



Creating  
better  
spaces



**Animal Control Products Limited  
Half Yearly  
Report**

The ship rat is a very adept climber, making it the most common threat to native birds and animals in New Zealand forests.



**ANIMAL CONTROL PRODUCTS LIMITED**

**REPORT TO SHAREHOLDERS**

**FOR THE SIX MONTHS FOR 1 January 2017 To December 2017**

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## Chairman's Review

The first six months of the financial year have seen production volumes and financial performance meeting budgeted levels. At the same time we have made good progress with product development, safety management systems and plant replacement options.

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. 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.

Our new company trading name 'Orillion' continues to be well received by our clients and stakeholders and after only one year since its introduction we feel that the desire for Orillion "to develop innovative products and services to create better spaces for people and nature to share" has been widely accepted. Our approach and focus will be 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. Our products and services will include our proven Pestoff product range, but increasingly we will focus on non-toxic and information technology based solutions.



## 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. Cycles of aerial control have been planned to enable the goal of eradication of TB from these feral "reservoirs" to be achieved within a 15 year timeframe.

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. This builds on recent work where we have made significant improvements to bait quality to the extent possible with existing manufacturing technology. Our objective is to develop highly palatable bait that meets a very tight range of quality specifications while improving size control, eliminating dust as far as is possible, and to provide the opportunity to apply non-target repellents. Our focus on continuous improvement of 1080 bait is aimed to ensure the continued safe usage of this critical pest control tool for New Zealand.

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.

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 significant potential to assist in meeting the interim Predator Free 2050 objective "of having a breakthrough science solution capable of eradicating at least one small mammal predator", together with 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 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 also 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**

The development and evolution of improved safety systems within the company have 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. Investigations are underway with a view to installing automation for certain production systems to achieve better efficiency, product consistency and higher safety standards. This may include labelling and packing procedures.

The Whanganui manufacturing site is a lower tier Major Hazard Facility as defined by the Health and Safety at Work (Major Hazard Facilities) Regulations 2016. The logistics of bait storage and manufacture have become more challenging in the face of this new legislation. We are working with others in the

industry to ensure that the just-in-time manufacture and dispatch of products will continue to meet operational pest control demands within the constraints of the legislation with regard to storage volume limits at the various approved locations and without increasing commercial risk.

The continued safe use of 1080 throughout the supply chain is a priority for the company, and we take every opportunity to play our part in this regard. Improvements and upgrades to the Whanganui site security systems have been made wherever these have been deemed necessary.

Expert engineering advisors have been engaged to review fire risk and hazard mitigation, and to design equipment and procedures for managing high hazard tasks on site. A new facility for storing flammable goods has been constructed on site.

### **Diversification and Renewal**

Our focus for diversification and renewal has been on three fronts, while we continue to meet the day-to-day demands of the business. Firstly alignment of our manufacturing capability with the needs of our end users, in particular OSPRI, Predator Free 2050 and our many domestic and export clients. The opportunity exists to reinvest in new plant and equipment to improve in-house safety, and to make better more effective products while satisfying increasing volume demands.

Our second focus has been to support the work with Maanaki Whenua Landcare Research to formulate the rat specific toxic baits and to investigate potentially significant market opportunities.

Finally and most recently we have become a New Zealand Trade and Enterprise F700 client, 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**

Sales for the six months were \$4.285m being \$185,000 ahead of budget. We do however expect sales to be more muted during the next two quarters. Administration, overheads and other costs were well controlled and broadly in line with budget, and as a result the net profit before tax was \$1.096m being slightly ahead of the budgeted \$0.971m.

The balance sheet remains strong given the profits achieved in the period. Both working capital and shareholders investments are ahead of budget, but are expected to move in line with budget, due to more muted trading and the timing of capital projects.

**Terry Murdoch**  
**Chairman**

**ANIMAL CONTROL PRODUCTS LIMITED**  
**STATEMENT OF FINANCIAL PERFORMANCE (UNAUDITED)**

**FOR THE THREE MONTHS FROM 1 OCTOBER 2017 TO 31 DECEMBER 2017**

**FOR THE SIX MONTHS 1 JULY 2017 TO 31 DECEMBER 2017**

Prior Year	Actual	Business Plan
984,101	1,335,832	850,000
<u>606,039</u>	<u>715,240</u>	<u>507,150</u>
378,062	620,592	342,850
48,874	50,292	50,292
<u>105,491</u>	<u>110,467</u>	<u>94,676</u>
223,697	459,833	197,882
-	-	-
-	-	-
0	-	-
238,410	209,878	244,096
<u>33,208</u>	<u>43,045</u>	<u>109,998</u>
271,618	252,923	354,094
-47,921	206,910	(156,212)
8,756	15,883	5,361
-	0	-
<u>-39,165</u>	<u>222,793</u>	<u>(150,851)</u>
-10,966	62,382	(42,238)
<u><u>-\$ 28,199</u></u>	<u><u>\$ 160,411</u></u>	<u><u>\$(108,613)</u></u>

	Prior Year	Actual	Business Plan
Sales	6,152,293	4,284,689	4,100,000
Cost of Sales	<u>3,103,919</u>	<u>2,262,154</u>	<u>2,115,900</u>
<b>GROSS MARGIN</b>	3,048,374	2,022,535	1,984,100
Less:			
Depreciation	94,861	96,939	96,939
Factory Overheads	<u>235,254</u>	<u>235,120</u>	<u>210,381</u>
<b>TRADING PROFIT</b>	2,718,259	1,690,476	1,676,780
Less:			
Amortisation	-	-	-
Depreciation	-	-	-
Interest	-	-	-
Administration	492,063	505,672	536,631
Research & Development	<u>86,074</u>	<u>111,165</u>	<u>179,996</u>
<b>TOTAL EXPENSES</b>	578,137	616,837	716,627
<b>NET OPERATING PROFIT</b>	2,140,122	1,073,639	960,153
Plus Other Income	15,734	22,272	11,268
Gain On Disposal	-	-	-
<b>NET PROFIT BEFORE INCOME TAX</b>	2,155,856	1,095,911	971,421
Less Taxation	603,640	306,855	271,998
<b>NET PROFIT</b>	<u><u>\$ 1,552,216</u></u>	<u><u>\$ 789,056</u></u>	<u><u>\$ 699,423</u></u>

**ANIMAL CONTROL PRODUCTS LIMITED**  
**STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
**AS AT 31 DECEMBER 2017**

December 2016		Actual 2017	Business Plan
	<b>CURRENT ASSETS</b>		
500	Petty Cash	500	500
3,314,947	Bank of New Zealand	2,772,681	1,964,911
50,154	Prepayments	84,273	35,076
143,345	Accounts Receivable	114,400	163,875
683,871	Stock on Hand	839,726	776,505
(357,042)	Tax Receivable/(Payable)	32,702	(96,998)
0	Assets Held for Sale	0	0
<u>3,835,775</u>		<u>3,844,282</u>	<u>2,843,869</u>
	<b>LESS CURRENT LIABILITIES</b>		
(715)	GST Payable	18,569	7,586
80,829	Accounts Payable	113,585	145,332
177,190	Accrued Expenses	137,669	187,556
<u>257,304</u>		<u>269,823</u>	<u>340,474</u>
<u>3,578,471</u>	<b>WORKING CAPITAL</b>	<u>3,574,459</u>	<u>2,503,395</u>
2,593,894	<b>FIXED ASSETS</b>	2,660,721	3,336,913
414	<b>INTANGIBLE ASSETS</b>	3,785	414
1,199,201	<b>NON CURRENT INVENTORY</b>	1,079,988	1,356,877
(353,323)	<b>DEFERRED TAX LIABILITY</b>	(355,704)	(353,323)
0	<b>LONG TERM LOAN</b>	0	0
<u>\$7,018,658</u>	<b>NET ASSETS</b>	<u>\$6,963,249</u>	<u>\$6,844,276</u>
	Comprising:		
	<b>SHAREHOLDERS INVESTMENT</b>		
100	Share Capital	100	100
1,617,486	Capital Reserves	1,617,486	1,617,486
4,448,855	Retained Earnings Brought Forward	5,556,607	5,127,267
1,552,216	Profit for Year (After Tax)	789,056	699,423
(600,000)	Dividends Paid	(1,000,000)	(600,000)
<u>\$7,018,657</u>	<b>TOTAL SHAREHOLDERS INVESTMENT</b>	<u>\$6,963,249</u>	<u>\$6,844,276</u>

**ANIMAL CONTROL PRODUCTS LIMITED**  
**STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE SIX MONTHS 1 JULY 2017 TO 31 DECEMBER 2017**

**FOR THE THREE MONTHS**  
**TO 31 DECEMBER 2017**

**FOR THE SIX MONTHS**  
**TO 31 DECEMBER 2017**

1,582,813	Cash was provided from:		
15,883	Receipts from Customers	5,455,385	
<u>1,598,696</u>	Interest Received	<u>22,272</u>	<u>5,477,657</u>
1,143,479	Cash was applied to:		
0	Payments to Suppliers	3,914,703	
(21,978)	Interest Paid	0	
<u>334,447</u>	Net GST	<u>123,556</u>	
1,455,948	Net Taxation Paid	<u>826,656</u>	<u>4,864,915</u>
<b>142,748</b>	<b>Net Cash Flow/(Outflow) from Operating Activities</b>		<b><u>612,742</u></b>
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<u>0</u>	Cash was received from:		
	Sale of Fixed Assets	<u>0</u>	
1,191	Cash was applied to:		
<u>0</u>	Purchase of Fixed Assets	216,717	
	Purchase of Intangible Assets	0	
<b>-1,191</b>	<b>Net Cash Flow/(Outflow) from Investing Activities</b>		<b><u>-216,717</u></b>
	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<u>0</u>	Cash was received from:		
	Term Loan	<u>0</u>	
<u>0</u>		<u>0</u>	
1,000,000	Cash was applied to:		
<u>(1,000,000)</u>	Dividend Paid	<u>1,000,000</u>	
	<b>Net Cash Flow/(Outflow) from Financing Activities</b>		<b><u>(1,000,000)</u></b>
(858,443)	Net Increase/(Decrease) in Cash Held		(603,975)
3,631,624	Add: Cash Held at Start of Period		3,377,156
<b><u>\$2,773,181</u></b>	<b>BALANCE AT END OF PERIOD</b>		<b><u>\$2,773,181</u></b>
	Represented by:		
500	Petty Cash		500
<u>2,772,681</u>	Bank of New Zealand		<u>2,772,681</u>
<b><u>\$2,773,181</u></b>			<b><u>\$2,773,181</u></b>



**RECONCILIATION OF NET SURPLUS (DEFICIT) AFTER INCOME TAX WITH NET CASH FLOWS (UNAUDITED)**

160,411	Net Surplus/(Deficit) After Income Tax	789,056
	Add Non-Cash Items	
50,292	Depreciation	96,939
0	Loss/(Gain) on Sale of Assets	0
0	Deferred Taxation	0
<u>210,703</u>		<u>885,995</u>
	Add/(Less) Movements in Working Capital Items	
284,028	Decrease/(Increase) in Accounts Receivable	1,346,300
305,978	Decrease/(Increase) in Stock on hand	229,351
(345,283)	(Decrease)/Increase in Accounts Payable	(784,261)
(272,065)	(Decrease)/Increase in Tax Payable	(519,801)
33,387	(Decrease)/Increase in Prepayments	91,431
29,968	(Decrease)/Increase in GST payable	(196,865)
<u>(103,969)</u>	(Decrease)/Increase in Accrued Expenses	<u>(439,409)</u>
142,747	Net cash Flow/(Outflow) from Operating Activities	612,741