



Full quality assurance testing is conducted on all Orillion products in their laboratory

Twenty Sixth Annual Report

30 June 2018

ANIMAL CONTROL PRODUCTS LIMITED
FINANCIAL REPORTS
FOR THE YEAR ENDED 30 JUNE 2018

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CHAIRMANS REVIEW

This year had more than the normal level of uncertainty and alterations to our customers' operational plans. Despite navigating in these conditions, a positive result for the 2017/2018 financial year was achieved with production volumes and financial performance broadly meeting budgeted levels. During the year we have made good progress with product and market development, safety management systems and plant replacement options.

At the start of the year we once again supported the Department of Conservation in their 'Battle for our Birds' campaign to target the pest population irruptions that follow episodic beech mast events and threaten native bird species in many natural areas. Initial Department of Conservation forecasts of bait requirements failed to materialise partly because the Department procured aerial 1080 bait from a competitor in the South Island. Offsetting this was a strong sales performance in other sectors, notably bait destined to support Ospri's work to eradicate bovine tuberculosis from New Zealand.

Our new company trading name 'Orillion' continues to be well received by our clients and stakeholders and after only eighteen months since its introduction. Customer satisfaction remains at high levels with our October 2017 customer survey showing that 100% of responses rated the company's product quality and consistency as good or excellent.

Our core business is to provide the tools that New Zealand needs to protect our biodiversity and to support the ambitious goal of a Predator Free New Zealand by 2050. Increasingly, we are focusing on export growth of our proven Pestoff product range and development of new approaches to protect crops, biodiversity and conservation efforts.

Emerging technologies for use in predator control that have complementary distribution channels to our core business of vertebrate toxic agents have been investigated for fit within the Orillion product portfolio. Orillion maintains an active watching brief on these technologies to ensure relevant market opportunities are understood and acted on given a suitable fit exists.

Collaboration

The Bovine Tuberculosis National Pest Management Plan implemented under the Biosecurity Act by Ospri New Zealand continues to make good progress in efforts to eradicate the disease from New Zealand. There is a clear focus on TB eradication from all areas of New Zealand where possums carry TB and where they can then infect farmed animals. This focus includes possum populations occupying extensive tracts of remote or rugged back-country, where aerial 1080 is the appropriate control methodology.

During the first half of the year we undertook joint trials with Ospri to assess the potential feasibility of new manufacturing processes to make more effective baits. Zero Invasive Predators (ZIP) is similarly interested in exploring ways to achieve eradication of predators using new approaches to aerial control and we worked closely with the ZIP team to deliver bait for their large scale field trials.

Equipment trials build on recent work where we have made significant improvements to bait quality to the extent possible with existing manufacturing technology.

The Department of Conservation's 'Battle for our Birds' programme again provided an opportunity for our two organisations to work closely together to manage changing priorities and timeframes, which is the nature of pest control in response to changing pest population dynamics. Orillion was able to manufacture and deliver all bait on time and to the required quality standards while also supplying baits for the Ospri vector control programme during the same period.

The Department of Conservation and Orillion are working towards a mutually beneficial long-term strategic supply agreement. Orillion is hopeful of being able to secure contracts with the Department of Conservation for forward orders covering major aerial operations. Negotiations are ongoing.

We have continued to work collaboratively with Maanaki Whenua Landcare Research to develop and formulate rat specific toxic bait, utilising intellectual property developed and owned by Maanaki Whenua Landcare Research. This is an exciting project that has involved a major commitment of our research resources. An effective rat specific toxin would play an important role in achievement of a Predator Free New Zealand, together with significant broader market opportunities.

Orillion's collaboration extends to various overseas government agencies, NGO's and conservation agencies in North America, East Africa, the UK, France, the Pacific and Australia. This involves relationships at the facilitative level (science and manufacturing processes) and at the operational response level (product development and supply). A substantial level of commitment and regular engagement has occurred with overseas conservation interests planning major predator eradication operations occurring on an unprecedented scale over 2018 to 2022.

Orillion is involved in a high profile feasibility study investigating methodologies, costs and timing for a major, multi-species predator eradication project proposed for the 60,000 hectare Auckland Islands archipelago, 600km south of New Zealand.

Safety and Security

Health and safety remains paramount in all Orillion operations and at all times. We are pleased to have completed redevelopment of our safety management systems as required by the Health and Safety at Work (Major Hazard Facilities) Regulations

2016. We have introduced new processes and approaches to safety management focused on prevention of major incidents. This has given rise to a new company culture where worker engagement, process reviews, hazard assessment, risk mitigation and reporting have become regular and routine activities rather than being carried out infrequently. Investments are in progress to update equipment and to install automation for selected production systems to achieve better efficiency, product consistency and higher safety standards.

The continued safe use of 1080 throughout the supply chain remains a priority for the company, and although we are no longer the sole New Zealand manufacturer of 1080 bait we will continue to play our part in this regard. We are conscious of increased social media and other activity against 1080 use over the past year and improvements and upgrades to the Whanganui site security systems have been made wherever these have been deemed necessary. It seems that the excellent conservation, disease control and potential predator eradication results that we see being achieved routinely by 1080 use are not being communicated effectively to the general public.

Diversification and Renewal

Diversification and renewal has increased in importance over the past year. This is in light of a new 1080 competitor and the possibility of continued restrictions for the use of anticoagulant pesticides that form part of our product range.

We have approached this challenge firstly by alignment of our existing manufacturing capability to the needs of our end users, in particular OSPRI, Predator Free 2050 and our many domestic and export clients.

Secondly, we are working with Maanaki Whenua Landcare Research to formulate the rat specific toxic baits and to investigate potentially significant market opportunities.

Finally, we have become a New Zealand Trade and Enterprise F700 priority customer, meaning that we have the opportunity for intense account management and support to increase exports. Following the development and implementation of the Orillion trading name, a new website and supporting material was created as a platform for a renewed focus on export market development.

Financial Performance

Total revenue of \$8.014m was achieved during the year, which was just ahead of the \$8.0m budget, and 24% below the previous financial year's revenue that had been bolstered by the Department of Conservation's Battle for our Birds campaign.

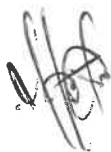
The net profit before tax of \$1.76m for the year was marginally below the budgeted \$1.842m

The financial position at June 30 remained sound although forward orders for the first half of the coming financial year are weak.

During the year a final dividend of \$1,000,000 was paid for the year ending June 30th 2017, and an interim dividend of \$400,000 for the year ending June 30th 2018, bringing total dividends paid during the current period to \$1,400,000.

Looking Forward

Orillion continues to diversify its products, markets and partnerships to reduce the company's reliance on traditional domestic markets. The next period offers exciting business growth opportunity as Orillion plans and focuses on selected offshore opportunities. While challenges exist around successfully navigating target market needs, size, registration requirements in particular and distribution issues, Orillion is making solid progress in these areas.

A handwritten signature in black ink, appearing to read 'Terry Murdoch', is positioned above the printed name.

Terry Murdoch
Chairman

ANIMAL CONTROL PRODUCTS LIMITED

DIRECTORS REPORT

FOR THE YEAR ENDED 30 JUNE 2018

The Board of Directors have pleasure in presenting the Twenty-sixth Annual Report including audited Financial Statements of the Company for the year ended 30 June 2018.

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.

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	\$38,344
	P J Clarke	\$19,172
	S H Sharif	\$19,172

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

Total Remuneration Paid or Payable	No. of Employees
\$100,000 - \$109,999	1
\$120,000 - \$129,999	1
\$330,000 - \$339,999	1

Audit fees of \$26,411 were incurred for the year to Audit New Zealand.

Directors' Liability Insurance

The Company maintains insurance in respect of Directors' and Officers' liabilities in

Dividend

The company declared a final dividend of \$1,000,000 for the year ended 30 June 2017 in December 2017. An interim dividend for the year ended 30 June 2018 of \$400,000 was paid in June 2018, 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's financial statements for the year ended 30 June 2018

The Auditor-General is the auditor of Animal Control Products 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 10 to 26, that comprise the statement of financial position as at 30 June 2018, 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 2018; 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 applicable financial reporting framework.

Our audit was completed on 6 September 2018. 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 our 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.

For the budget information reported in the financial statements, our procedures were limited to checking that the information agreed to the company's statement of intent.

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 6 and 27 to 28, 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 company 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 2018

	Note	Actual 2018	Budget 2018	Actual 2017
REVENUE FROM SALE OF GOODS		8,014,254	8,000,000	10,571,676
COST OF SALES		(3,172,542)	(3,040,000)	(3,804,816)
DIRECT COSTS	5	(1,793,515)	(1,723,384)	(2,151,373)
GROSS PROFIT		3,048,197	3,236,616	4,615,487
Gross Profit%		38.0%	40.5%	43.7%
OTHER INCOME	5	47,234	22,000	28,008
OVERHEADS	5	(1,340,389)	(1,416,300)	(1,227,808)
NET PROFIT BEFORE INCOME TAX		1,755,042	1,842,316	3,415,687
INCOME TAX EXPENSE	10	(491,400)	(515,848)	(957,936)
PROFIT AFTER TAX ATTRIBUTABLE TO SHAREHOLDERS		1,263,642	1,326,468	2,457,751
OTHER COMPREHENSIVE INCOME		0	0	0
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS		\$1,263,642	\$1,326,468	\$2,457,751

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 2018

	Note	Actual 2018	Budget 2018	Actual 2017
Share Capital				
Opening Share Capital		100	100	100
Closing Share Capital	13	100	100	100
Retained Earnings				
Opening Retained Earnings		5,556,606	5,127,267	4,448,855
Total Comprehensive Income		1,263,642	1,326,468	2,457,751
Dividends Paid		(1,400,000)	(950,000)	(1,350,000)
Closing Retained Earnings		5,420,248	5,503,735	5,556,606
Capital Reserve				
Opening Balance		1,617,486	1,617,486	1,617,486
Closing Balance	14	1,617,486	1,617,486	1,617,486
TOTAL EQUITY		\$7,037,834	\$7,121,321	\$7,174,192

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

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Actual 2018	Budget 2018	Actual 2017
CURRENT ASSETS				
Cash & Cash Equivalents	6	2,886,404	1,822,403	2,775,658
Short Term Investments	7	600,000		600,000
Trade & Other Receivables		1,212,370	1,595,050	1,448,100
Other Debtors		14,900		12,600
Accrued Interest		1,550		1,498
Prepayments & Deposits Paid		15,885	595,076	175,704
Inventory	8	1,168,576	678,354	1,069,078
Total Current Assets		5,899,684	4,690,883	6,082,638
NON-CURRENT ASSETS				
Inventory	8	677,246	1,356,877	1,079,988
Property, Plant & Equipment	9	2,611,617	2,676,328	2,540,943
Intangible Assets		2,959	414	3,785
Total Non-Current		3,291,822	4,033,619	3,624,716
TOTAL ASSETS		9,191,506	8,724,502	9,707,354
CURRENT LIABILITIES				
GST Due for payment		150,185	162,081	215,434
Taxation	10	166,336	165,848	487,099
Trade Payables		609,176	734,373	897,847
Other Payables and Customer Deposits		658,159		402,057
Employee Entitlements		233,866	187,556	175,021
Total Current Liabilities		1,817,722	1,249,858	2,177,458
NON-CURRENT LIABILITIES				
Deferred Tax Liability	11	335,950	353,323	355,704
Total Non-Current Liabilities		335,950	353,323	355,704
TOTAL LIABILITIES		2,153,672	1,603,181	2,533,162
NET ASSETS		\$7,037,834	\$7,121,321	\$7,174,192
Represented by;				
EQUITY				
Share Capital	13	100	100	100
Reserves	14	1,617,486	1,617,486	1,617,486
Retained Earnings		5,420,248	5,503,735	5,556,606
TOTAL EQUITY		\$7,037,834	\$7,121,321	\$7,174,192

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

Director



Director



Date

6/9/18.

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 2018

	Note	Actual 2018	Budget 2018	Actual 2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from Customers		8,468,917	8,555,233	10,430,896
Interest Received		47,182	22,000	28,946
Net GST Received				41,115
Total		8,516,099	8,577,233	10,500,957
Cash was applied to:				
Payments to Suppliers & Employees		5,762,611	6,542,237	6,990,445
Net GST Paid		111,102	351,743	
Net Taxation Paid		831,917	623,235	637,667
Total		6,705,630	7,517,215	7,628,112
Net Cash Flow/ (Outflow) from Operating Activities		1,810,469	1,060,018	2,872,845
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was applied to:				
Purchase of Fixed Assets		(299,723)	(287,500)	(197,651)
Purchase of Intangibles				(4,129)
Deposits Paid for Fixed Assets			(560,000)	
Purchase of Short Term Investments				(600,000)
Net Cash (Outflow) from Investing Activities		(299,723)	(847,500)	(801,780)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was applied to:				
Dividends Paid		(1,400,000)	(950,000)	(1,350,000)
Net Cash (Outflow) from Financing Activities		(1,400,000)	(950,000)	(1,350,000)
Net (Decrease) / Increase in Cash & Cash Equivalents Held		110,746	(737,482)	721,065
Add: Cash & Cash Equivalents at start of year		2,775,658	2,559,885	2,054,593
CASH & CASH EQUIVALENTS AT YEAR END	6	\$2,886,404	\$1,822,403	\$2,775,658

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 2018

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 6 September 2018.

(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.

ANIMAL CONTROL PRODUCTS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(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.

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.

ANIMAL CONTROL PRODUCTS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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.

(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%
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ANIMAL CONTROL PRODUCTS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

(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.

(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.

ANIMAL CONTROL PRODUCTS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

(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 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 9.

(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 2018.

Changes in Accounting Policies

There have been no new standards adopted by Animal Control Products Limited for the year beginning 1 July 2017.

ANIMAL CONTROL PRODUCTS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 (2017: \$Nil).

4. STATEMENT OF COMMITMENTS

As at 30 June 2018 there were no Lease Commitments (2017: \$Nil).

At balance date, capital commitments of \$118,200 (2017: \$59,000) had been entered into for the purchase of plant & equipment. Deposits had been paid at balance date of \$13,135 (2017: \$173,204).

At balance date the company had placed a firm order for raw materials to the value of \$320,000 (2017: \$296,000).

5. NET SURPLUS BEFORE INCOME TAX

	2018	2017
	\$	\$
Direct Costs consist of:		
Direct Wages	591,943	594,779
Freight & Packaging	589,527	922,844
Repairs and Maintenance - Equipment	179,933	192,820
Depreciation	195,488	189,318
Other Direct Expenses	236,624	251,612
Total Direct Expenses	<u>\$1,793,515</u>	<u>\$2,151,373</u>
Other Income consists of:		
Interest Received	47,234	28,008
Depreciation Recovered	0	0
Total Other Income	<u>\$47,234</u>	<u>\$28,008</u>

ANIMAL CONTROL PRODUCTS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
Overheads consist of:		
Amortisation of Intangibles	826	758
Audit of Financial Statements	26,411	25,781
Depreciation	33,561	28,011
Directors' Fees	76,689	62,770
Donations	0	1,524
Insurance	106,109	93,709
Employee Benefits	567,631	429,379
Other Expenses	529,162	585,877
Total Operating Expenses	\$1,340,389	\$1,227,809

	2018	2017
	\$	\$
6. CASH & CASH EQUIVALENTS		
Bank of New Zealand Cheque Account	36,833	146,653
Bank of New Zealand Imprest	95	81
Bank of New Zealand Autocall	2,417,659	2,628,423
Petty Cash Imprest	500	500
Bank of New Zealand Foreign Currency Account	431,316	0
TOTAL CASH & CASH EQUIVALENTS	\$2,886,404	\$2,775,657

	2018	2017
	\$	\$
7. SHORT TERM INVESTMENTS		
Bank of New Zealand Term Deposit	600,000	600,000
Matures 29 October 2018		
TOTAL SHORT TERM INVESTMENTS	\$600,000	\$600,000

	2018	2017
	\$	\$
8. INVENTORY		
Finished Goods	242,095	344,476
Raw Materials	1,603,727	1,804,590
TOTAL INVENTORY	\$1,845,822	\$2,149,066

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

	2018	2017
	\$	\$
Total stock on hand comprised the following split:		
Current Assets	1,168,576	1,069,078
Non Current Assets	677,246	1,079,988
TOTAL INVENTORY	\$1,845,822	\$2,149,066

ANIMAL CONTROL PRODUCTS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
9. PROPERTY, PLANT & EQUIPMENT		
Land		
At Cost	50,218	50,218
Closing Carrying Value	\$50,218	\$50,218
Buildings		
At Cost	2,448,390	2,391,435
Accumulated Depreciation	(893,361)	(849,596)
Cost Price of Assets Disposed	0	(14,552)
Accumulated Depreciation on Assets Disposed	0	14,552
Carrying Value	\$1,555,029	\$1,541,839
Opening Carrying Value	1,541,839	1,595,813
Purchases	71,507	4,420
Depreciation	(58,317)	(58,394)
Closing Carrying Value	\$1,555,029	\$1,541,839
Motor Vehicles		
At Cost	104,108	104,108
Accumulated Depreciation	(55,617)	(34,795)
Cost Price of Assets Disposed	0	0
Accumulated Depreciation on Assets Sold	0	0
Carrying Value	\$48,491	\$69,313
Opening Carrying Value	69,313	52,733
Purchases	0	36,789
Sales	0	0
Depreciation	(20,822)	(20,209)
Closing Carrying Value	\$48,491	\$69,313
Lab Equipment		
At Cost	239,315	230,560
Accumulated Depreciation	(209,066)	(176,563)
Carrying Value	\$30,250	\$53,997
Opening Carrying Value	53,997	85,207
Purchases	8,756	0
Depreciation	(32,503)	(31,210)
Closing Carrying Value	\$30,250	\$53,997

ANIMAL CONTROL PRODUCTS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
Office Equipment		
At Cost	83,341	105,109
Accumulated Depreciation	(42,872)	(58,681)
Cost Price of Assets Disposed		(29,845)
Accumulated Depreciation on Assets Disposed		28,548
Carrying Value	\$40,469	\$45,131
Opening Carrying Value	45,131	17,703
Purchases	8,077	36,527
Sales		(497)
Depreciation	(12,739)	(7,802)
Loss on Disposal		(800)
Closing Carrying Value	\$40,469	\$45,131
Plant & Equipment		
At Cost	2,908,294	2,705,931
Accumulated Depreciation	(2,021,070)	(1,925,486)
Cost Price of Assets Disposed	(3,196)	(9,084)
Accumulated Depreciation on Assets Disposed	3,132	9,084
Carrying Value	\$887,160	\$780,445
Opening Carrying Value	780,445	759,747
Purchases	211,447	120,412
Depreciation	(104,668)	(99,714)
Loss on disposal	(64)	
Closing Carrying Value	\$887,160	\$780,445
Total Property, Plant & Equipment	\$2,611,617	\$2,540,943

During the year Animal Control Products Limited disposed of assets with a cost price of \$3,196. These assets had a book value of \$64.

ANIMAL CONTROL PRODUCTS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

10. TAXATION

	2018	2017
	\$	\$
Net Surplus / (Deficit)	1,755,042	3,415,687
Non Deductible Expenses	0	5,510
Taxable income/ (loss)	\$1,755,042	\$3,421,197
 Prima Facie Taxation Expense	 491,400	 957,936
Comprising		
Current Tax	511,154	955,555
Deferred Taxation	(19,754)	2,381
Income Tax Expense	\$491,400	\$957,936
 Tax Calculation	 511,154	 955,555
Less:		
Resident Withholding Tax	(13,211)	(8,105)
Provisional Tax Paid	(331,607)	(460,352)
Terminal Tax paid	(487,098)	(169,211)
Balance Brought Forward	487,098	169,211
 Total tax to pay / (Refund)	 \$166,336	 \$487,098

11. DEFERRED TAX

Taxable and Deductible temporary differences arise from the following:

	Property, Plant & Equipment	Employee Entitlements	Revenue	Total
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	0	(355,704)
Charged to Income	15,192	4,562		19,754
Balance at 30 June 2018	\$(372,245)	\$36,295	\$0	\$(335,950)

ANIMAL CONTROL PRODUCTS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

12. FINANCIAL INSTRUMENTS

There is no impairment to trade receivables (2017: Nil).

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

	2018	2017
	\$	\$
<u>Loans and Receivables</u>		
Cash & Cash Equivalents	3,449,570	2,775,658
Short Term Investments	600,000	600,000
Receivables	1,212,370	1,448,100
<u>Financial liabilities measured at amortised cost</u>		
Payables (excluding income in advance & taxes payable)	880,743	1,474,925

13. SHARE CAPITAL

	2018	2017
	\$	\$
100 Ordinary Shares (2017: 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

	2018	2017
	\$	\$
Capital Reserve		
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 its 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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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 its objectives and purpose, whilst remaining as a going concern.

16. DIVIDENDS

A final dividend of \$1,000,000 for the June 2017 year was declared on 13 December 2017.

An interim dividend of \$400,000 for the June 2018 year was declared on 21 June 2018.

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 \$754,569 (2017: \$582,836). 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 \$1,558,783 (2017: \$5,238,869).

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

	2018	2017
	\$	\$
Related Party Receivables	2,699	352,551
Related Party Payables		

18. POST BALANCE DATE EVENTS

There are no post balance date events that may affect these financial statements (2017:Nil).

19. EXPLANATION OF SIGNIFICANT VARIANCE AGAINST BUDGET

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

ANIMAL CONTROL PRODUCTS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Statement of Comprehensive Income

Sales for the year were on budget for the year.

Cost of sales at 39.6% of sales is slightly above budget (38% of sales) due to smaller order sizes and therefore shorter runs which create more wastage.

Direct costs are higher than budget due to higher health, safety and security costs associated with the Major Hazard Facility Regulations.

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 is slightly behind budget due to the slightly higher cost of materials and health, safety and security expenditure as mentioned above.

Statement of Financial Position

Cash equivalents and short term investments are significantly higher than budget due to a number of capital expenditure projects not being commenced at the end of the financial year and the reduction in stocks due to delivery delays for major orders.

Statement of Changes in Equity

Equity is slightly lower than budget due to the higher level of profitability achieved in the previous year offset by the significantly higher dividends paid to the shareholders.

Statement of Changes in Cash Flows

Cash inflows from operations were broadly in line with budget, whilst outflows for operations were significantly under budget due to the delays in receiving stock purchases.

The net cash outflows from investing activities were significantly below budget due to a number of capital expenditure projects being delayed while further investigation into the appropriate plant and equipment continues.

The net cash outflows for financing activities are significantly higher than budget due to the higher dividend paid during the year.

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 2018

The Company's financial performance is, to some extent, gauged by reference to financial performance targets contained within the 2018-2020 Statement of Corporate

Financial Measures	Previous Year Result	SCI Target	Actual Result 2018
<i>Shareholder Returns</i>			
Total Shareholder Return	104.66%	13.20%	19.60%
Dividend Yield	23.67%	13.20%	19.40%
Return on Equity	37.12%	19.10%	17.80%
<i>Profitability & Efficiency</i>			
Net Operating Margin	34.11%	25.80%	24.20%
Return on Assets	38.78%	21.90%	18.10%
Return on Capital Employed	51.17%	26.90%	24.00%
<i>Financial Leverage/Solvency</i>			
Gearing Ratio	0.00%	0%	0%
Interest Cover	N/A	N/A	N/A
Solvency	2.79	3.80	3.25
<i>Growth & Investment</i>			
Revenue Growth	79.80%	-12.60%	-24.20%
Earnings Growth	196.49%	-27.70%	-45.30%
Profit Growth	222.13%	-29.90%	-48.60%
Capital Renewal	0.91	4.3	1.3

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

Actual Result.

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

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 2018

In the financial year ended 30 June 2018 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:

6. 9. 18


Director

Date:

6/9/18

ANIMAL CONTROL PRODUCTS LIMITED
COMPANY DIRECTORY
FOR THE YEAR ENDED 30 JUNE 2018

Registered Office	9th Floor 111 The Terrace Wellington
Directors	TD Murdoch (Appointed 1 May 2014) P J Clarke (Appointed 1 November 2015) S H Sharif (Appointed 12 June 2017)
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 Minister for Biosecurity
	50 Ordinary shares 50 Ordinary shares
	<hr/> 100 <hr/>