



ANIMAL CONTROL PRODUCTS LIMITED REPORT TO SHAREHOLDERS FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

Contents

Half Year Chairman's Report	2
Statement of Financial Performance (Unaudited)	3
Statement of Financial Position (Unaudited).....	4
Statement of Cash Flows (Unaudited)	5

Half Year Chairman's Report

Orillion has had a positive start to the year. Financial performance is well ahead of budget, and we are making good progress towards our broader strategic priorities.

Safety and security

We are now in our third year of working within the Health and Safety at Work Act Major Hazard Facility framework. Improvements and investment in our factory environment continue to be made, and installation of new processing equipment commenced toward the end of the period. The new processing equipment will enhance operator safety as well as improving efficiency and product quality.

Collaboration

The strong working partnership with Manaaki Whenua Landcare Research continued, with the major focus on development of a rat selective toxin baits. This technology will support the government's ambition for a predator free New Zealand through control of *Rattus rattus* the 'ship' or 'black' rat which is a major conservation pest. International opportunities are also being evaluated.

We were pleased to see positive results from ZIP's (Zero Invasive Predator) initiatives. Orillion produced bait products for the innovative and ground-breaking work that ZIP is undertaking. We are also collaborating with a New Zealand company to develop a technical lure that is effective in harsh environments while retaining attractiveness and extended shelf life.

The Department of Conservation, Osprey, and a number of Regional Councils have active research projects that Orillion is providing expertise, materials and input. Generally, these entail enhancements to existing products or examination of new and novel product formats. The 'Vertebrate Pest Collective' which is a group formed in the last 18 months to ensure biodiversity practitioners, researchers and experts are sharing information includes Orillion as a participant.

Diversification and Renewal

The new processing equipment mentioned above will open new market opportunities for both domestic and export sales, with improved product presentation. We continue to focus on export growth, developing tailor made solutions for pest problems.

A new deer repellent 1080 bait is in the final stages of registration with a launch anticipated in early 2020. Orillion will work with the Department of Conservation and OSPRI to utilise this new product.

Our island eradication focus continues with the proven performance our Pestoff 20R bait. The most recent utilisation of this specialised product was for Lord Howe Island (an Australian territory) in the Tasman Sea. The island is 1455ha and involved baiting from June to September 2019 using some 28,000 bait stations along with aerial application. The island has 350 residents and involved a detailed plan to clear building structures of rodents. It will be two years before the eradication project can be determined as a success and early results are very encouraging. A team visiting Campbell Island in November 2019 (11,300ha and 700km south of New Zealand) found that the island remains free of rodents and the Campbell Island Snipe are doing exceedingly well. Pestoff 20R was used there in 2001 to eradicate Norway rats.

Financial Performance

Sales for the half year of \$5.65m exceeded the budget of \$3.28m due to the higher than anticipated activity undertaken by the Department of Conservation during the first half of the year. Direct costs are \$74k higher than budget due to higher health, safety and security costs incurred. The actual gross profit at 46.5% is above the budgeted 45.3% for the year to date.

Overhead costs continued to be very carefully monitored and controlled resulting in the actual result being very close to budget for the year. Overhead's include the Chief Executive's remuneration for the six month period of \$140,000.

The net profit before tax of \$1.639m exceeded budget by \$1.057m.

Cash equivalents and short term investments are higher than budget due to the higher profitability and the timing of the delivery of long term stocks, capital expenditure projects offset by the higher dividend paid. Stock levels have reduced due to the higher production volumes, orders have been placed for raw material purchases for future delivery.

T. Murdoch - Chairman

ANIMAL CONTROL PRODUCTS LIMITED

Statement of Financial Performance (Unaudited)

FOR THE THREE MONTHS FROM
1 OCTOBER 2019 TO 31 DECEMBER 2019

FOR THE SIX MONTHS ENDED
31 DECEMBER 2019

Prior Year	Actual	Business Plan		Prior Year	Actual	Business Plan
530,566	2,071,326	905,000	Sales	1,730,330	5,653,779	3,285,000
392,378	1,125,572	557,673	Cost of Sales	1,092,910	3,020,543	1,796,796
138,188	945,754	347,327	GROSS MARGIN	637,420	2,633,236	1,488,204
			Less:			
55,420	65,780	65,780	Depreciation	103,904	124,998	124,998
76,852	129,038	95,244	Factory Overheads	192,495	279,673	205,131
5,916	750,936	186,303	TRADING PROFIT	341,021	2,228,565	1,158,075
			Less:			
-	-	-	Amortisation	-	-	-
-	-	-	Depreciation	-	-	-
-	-	-	Interest	-	-	-
247,261	260,634	250,446	Administration	517,819	527,583	517,182
36,365	36,067	38,506	Research & Development	63,533	94,919	77,012
283,626	296,701	288,952	TOTAL EXPENSES	581,352	622,502	594,194
(277,710)	454,235	(102,649)	NET OPERATING PROFIT	(240,331)	1,606,063	563,881
13,819	16,155	9,000	Plus Other Income	27,641	33,265	18,000
-	-	-	Gain On Disposal	-	-	-
(263,891)	470,390	(93,649)	NET PROFIT BEFORE INCOME TAX	(212,690)	1,639,328	581,881
(73,889)	131,741	(26,222)	Less Taxation	(58,839)	459,012	162,927
\$(190,002)	\$338,649	\$(67,427)	NET PROFIT	\$(153,851)	\$1,180,316	\$ 418,954

ANIMAL CONTROL PRODUCTS LIMITED
Statement of Financial Position (Unaudited)
AS AT 31 DECEMBER 2019

December 2018		Actual 2019	Business Plan
	CURRENT ASSETS		
500	Petty Cash	500	500
2,390,775	Bank of New Zealand	4,154,618	3,161,963
210,957	Prepayments & Deposits	85,081	60,000
67,459	Accounts Receivable	150,346	112,000
1,086,219	Stock on Hand	842,689	1,593,760
	Tax Receivable		
0	GST Receivable		
<hr/> 3,755,910		<hr/> 5,233,234	<hr/> 4,928,223
	LESS CURRENT LIABILITIES		
(21,471)	GST Payable	47,770	(2,488)
(240,219)	Tax Payable	150,078	40,391
117,406	Accounts Payable	175,153	68,978
727,533	Accrued Expenses	701,503	757,232
<hr/> 583,249		<hr/> 1,074,504	<hr/> 864,113
<hr/> 3,172,661	WORKING CAPITAL	<hr/> 4,158,730	<hr/> 4,064,110
2,745,609	FIXED ASSETS	3,199,653	3,428,759
2,959	INTANGIBLE ASSETS	2,134	2,959
698,659	NON CURRENT INVENTORY	751,480	1,001,159
(335,950)	DEFERRED TAX LIABILITY	(321,880)	(335,950)
-	LONG TERM LOAN	-	-
<hr/> <u>\$6,283,938</u>	NET ASSETS	<hr/> <u>\$7,790,117</u>	<hr/> <u>\$8,161,037</u>
	Comprising:		
	SHAREHOLDERS INVESTMENT		
100	Share Capital	100	100
1,617,486	Capital Reserves	1,617,486	1,617,486
5,420,203	Retained Earnings Brought Forward	6,242,215	6,524,497
(153,851)	Profit for Year (After Tax)	1,180,316	418,954
(600,000)	Dividends Paid	(1,250,000)	(400,000)
<hr/> <u>\$6,283,938</u>	TOTAL SHAREHOLDERS INVESTMENT	<hr/> <u>\$7,790,117</u>	<hr/> <u>\$8,161,037</u>

ANIMAL CONTROL PRODUCTS LIMITED

Statement of Cash Flows (Unaudited)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

FOR THE THREE
MONTHS ENDED 31
DECEMBER 2019

FOR THE YEAR TO DATE

CASH FLOWS FROM OPERATING ACTIVITIES

	Cash was provided from:	
2,793,374	Receipts from Customers	5,712,428
<u>16,155</u>	Interest Received	<u>33,265</u>
2,809,529		5,745,693
	Cash was applied to:	
1,681,407	Payments to Suppliers	4,061,333
-	Interest Paid	-
5,239	Net GST	145,020
<u>301,107</u>	Net Taxation Paid	<u>575,351</u>
1,987,753		4,781,703
<u>821,776</u>	Net Cash Flow/(Outflow) from Operating Activities	<u>963,990</u>

CASH FLOWS FROM INVESTING ACTIVITIES

	Cash was received from:	
-	Sale of Fixed Assets	
	Cash was applied to:	
209,270	Purchase of Fixed Assets	442,911
<u>825</u>	Purchase of Intangible Assets	
<u>(210,095)</u>	Net Cash Flow/(Outflow) from Investing Activities	<u>(442,911)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

	Cash was received from:	
-	Term Loan	-
-		-
<u>0</u>	Cash was applied to:	
	Dividend Paid	<u>1,250,000</u>
0	Net Cash Flow/(Outflow) from Financing Activities	<u>(1,250,000)</u>
611,681	Net Increase/(Decrease) in Cash Held	(728,921)
3,543,437	Add: Cash Held at Start of Period	4,884,039
<u>\$4,155,118</u>	BALANCE AT END OF PERIOD	<u>\$4,155,118</u>

	Represented by:	
500	Petty Cash	500
<u>4,154,618</u>	Bank of New Zealand	<u>4,154,618</u>
<u>\$4,155,118</u>		<u>\$4,155,118</u>