dairy Companies Association of New Zealand	Kevin Old (to July 2018) Kimberly Crewther (interim) Shane Lodge (from March 2019)
DairyNZ	Ian Brown
Deer Industry New Zealand	Dan Coup
Federated Farmers Dairy	Katie Milne
Federated Farmers Meat and Wool	Miles Anderson
Local Government New Zealand	Andrew Robb
Meat Industry Association of New Zealand	Tim Ritchie
Ministry for Primary Industries	Grant Bryden (to February 2019) Grace Campbell-Macdonald (from February 2019)
New Zealand Deer Farmers' Association	Paddy Boyd
New Zealand Stock and Station Agents' Association	Steve Morrison (from November 2018)

James Bulwada is the independent Chair of the Stakeholders' Council. The Chair's fee in the 2018–2019 year totalled $33,734.

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 30 June 2019

In thousands of New Zealand Dollars	**2019**	**2018**
Revenue		
Revenue from non-exchange transactions	71,151	73,752
Revenue from exchange transactions	3,443	6,091
Total revenue	**74,594**	**79,843**
Expenditure		
Business service support	12,753	10,154
Contact centre and compliance	1,481	1,311
Disease management and testing	17,278	13,865
NAIT operations	2,639	2,128
Pest control and management	38,860	42,917
Research	2,171	1,341
Total expenditure	**75,182**	**71,716**
Surplus/(deficit) before financing costs	(588)	8,127
Interest income	1,282	972
Surplus/(deficit) for the year	**694**	**9,099**
Total comprehensive revenue and expense for the year	**694**	**9,099**

These are summary financial statements. A copy of the full consolidated financial statements are available from OSPRI New Zealand Limited or on our website www.ospri.co.nz. The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

In thousands of New Zealand Dollars	**Retained earnings**	**Reserves**	**Total equity**
Balance as at 1 July 2017	**12,414**	**21,928**	**34,342**
Changes in equity for 2018			
Total comprehensive revenue and expense for the year	9,099	-	9,099
Balance as at 30 June 2018	**21,513**	**21,928**	**43,441**
Changes in equity for 2019			
Release of reserves to retained earnings	21,928	(21,928)	-
Total comprehensive revenue and expense for the year	694	-	694
Balance as at 30 June 2019	**44,135**	**-**	**44,135**

These are summary financial statements. A copy of the full consolidated financial statements are available from OSPRI New Zealand Limited or on our website www.ospri.co.nz. The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

In thousands of New Zealand Dollars	**2019**	**2018**
Assets		
Cash and cash equivalents	8,225	5,794
Term deposits	41,200	39,700
Receivables and other current assets	6,584	5,800
Current assets	56,009	51,294
Property, plant and equipment	582	666
Intangible assets	401	2,922
Non-current assets	**983**	**3,588**
Total assets	**56,992**	**54,882**
Liabilities		
Payables from exchange transactions and other liabilities	12,144	10,565
Employee benefits liability	713	727
Revenue received in advance	-	149
Current liabilities	**12,857**	**11,441**
Total liabilities	**12,857**	**11,441**
Equity		
Retained earnings	44,135	21,513
Reserves	-	21,928
Total equity	**44,135**	**43,441**
Total equity and liabilities	**56,992**	**54,882**

APPROVAL BY THE DIRECTORS

The Financial Statements were authorised on behalf of the OSPRI Board of Directors on 27 September 2019.

B S Harris
Chair of the Board

M E Pohio
Director

These are summary financial statements. A copy of the full consolidated financial statements are available from OSPRI New Zealand Limited or on our website www.ospri.co.nz. The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

In thousands of New Zealand Dollars	**2019**	**2018**
Cash flows from operating activities		
Revenue from operations	73,853	78,948
Cash paid to employees and suppliers	(70,523)	(65,760)
Net cash from/(used in) operating activities	**3,330**	**13,188**
Cash flows from investing activities		
Interest income	1,240	972
(Investment)/maturity of term deposits	(1,500)	(25,000)
(Purchase)/sale of property, plant and equipment	(353)	(181)
(Purchase)/sale of intangible assets	(286)	(119)
Net cash from/(used in) investing activities	**(899)**	**(24,327)**
Net increase in cash and cash equivalents	2,431	(11,139)
Cash and cash equivalents at 1 July	5,794	16,933
Cash and cash equivalents at 30 June	**8,225**	**5,794**

These are summary financial statements. A copy of the full consolidated financial statements are available from OSPRI New Zealand Limited or on our website www.ospri.co.nz. The notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION – SUMMARY STATEMENTS

The summary consolidated financial statements have been prepared in accordance with, and comply with, New Zealand Generally Accepted Accounting practice (NZ GAAP) and NZFRS-43 *Summary Financial Statements*.

NOTE 2: BASIS OF PREPARATION – FULL STATEMENTS

This summary consolidated financial report does not provide the detail included in the full financial report, which has been prepared in accordance with NZ GAAP and complies with Tier 1 PBE Accounting Standards (Not-For-Profit). The specific disclosures included in the summary consolidated financial report have been extracted from the audited financial statements dated 27 September 2019. The audit opinion expressed was unqualified.

NOTE 3: ANNUAL REPORT

The full annual report is available on our website – **www.ospri.co.nz**

NOTE 4: SEGMENT INFORMATION

The OSPRI Group is organised and reports to its directors on the basis of three functional areas: the Parent (OSPRI New Zealand Limited) and both subsidiaries, National Identification and Tracing Limited (NAIT) and TBfree New Zealand Limited (TBfree).

Inter-segment allocations - expenses incurred by OSPRI on behalf of it's subsidiaries are allocated across the two programmes on a proportional basis.

Operating statement segment information

2019

In thousands of New Zealand Dollars	OSPRI	NAIT	TBfree	Group
Total operating income	3,443	7,828	63,323	**74,594**
Total operating expenditure	3,113	7,353	64,716	**75,182**
Net operating surplus/(deficit) for the year	330	475	(1,393)	**(588)**
Interest income	-	468	814	**1,282**
Total comprehensive revenue and expense for the year	330	943	(579)	**694**

Operating statement segment information

2018

In thousands of New Zealand Dollars	OSPRI	NAIT	TBfree	Group
Total operating income	6,091	7,998	65,754	**79,843**
Total operating expenditure	5,344	4,371	62,001	**71,716**
Net operating surplus/(deficit) for the year	747	3,627	3,753	**8,127**
Interest income	–	192	780	**972**
Total comprehensive revenue and expense for the year	747	3,819	4,533	**9,099**

Balance sheet segment information

2019

In thousands of New Zealand Dollars	OSPRI	NAIT	TBfree	Elimination of inter-segment transactions	Group
Total assets	4,846	18,679	34,906	(1,439)	**56,992**
Total liabilities	2,998	643	10,655	(1,439)	**12,857**
Total equity	1,848	18,036	24,251		**44,135**

2018

In thousands of New Zealand Dollars	OSPRI	NAIT	TBfree	Elimination of inter-segment transactions	Group
Total assets	3,023	17,783	36,038	(1,962)	**54,882**
Total liabilities	1,505	690	11,208	(1,962)	**11,441**
Total equity	1,518	17,093	24,830	–	**43,441**

KPMG

Independent Auditor's Report

To the shareholders of OSPRI New Zealand Limited

Report on the summary consolidated financial statements

Opinion

In our opinion, the accompanying summary consolidated financial statements of OSPRI New Zealand Limited (the company) and its subsidiaries (the group) on pages 60 to 65:

i. Has been correctly derived from the audited Group financial statements for the year ended on that date; and

ii. Is a fair summary of the Group financial statements, in accordance with PBE FRS 43 Summary Financial Statements.

The accompanying summary consolidated financial statements comprises:

- the summary consolidated statement of financial position as at 30 June 2019;
- the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standard on Auditing (New Zealand) (ISA (NZ)) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Other than in our capacity as auditor we have no relationship with, or interests in, the group.

Use of this Independent Auditor's Report

This report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this report, or any of the opinions we have formed.

Responsibilities of the Directors for the summary Consolidated Financial Statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the summary consolidated financial statements in accordance with PBE FRS 43 Summary Financial Statements; and

KPMG

— implementing necessary internal control to enable the preparation of a summary consolidated set of financial statements that is correctly derived from the audited consolidated financial statements.

Auditor's Responsibilities for the summary Consolidated Financial Statements

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with (or are a fair summary of) the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) (ISA (NZ)) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

We expressed an unmodified audit opinion on the consolidated financial statements in our audit report dated 27 September 2019.

The summary consolidated financial statements do not contain all the disclosures required for a full set of consolidated financial statements under generally accepted accounting practice in New Zealand. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of the group.

KPMG

KPMG
Wellington

27 September 2019

DIRECTOR PROFILES

As at 30 June 2019

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 chairman of McFall Fuel, NIWA, Food Waikato, Waikato Regional Airports, and Wintec; and director of Ultra Fast Fibre and WEL Networks. Previous boards have included DairyNZ, Agricultural Service Limited, NZ Food Innovation Network, Primary ITO, CentrePort, RD1, International Nutritionals, Hamilton Riverside Hotels, and Local Authority Shared Services. Barry has a Master of Agricultural Science (Honours) and lives in Hamilton.

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 Seafood Innovations Limited, FINNZ, a subsidiary consulting company of FishServe, and Chair of the Seafood Standards Council. 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.

FENTON WILSON

Fenton enjoys a range of governance roles as well as farming in Wairoa with wife Sue. As a former member of the Stakeholders' Council and now director he has been involved with OSPRI for eight years.
He is also Chair of Predator Free NZ, a director of Centralines, and the Wairoa representative on the Hawke's Bay Regional Council.
He is particularly looking forward to the recommendations of the NAIT review being implemented as the system will then work better for NZ farmers.

MIKE POHIO

Mike currently holds directorships on the boards of Argosy Property, Ngai Tahu Holdings, NIWA, Panuku Development Auckland, Te Atiawa Iwi Holdings, and The Rees Management. He is also Chairman of BNZ Partners, Waikato Region. His executive career includes CEO of Tainui Group Holdings for eight years and senior executive roles for companies including Port of Tauranga, Fonterra, NZ Dairy Group and Elders Pastoral. His governance background includes directorships on the boards of NZL Group Ltd and Transpower and as a Ministerial appointee to the University of Waikato Council. Mike holds an MBA from IMD, Lausanne and an FCA from the Chartered Accountants Australia & New Zealand.

JAMES PARSONS

James farms sheep and beef in Dargaville, Northland and has extensive agri-business and rural sector leadership experience. James is a director of Beef+Lamb Genetics, a trustee of the New Zealand Rural Leadership Trust and a 2008 Nuffield Farming Scholar. His family sheep and beef farming business Ashgrove Ltd breeds and provides sheep genetics to clients around the North Island. James is an experienced director, retiring as chairman of Beef+Lamb New Zealand and the New Zealand Meat Board in 2018 and has held directorships in economic development, the veterinary sector and electricity sector. His governance capacity is complemented by skills in strategy, stakeholder management, media and Government relations, while he brings practical farmer perspectives to OSPRI's governance decisions.

OSPRI LEADERSHIP TEAM

STEPHEN STUART
Chief Executive

MATTHEW HALL
Chief Operating Officer

KEVIN FORWARD
Head of NAIT

KEVIN CREWS
Head of Programme
(Disease Management)

CHRISTINE ROSS
Head of Client Services

JOHN TUCKER
Head of Technology Solutions

SUZANNE RIDDLE
Head of HR and Administration

GREG GRANT
Head of Finance


HNE

APPENDIX: DETAILED TB DISEASE CONTROL REPORT

TB surveillance overview

Surveillance for TB in livestock relies on a combination of on-farm TB testing and post-mortem examination at slaughter.

If TB is diagnosed in a herd following confirmation through approved laboratory testing, a Restricted Place Notice under section 130 of the Biosecurity Act 1993 is placed on the herd. This restricts any movement of stock from the herd (except to slaughter) without a permit. This on-farm biosecurity process then limits any spread of the disease through cattle or deer movement from that point forward.

The infected herd then comes under case management by a veterinarian. The case management process involves tracing any movements of livestock into and out of the herd prior to diagnosis. Any livestock identified as having moved out of the herd will then have further TB testing undertaken in their destination herd. Livestock movement information is also used to assist in determining whether cattle or deer movement is likely to have been a contributing source for introduction of disease (see section on infected cattle herds).

DNA analysis of the TB organism (*Mycobacterium bovis*) is also used to help determine whether TB has been introduced by contact with wildlife or by livestock movement, or was potentially residual within the herd. An important aspect of case management is engagement with the farmer to understand the cause of the disease and the best management regime – including further TB testing and slaughter of test positives – in order to clear the herd as quickly as possible. A herd cannot be declared free of TB until it has had at least two clear whole herd tests at a minimum of six months apart.

OSPRI runs an extension programme in liaison with DairyNZ, Beef + Lamb NZ, Deer Industry NZ and Federated Farmers in order to increase farmer understanding of TB and the eradication programme. The extension programme also provides support for farmers who have TB diagnosed in their herd, to help them manage their herd through to TB freedom.

Infected cattle herds

At 30 June 2019, there were 23 infected cattle herds, compared to 27 herds at 30 June 2018. Of these infected herds:

- 100% were located in VRAs
- 87% were located in the South Island
- 56% were dairy or dairy dry herds.

The herd breakdown rate (incidence) for 2018–2019 was 2.6 per 10,000 herds, and the herd clearance rate was 58%. The relatively high herd clearance rate resulted in fewer infected herds at 30 June 2019 compared to the previous year.

The sources of infection for newly TB infected cattle herds during the year are summarised by area status below.

FIGURE 12: SOURCES OF INFECTION FOR CATTLE HERDS NEWLY INFECTED IN THE 12 MONTHS TO 30 JUNE 2019

	CATTLE INTRODUCED FROM INFECTED HERDS	CATTLE INTRODUCED FROM NON-INFECTED HERDS	RESIDUAL HERD INFECTION	WILD ANIMAL
Newly infected herds in VRAs	0	0	2	16
Newly infected herds in VFAs only	0	0	0	0
All infected herds	0	0	2	16

Figure 13 shows the fall in infected herd numbers since June 2004 by vector area status (VFA, VRA). The annual number of infected herds is expected to trend down to zero over the next 6 years.

Cattle testing and reactors

Cattle testing data is summarised in Figure 16, which compares the number of TB tests carried out on cattle and the number of reactors to tests in 2017–2018 and 2018–2019. In the year to 30 June 2019, 2.9 million cattle were tested using the intradermal caudal-fold tuberculin test (primary skin test). This is approximately 200,000 less than the number of cattle testing in the previous year.

Serial ancillary (blood) tests were carried out on 4,413 cattle positive to the primary skin test. In addition, ancillary parallel gamma interferon blood tests were performed on 13,847 cattle that tested negative to the primary skin test for TB.

Figure 14 shows the trend in cattle reactors from 2003–2004 to 2018–2019.

Tuberculous cattle

The number of tuberculous (confirmed infected with TB) cattle includes the total number of cattle (both TB test reactors and cattle found during routine slaughter) with gross TB-like lesions, or otherwise identified as infected following Polymerase Chain Reaction (PCR) assay or culture of *Mycobacterium bovis* from tissues. During 2018–2019, 19 (4%) of the 445 reactors slaughtered showed visible TB lesions or had lesions sampled that were confirmed as being infected with *Mycobacterium bovis*.

Bovine tuberculosis was also identified in a further 25 cattle during routine slaughter (0.97 per 100,000 cattle slaughtered, based on 2.5m cattle slaughtered in 2018–2019). Figure 15 illustrates the long-term trend for TB found in cattle from 2003–2004 to 2018–2019 and shows the overall decline in the number of TB cattle, despite variable spikes in 2003–2004, 2008–2009 and 2012–2013. This mirrors that for reactors.

FIGURE 13: NUMBER OF INFECTED CATTLE HERDS AT 30 JUNE 2019

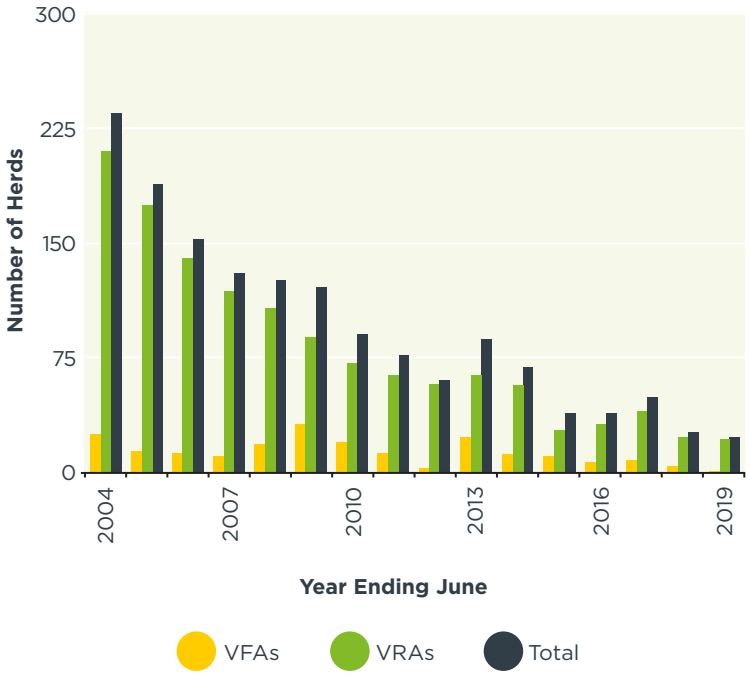


FIGURE 14: NUMBER OF CATTLE TB REACTORS

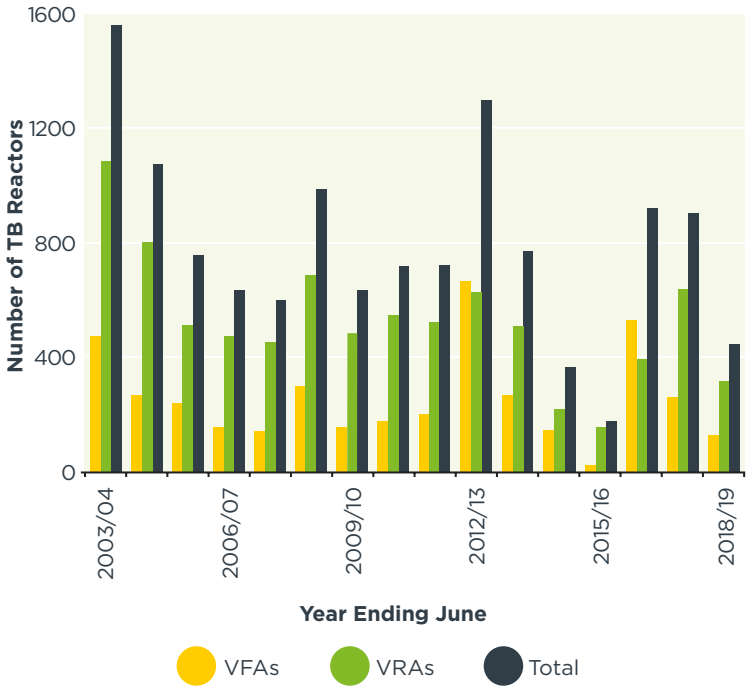


FIGURE 15: NUMBER OF TUBERCULOUS CATTLE

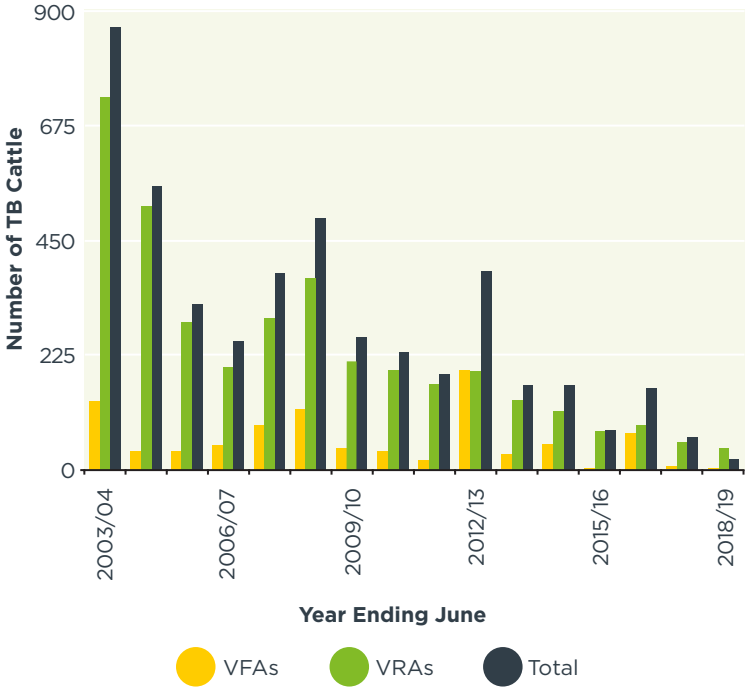


FIGURE 16: CATTLE TB TEST RESULTS FOR 2017/18 AND 2018/19

CATTLE TESTING	2017/18	2018/19
Primary tuberculin tests on cattle	3,096,521	2,900,162
Primary test-positive cattle ancillary serial tested	6,575	4,413
Ancillary parallel tests on cattle	11,511	13,847
Total cattle reactors slaughtered	500	445
Total positive TB cattle reactors	41	19

INFECTED DEER HERDS

The three infected deer herds were all previously infected and remained so at 30 June 2019. All the infected herds were located in South Island VRAs. There were no newly infected deer herds during 2018–2019.

Figure 17 shows the steep decline in the number of infected deer herds that occurred between June 2004 and June 2010. Since then, numbers have remained relatively steady and low, at between two and five herds.

The reduction since 2003–2004 is largely due to maintaining low possum densities over large areas of New Zealand. It also reflects a large reduction in the number of deer being farmed. 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.

Deer testing and reactors

Deer testing data is summarised in Figure 20, which compares the number of TB tests performed and the number of reactors to tests in 2017–2018 and 2018–2019. In the year to 30 June 2019, 173,577 primary mid-cervical intradermal tuberculin tests (skin tests) were performed on deer compared to 172,223 in the previous year.

Serial ancillary (blood) tests were carried out on 1,271 deer positive to the primary skin test. No ancillary parallel tests were performed on deer in 2018–2019.

As a result of these tests, 36 deer were declared as TB reactors and were slaughtered. On slaughter, no TB reactors were found to have gross TB lesions.

Figure 18 shows the trend in deer reactors from 2003–2004 to 2018–2019 by TB risk status area.

FIGURE 17: NUMBER OF INFECTED DEER HERDS AT JUNE

FIGURE 18: NUMBER OF DEER TB REACTORS

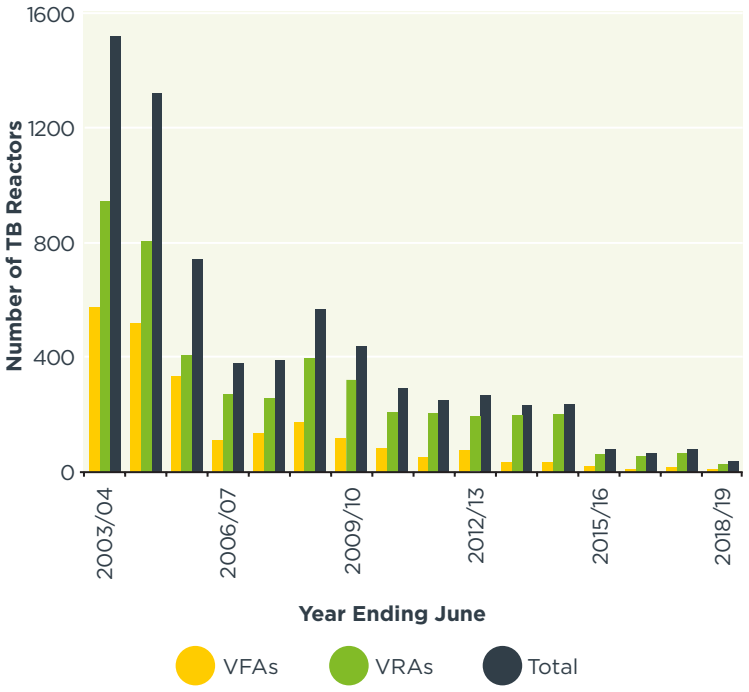
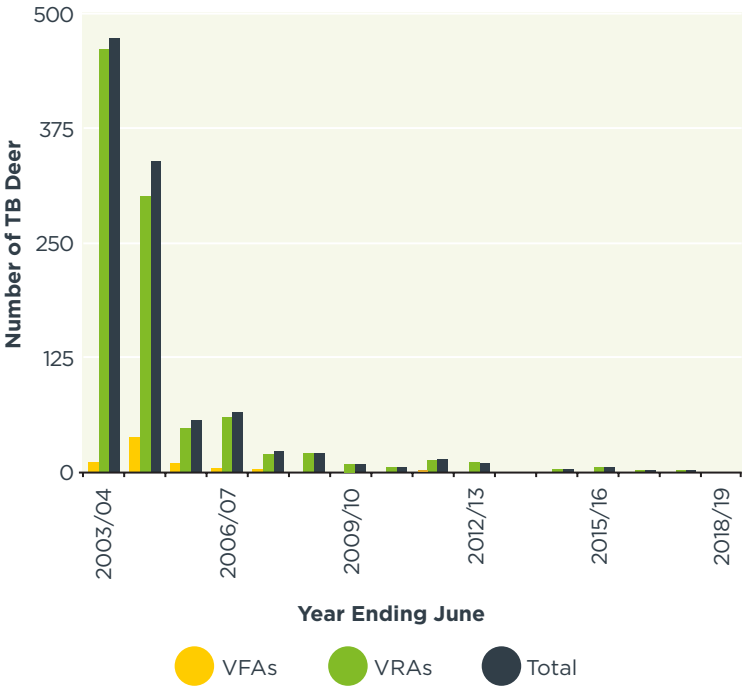


FIGURE 19: NUMBER OF TUBERCULOUS DEER



Tuberculous deer

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

During 2018–2019, there were no reactors or slaughtered culls with visible TB lesions. Figure 19 shows the trend in number of tuberculous deer between 2003–2004 and 2018–2019.

FIGURE 20: DEER TB TEST RESULTS FOR 2017/18 AND 2018/19

DEER TESTING	2017/18	2018/19
Primary tuberculin tests on deer	172,223	173,577
Primary test-positive deer ancillary serial tested	802	1271
Ancillary parallel test-positive deer	0	0
Total deer reactors slaughtered	69	36
Total positive TB deer reactors	2	0

Disease Control Areas

Areas of New Zealand are categorised into various TB testing regimes based on the risk of infection. These consist of Movement Control Areas (MCAs), Special Testing Areas (STA – annual and STA-biennial) and Surveillance Areas. To find out which testing regime a herd falls under, check the Disease Control Areas (DCA) map at **www.ospri.co.nz/dcamap**. The DCAs are also shown in the map 8 below.

As TB is progressively reduced or eradicated in each area, the definition and boundary of each specified disease control area (DCA) is reviewed and testing requirements amended in association with residual disease risk. This year's DCA changes that came into effect on 1 March brought in DCA changes across of 350,000 hectares, involving nearly 600 herds, resulting in 33,000 fewer TB tests for cattle and deer herds each year.

SURVEYS IN VECTOR RISK AREAS (VRAS)

Surveys in VRAs are undertaken to gather disease and wildlife population data in order declare the VRA (or part of it) free of disease, or to delineate the extent or spread of disease to focus further possum control efforts.

In 2018–2019, all findings of TB in wildlife were from existing VRAs. These findings will enable more cost-effective targeting of further control work.

REDUCTION IN VECTOR CONTROL ZONE

Figure 23 shows the locations and area that achieved revocation of Vector Risk Area status during 2018–2019.

FIGURE 21: DCAS AND SUMMARY STATISTICS FOR CATTLE AND DEER HERDS COMBINED

	MCAS	STAS (ANNUAL AND BIENNIAL)	SURVEILLANCE AREAS	NEW ZEALAND
Total herds at June 2019	2,523	15,405	53,277	71,205
Period Infected herds 2018–2019	38	8	4	50

FIGURE 22: NUMBER OF WILD ANIMALS IN 2018–2019 SAMPLED BY SPECIES, AND THE NUMBER AND PERCENTAGE FOUND TO BE INFECTED WITH MYCOBACTERIUM BOVIS.

	POSSUMS	WILD PIGS	WILD DEER	FERRETS	OTHERS
Number sampled	3571	2575	99	3678	25 stoats, 11 feral cats and 3 weasel
Number (%) with TB	24 (0.64%)	14 (0.54%)	2 (2.0%)	20 (0.54%)	0

FIGURE 23: REVOCATION OF VECTOR RISK AREA STATUS FROM 26 VECTOR CONTROL ZONES

VCZ	AREA HA	VCZ	AREA HA
NORTHERN NORTH ISLAND			
Iwitahi	15,254	Retaruke (East)	9,752
Lochinver	3,867	Retaruke (West)	15,151
Matea	16,942	Ruatiti Stage 2	9,356
Ngapuketurua	10,912	Ruatiti Stage 3	6,198
Owhango	10,143	Waione	6,630
Punga Punga	9,015	West Taupo	27,326
NNI Total	**140,546**		
SOUTHERN & EASTERN NORTH ISLAND			
Aohanga	7,337	Raetihi Buffer Stage 1 North	8,308
Coach Road North	4,294	Raupunga North	5,388
Mataikona	6,784	Stronvar	25,989
Pakowai East	5,085	Waikaremoana Buffer West	12,158
SENI Total	**75,343**		
NORTHERN SOUTH ISLAND			
Avon	14,735	Hillersden	12,682
Avon West	4,098	Omaka	7,371
Ferny Gair	7,382	Wairau South	10,268
NSI Total	**56,536**		
GRAND TOTAL	**272,425**		

MAP 8: DISEASE CONTROL AREAS (DCAS) CHANGES IN 2018–2019

- Movement Control Area
- Special Testing Area Annual
- Special Testing Area Biennial
- Indicates last year's boundary
- Surveillance Area (triennially sample testing)