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orillion

Creating better spaces

ANIMAL CONTROL PRODUCTS LIMITED
A State Owned Enterprise

Twenty Seventh Annual Report
30 June 2019

ANIMAL CONTROL PRODUCTS LIMITED
FINANCIAL REPORTS
FOR THE YEAR ENDED 30 JUNE 2019

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CHAIRMANS REVIEW

Orillion continued to perform well during the past year, meeting expectations across a broad range of business objectives, including the company's financial performance. Significant changes to customer forecast demand presented challenges, but we were able to deliver in-full, within spec and on-time, with the overall lift in production output resulting in financial performance ahead of budget.

Our core business is to provide the tools that New Zealand needs to protect our biodiversity and to support pest control for other purposes such as eradication of Bovine TB from New Zealand. This is in a new context of the government's ambitious Predator Free 2050 objective together with more stable funding for the Department of Conservation's current priorities. The National Bovine TB Pest Management Plan remains on track, albeit with the success of the programme it can now be envisages that there will be future reductions in possum control for TB purposes. This positive operating environment was offset somewhat by compliance costs and complexity, together with competitor activity.

In the early part of the financial year our production facility remained reasonably well utilised, however as orders tailed-off in September, we faced limited demand for pest control baits until late summer. This was followed by excellent demand for both export and domestic markets for the remainder of the year.

Our three areas of strategic focus; collaboration, safety and security, and diversification and renewal, remained an appropriate framework to deliver the activities undertaken during the year, and to guide the long-term future of the company.

Collaboration

Orillion collaborates with end-users, research organisations, and many others involved in existing and developing export markets. Of the domestic end-users, the Department of Conservation has faced the most challenging and unpredictable circumstances generated by beech and other forest species 'masting' where large seed production fuels predator numbers. Initial forecast orders were split between Orillion and others, but this rapidly changed in the early part of the operational season, with large additional demands being placed on our production facility. This prompted urgent procurement of materials sourced domestically and internationally, staffing increases and changes to all aspects of our production operations. As has been the case in previous years, the production team met all customer commitments and despatched quality product to operations across New Zealand.

Professional pest control business operators continue to work closely with Orillion, as do many regional authorities, community groups and non-government organisations throughout New Zealand. We provide a number of loyal and longstanding international customers with products to control a wide range of pests.

The Howick tramping club is an example of an active volunteer group with whom Orillion collaborates closely. They have an extensive bait station refilling programme in strategic locations in the northern part of the Rangitoto range (Mangatutu/Tunawaea Kokako project) to protect nesting kokako from possums, rats and mice. Their results with Orillion bait are greatly assisting the suppression of target pests.

Orillion is supplying bait for the biggest urban predator eradication in New Zealand taking place on Wellington's Miramar peninsula from June. The area has 20,000 residents with many actively supporting the eradication. By the end of 2019, the hope is to declare the area free from rats, stoats and weasels. It is already clear of possums with help from Orillion. This is seen as a step towards the overall goal to make Wellington predator free in 10 years.

Island eradications are perhaps the most challenging of all pest control operations, and Orillion was proud to supply Lord Howe Island Rodent Eradication Project with rodent bait. This eradication operation on an island with a resident population presented far greater communication, transportation and regulatory demands compared to other island eradication operations. Our aim is to support the passion and dedication of those engaged in predator control by provision of proven existing products, and improved new products.

Safety and Security

We continue to focus and invest in improving safety management systems and operational safety standards at our production facility. Meeting the standards of being a designated Major Hazard Facility (lower tier) as defined by the Health and Safety at Work Act, involved the re-framing of existing procedures into a formal safety management system, and implementation of new processes over the past two years. Our investment is now paying dividends not only in improved safety systems, but an overall improvement in the way we run our manufacturing activities. We now routinely approach our operations with safety as the first consideration. As was the case in previous year, no lost time injuries occurred.

The level of anti-1080 sentiment rose during the first half of the financial year and in the latter period (May), and like other organisations involved in the supply-chain of this critical pest control tool, we reviewed security and made further enhancements. We continually look for ways to improve the efficacy and minimise any negative effects of all our bait products, and 1080 baits receive significant focus. A new deer repellent 1080 bait is currently being registered with the Ministry of Primary Industries.

Diversification and Renewal

Predator Free 2050 is based on the objective of being able to eradicate rats, stoats and possums from New Zealand. Most conservation focused pest control operations have previously aimed to reduce pest populations to below a threshold where the risk to native flora and fauna is minimised, rather than aiming to eradicate the pest population.

Eradication operations need to employ different techniques, and ZIP (Zero Invasive Predators) has been leading trials to eradicate predators and then defend areas from immigration. We have worked with ZIP to deliver baits suitable for eradication and also baits to repel Kea. In parallel we have continued to research and trial new bait production techniques. A competitor has now entered the 1080 bait market and investment decisions will need to consider the production over-capacity and increased uncertainty now present in the market.

The Ministry of Primary Industries has commenced a review of anticoagulant rodenticides that is likely to result in increased controls on the sale and use of these products. While we fully support the safe and appropriate use of all pest control bait products, it is likely that increased controls will mean that some current purchasers of these products simply will not bother to use them in the face of any restrictions on sale.

With uncertainty in the New Zealand market for existing products, we continue to prioritise development of new products, including the rat specific toxin that we are working to formulate in collaboration with Manaaki Whenua Landcare Research. Export market development has also continued to receive significant focus, although introduction of any pest control baits in overseas markets must follow often slow and complex product registrations requirements. In our experience, product registration in New Zealand is comparatively well managed in a fit-for-purpose and timely fashion by the Ministry for Primary Industries.

Financial Performance

Total revenue of $8.647m was achieved during the year, which was ahead of the $7.0m budget, and also revenue of $8.0m in the previous financial year.

The net profit before tax of $1.976m for the year was ahead of the budgeted $1.55m.

The financial position at June 30th remained sound although uncertainty remains around forward orders.

A final dividend of $600,000 was paid in December 2018 for the financial year ended 30 June 2018. During the 2019 year the dividend policy was changed to provide for a single dividend to be paid in respect of each financial year. The dividend will be paid in the September following the end of the financial year.

Terry Murdoch
Chairman

ANIMAL CONTROL PRODUCTS LIMITED
DIRECTORS REPORT
FOR THE YEAR ENDED 30 JUNE 2019

The Board of Directors have pleasure in presenting the Twenty-seventh Annual Report including audited Financial Statements of the Company for the year ended 30 June 2019.

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	$38,340
	P J Clarke	$19,172
	S H Sharif	$19,164

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

Total Remuneration Paid or Payable	No. of Employees
$140,000 - $150,000	1
$320,000 - $329,999	1

Audit fees of $29,245 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.

Dividend

The company declared a final dividend of $600,000 for the year ended 30 June 2018 on 14 December 2018.

For and on behalf of the Board

T D Murdoch	P J Clarke
Chairman	**Director**

Independent Auditor's Report

To the readers of Animal Control Products Limited group financial statements for the year ended 30 June 2019

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

Opinion

We have audited the financial statements of the Group on pages 9 to 26, that comprise the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of movements 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 Group:

- present fairly, in all material respects:
    - its financial position as at 30 June 2019; 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 New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

Our audit was completed on 5 September 2019. 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 Group 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 group for assessing the Group'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 Group 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 corporate 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 Group'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 Group'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 Group 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 obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and the performance of the group audit. We remain solely responsible for our audit opinion.

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 27 to 30, 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 Group.

Chris Webby
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand

ANIMAL CONTROL PRODUCTS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Note	Actual 2019	Budget 2019	Actual 2018
REVENUE FROM CONTRACTS WITH CUSTOMERS		8,647,393	7,000,000	8,014,254
COST OF SALES		(3,394,435)	(2,723,000)	(3,172,542)
DIRECT COSTS	5	(1,937,007)	(1,593,452)	(1,793,515)
GROSS PROFIT		3,315,951	2,683,548	3,048,197
Gross Profit%		38.3%	38.3%	38.0%
OTHER INCOME	5	60,125	36,000	47,234
OVERHEADS	5	(1,400,046)	(1,169,411)	(1,340,389)
NET PROFIT BEFORE INCOME TAX		1,976,030	1,550,137	1,755,042
INCOME TAX EXPENSE		(554,018)	(434,038)	(491,400)
PROFIT AFTER TAX ATTRIBUTABLE TO SHAREHOLDERS		1,422,012	1,116,099	1,263,642
OTHER COMPREHENSIVE INCOME		0	0	0
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS		$1,422,012	$1,116,099	$1,263,642

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

ANIMAL CONTROL PRODUCTS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Actual 2019	Budget 2019	Actual 2018
Share Capital				
Opening Share Capital		100	100	100
Closing Share Capital	13	100	100	100
Retained Earnings				
Opening Retained Earnings		5,420,248	5,475,316	5,556,606
Total Comprehensive Income		1,422,012	1,116,099	1,263,642
Dividends Paid		(600,000)	(1,190,000)	(1,400,000)
Closing Retained Earnings		6,242,260	5,401,415	5,420,248
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		$7,859,846	$7,019,001	$7,037,833

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

ANIMAL CONTROL PRODUCTS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Actual 2019	Budget 2019	Actual 2018
CURRENT ASSETS				
Cash & Cash Equivalents	6	4,284,039	1,688,537	2,886,404
Short Term Investments	7	600,000	0	600,000
Trade & Other Receivables		988,659	1,298,000	1,212,370
Other Debtors		0	0	14,900
Accrued Interest		4,619	0	1,550
Prepayments & Deposits Paid		2,991	2,500	15,885
Inventory	8	1,265,426	986,131	1,168,576
Total Current Assets		7,145,734	3,975,168	5,899,684
NON-CURRENT ASSETS				
Inventory	8	751,481	1,684,988	677,246
Property, Plant & Equipment	9	2,881,740	3,065,598	2,611,617
Intangible Assets		2,133	3,785	2,959
Total Non-Current		3,635,354	4,754,371	3,291,822
TOTAL ASSETS		10,781,088	8,729,539	9,191,506
CURRENT LIABILITIES				
GST Due for payment		230,855	110,681	150,185
Taxation	10	266,417	144,838	166,336
Trade Payables		726,252	903,882	609,176
Other Payables & Customer Deposits		1,150,556	0	658,159
Employee Entitlements		225,282	195,433	233,866
Total Current Liabilities		2,599,362	1,354,834	1,817,722
NON-CURRENT LIABILITIES				
Deferred Tax Liability	11	321,880	355,704	335,950
Total Non-Current Liabilities		321,880	355,704	335,950
TOTAL LIABILITIES		2,921,242	1,710,538	2,153,672
NET ASSETS		$7,859,846	$7,019,001	$7,037,834
Represented by;				
EQUITY				
Share Capital	13	100	100	100
Reserves	14	1,617,486	1,617,486	1,617,486
Retained Earnings		6,242,260	5,401,415	5,420,248
TOTAL EQUITY		$7,859,846	$7,019,001	$7,037,834

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

Director ____________________ Director P Clarke

Date 5 September 2019

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

ANIMAL CONTROL PRODUCTS LIMITED
CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Actual 2019	Budget 2019	Actual 2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from Customers		9,347,278	7,476,000	8,468,917
Interest Received		44,601	36,000	47,182
Net GST Received		127,064		
Total		9,518,943	7,512,000	8,516,099
Cash was applied to:				
Payments to Suppliers & Employees		6,584,111	6,075,058	5,762,611
Net GST Paid		0	126,473	111,102
Net Taxation Paid		468,007	343,517	831,917
Total		7,052,118	6,545,048	6,705,630
Net Cash Flow/ (Outflow) from Operating Activities		2,466,825	966,952	1,810,469
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from:				
Sale of Fixed Assets		38,260	0	0
Total		38,260	0	0
Cash was applied to:				
Purchase of Fixed Assets		507,450	580,750	299,723
Purchase of Intangibles				
Deposits Paid for Fixed Assets				
Purchase of Short Term Investments				
Total		507,450	580,750	299,723
Net Cash (Outflow) from Investing Activities		(469,190)	(580,750)	(299,723)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was applied to:				
Dividends Paid		600,000	1,190,000	1,400,000
Net Cash (Outflow) from Financing Activities		(600,000)	(1,190,000)	(1,400,000)
Net (Decrease) / Increase in Cash & Cash Equivalents Held		1,397,635	(803,798)	110,746
Add: Cash & Cash Equivalents at start of year		2,886,404	2,492,335	2,775,658
CASH & CASH EQUIVALENTS AT YEAR END		$4,284,039	$1,688,537	$2,886,404

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

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 and its subsidiary (collectively the Group). Animal Control Products Limited is a state-owned enterprise, wholly owned on behalf of the Government by the shareholding Ministers, the Minister for Biosecurity 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.

The Group 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 consolidated financial statements were authorised for issue by the Board on 5 September 2019.

(ii) Basis of Measurement

The consolidated 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.

(iv) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2019. Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls the investee if, and only if, the Group has:

Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)

Exposure, or rights, to variable returns from its involvement with the investee

The ability to use its power over the investee to affect its return

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

The contractual arrangements with the other vote holders of the investee

Rights arising from other contractual arrangements

The Group's voting rights and potential voting rights

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

Revenue from Contracts with Customers

Income from the sales of goods is recognised when control of the goods has transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods before transferring them to the customer.

The Group considers whether there are any other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. warranties, customer loyalty points). In determining the transaction price for the sale of product, the Group considers there are no effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer.

The Group's revenue from customers is derived from a single major product line, pest control solutions, to predominantly the New Zealand market. Predominantly, customer terms of trade require payment of invoicces by the 20th of the month following.

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.

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	10-15 Years
Lab Equipment	5 - 6 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.

(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) Impairment

The carrying amounts of the Group'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 it's carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the Statement of Comprehensive Income.

(k) 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 Group'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 the Group anticipates it will be used by staff to cover those future absences.

(l) 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.

(m) 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.

(n) Critical Accounting Estimates and Assumptions

In preparing these financial statements the Group 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 the Group reviews the residual values of it's 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 the Group, 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 10-15 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.

(o) 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 2019.

Changes in Accounting Policies

NZ IFRS 15 Revenue from Contracts with Customers

NZ IFRS 15 supersedes NZ IAS 11 Construction Contracts, NZ IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. NZ IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

NZ IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted NZ IFRS 15 using the full retrospective method of adoption. There was no effect of the transition on the current or previous periods.

NZ IFRS 9 Financial Instruments

NZ IFRS 9 Financial Instruments replaces NZ IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied NZ IFRS 9 retrospectively, with the initial application date of 1 July 2018. There were no adjustments required to the comparative information for the period beginning 1 July 2017.

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

There are no NZ IFRSs or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Group.

3. CONTINGENCIES

At balance date there are no known contingent assets or liabilities (2018: $Nil).

4. STATEMENT OF COMMITMENTS

As at 30 June 2019 there were no Lease Commitments (2018: $Nil).

At balance date, capital commitments of $431,000 (2018: $118,000) had been entered into for the purchase of plant & equipment. Deposits had been paid at balance date of NIL (2018: $13,135).

At balance date the company had placed a firm order for raw materials to the value of $960,000 (2018: $320,000).

5. NET SURPLUS BEFORE INCOME TAX

	2019	2018
	$	$
Direct Costs consist of:		
Direct Wages	612,299	591,943
Freight & Packaging	794,604	589,527
Repairs and Maintenance - Equipment	132,163	179,933
Depreciation	188,356	195,488
Other Direct Expenses	209,585	236,624
Total Direct Expenses	$1,937,007	$1,793,515

Other Income consists of:		
Interest Received	47,670	47,234
Depreciation Recovered	12,455	0
Total Other Income	$60,125	$47,234

	2019	2018
	$	$
Overheads consist of:		
Amortisation of Intangibles	826	826
Audit of Financial Statements	29,245	26,411
Depreciation	23,164	33,561
Directors' Fees	76,688	76,689
Donations	0	0
Insurance	117,888	106,109
Employee Benefits	592,096	567,631
Research and Development	231,202	194,598
Other Expenses	328,937	334,565
Total Operating Expenses	$1,400,046	$1,340,389

	2019	2018
6. CASH & CASH EQUIVALENTS	$	$
Bank of New Zealand Cheque Account	37,229	36,833
Bank of New Zealand Imprest	151	95
Bank of New Zealand Autocall	3,827,198	2,417,659
Petty Cash Imprest	500	500
Bank of New Zealand Foreign Currency Account	418,829	431,316
Equilibrium Chartered Accountants Trust Account	132	0
TOTAL CASH & CASH EQUIVALENTS	$4,284,039	$2,886,404

	2019	2018
7. SHORT TERM INVESTMENTS	$	$
Bank of New Zealand Term Deposit	600,000	600,000
Matures 29 July 2019		
TOTAL SHORT TERM INVESTMENTS	$600,000	$600,000

	2019	2018
8. INVENTORY	$	$
Finished Goods	416,247	242,095
Raw Materials	1,600,660	1,603,727
TOTAL INVENTORY	$2,016,907	$1,845,822

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

	2019	2018
Total stock on hand comprised the following split:	$	$
Current Assets	1,265,426	1,168,576
Non Current Assets	751,481	677,246
TOTAL INVENTORY	$2,016,907	$1,845,822

	2019	2018
9. PROPERTY, PLANT & EQUIPMENT	**$**	**$**
Land		
At Cost	50,218	50,218
Closing Carrying Value	$50,218	$50,218
Buildings		
At Cost	2,471,948	2,448,390
Accumulated Depreciation	(951,898)	(893,361)
Cost Price of Assets Disposed	0	0
Accumulated Depreciation on Assets Disposed	0	0
Carrying Value	$1,520,050	$1,555,029
Opening Carrying Value	1,555,029	1,541,839
Purchases	23,558	71,507
Depreciation	(58,537)	(58,317)
Closing Carrying Value	$1,520,050	$1,555,029
Motor Vehicles		
At Cost	138,961	104,108
Accumulated Depreciation	(64,137)	(55,617)
Cost Price of Assets Disposed	(67,319)	0
Accumulated Depreciation on Assets Sold	41,514	0
Carrying Value	$49,019	$48,491
Opening Carrying Value	48,491	69,313
Purchases	34,853	0
Sales	(38,260)	0
Depreciation	(8,520)	(20,822)
Gain/Loss on Disposal	12,455	
Closing Carrying Value	$49,019	$48,491
Lab Equipment		
At Cost	246,857	239,315
Accumulated Depreciation	(228,917)	(209,066)
Carrying Value	$17,940	$30,250
Opening Carrying Value	30,250	53,997
Purchases	7,541	8,756
Depreciation	(19,851)	(32,503)
Closing Carrying Value	$17,940	$30,250

	2019	2018
Office Equipment	**$**	**$**
At Cost	96,395	83,341
Accumulated Depreciation	(57,517)	(42,872)
Cost Price of Assets Disposed	0	0
Accumulated Depreciation on Assets Disposed	0	0
Carrying Value	$38,878	$40,469
Opening Carrying Value	40,469	45,131
Purchases	13,053	8,077
Sales	0	0
Depreciation	(14,644)	(12,739)
Loss on Disposal	0	0
Closing Carrying Value	$38,878	$40,469
Plant & Equipment		
At Cost	3,333,605	2,908,294
Accumulated Depreciation	(2,127,970)	(2,021,070)
Cost Price of Assets Disposed	(26,143)	(3,196)
Accumulated Depreciation on Assets Disposed	26,143	3,132
Carrying Value	$1,205,635	$887,160
Opening Carrying Value	887,160	780,445
Purchases	428,446	211,447
Depreciation	(109,971)	(104,668)
Loss on disposal	0	(64)
Closing Carrying Value	$1,205,635	$887,160
Total Property, Plant & Equipment	$2,881,740	$2,611,617

During the year the Group disposed of assets with a cost price of $93,462. The book value of these assets was $25,805.

10. TAXATION

	2019	2018
	$	$
Net Surplus / (Deficit)	1,976,030	1,755,042
Non Deductible Expenses	2,600	0
Taxable income/ (loss)	$1,978,630	$1,755,042
Prima Facie Taxation Expense	554,018	491,400
Comprising		
Current Tax	568,088	511,154
Deferred Taxation	(14,070)	(19,754)
Income Tax Expense	$554,018	$491,400
Tax Calculation	568,088	511,154
Less:		
Resident Withholding Tax	(12,327)	(13,211)
Provisional Tax Paid	(289,333)	(331,607)
Terminal Tax paid	(166,347)	487,098
Balance Brought Forward	166,336	(487,098)
Total tax to pay / (Refund)	$266,417	$166,336

11. DEFERRED TAX

Taxable and Deductible temporary differences arise from the following:

	Property, Plant & Equipment	Employee Entitlements	Revenue	Total
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)
Charged to Income	17,453	(3,383)		14,070
Balance at 30 June 2019	$(354,792)	$32,912	$0	$(321,880)

12. FINANCIAL INSTRUMENTS

There is no impairment to trade receivables (2018: Nil).

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

	2019	2018
	$	$
Financial assets measured at amortised cost		
Receivables	988,659	1,212,370
Financial liabilities measured at amortised cost		
Payables (excluding income in advance & taxes payable)	981,507	880,743

13. SHARE CAPITAL

	2019	2018
	$	$
100 Ordinary Shares (2018: 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

	2019	2018
	$	$
Capital Reserve		
Balance at Beginning of Year	1,617,486	1,617,486
Balance at End of Year	$1,617,486	$1,617,486

15. CAPITAL MANAGEMENT

The Group's capital is it's equity, which comprises accumulated funds and other reserves. Equity is represented by net assets.

The Group 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.

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

16. DIVIDENDS

A final dividend of $600,000 for the June 2018 year was declared on 14 December 2018.

17. RELATED PARTIES

During the period there have been material transactions between the Group and related parties as follows:

Compensation of Key Management Personnel:

During the year short term benefits including salary, bonuses and fees totalled $731,670 (2018: $754,569). There was no other compensation received during the year.

Other Related Parties:
During the year the Group 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$4,223,854 (2018: $1,558,783).

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

	2019	2018
	$	$
Related Party Receivables	330,881	352,551
Related Party Payables	0	0
Related Party Deposits Received	596,062	0

18. POST BALANCE DATE EVENTS

There are no post balance date events that may affect these financial statements (2018:Nil).

19. GROUP INFORMATION

The consolidated financial statements of the Group includes PestOff South Africa Pty Limited. PestOff was incorporated on 5 February 2019 in South Africa and is wholly owned by Animal Control Products Limited. It has not traded and has no assets or liabilities as at 30 June 2019.

20. 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 the gross profit is significantly higher than budget in dollar terms and in line with budget in terms of percentage of sales.

Direct costs, in dollar terms, are higher than budget due to higher freight costs and factory wages associated with the higher level of sales. In percentage terms the actual result is in line with budget.

Overhead costs continued to be very carefully monitored and controlled. With the exception of product and market development costs are broadly in line with budget. There was a conscious decision made to undertake more work in the further development both of product and markets resulting in costs being higher than budgeted.

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 some capital expenditure projects not being completed at the end of the financial year due to contractor delays.

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 were lower than budget due to the poor financial results from the first six months of the year and a policy change to paying one dividend a year following the completion of the audited financial statements.

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 2019

The Company's financial performance is, to some extent, gauged by reference to financial performance targets contained within the 2019-2021 Statement of Corporate

Financial Measures	Previous Year Result	SCI Target	Actual Result 2019
Shareholder Returns			
Total Shareholder Return	19.60%	16.50%	16.80%
Dividend Yield	19.40%	16.50%	7.96%
Return on Equity	17.80%	15.80%	19.09%
Profitability & Efficiency			
Net Operating Margin	24.20%	24.90%	24.75%
Return on Assets	18.10%	17.70%	19.31%
Return on Capital Employed	24.00%	21.50%	25.89%
Financial Leverage/Solvency			
Gearing Ratio	0.00%	0%	0%
Interest Cover	N/A	N/A	N/A
Solvency	3.25	2.90	2.75
Growth & Investment			
Revenue Growth	-24.20%	-2.00%	7.90%
Earnings Growth	-45.30%	11.00%	10.43%
Profit Growth	-48.60%	9.50%	12.53%
Capital Renewal	1.3	2.6	2.4

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 2019

In the financial year ended 30 June 2019 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: 5 September 2019

P Clarke.
Director
Date: 5 September 2019

ANIMAL CONTROL PRODUCTS LIMITED
COMPANY DIRECTORY
FOR THE YEAR ENDED 30 JUNE 2019

Registered Office	9th Floor 111 The Terrace Wellington	
Directors	T D 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	50 Ordinary shares
	Minister for Biosecurity	50 Ordinary shares
		100