



ANIMAL CONTROL PRODUCTS LIMITED

A State Owned Enterprise



Pictured: Waitonga Falls Track, Tongariro National Park ©J Quigley

Twenty Eighth Annual Report

30 June 2020

ANIMAL CONTROL PRODUCTS LIMITED

FINANCIAL REPORTS

FOR THE YEAR ENDED 30 JUNE 2020

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CHAIRMAN'S REVIEW



Orillion achieved a strong financial performance and made good progress in meeting a range of operational and strategic objectives during the year ending June 30th 2020. The latter part of the year was overshadowed by the Covid-19 pandemic, however the impact of this has been mitigated with good performance and growth in a range of markets more than offsetting the negative impact of the pandemic

Orillion's 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. Orillion exports products to overseas markets and continues to play a leading role in island predator eradication projects. Our operating environment presents a number of challenges and support for predator control in New Zealand is ever increasing. The government's Predator Free 2050 objective is providing leadership and confidence for many predator control initiatives. The National Bovine TB Pest Management Plan continues, though the success of the programme can now envisage future reductions in possum control for TB purposes. This positive operating environment is offset somewhat by higher compliance costs and complexity, together with competitor activity.

Covid-19 brought a new range of challenges to the business. As early as January, stocks of critical raw materials with a Chinese component were boosted, and as the global situation worsened throughout February a number of business resilience measures were implemented to support critical financial and other functions in case of a 'lock-down', which ultimately occurred in March. A range of policies were introduced to provide for effective business continuity, and importantly staff leave and payment policies were set to provide certainty and support for staff.

On introduction of Covid-19 alert level 4 all operations were closed, however as a registered essential service we re-opened partially within two weeks. On announcement of alert level 3, full production resumed. Given our financial position we did not utilise the government wage subsidy scheme despite revenue being well below the qualifying threshold in April. Overall, we were well satisfied with our preparations and response to Covid-19, and consequently the pandemic had a minimal impact on our overall performance.

Collaboration

Orillion collaborates with researchers, sales and distribution partners and end-users across domestic and international markets. In New Zealand we face a large number of unique predator scenarios, where introduced vertebrate pests endanger our biodiversity and spread disease. The Department of Conservation is active across the country and Orillion continued to supply bait products to meet their evolving predator challenges throughout the year. 2019 saw a high level of forest seeding by many native tree species which in turn led to increased numbers of rats and stoats. Aerial 1080 operations remain the most effective tool for broad scale control in forest areas, and Orillion continues to refine and improve our 1080 bait products. ProDeer, a deer repellent 1080 bait, was registered and launched during the past year.

We have a significant collaboration with Manaaki Whenua Landcare Research focusing on rat control with jointly funded research with the Department of Conservation. Our work with Zero Invasive Predators (ZIP) continued during the year to support their innovative approach to predator eradication and minimising the impacts of control on non-target species. Bait development for other vertebrate pests continues, although this is a challenging and longer-term process.

Safety and Security

Orillion invests heavily in improvements to safety and security in all aspects of our business. At our Whanganui manufacturing site, new manufacturing plant and automated equipment was installed and commissioned early in the 2020 calendar year. This not only provides a safer operating environment for our staff, but it has greatly improved efficiency and agility to meet growing sales both domestically and for export. Improvements will continue to be made at every opportunity.

The Covid-19 pandemic brought rapid and sharp focus to staff safety from infectious diseases. Guidance was developed for staff relating specifically to the Covid-19 pandemic. Infectious disease management processes were implemented for staff and contractors, with the details of site operation being jointly developed with those workers on-site throughout each of the Covid-19 government alert levels. Strategies were also developed for managing health risks to those likely to be more vulnerable to Covid-19 infection.

Diversification and Renewal

Diversification remains a top priority for the company given our relatively narrow product range and customer base. Our collaborative work with Manaaki Whenua Landcare Research into rat-specific toxin commercialisation continued throughout the year. Export market development saw a number of new distribution agreements and product registrations occur which we will look to build upon in future years. New product opportunities within our core business have also been explored and development work commenced. Some of these are based on new manufacturing technology which showed promise when trialled to make products for New Zealand and export markets.

Financial Performance

Total revenue of \$10.1m was achieved during the year, which was ahead of the \$7.0m budget, and also revenue of \$8.7m in the previous financial year. The net profit before tax of \$2.7m for the year was ahead of the budgeted \$1.3m, and last year's \$1.9m. A dividend of \$1.25m was paid during this financial year.

The financial position at June 30th remained sound although as is normally the case, uncertainty remains around forward orders. Covid-19 had minimal impact on our performance during the past year, and there are no indications that there will be an ongoing effect on business operations due to Covid-19. A careful watch is regularly occurring on the ongoing impact of Covid-19 in our key markets.



Terry Murdoch
Chairman

Independent Auditor's Report

To the readers of Animal Control Products Limited group financial statements for the year ended 30 June 2020

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 10 to 27, that comprise the statement of financial position as at 30 June 2020, 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 2020; 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 15 September 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of Covid-19 on the Company. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Emphasis of matter – Impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Company as set out in note 20 to the financial statements.

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 28 to 31, 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.

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

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

ANIMAL CONTROL PRODUCTS LIMITED

DIRECTORS REPORT

FOR THE YEAR ENDED 30 JUNE 2020

The Board of Directors have pleasure in presenting the Twenty-eighth Annual Report including audited Financial Statements of the Company for the year ended 30 June 2020.

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, S Yerex and M Christensen held office as Directors at the end of the year.

S H Sharif ceased as a director on 31 October 2019.

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 transactions between the company and interests declared during the year.

Remuneration paid to Directors and meeting attendances were as follows:

	Fees Paid
T D Murdoch	\$52,723
P J Clarke	\$26,362
S H Sharif	\$6,408
S Yerex	\$19,205
M Christensen	\$16,776

Director Attendance at Meetings Held:

	Number of meetings attended				Total Possible Meetings
	Board	Sub Committee	Special	Total	
T D Murdoch	6	3	4	13	13
P J Clarke	6	3	4	13	13
S H Sharif	1	1		2	2
S Yerex	4	2	4	10	11
M Christensen	5	2	4	11	11

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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 - \$110,999	1
\$160,000 - \$169,999	1
\$340,000 - \$349,999	1

Total remuneration paid to the Chief Executive for the year was \$348,340.56.

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 \$1,250,000 for the year ended 30 June 2019 on 5 September 2019.

For and on behalf of the Board



T D Murdoch
Chairman



P J Clarke
Director

ANIMAL CONTROL PRODUCTS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Actual 2020	Budget 2020	Actual 2019
REVENUE FROM CONTRACTS WITH CUSTOMERS		10,079,627	7,000,000	8,647,393
COST OF SALES		(3,791,975)	(2,800,000)	(3,394,435)
DIRECT COSTS	5	(2,221,187)	(1,675,216)	(1,937,007)
GROSS PROFIT		4,066,465	2,524,784	3,315,951
Gross Profit%		40.3%	36.1%	38.3%
OTHER INCOME	5	86,212	36,000	60,125
OVERHEADS	5	(1,459,873)	(1,252,821)	(1,400,046)
NET PROFIT BEFORE INCOME TAX		2,692,804	1,307,963	1,976,030
INCOME TAX EXPENSE	10	(604,578)	(366,230)	(554,018)
PROFIT AFTER TAX ATTRIBUTABLE TO SHAREHOLDERS		2,088,226	941,733	1,422,012
OTHER COMPREHENSIVE INCOME		0	0	0
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS		\$2,088,226	\$941,733	\$1,422,012

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

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ANIMAL CONTROL PRODUCTS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Actual 2020	Budget 2020	Actual 2019
Share Capital				
Opening Share Capital		100	100	100
Closing Share Capital	13	100	100	100
Retained Earnings				
Opening Retained Earnings		6,242,260	6,524,497	5,420,248
Total Comprehensive Income		2,088,226	941,733	1,422,012
Dividends Paid	16	(1,250,000)	(400,000)	(600,000)
Closing Retained Earnings		7,080,486	7,066,230	6,242,260
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		\$8,698,072	\$8,683,816	\$7,859,846

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 2020


	Note	Actual 2020	Budget 2020	Actual 2019
CURRENT ASSETS				
Cash & Cash Equivalents	6	4,854,354	3,759,445	4,284,039
Short Term Investments	7	600,000	0	600,000
Trade & Other Receivables		921,037	823,500	988,659
Accrued Interest		5,637	0	4,619
Prepayments & Deposits Paid		19,122	0	2,991
Inventory	8	1,403,768	1,443,375	1,265,426
Total Current Assets		7,803,918	6,026,320	7,145,734
NON-CURRENT ASSETS				
Non Current Inventory	8	733,968	1,152,409	751,481
Property, Plant & Equipment	9	3,403,550	3,363,886	2,881,740
Intangible Assets		1,305	2,959	2,133
Total Non-Current		4,138,823	4,519,254	3,635,354
TOTAL ASSETS		11,942,741	10,545,574	10,781,088
CURRENT LIABILITIES				
GST Due for payment		156,299	70,359	230,855
Taxation	10	356,141	121,195	266,417
Trade Payables		653,475	558,382	726,252
Other Payables & Customer Deposits		1,684,812	610,221	1,150,556
Employee Entitlements		228,842	165,651	225,282
Total Current Liabilities		3,079,569	1,525,808	2,599,362
NON-CURRENT LIABILITIES				
Deferred Tax Liability	11	165,100	335,950	321,880
Total Non-Current Liabilities		165,100	335,950	321,880
TOTAL LIABILITIES		3,244,669	1,861,758	2,921,242
NET ASSETS		\$8,698,072	\$8,683,816	\$7,859,846
Represented by;				
EQUITY				
Share Capital	13	100	100	100
Reserves	14	1,617,486	1,617,486	1,617,486
Retained Earnings		7,080,486	7,066,230	6,242,260
TOTAL EQUITY		\$8,698,072	\$8,683,816	\$7,859,846

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

Director


 15 September 2020

Director


 15 September 2020

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 2020

	Note	Actual 2020	Budget 2020	Actual 2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from Customers		10,516,839	8,881,750	9,347,278
Interest Received		54,401	36,000	44,601
Other Income		22,644		
Net GST Received				127,064
Total		10,593,884	8,917,750	9,518,943
Cash was applied to:				
Payments to Suppliers & Employees		7,331,637	7,000,080	6,584,111
Net GST Paid		75,228	243,038	0
Net Taxation Paid		671,634	726,550	468,007
Total		8,078,499	7,969,668	7,052,118
Net Cash Flow/ (Outflow) from Operating Activities		2,515,385	948,082	2,466,825
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from:				
Sale of Fixed Assets		23,717	0	38,260
Total		23,717	0	38,260
Cash was applied to:				
Purchase of Fixed Assets		718,787	733,125	507,450
Total		718,787	733,125	507,450
Net Cash (Outflow) from Investing Activities		(695,070)	(733,125)	(469,190)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was applied to:				
Dividends Paid		1,250,000	400,000	600,000
Net Cash (Outflow) from Financing Activities		(1,250,000)	(400,000)	(600,000)
Net (Decrease) / Increase in Cash & Cash Equivalents Held				
		570,315	(185,043)	1,397,635
Add: Cash & Cash Equivalents at start of year		4,284,039	3,943,991	2,886,404
CASH & CASH EQUIVALENTS AT YEAR END		\$4,854,354	\$3,758,947	\$4,284,039

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 THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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 15 September 2020.

(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 2020. 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

ANIMAL CONTROL PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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. Any 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, non cash 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 invoices by the 20th of the month following.

Interest Revenue

Interest revenue is recognised using the effective interest method.

ANIMAL CONTROL PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(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 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.

ANIMAL CONTROL PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

ANIMAL CONTROL PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

(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:

ANIMAL CONTROL PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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 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 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 the Groups accounting policies for the period ended 30 June 2020.

Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on a basis consistent with those used in previous years.

3. CONTINGENCIES

At balance date there are no known contingent assets or liabilities (2019: \$Nil).

4. STATEMENT OF COMMITMENTS

As at 30 June 2020 there were no Lease Commitments (2019: \$Nil).

At balance date, capital commitments were \$Nil (2019: \$431,000).

At balance date the company had placed a firm order for raw materials to the value of \$347,000 (2019: \$960,000).

ANIMAL CONTROL PRODUCTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

5. NET SURPLUS BEFORE INCOME TAX

	2020	2019
	\$	\$
Direct Costs consist of:		
Direct Wages	629,065	612,299
Freight & Packaging	918,530	794,604
Repairs and Maintenance of Equipment	206,026	132,163
Depreciation	198,886	188,356
Other Direct Expenses	268,680	209,585
Total Direct Expenses	\$2,221,187	\$1,937,007

Other Income consists of:		
Interest Received	55,419	47,670
Foreign Exchange Gain	22,643	0
Depreciation Recovered	8,150	12,455
Total Other Income	\$86,212	\$60,125

	2020	2019
	\$	\$
Overheads consist of:		
Amortisation of Intangibles	826	826
Audit of Financial Statements	30,000	29,245
Depreciation	26,956	23,164
Directors' Fees	133,406	76,688
Donations	0	0
Insurance	123,158	117,888
Loss on disposal of assets	40,412	0
Employee Benefits	542,740	592,096
Research & Development	195,932	231,202
Other Expenses	366,444	328,937
Total Operating Expenses	\$1,459,874	\$1,400,046

	2020	2019
	\$	\$
6. CASH & CASH EQUIVALENTS		
Bank of New Zealand Cheque Account	601,379	37,229
Bank of New Zealand Imprest	185	151
Bank of New Zealand Autocall	2,787,220	3,827,198
Bank of New Zealand Customer Deposits	1,459,777	0
Petty Cash Imprest	500	500
Bank of New Zealand Foreign Currency Account	0	418,829
Equilibrium Chartered Accountants Limited Trust Account	5,293	132
TOTAL CASH & CASH EQUIVALENTS	\$4,854,354	\$4,284,039

ANIMAL CONTROL PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
7. SHORT TERM INVESTMENTS		
Bank of New Zealand Term Deposit	600,000	600,000
Matures 21st September 2020		
TOTAL SHORT TERM INVESTMENTS	\$600,000	\$600,000

	2020	2019
	\$	\$
8. INVENTORY		
Finished Goods	939,258	416,247
Raw Materials	1,198,478	1,600,660
TOTAL INVENTORY	\$2,137,736	\$2,016,907

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

	2020	2019
	\$	\$
Total stock on hand comprised the following split:		
Current Assets	1,403,768	1,265,426
Non Current Assets	733,968	751,481
TOTAL INVENTORY	\$2,137,736	\$2,016,907

	2020	2019
	\$	\$
9. PROPERTY, PLANT & EQUIPMENT		
Land		
At Cost	50,218	50,218
Closing Carrying Value	\$50,218	\$50,218

Buildings		
At Cost	2,679,230	2,471,948
Accumulated Depreciation	(1,008,848)	(951,898)
Cost Price of Assets Disposed	(3,432)	0
Accumulated Depreciation on Assets Disposed	2,308	0
Carrying Value	\$1,669,258	\$1,520,050

Opening Carrying Value	1,520,050	1,555,029
Purchases	207,323	23,558
Depreciation	(56,991)	(58,537)
Gain/Loss on Disposal	(1,124)	0
Closing Carrying Value	\$1,669,258	\$1,520,050

ANIMAL CONTROL PRODUCTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
Motor Vehicles		
At Cost	102,425	138,961
Accumulated Depreciation	(34,724)	(64,137)
Cost Price of Assets Disposed	(36,789)	(67,319)
Accumulated Depreciation on Assets Disposed	21,460	41,514
Carrying Value	\$52,372	\$49,019
Opening Carrying Value	49,019	48,491
Purchases	30,782	34,853
Sales	(23,478)	(38,260)
Depreciation	(12,101)	(8,520)
Gain/Loss on Disposal	8,150	12,455
Closing Carrying Value	\$52,372	\$49,019
Lab Equipment		
At Cost	246,857	246,857
Accumulated Depreciation	(236,782)	(228,917)
Cost Price of Assets Disposed	(5,200)	0
Accumulated Depreciation on Assets Disposed	5,200	0
Carrying Value	\$10,075	\$17,940
Opening Carrying Value	17,940	30,250
Purchases	0	7,541
Depreciation	(7,865)	(19,851)
Closing Carrying Value	\$10,075	\$17,940
Office Equipment		
At Cost	108,452	96,395
Accumulated Depreciation	(72,370)	(57,517)
Cost Price of Assets Disposed	(15,726)	0
Accumulated Depreciation on Assets Disposed	15,316	0
Carrying Value	\$35,672	\$38,878
Opening Carrying Value	38,878	40,469
Purchases	12,059	13,053
Sales	(239)	0
Depreciation	(14,855)	(14,644)
Loss on Disposal	(171)	0
Closing Carrying Value	\$35,672	\$38,878

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ANIMAL CONTROL PRODUCTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
Plant & Equipment		
At Cost	3,860,929	3,333,605
Accumulated Depreciation	(2,235,858)	(2,127,970)
Cost Price of Assets Disposed	(225,216)	(26,143)
Accumulated Depreciation on Assets Disposed	186,100	26,143
Carrying Value	\$1,585,955	\$1,205,635
Opening Carrying Value	1,205,635	887,160
Purchases	553,466	428,446
Depreciation	(134,030)	(109,971)
Loss on disposal	(39,116)	0
Closing Carrying Value	\$1,585,955	\$1,205,635
Total Property, Plant & Equipment	\$3,403,550	\$2,881,740

During the year the Group disposed of assets with a cost price of \$286,363. The book value of these assets was \$55,979.

10. TAXATION

	2020	2019
	\$	\$
Net Surplus / (Deficit)	2,692,804	1,976,030
Non Deductible Expenses	6,403	2,600
Taxable income/ (loss)	\$2,699,207	\$1,978,630
Tax @ 28%	755,778	544,018
Less Deferred tax adjustment	(151,200)	
Prima Facie Taxation Expense	\$604,578	\$554,018
Comprising		
Current Tax	761,358	568,088
Deferred Taxation	(156,780)	(14,070)
Income Tax Expense	\$604,578	\$554,018
Tax Calculation	761,358	568,088
Less:		
Resident Withholding Tax	(15,217)	(12,327)
Provisional Tax Paid	(390,000)	(289,333)
Terminal Tax paid	(266,417)	(166,347)
Balance Brought Forward	266,417	166,336
Total tax to pay / (Refund)	\$356,141	\$266,417

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ANIMAL CONTROL PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

11. DEFERRED TAX

Taxable and Deductible temporary differences arise from the following:

	Property, Plant & Equipment	Employee Entitlements	Revenue	Total
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)
Adjustment to deferred tax	151,200			151,200
Current Year Charge to Income	5,477	103		5,580
Total Charged to Income	156,677	103		156,780
Balance at 30 June 2020	\$(198,115)	\$33,015	\$0	\$(165,100)

The adjustment to deferred tax in the current year of \$151,200 relates to the change in legislation allowing depreciation to be claimed on commercial buildings from the 2021 income tax year.

12. FINANCIAL INSTRUMENTS

There is no impairment to trade receivables (2019: Nil).

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

	2020 \$	2019 \$
<u>Financial assets measured at amortised cost</u>		
Cash & cash equivalents	4,854,354	4,284,039
Short term investments	600,000	600,000
Receivables	921,037	988,659
<u>Financial liabilities measured at amortised cost</u>		
Payables (excluding income in advance & taxes payable)	1,038,166	981,507

13. SHARE CAPITAL

	2020 \$	2019 \$
100 Ordinary Shares (2019: 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.

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ANIMAL CONTROL PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

14. RESERVES

	2020	2019
	\$	\$
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

The Group's capital is its 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 its objectives and purpose, whilst remaining as a going concern.

16. DIVIDENDS

A final dividend of \$1,250,000 for the June 2019 year was declared on 5 September 2019.

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 \$748,573 (2019: \$731,670). There was no other compensation received during the year.

Other Related Parties:

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

Transactions carried out with related parties during the year were sale of goods totalling \$5,454,131.54 (2019: \$4,223,854).

ANIMAL CONTROL PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

	2020	2019
	\$	\$
Related Party Receivables	21,514	330,881
Related Party Payables	35,143	0
Related Party Deposits Received	1,441,867	596,062

18. POST BALANCE DATE EVENTS

There are no post balance date events that may affect these financial statements (2019: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 2020.

20. IMPACT OF COVID-19

There were minimal effects on the financial results and financial position resulting from Covid-19 and the related actions of the New Zealand Government.

Under Level 4 of the NZ Government response to the Covid-19 pandemic all operations ceased for two weeks. The company was granted essential service status to produce rodenticides for the New Zealand market which enabled operations to partially reopen for this purpose. Significant demand, over and above seasonal patterns, was experienced during this period.

Sales of rodenticide products were approximately 20% higher than the same period last year.

The factory re-opened with the NZ Government move to response Level 3. Production since re-opening has been at or near record levels due to the Department of Conservation and OSPRI recommencing their operations.

The company suffered a small loss in April 2020 during the Level 4 lockdown period. March 2020 recorded financial results on a par with budget expectations and the months of May and June have exceeded budget expectations.

There are no indications that there will be an ongoing effect on the business operations due to Covid-19. Given the financial results over the lockdown period there is little indication that there is significant additional risk over and above the normal business risk to the company.

There are no indicators of impairment of the company's assets which would require adjustment. Further, there are also no adjustments required to the carrying value of liabilities. Consideration has been given to the going concern assumptions and there is no evidence to suggest that the going concern assumption is not valid.

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ANIMAL CONTROL PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

21. 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 lower than 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 opening position and the higher level of profitability achieved.

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 higher than budget due to the higher level of profitability achieved in the 2019 financial year compared to budget.

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 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 2020

The Group's financial performance is, to some extent, gauged by reference to financial performance targets contained within the 2020-2022 Statement of Corporate Intent (SCI):

Financial Measures	Previous Year Result	SCI Target	Actual Result 2020
<i>Shareholder Returns</i>			
Total Shareholder Return	16.80%	5.10%	23.57%
Dividend Yield	7.96%	5.10%	15.35%
Return on Equity	19.09%	12.40%	25.22%
<i>Profitability & Efficiency</i>			
Net Operating Margin	24.75%	22.90%	28.41%
Return on Assets	19.31%	12.40%	23.21%
Return on Capital Employed	25.89%	17.70%	31.86%
<i>Financial Leverage/Solvency</i>			
Gearing Ratio	0.00%	0%	0%
Interest Cover	N/A	N/A	N/A
Solvency	2.75	3.9	2.53
<i>Growth & Investment</i>			
Revenue Growth	7.90%	(17.90)%	16.56%
Earnings Growth	10.43%	(28.60)%	33.80%
Profit Growth	12.53%	(33.70)%	46.85%
Capital Renewal	2.4	2.8	3.6

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 was one lost time work related injury during the year.

Quality

SCI Target.

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

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 was 3 during the year.

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 2020

In the financial year ended 30 June 2020 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: 15/9/2020



Director

Date: 15/9/2020

ANIMAL CONTROL PRODUCTS LIMITED

COMPANY DIRECTORY

FOR THE YEAR ENDED 30 JUNE 2020

Registered Office	9th Floor 111 The Terrace Wellington
Directors	T D Murdoch (Appointed 1 May 2014) P J Clarke (Appointed 1 November 2015) S Yerex (Appointed 1 October 2019) M R G Christensen (Appointed 1 November 2019) S H Sharif (Ceased 31 October 2019)
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
	<u>100</u>