



## **ANIMAL CONTROL PRODUCTS LIMITED**

A State Owned Enterprise



Pictured: Antipodes Islands "Million dollar mouse" eradication operation Winter 2017 ©S Horn

## **Twenty Fifth Annual Report**

**30 June 2017**

# **ANIMAL CONTROL PRODUCTS LIMITED**

## **FINANCIAL REPORTS**

### **FOR THE YEAR ENDED 30 JUNE 2017**

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## CHAIRMAN'S REVIEW

Orillion, our new trading name was received positively after introduction during the year, reflecting our vision "to develop innovative products and services to create better spaces for people and nature to share". The company can be proud of the achievements made to date, however our future focus will include a greater emphasis on non-toxic and information technology based solutions to achieve our vision.

The revised company business strategy launched in 2015 saw a continued focus on our core strengths, but also recognised and reflected our changing operating environment. The three strategic focus areas of 'collaboration', 'safety and security', and 'diversification and renewal' have provided a framework for our activities. Groundwork is now complete in all three strategic focus areas and current initiatives either flow from new and positive developments, or plans that are necessary to retain competitiveness and to meet future standards for safety.

The announcement of the government's ambition for a Predator Free New Zealand by 2050 was made during the year. This is perhaps the most significant strategic change to our operating environment that could occur. On one hand, it opens opportunities for a long term collaborative approach to develop the tools needed to achieve this ambitious target, and on the other, it has brought a range of minor and major players to focus on our core business as their own future business opportunity.

We have strengthened links with both researchers and end users to not only assist government to achieve the objective of a predator free 2050, but at the same time securing sound and profitable business.

The past year saw strong sales levels achieved across most business areas. The Department of Conservation was faced again with another beech tree seeding event that led to increased predator numbers and consequently a risk to native bird species. In response the Department designed aerial baiting operations and a continuation of the 'Battle for our Birds'. In parallel, OSPRI continued to deliver the Pest Management Plan to tackle Bovine Tuberculosis that included ground and aerial based possum control. These two programmes together with increased rodenticide sales and good export demand produced the strong sales result.

Our collaborative work and our strategic partnership with Landcare Research continues to expand as we look to enhance the performance of existing products, and to develop new solutions for domestic and international markets. This has included a focus on repellent products, bait development for predators and collaborative research and development of a new environmentally friendly rodenticide. We look forward to extending our work with Landcare and at the same time aligning this with end users who require the focused commercial attention of a company such as Orillion backed by strong science.



Safety and security have received significant company focus and expenditure, and will continue to do so. Our transition to meeting the requirements of Major Hazard Facility Regulations will be complete in 2018, and we anticipate further capital expenditure to improve safety. The security of the supply chain for toxins such as 1080 remains a priority, as does the safe and effective use of our toxic products. The company has continued to focus on identifying and implementing any improvements necessary to ensure the safe and sustainable use of products we produce. Strict quality control is applied to all our products as tested in our laboratory that is capable of full analysis for both toxic and non-toxic products. Our transport and logistical arrangements are designed to safely deliver product to our customers in excellent condition, and where necessary we will intervene if we believe end-users or any part of the supply chain is not up to standard. At our Whanganui site we are fortunate to have a small but dedicated team that not only focuses on meeting customer requirements, but also ensuring that we maintain the highest standards of safety. No lost time injuries were recorded during the year.

Diversification and renewal has been the third major focus for the company. This has been reflected in our strategic direction, our company trading name change, in development of new products and in plans for the replacement of aging equipment. We have also explored opportunities to become involved in technology based solutions for in-field monitoring. Most development processes involving products that must be registered before use can be necessarily slow given the need to gather data and work with regulators. We have several products 'in the pipeline' and ideas for others. Export growth remains a focus for the company given the somewhat fixed expenditure on pest control in New Zealand despite the future ambitions of Predator Free 2050 and community initiatives. In the past year we have exported to many customers throughout the Pacific, to Australia and as far afield as the African seaboard. Invariably exports can rely upon the proven effectiveness of our products, as do island eradication such as the ambitious and challenging mouse eradication undertaken by the Department of Conservation on the Antipodes Islands.

The financial performance of the company has been strong in the past year, as a result of increased sales and good cost control. At the same time we have been able to update items of plant and equipment with several projects undertaken to minimise manual handling and to improve safety in the manufacturing plant.

### **Financial Performance**

Total revenue of \$10.571m was achieved during the year, which was 51% ahead of the \$7.0m budget, and 80% up on the previous financial year's revenue. The full effect of supporting DOC's Battle for our Birds campaign was the primary contributor to the strong revenue seen in the current period.

The net profit before tax of \$3.415m for the year was significantly ahead of the budgeted \$1.131m. This not only reflected the higher revenue, but also the careful monitoring and management of direct and overhead costs. Overhead costs remained within budget and the larger orders resulted in less wastage and downtime.



The financial position at June 30<sup>th</sup> remained sound with reasonable order levels received for the start of the new financial year, although it was clear that the record revenue levels achieved as a result of supporting DOC's episodic Battle for our Birds campaign in the current period wouldn't be repeated.

During the year a final dividend of \$600,000 was paid for the prior 2016 year, and an interim dividend of \$750,000 for the year ending June 30<sup>th</sup> 2017, bringing total dividends paid during the current period to \$1,350,000.

### **Summary**

The company has been able to commence implementation of a new strategic direction, and at the same time ensure that a sound platform for future development, growth and diversification is in place. It has been particularly pleasing to be able to make improvements to safety and security, internal capability, and product and market development while significantly exceeding production and profit targets. Challenges remain with increased competition in every market segment, but we remain confident and committed to providing the solutions that New Zealand needs to protect our biodiversity and food production industries.

**Terry Murdoch**  
**Chairman**

# **ANIMAL CONTROL PRODUCTS LIMITED**

## **DIRECTORS REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2017**

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The Board of Directors have pleasure in presenting the Twenty-fourth Annual Report including audited Financial Statements of the Company for the year ended 30 June 2017.

As required by section 211 of the Companies Act 1993 we disclose the following information:

#### **Principal Activities**

There were no changes during the year in the principal activities of the Company as a manufacturer and provider of products and services to maximise the effectiveness of pest management for both public and private sector clients.

#### **Disclosures**

T D Murdoch, P J Clarke and S H Sharif held office as Directors at the end of the year.

D Warburton held office as a Director until 31 October 2016.

Section 140 of the Companies Act 1993 requires a Director of the Company to disclose to the Board transactions in which they have an interest. There were no transactions with entities related to the Directors during the year.

There were no entries in the interest register during the year.

Remuneration paid to Directors was as follows:

|                  |               |          |
|------------------|---------------|----------|
| Directors' fees: | T D Murdoch   | \$37,172 |
|                  | D J Warburton | \$6,000  |
|                  | P J Clarke    | \$18,586 |
|                  | S H Sharif    | \$1,012  |

Two employees received remuneration and other benefits of more than \$100,000 during the year.

| Total Remuneration Paid or Payable | No. of Employees |
|------------------------------------|------------------|
| \$110,000 - \$119,999              | 1                |
| \$320,000 - \$329,999              | 1                |

Audit fees of \$25,781 were incurred for the year to Audit New Zealand.

#### **Directors' Liability Insurance**

The Company maintains insurance in respect of Directors' and Officers' liabilities in relation to their acts on behalf of the Company.

# **ANIMAL CONTROL PRODUCTS LIMITED**

## **DIRECTORS REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2017**

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#### **Dividend**

The company declared a final dividend of \$600,000 for the year ended 30 June 2016 in December 2016. An interim dividend for the year ended 30 June 2017 of \$750,000 was paid in June 2017, and any final dividend will be determined and resolved at the AGM.

For and on behalf of the Board



**T D Murdoch**  
**Chairman**



**P J Clarke**  
**Director**

## **Independent Auditor's Report**

### **To the readers of Animal Control Products Limited Limited's financial statements for the year ended 30 June 2017**

The Auditor-General is the auditor of Animal Control Products Limited Limited (the company). The Auditor-General has appointed me, Debbie Perera, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the company on his behalf.

### **Opinion**

We have audited the financial statements of the company on pages 9 to 25, that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion the financial statements of the company:

- present fairly, in all material respects:
  - its financial position as at 30 June 2017; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with the New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

Our audit was completed on 18 September. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

### **Basis for opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

## **Responsibilities of the Board of Directors for the financial statements**

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

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

In preparing the financial statements, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the company or to cease operations, or there is no realistic alternative but to do so.

The Board of Director's responsibilities arise from the State Owned Enterprises Act 1986.

## **Responsibilities of the auditor for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained,

whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

## **Other Information**

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 5 and 26 to 29, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Independence**

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standards 1 (revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with or interests in the company.



Debbie Perera  
Audit New Zealand  
On behalf of the Auditor-General  
Palmerston North, New Zealand

# ANIMAL CONTROL PRODUCTS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 30 JUNE 2017

|  | <i>Note</i> | <i>Actual<br/>Jun 2017</i> | <i>Budget<br/>Jun 2017</i> | <i>Actual<br/>2016</i> |
|--|-------------|----------------------------|----------------------------|------------------------|
| <b>REVENUE FROM SALE OF GOODS</b>                              |             | 10,571,676                 | 7,000,000                  | 5,879,524              |
| <b>COST OF SALES</b>   |             | (3,804,816)                | (2,919,000)                | (2,184,543)            |
| <b>DIRECT COSTS</b>  | 5           | (2,151,373)                | (1,691,294)                | (1,522,705)            |
| <b>GROSS PROFIT</b>  |             | <u>4,615,487</u>           | <u>2,389,706</u>           | <u>2,172,277</u>       |
| <b>Gross Profit %</b>  |             | 43.66%                     | 34.14%                     | 36.95%                 |
| <b>OTHER INCOME</b>  | 5           | 28,008                     | 28,000                     | 38,659                 |
| <b>OVERHEADS</b>   | 5           | (1,227,808)                | (1,286,271)                | (1,151,273)            |
| <b>NET PROFIT BEFORE INCOME TAX</b>                            |             | <u>3,415,687</u>           | <u>1,131,435</u>           | <u>1,059,663</u>       |
| Income tax expense   |             | (957,936)                  | (316,802)                  | (296,705)              |
| <b>PROFIT AFTER TAX ATTRIBUTABLE TO SHAREHOLDERS</b>           |             | <u>2,457,751</u>           | <u>814,633</u>             | <u>762,958</u>         |
| <b>OTHER COMPREHENSIVE INCOME</b>                              |             | <u>-</u>                   | <u>-</u>                   | <u>-</u>               |
| <b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS</b> |             | <u>\$2,457,751</u>         | <u>\$814,633</u>           | <u>\$762,958</u>       |

*This Statement is to be read in conjunction with the accompanying Accounting Policies and Notes to the Financial Statements.*

# ANIMAL CONTROL PRODUCTS LIMITED

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 30 JUNE 2017

|                                  | <i>Note</i> | <i>Actual<br/>Jun 2017</i> | <i>Budget<br/>Jun 2017</i> | <i>Actual<br/>2016</i> |
|----------------------------------|-------------|----------------------------|----------------------------|------------------------|
| <b>Share Capital</b>             |             |                            |                            |                        |
| Opening Share Capital            |             | 100                        | 100                        | 100                    |
| <b>Closing Share Capital</b>     | 13          | 100                        | 100                        | 100                    |
| <b>Retained Earnings</b>         |             |                            |                            |                        |
| Opening Retained Earnings        |             | 4,448,855                  | 4,365,347                  | 4,385,896              |
| Total Comprehensive Income       |             | 2,457,751                  | 814,633                    | 762,958                |
| Dividends Paid                   |             | (1,350,000)                | (410,000)                  | (700,000)              |
| <b>Closing Retained Earnings</b> |             | 5,556,606                  | 4,769,980                  | 4,448,854              |
| <b>Capital Reserve</b>           |             |                            |                            |                        |
| Opening Balance                  |             | 1,617,486                  | 1,617,486                  | 1,617,486              |
| <b>Closing Balance</b>           |             | 1,617,486                  | 1,617,486                  | 1,617,486              |
| <b>TOTAL EQUITY</b>              |             | <u>\$7,174,192</u>         | <u>\$6,387,566</u>         | <u>\$6,066,440</u>     |

*This Statement is to be read in conjunction with the accompanying Accounting Policies and Notes to the Financial Statements.*

# ANIMAL CONTROL PRODUCTS LIMITED

## STATEMENT OF FINANCIAL POSITION

### AS AT 30 JUNE 2017

|                                      | Note | Actual<br>Jun 2017 | Budget<br>Jun 2017 | Actual<br>2016     |
|--------------------------------------|------|--------------------|--------------------|--------------------|
| <b>CURRENT ASSETS</b>                |      |                    |                    |                    |
| Cash & Cash Equivalents              | 6    | 2,775,658          | 1,489,226          | 2,054,593          |
| Short Term Investments               | 7    | 600,000            | -                  | -                  |
| Trade & Other Receivables            |      | 1,448,100          | 898,313            | 964,881            |
| Other Debtors                        |      | 12,600             | -                  | -                  |
| Accrued Interest                     |      | 1,498              | -                  | 2,436              |
| Prepayments & Deposits Paid          |      | 175,704            | -                  | 2,500              |
| Inventory                            | 8    | 1,069,078          | 766,793            | 925,517            |
| <b>Total Current Assets</b>          |      | <b>6,082,638</b>   | <b>3,154,332</b>   | <b>3,949,927</b>   |
| <b>NON-CURRENT ASSETS</b>            |      |                    |                    |                    |
| Inventory                            | 8    | 1,079,988          | 1,459,920          | 1,251,360          |
| Property, Plant & Equipment          | 9    | 2,540,943          | 2,778,732          | 2,561,421          |
| Intangible Assets                    |      | 3,785              | -                  | 414                |
| <b>Total Non-Current Assets</b>      |      | <b>3,624,716</b>   | <b>4,238,652</b>   | <b>3,813,195</b>   |
| <b>TOTAL ASSETS</b>                  |      | <b>9,707,354</b>   | <b>7,392,984</b>   | <b>7,763,123</b>   |
| <b>CURRENT LIABILITIES</b>           |      |                    |                    |                    |
| GST Due for payment                  |      | 215,434            | 86,140             | 166,253            |
| Taxation                             | 10   | 487,099            | 105,355            | 169,211            |
| Trade Payables                       |      | 897,847            | 340,703            | 760,163            |
| Other Payables                       |      | 402,057            | 99,199             | 112,111            |
| Employee Entitlements                |      | 175,021            | -                  | 135,621            |
| <b>Total Current Liabilities</b>     |      | <b>2,177,458</b>   | <b>631,397</b>     | <b>1,343,359</b>   |
| <b>NON-CURRENT LIABILITIES</b>       |      |                    |                    |                    |
| Deferred Tax Liability               | 11   | 355,704            | 374,021            | 353,323            |
| <b>Total Non-Current Liabilities</b> |      | <b>355,704</b>     | <b>374,021</b>     | <b>353,323</b>     |
| <b>TOTAL LIABILITIES</b>             |      | <b>2,533,162</b>   | <b>1,005,418</b>   | <b>1,696,682</b>   |
| <b>NET ASSETS</b>                    |      | <b>\$7,174,192</b> | <b>\$6,387,566</b> | <b>\$6,066,440</b> |
| <b>EQUITY</b>                        |      |                    |                    |                    |
| Share Capital                        | 13   | 100                | 100                | 100                |
| Reserves                             | 14   | 1,617,486          | 1,617,486          | 1,617,486          |
| Retained Earnings                    |      | 5,556,606          | 4,769,980          | 4,448,854          |
| <b>TOTAL EQUITY</b>                  |      | <b>\$7,174,192</b> | <b>\$6,387,566</b> | <b>\$6,066,440</b> |

These financial statements are authorised for issue on behalf of the board by:

Director  Director 

Date 18 September 2017

This Statement is to be read in conjunction with the accompanying Accounting Policies and Notes to the Financial Statements.

# ANIMAL CONTROL PRODUCTS LIMITED

## STATEMENT OF CASHFLOWS

### FOR THE YEAR ENDED 30 JUNE 2017

|  | <i>Note</i> | <i>Actual<br/>2017</i> | <i>Budget<br/>Jun 2017</i> | <i>Actual<br/>2016</i> |
|--|-------------|------------------------|----------------------------|------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                |             |                        |                            |                        |
| Cash was provided from:                                    |             |                        |                            |                        |
| Receipts from Customers                                    |             | 10,430,896             | 8,115,837                  | 5,630,614              |
| Interest Received  |             | 28,946                 | 28,000                     | 32,397                 |
| Net GST Received   |             | 41,115                 | -                          | 144,264                |
|  |             | <u>10,500,957</u>      | <u>8,143,837</u>           | <u>5,807,275</u>       |
| Cash was applied to:                                       |             |                        |                            |                        |
| Payments to Suppliers & Employees                          |             | 6,990,445              | 6,401,579                  | 4,253,430              |
| Net GST Paid   |             | -                      | 329,772                    | -                      |
| Net Taxation Paid  |             | <u>637,667</u>         | <u>179,600</u>             | <u>201,586</u>         |
|  |             | <u>7,628,112</u>       | <u>6,910,951</u>           | <u>4,455,016</u>       |
| <b>Net Cash Flow / (Outflow) from Operating Activities</b> |             | <u>2,872,845</u>       | <u>1,232,886</u>           | <u>1,352,259</u>       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                |             |                        |                            |                        |
| Cash was applied to:                                       |             |                        |                            |                        |
| Purchase of Fixed Assets                                   |             | (197,651)              | (414,000)                  | (159,604)              |
| Purchase of Intangibles                                    |             | (4,129)                | -                          | -                      |
| Purchase of Short Term Investments                         |             | (600,000)              | -                          | -                      |
| <b>Net Cash (Outflow) from Investing Activities</b>        |             | <u>(801,780)</u>       | <u>(414,000)</u>           | <u>(159,604)</u>       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                |             |                        |                            |                        |
| Cash was applied to:                                       |             |                        |                            |                        |
| Dividends Paid   |             | (1,350,000)            | (410,000)                  | (700,000)              |
| <b>Net Cash (Outflow) from Financing Activities</b>        |             | <u>(1,350,000)</u>     | <u>(410,000)</u>           | <u>(700,000)</u>       |
| Net (Decrease) / Increase in Cash & Cash Equivalents Held  |             | 721,065                | 408,886                    | 492,655                |
| Add: Cash & Cash Equivalents at start of year              |             | 2,054,593              | 1,079,840                  | 1,561,938              |
| <b>CASH &amp; CASH EQUIVALENTS AT YEAR END</b>             | 6           | <u>\$2,775,658</u>     | <u>\$1,488,726</u>         | <u>\$2,054,593</u>     |

*This Statement is to be read in conjunction with the accompanying Accounting Policies and Notes to the Financial Statements.*

# **ANIMAL CONTROL PRODUCTS LIMITED**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 JUNE 2017**

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#### **1. BASIS OF PREPARATION**

##### **(i) Statement of Compliance**

The financial statements presented here are for the entity Animal Control Products Limited, a registered company under the Companies Act 1993. Animal Control Products Limited is a state-owned enterprise, wholly owned on behalf of the Government by the shareholding Ministers, the Minister for Primary Industries and the Minister of Finance. The purpose of the business is the manufacture, sale and provision of products and services to maximise the effectiveness of pest management for public and private sector clients, both within New Zealand and offshore.

Animal Control Products Limited has elected to report under NZ IFRS - Reduced Disclosure Regime of the External Reporting Board as the company is a for-profit Tier 2 entity for financial reporting purposes on the basis that it does not have public accountability and is not a large for-profit public sector entity. In adopting NZ IFRS RDR, the company has taken advantage of a number of disclosure concessions. The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 2013.

Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements were authorised for issue by the Board on 18 September 2017.

##### **(ii) Basis of Measurement**

The financial statements have been prepared on a historic cost basis.

##### **(iii) Functional and Presentation Currency**

These financial statements are presented in New Zealand Dollars (NZD) as the functional currency of the company. Values are rounded to the nearest dollar.

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

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

##### **(a) Revenue recognition**

###### **Sales of Goods**

Income from the sales of goods is recognised when the company has transferred to the buyer the significant risk and rewards of ownership of the goods.

###### **Interest Revenue**

Interest revenue is recognised using the effective interest method.

##### **(b) Property, Plant & Equipment**

Property, Plant and Equipment are recorded in the Statement of Financial Position at cost less accumulated depreciation and any accumulated impairment losses.

# **ANIMAL CONTROL PRODUCTS LIMITED**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 JUNE 2017**

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Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Statement of Comprehensive Income in the period the transaction occurred.

Depreciation has been calculated on assets using the straight line method based on the remaining useful life of the asset. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The expected useful lives of the major classes of assets are:

|                   |          |
|-------------------|----------|
| Buildings         | 40 Years |
| Factory Equipment | 15 Years |
| Lab Equipment     | 5 Years  |
| Office Equipment  | 5 Years  |
| Motor Vehicles    | 5 Years  |

**(c) Goods & Services Tax**

These financial statements have been prepared on a GST exclusive basis. All items in the Statement of Financial Position are stated net of GST, with the exception of Accounts Receivable and Accounts Payable which includes GST invoiced.

**(d) Income Tax**

Income tax expense comprises both current tax and deferred tax, and is calculated using tax rates that have substantially been enacted at reporting date.

Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Income tax expense is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

**(e) Inventories**

Inventories are recognised at the lower of cost, determined on an average costing basis, and net realisable value with appropriate provisions for losses and obsolescence.

Inventory intended to be kept for more than one year has been classified as non-current inventory.

# **ANIMAL CONTROL PRODUCTS LIMITED**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 JUNE 2017**

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**(f) Receivables**

Receivables are stated at their estimated realisable value. Bad debts are written off in the year in which they are identified.

**(g) Research & Development Costs**

Research costs are brought to account in the Statement of Comprehensive Income in the period incurred.

**(h) Cash & Cash Equivalents**

For the purpose of the Statement of Cash Flows, cash and cash equivalents are considered to be on hand and in banks, net of bank overdrafts. In addition cash flows from certain items are disclosed net, due to the nature of the transaction involved.

**(i) Intangibles**

**Software Acquisition**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred.

**Amortisation**

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each year is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of the acquired software is estimated as follows:

5 Years      20%

**(j) Loans**

Loans are recorded initially at fair value, net of any transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowing using the effective interest rate method. The current portion of the term loan is calculated based on the expected amortised cost in twelve months time.

**(k) Impairment**

The carrying amounts of the company's assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the assets recoverable amounts are estimated.

If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the Statement of Comprehensive Income.

# **ANIMAL CONTROL PRODUCTS LIMITED**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 JUNE 2017**

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**(l) Employee Entitlements**

**Accrued Wages**

Accrued wages are calculated based on the amounts owing to employees for work carried out that had not been paid at balance date.

**Annual Leave**

Annual leave is calculated based on employees entitlements to annual leave earned in the current and prior periods that had not been paid at balance date.

**Long Service Leave**

The Company's net obligation in respect of long service leave is the amount of benefit that employees have earned in return for their service in the current and prior periods. This has been calculated on an actuarial basis.

**Sick Leave**

A provision for sick leave is calculated based on the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date; to the extent that Animal Control Products Limited anticipates it will be used by staff to cover those future absences.

**(m) Foreign Exchange**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction or a rate approximating that rate. Monetary assets and liabilities denominated in foreign currencies in the Statement of Financial Position are translated to New Zealand dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on their translation are recognised in the Statement of Comprehensive Income.

**(n) Financial Instruments**

Financial instruments include cash & cash equivalents, receivables and payables. These are initially measured at fair value and subsequently measured at cost less impairment which in the majority of cases is the same as the face value of the items.

**(o) Critical Accounting Estimates and Assumptions**

In preparing these financial statements Animal Control Products Limited has made estimates and assumptions concerning the future. These estimates and assumptions may differ from subsequent results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period are set out below:

Property, Plant and Equipment useful lives and residual value.

At each balance date management and the board of Animal Control Products Limited reviews the residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires a number of factors such as the physical condition of the asset, expected period of use of the asset by Animal Control Products Limited, and expected disposal proceeds from the future sale of assets to be considered.

An incorrect estimate of the useful life or residual value will impact the depreciation expense recognised in the Statement of Comprehensive Income, and the carrying amount in the Statement of Financial Position.

# **ANIMAL CONTROL PRODUCTS LIMITED**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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Animal Control Products Limited minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programs;
- review of second hand market prices for similar assets; and
- analysis of prior asset sales.

The board confirmed that the useful life of buildings is 40 years, factory equipment is 15 years and other plant and equipment is 5 years. There have been no significant changes to past assumptions concerning useful lives and residual values. The carrying amounts of property, plant and equipment are disclosed in note 8.

### **(p) Critical Judgements in Applying Accounting Policies**

There have been no critical judgements applied by management in applying Animal Control Products Limited accounting policies for the period ended 30 June 2017.

### **Changes in Accounting Policies**

There have been no new standards adopted by Animal Control Products Limited for the year beginning 1 July 2016.

### **Relevant standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted.**

NZ IFRS 9 - Financial Instruments - NZ IFRS 9 will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement.

NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The new standard is required to be adopted for the year ended 30 June 2019. The standard is not expected to have a material impact on the company.

There are no other NZ IFRSs or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on Animal Control Products Limited.

### **3. CONTINGENCIES**

At balance date there are no known contingent assets or liabilities (2016: Nil).

### **4. STATEMENT OF COMMITMENTS**

As at 30 June 2017 there were no Lease Commitments (2016: \$Nil).

At balance date, capital commitments of \$59,000 (2016: \$Nil) had been entered into for the purchase of plant & equipment. Deposits had been paid at balance date of \$173,204.

At balance date the company had placed a firm order for raw materials to the value of \$296,000. At balance date the raw material was in transit with ownership remaining with the supplier.

# ANIMAL CONTROL PRODUCTS LIMITED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 5. NET SURPLUS BEFORE INCOME TAX

|                                     | <b>2017</b>      | <b>2016</b>      |
|-------------------------------------|------------------|------------------|
|                                     | <b>\$</b>        | <b>\$</b>        |
| Direct Costs consist of:            |                  |                  |
| Direct Wages                        | 594,779          | 519,990          |
| Freight & Packaging                 | 922,844          | 468,993          |
| Repairs and Maintenance - Equipment | 192,820          | 192,675          |
| Depreciation                        | 189,318          | 176,505          |
| Other Direct Expenses               | 251,612          | 164,542          |
| Total Direct Expenses               | <u>2,151,373</u> | <u>1,522,705</u> |
| Other Income consists of:           |                  |                  |
| Interest Received                   | 28,008           | 34,833           |
| Depreciation Recovered              | -                | 3,826            |
| Total Other Income                  | <u>28,008</u>    | <u>38,659</u>    |
| Overheads consist of:               |                  |                  |
| Amortisation of Intangibles         | 758              | 552              |
| Audit of Financial Statements       | 25,781           | 30,000           |
| Depreciation                        | 28,011           | 18,108           |
| Directors' Fees                     | 62,770           | 64,500           |
| Donations                           | 1,524            | 1,274            |
| Insurance                           | 93,709           | 100,863          |
| Employee Benefits                   | 429,379          | 465,598          |
| Other Expenses                      | 585,877          | 470,378          |
| Total Operating Expenses            | <u>1,227,808</u> | <u>1,151,273</u> |

### 6. CASH & CASH EQUIVALENTS

|  | <b>2017</b>               | <b>2016</b>               |
|--|---------------------------|---------------------------|
|  | <b>\$</b>                 | <b>\$</b>                 |
| Bank of New Zealand Cheque Account       | 146,653                   | 40,373                    |
| Bank of New Zealand Imprest              | 81                        | 65                        |
| Bank of New Zealand Autocall             | 2,628,423                 | 1,413,655                 |
| Petty Cash Imprest                       | 500                       | 500                       |
| Bank of New Zealand - Term Deposit       | -                         | 600,000                   |
| <b>TOTAL CASH &amp; CASH EQUIVALENTS</b> | <u><b>\$2,775,658</b></u> | <u><b>\$2,054,593</b></u> |

# ANIMAL CONTROL PRODUCTS LIMITED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2017

#### 7. SHORT TERM INVESTMENTS

|   | <b>2017</b>    | <b>2016</b> |
|---|----------------|-------------|
|   | \$             | \$          |
| Bank of New Zealand Term Deposit - Matures 2 October 2017 | 600,000        | -           |
| <b>TOTAL SHORT TERM INVESTMENTS</b>                       | <u>600,000</u> | <u>-</u>    |

#### 8. INVENTORY

|                            | <b>2017</b>      | <b>2016</b>      |
|----------------------------|------------------|------------------|
|                            | \$               | \$               |
| Finished Goods             | 344,476          | 360,402          |
| Raw Materials              | 1,804,590        | 1,816,475        |
| <b>TOTAL STOCK ON HAND</b> | <u>2,149,066</u> | <u>2,176,877</u> |

No inventories are specifically and separately pledged as security for liabilities. Inventories are generally subject to retention of title clauses.

Total stock on hand comprised the following split:

|                            |                  |                  |
|----------------------------|------------------|------------------|
| Current Assets             | 1,069,078        | 925,517          |
| Non Current Assets         | 1,079,988        | 1,251,360        |
| <b>TOTAL STOCK ON HAND</b> | <u>2,149,066</u> | <u>2,176,877</u> |

#### 9. PROPERTY, PLANT & EQUIPMENT

|   | <b>2017</b>      | <b>2016</b>      |
|---|------------------|------------------|
|   | \$               | \$               |
| <b>Land - Wanganui</b>                      |                  |                  |
| At Cost                                     | 50,218           | 50,218           |
| <b>Closing Carrying Value</b>               | <u>50,218</u>    | <u>50,218</u>    |
| <b>Buildings - Wanganui</b>                 |                  |                  |
| At Cost                                     | 2,389,160        | 2,387,029        |
| Accumulated Depreciation                    | (849,596)        | (791,216)        |
| Cost Price of Assets Disposed               | (14,552)         | -                |
| Accumulated Depreciation on Assets Disposed | 14,552           | -                |
| <b>Carrying Value</b>                       | <u>1,539,564</u> | <u>1,595,813</u> |
| Opening Carrying Value                      | 1,595,813        | 1,605,042        |
| Purchases                                   | 2,145            | 48,647           |
| Depreciation                                | (58,394)         | (57,876)         |
| <b>Closing Carrying Value</b>               | <u>1,539,564</u> | <u>1,595,813</u> |

# ANIMAL CONTROL PRODUCTS LIMITED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2017

|   | 2017<br>\$    | 2016<br>\$    |
|---|---------------|---------------|
| <b>Motor Vehicles</b>                       |               |               |
| At Cost                                     | 104,108       | 118,078       |
| Accumulated Depreciation                    | (34,795)      | (65,345)      |
| Cost Price of Assets Disposed               | -             | (50,759)      |
| Accumulated Depreciation on Assets Sold     | -             | 50,759        |
| <b>Carrying Value</b>                       | <u>69,313</u> | <u>52,733</u> |
| Opening Carrying Value                      | 52,733        | 66,197        |
| Purchases                                   | 36,789        | -             |
| Sales                                       | -             | 0             |
| Depreciation                                | (20,209)      | (13,464)      |
| <b>Closing Carrying Value</b>               | <u>69,313</u> | <u>52,733</u> |
| <br><b>Lab Equipment - Wanganui</b>         |               |               |
| At Cost                                     | 230,560       | 230,560       |
| Accumulated Depreciation                    | (176,563)     | (145,353)     |
| <b>Carrying Value</b>                       | <u>53,997</u> | <u>85,207</u> |
| Opening Carrying Value                      | 85,207        | 98,575        |
| Purchases                                   | -             | 16,511        |
| Depreciation                                | (31,210)      | (29,879)      |
| <b>Closing Carrying Value</b>               | <u>53,997</u> | <u>85,207</u> |
| <br><b>Office Equipment - Wanganui</b>      |               |               |
| At Cost                                     | 105,109       | 68,582        |
| Accumulated Depreciation                    | (58,681)      | (50,879)      |
| Cost Price of Assets Disposed               | (29,845)      | -             |
| Accumulated Depreciation on Assets Disposed | 28,548        | -             |
| <b>Carrying Value</b>                       | <u>45,131</u> | <u>17,703</u> |
| Opening Carrying Value                      | 17,703        | 14,632        |
| Purchases                                   | 36,527        | 7,715         |
| Sales                                       | (497)         | -             |
| Depreciation                                | (7,802)       | (4,644)       |
| Loss on Disposal                            | (800)         | -             |
| <b>Closing Carrying Value</b>               | <u>45,131</u> | <u>17,703</u> |

# ANIMAL CONTROL PRODUCTS LIMITED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2017

|  | 2017<br>\$       | 2016<br>\$       |
|--|------------------|------------------|
| <b>Plant &amp; Equipment - Wanganui</b>      |                  |                  |
| At Cost                                      | 2,708,206        | 2,585,519        |
| Accumulated Depreciation                     | (1,925,486)      | (1,825,772)      |
| Cost Price of Assets Disposed                | (9,084)          | -                |
| Accumulated Depreciation on Assets Disposed  | 9,084            | -                |
| <b>Carrying Value</b>                        | <u>782,720</u>   | <u>759,747</u>   |
| Opening Carrying Value                       | 759,747          | 757,939          |
| Purchases                                    | 122,687          | 90,558           |
| Depreciation                                 | (99,714)         | (88,750)         |
| <b>Closing Carrying Value</b>                | <u>782,720</u>   | <u>759,747</u>   |
| <b>Total Property, Plant &amp; Equipment</b> | <u>2,540,943</u> | <u>2,561,421</u> |

During the year Animal Control Products Limited disposed of assets with a cost price of \$68,627. These assets had a book value of \$1,297.

# ANIMAL CONTROL PRODUCTS LIMITED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2017

#### 10. TAXATION

|                                     | <b>2017</b>             | <b>2016</b>             |
|-------------------------------------|-------------------------|-------------------------|
|                                     | <b>\$</b>               | <b>\$</b>               |
| Net Surplus / (Deficit)             | 3,415,687               | 1,059,663               |
| Non Deductible Expenses             | 5,510                   | -                       |
| <b>Taxable income/ (loss)</b>       | <u><b>3,421,197</b></u> | <u><b>1,059,663</b></u> |
| <b>Prima Facie Taxation Expense</b> | 957,936                 | 296,705                 |
| Comprising                          |                         |                         |
| Current Tax                         | 955,555                 | 317,402                 |
| Deferred Taxation                   | 2,381                   | (20,697)                |
| <b>Income Tax Expense</b>           | <u><b>957,936</b></u>   | <u><b>296,705</b></u>   |
| Tax Calculation                     | 955,555                 | 317,402                 |
| Less:                               |                         |                         |
| Resident Withholding Tax            | (8,105)                 | (8,806)                 |
| Provisional Tax Paid                | (460,352)               | (139,384)               |
| Terminal Tax paid                   | (169,211)               | (53,395)                |
| Balance Brought Forward             | 169,211                 | 53,395                  |
| <b>Total tax to pay / (Refund)</b>  | <u><b>487,098</b></u>   | <u><b>169,211</b></u>   |

#### 11. DEFERRED TAX

Taxable and Deductible temporary differences arise from the following:

|                         | Property,<br>Plant &<br>Equipment<br>\$ | Employee<br>Entitlements<br>\$ | Revenue   | Total<br>\$ |
|-------------------------|---|--------------------------------|-----------|-------------|
| Balance at 30 June 2015 | ( 394,677)                              | 20,657                         | 0         | ( 374,021)  |
| Charged to Income       | 1,160                                   | 5,979                          | 13,558    | 20,697      |
| Balance at 30 June 2016 | ( 393,517)                              | 26,636                         | 13,558    | ( 353,323)  |
| Charged to Income       | 6,080                                   | 5,097                          | ( 13,558) | ( 2,381)    |
| Balance at 30 June 2017 | ( 387,437)                              | 31,733                         | -         | ( 355,704)  |

# ANIMAL CONTROL PRODUCTS LIMITED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 12. FINANCIAL INSTRUMENTS

There is no impairment to trade receivables (2016: Nil).

The carrying amounts of financial assets and liabilities in each of the financial instrument categories are as follows:

|   | <b>2017</b> | <b>2016</b> |
|---|-------------|-------------|
|   | <b>\$</b>   | <b>\$</b>   |
| <u>Loans and Receivables</u>                            |             |             |
| Cash & Cash Equivalents                                 | 2,775,658   | 2,054,593   |
| Short Term Investments                                  | 600,000     | -           |
| Receivables   | 1,448,100   | 964,881     |
| <u>Financial liabilities measured at amortised cost</u> |             |             |
| Payables (excluding income in advance & taxes payable)  | 1,474,925   | 1,007,895   |

### 13. SHARE CAPITAL

|                                 | <b>2017</b> | <b>2016</b> |
|---------------------------------|-------------|-------------|
|                                 | <b>\$</b>   | <b>\$</b>   |
| 100 Ordinary Shares (2016: 100) | 100         | 100         |

At Balance Date, 100 shares have been fully paid. The shares have no par value.

All shares have equal voting rights and share equally in dividends and surplus on winding up.

### 14. RESERVES

|                              | <b>2017</b>        | <b>2016</b>        |
|------------------------------|--------------------|--------------------|
|                              | <b>\$</b>          | <b>\$</b>          |
| <b>Capital Reserve</b>       |                    |                    |
| Balance at Beginning of Year | 1,617,486          | 1,617,486          |
| Balance at End of Year       | <u>\$1,617,486</u> | <u>\$1,617,486</u> |

### 15. CAPITAL MANAGEMENT

Animal Control Product Limited's capital is it's equity, which comprises accumulated funds and other reserves. Equity is represented by net assets.

Animal Control Products Limited is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which imposes restrictions in relation to borrowings, acquisitions of securities, issuing guarantees and indemnities and the use of derivatives.

Animal Control Products Limited manages its equity as a by-product of prudently managing reserves, expenses, assets, liabilities, investments, and general financial dealing to ensure that the Company effectively achieves it's objectives and purpose, whilst remaining as a going concern.

# **ANIMAL CONTROL PRODUCTS LIMITED**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 JUNE 2017**

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#### **16. DIVIDENDS**

A final dividend of \$600,000 for the June 2016 year was declared on 31st December 2016.

An interim dividend of \$750,000 for the June 2017 year was declared on 30th June 2017.

#### **17. RELATED PARTIES**

During the period there have been material transactions between Animal Control Products Limited and related parties as follows:

Compensation of Key Management Personnel:

During the year short term benefits including salary, bonuses and fees totalled \$582,836 (2016: \$586,381). There was no other compensation received during the year.

Other Related Parties:

During the year Animal Control Products traded with other entities owned by the Crown. All transactions were carried out on standard commercial terms.

Transactions carried out with related parties during the year were sale of goods totalling \$5,238,869 (2016: \$1,721,597).

At Balance date the following amounts were owed to and from Animal Control Products with Related Parties:

|                           | <b>2017</b> | <b>2016</b> |
|---------------------------|-------------|-------------|
|                           | <b>\$</b>   | <b>\$</b>   |
| Related Party Receivables | 352,551     | 389,621     |
| Related Party Payables    | -           | -           |

#### **18. POST BALANCE DATE EVENTS**

There are no post balance date events that may affect these financial statements (2016: Nil).

# **ANIMAL CONTROL PRODUCTS LIMITED**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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### **19. EXPLANATION OF SIGNIFICANT VARIANCE AGAINST BUDGET**

Explanations for significant variation from the budgeted figures in the statement of intent are as follows:

#### **Statement of Comprehensive Income**

Sales for the year exceeded budget due to significantly increased activities undertaken by DOC during the year, which were not budgeted for.

As a result of the higher level of sales and larger orders resulting in less wastage and less downtime, the gross profit is significantly higher than budget in dollar terms.

Direct costs, in dollar terms, are higher than budget due to higher freight costs and repairs and maintenance costs associated with the higher level of sales. In percentage terms the actual result is significantly lower than budget.

Overhead costs continued to be very carefully monitored and controlled resulting in the actual result for the year being under budget.

The net profit before tax records a significant positive variance to budget due to the factors above.

#### **Statement of Financial Position**

Cash equivalents and short term investments are significantly higher than budget due to the higher profitability achieved for the year coupled with a number of capital expenditure projects not being completed at the end of the financial year.

#### **Statement of Changes in Equity**

Equity is higher than budget due to the higher level of profitability achieved during the current reporting year and the previous year.

Dividends paid during the year exceeded budget due to the higher profitability achieved in both the current and previous year.

#### **Statement of Changes in Cash Flows**

Net cash inflows from operations was significantly higher than budgeted due to the profitability achieved during the year.

The net cash outflow from investing activities was lower than budget due to a number of capital projects not being completed at year end.

The closing balance of cash and cash equivalents is significantly higher than budget due to the above and the stronger than anticipated opening balance for the year.

# ANIMAL CONTROL PRODUCTS LIMITED

## PERFORMANCE ASSESSMENT

### FOR THE YEAR ENDED 30 JUNE 2017

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The Company's financial performance is, to some extent, gauged by reference to financial performance targets contained within the 2017-2019 Statement of Corporate Intent (SCI):

#### Financial Measures

|  | Previous Year<br>Result | SCI<br>Target | Actual Result<br>2017 |
|--|-------------------------|---------------|-----------------------|
| <b><i>Shareholder Returns</i></b>            |                         |               |                       |
| Total Shareholder Return                     | 32.40%                  | 19.60%        | 104.66%               |
| Dividend Yield                               | 17.77%                  | 9.30%         | 23.67%                |
| Return on Equity                             | 12.64%                  | 13.20%        | 37.12%                |
| <b><i>Profitability &amp; Efficiency</i></b> |                         |               |                       |
| Net Operating Margin                         | 20.68%                  | 19.40%        | 34.11%                |
| Return on Assets                             | 13.72%                  | 16.20%        | 38.78%                |
| Return on Capital Employed                   | 16.92%                  | 18.70%        | 51.17%                |
| <b><i>Financial Leverage/Solvency</i></b>    |                         |               |                       |
| Gearing Ratio                                | 0.00%                   | 0.00%         | 0.00%                 |
| Interest Cover                               | N/A                     | N/A           | N/A                   |
| Solvency                                     | 2.94                    | 5.00          | 2.79                  |
| <b><i>Growth &amp; Investment</i></b>        |                         |               |                       |
| Revenue Growth                               | (18.67)%                | 26.70%        | 79.80%                |
| Earnings Growth                              | (22.02)%                | 119.00%       | 196.49%               |
| Profit Growth                                | (26.99)%                | 194.60%       | 222.13%               |
| Capital Renewal                              | 0.84                    | 1.80          | 0.91                  |

#### Non-Financial Measures

##### Health and Safety

SCI Target.

The target is to have no work-related lost time injuries for the year.

Actual result.

There were no work-related lost time injuries during the year.

##### Quality

SCI Target.

The target for product quality is for 100% of all products dispatched to customers to meet the product release specifications. This target is monitored by batch sampling of relevant physical parameters.

# **ANIMAL CONTROL PRODUCTS LIMITED**

## **PERFORMANCE ASSESSMENT**

### **FOR THE YEAR ENDED 30 JUNE 2017**

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#### **Actual Result.**

100% of products shipped to customers met the specifications included in the product release form.

#### **Customer Satisfaction**

##### **SCI Target.**

Customer satisfaction is surveyed annually. Specific targets are for ratings of 'good' or 'excellent' are

Product Quality 95%

Consistency of our products 95%

The quality of our packaging 95%

Adequacy of printed information on packaging 95%

Receipt of orders on time, and invoicing 95%

#### **Actual Result.**

The customer survey conducted during the year confirmed that 100% of customers rated Animal Control Products Limited as good or excellent in all measures.

#### **Human Resources**

##### **SCI Target.**

Staff turnover is targeted as no more than one permanent fulltime person per annum.

Full medical checks will be conducted on an annual basis, with quarterly monitoring of and meeting or improving the 'Biological Exposure Index'.

Performance reviews, remuneration reviews and training plans are to be 100% completed each year.

#### **Actual Result.**

Staff turnover for the year was nil.

The annual medical checks were undertaken and regular 1080 urine tests were conducted on the schedule.

Performance reviews, remuneration reviews and training plans were all completed during the year.

#### **Legislative Compliance**

##### **SCI Target.**

ACP will meet all legislative requirements during the year.

#### **Actual Result.**

The company met all legislative requirements during the year.

# **ANIMAL CONTROL PRODUCTS LIMITED**

## **STATEMENT OF RESPONSIBILITY**

### **FOR THE YEAR ENDED 30 JUNE 2017**

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In the financial year ended 30 June 2017 the Board and management of Animal Control Products Limited were responsible for:

- \* The preparation of the financial statements and the judgements used therein
- \* Establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting

In the opinion of the Board and management of Animal Control Products Limited, the financial statements including the performance assessment against the Statement of Corporate Intent for the financial year fairly reflect the financial position and operations of Animal Control Products Limited.



Chairman

Date: 18 September 2017



Director

Date: 18 September 2017

# ANIMAL CONTROL PRODUCTS LIMITED

## COMPANY DIRECTORY

### AS AT 30 JUNE 2017

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|                       |   |                        |                                    |
|-----------------------|---|------------------------|------------------------------------|
| Registered Office     | 6th Floor<br>95 Customhouse Quay<br>Wellington  |                        |                                    |
| Directors             | T D Murdoch (Appointed 1 May 2014)<br>P J Clarke (Appointed 1 November 2015)<br>S H Sharif (Appointed 12 June 2017)<br>D J Warburton (Ceased 31 October 2016) |                        |                                    |
| Company Number        | 441007  |                        |                                    |
| Auditors              | Audit New Zealand on behalf of the Auditor-General  |                        |                                    |
| Date of Incorporation | 5 July 1989 and reregistered under the Companies Act 1993 on 8 August 1996  |                        |                                    |
| Bankers               | Bank of New Zealand   |                        |                                    |
| Shareholders          | Minister of Finance<br>Minister for Primary Industries  | 50<br>50<br><u>100</u> | Ordinary Shares<br>Ordinary Shares |