



ANIMAL CONTROL PRODUCTS LIMITED

A State Owned Enterprise



Thirtieth Annual Report

30 June 2022

ANIMAL CONTROL PRODUCTS LIMITED

FINANCIAL REPORTS

FOR THE YEAR ENDED 30 JUNE 2022

Contents	Page
Chairman's Review	1
Directors Report	3
Auditors Report	5
Consolidated Statement of Comprehensive Income	9
Consolidated Statement of Changes in Equity	10
Consolidated Statement of Financial Position	11
Consolidated Statement of Cash Flows	12
Notes to the Financial Statements	13
Performance Assessment	27
Statement of Responsibility	30
Company Directory	31

CHAIRMAN'S REVIEW

Orillion has delivered another year of strong financial performance despite significant fluctuations in demand, logistical issues, and inflationary pressure. Sales revenue for the year was ahead of budget at \$9.1m. The Covid 19 pandemic continued to create direct and indirect impacts on the business during the year. Careful management of raw material stocks enabled manufacturing to continue smoothly despite recurring freight and supply chain delays. Several capital projects have faced delays with suppliers unable to meet customer demand and consequently being unable to provide timely quotations for equipment.

Global inflationary pressures have been felt in all aspects of our operations, although long term supply contracts for key raw materials insulated the business from spikes in price exacerbated in some cases by the war in the Ukraine. The opening of New Zealand borders to international travel towards the end of the year has allowed planning for delayed offshore field trials to recommence. This was mainly focused on our rat specific toxin project being undertaken with Manaaki Whenua Landcare Research (MWLR).

Good levels of interest and enquiry have been generated for export products including our new insect product. New markets for existing rodent products have been identified, including opportunities to contract manufacture for others. Orillion remains a sought-after leader for the supply of proven bait products and solutions for island eradications of invasive species in challenging locations globally.

In New Zealand we once again supported major predator control projects with provision of our well proven high quality bait products. A minor beech mast event which was anticipated to boost rodent populations around New Zealand only eventuated in isolated areas, meaning that the Department of Conservation faced numerous changes to their predator control programme with consequent impacts on our own production schedules. Covid 19 disruption also impacted DOC planning. Other predator control programmes largely continued as usual, including Osprey's possum control programme to eradicate bovine tuberculosis. Programmes to control wallabies received continued focus and funding during the year.

Orillion takes a keen interest in the success of community groups involved in predator control in conservation areas. Many of these groups are aligned to local or regional councils and use Pestoff products. Guidance on appropriate toxin type, use, contacts for peer review of strategies and product information is regularly made available.

Zero Invasive Predators (ZIP) continue to do ground-breaking work to secure possum, mustelid, and rodent freedom and prevent re-incursion at a landscape scale. Orillion works closely with ZIP to provide innovative bait solutions and new tools to mop up remnant individuals or where limited reinvasion has occurred. This includes provision of Kea mitigation solutions.



The ACVM (Agricultural Compounds and Veterinary Medicines) division of the Ministry of Primary Industries (MPI) continued their review of Vertebrate Toxic Agent (VTA) use starting with brodifacoum as part of the anti-coagulant product category in New Zealand. We are awaiting the outcome of the review which is likely to result in further controls around VTA use in New Zealand.

After the very successful Prodeer baiting application on Molesworth station in 2021, Prodeer has again proved itself in a heavily monitored operation and large landscape area of the Hawke's Bay. Manaaki Whenua Landcare Research (MWLR) undertook the study and monitoring to determine the effectiveness of Prodeer for deterring red deer from eating bait for OSPRI. MWLR concluded that no red deer by-kill was detected.

Investment in safety and security initiatives continues at our Whanganui manufacturing plant, and once again we had no lost time work injuries during the year.

Financial Performance

Total revenue of \$9.1m was achieved during the year, which was ahead of the \$8.3m budget, but slightly lower than revenue of \$9.5m in the previous financial year. The net profit before tax of \$2.19m for the year was ahead of the budgeted \$1.45m, and close to the previous year's result of \$2.56m. No dividend 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.

T D Murdoch
Chair

ANIMAL CONTROL PRODUCTS LIMITED

DIRECTORS REPORT

FOR THE YEAR ENDED 30 JUNE 2022

The Board of Directors have pleasure in presenting the Annual Report including audited Financial Statements of the Company for the year ended 30 June 2022.

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 Rickman and M Christensen 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 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	\$57,516				
P J Clarke	\$28,758				
S Rickman	\$28,758				
M Christensen	\$28,758				
Director Attendance at Meetings Held:					
	Number of meetings attended				Total
	Board	Sub Committee	Special	Total	Possible Meetings
T D Murdoch	5	3	5	13	13
P J Clarke	5	3	5	13	13
S Rickman	5	3	5	13	13
M Christensen	5	3	5	13	13

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

Total Remuneration Paid or Payable	No. of Employees
\$110,000 - \$119,999	1
\$190,000 - \$199,999	1
\$410,000 - \$420,000	1

Total remuneration paid to the Chief Executive for the year was \$410,295.

Audit fees of \$38,084 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

No dividend was declared for the year ended 30 June 2021.

For and on behalf of the Board



T D Murdoch
Chairman



P J Clarke
Director

Independent Auditor's Report

To the readers of Animal Control Products Limited's group financial statements and performance information for the year ended 30 June 2022

The Auditor-General is the auditor of Animal Control Products group and its controlled entities (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 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion:

- the financial statements of the Group on pages 9 to 26:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2022; 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 28 September 2022. 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 the Board of Directors intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' 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 Group's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 and the consolidated performance information. We are responsible solely for the direction, supervision and 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 in 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 4 and 27 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 the 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 Standard 1: International Code of Ethics for Assurance Practitioners, issued by 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 2022

	Note	Actual 2022	Budget 2022	Actual 2021
REVENUE FROM CONTRACTS WITH CUSTOMERS		9,093,125	8,289,192	9,526,489
COST OF SALES		(3,151,844)	(3,316,000)	(3,397,868)
DIRECT COSTS	5	(2,108,674)	(2,267,056)	(2,110,853)
GROSS PROFIT		<u>3,832,607</u>	<u>2,706,136</u>	<u>4,017,768</u>
Gross Profit%		42.1%	32.6%	42.2%
OTHER INCOME	5	39,534	3,414	11,858
OVERHEADS	5	(1,682,210)	(1,261,565)	(1,465,225)
NET PROFIT BEFORE INCOME TAX		<u>2,189,931</u>	<u>1,447,985</u>	<u>2,564,401</u>
INCOME TAX EXPENSE	10	(614,296)	(216,436)	(718,463)
PROFIT AFTER TAX ATTRIBUTABLE TO SHAREHOLDERS		<u>1,575,635</u>	<u>1,231,549</u>	<u>1,845,938</u>
OTHER COMPREHENSIVE INCOME		0	0	0
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS		<u><u>\$1,575,635</u></u>	<u><u>\$1,231,549</u></u>	<u><u>\$1,845,938</u></u>

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 2022

	Note	Actual 2022	Budget 2022	Actual 2021
Share Capital				
Opening Share Capital		100	100	100
Closing Share Capital	13	100	100	100
Retained Earnings				
Opening Retained Earnings		7,666,423	6,945,615	7,080,486
Total Comprehensive		1,575,635	1,231,549	1,845,938
Dividends Paid		0	0	(1,260,000)
Closing Retained Earnings		9,242,058	8,177,164	7,666,423
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		<u>\$10,859,644</u>	<u>\$9,794,750</u>	<u>\$9,284,009</u>


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 2022

	Note	Actual 2022	Budget 2022	Actual 2021
CURRENT ASSETS				
Cash & Cash Equivalents	6	3,626,295	2,198,096	3,552,785
Short Term Investments	7	1,600,000	0	600,000
Trade & Other Receivables		926,483	1,038,500	1,245,875
Accrued Interest		8,186	0	1,328
Prepayments & Deposits Paid		72,926	0	38,133
Inventory	8	1,917,981	1,808,647	1,605,275
Total Current Assets		8,151,871	5,045,243	7,043,396
NON-CURRENT ASSETS				
Non Current Inventory	8	1,208,402	1,418,149	860,589
Property, Plant & Equipment	9	3,108,046	4,214,915	3,240,198
Investment - DR8 LP		0	675,000	0
Intangible Assets		0	1,307	482
Total Non-Current		4,316,448	6,309,371	4,101,269
TOTAL ASSETS		12,468,319	11,354,614	11,144,665
CURRENT LIABILITIES				
GST Due for payment		23,675	(9,647)	123,896
Taxation	10	119,910	70,436	380,779
Trade Payables		850,329	1,016,244	683,977
Other Payables & Customer Deposits		213,578	30,757	235,779
Employee Entitlements		245,074	286,974	269,015
Total Current Liabilities		1,452,566	1,394,764	1,693,445
NON-CURRENT LIABILITIES				
Deferred Tax Liability	11	156,109	165,100	167,212
Total Non-Current Liabilities		156,109	165,100	167,212
TOTAL LIABILITIES		1,608,675	1,559,864	1,860,656
NET ASSETS		\$10,859,644	\$9,794,750	\$9,284,009
EQUITY				
Share Capital	13	100	100	100
Reserves	14	1,617,486	1,617,486	1,617,486
Retained Earnings		9,242,058	8,177,164	7,666,423
TOTAL EQUITY		\$10,859,644	\$9,794,750	\$9,284,009

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

Director 
 28 September 2022

Director 
 28 September 2022

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 2022

	Note	Actual 2022	Budget 2022	Actual 2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from Customers		9,260,571	8,742,250	7,972,501
Interest Received		25,489	3,415	16,167
Other Income		7,188	0	0
Net GST Received		0	233,133	0
Total		9,293,248	8,978,798	7,988,668
Cash was applied to:				
Payments to Suppliers & Employees		7,124,457	7,744,403	7,058,991
Net GST Paid		36,862	0	61,665
Net Taxation Paid		886,268	294,307	691,713
Total		8,047,587	8,038,710	7,812,369
Net Cash Flow/ (Outflow) from Operating Activities		1,245,661	940,088	176,299
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from:				
Sale of Fixed Assets		0	0	0
Total		0	0	0
Cash was applied to:				
Investment in DR8 LP		0	675,000	0
Term Deposit		1,000,000	0	0
Purchase of Fixed Assets		172,150	1,408,750	217,868
Total		1,172,150	2,083,750	217,868
Net Cash (Outflow) from Investing Activities		(1,172,150)	(2,083,750)	(217,868)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was applied to:				
Dividends Paid		0	0	1,260,000
Net Cash (Outflow) from Financing Activities		0	0	(1,260,000)
Net (Decrease) / Increase in Cash & Cash Equivalents Held				
		73,510	(1,143,662)	(1,301,569)
Add: Cash & Cash Equivalents at start of year		3,552,785	3,341,759	4,854,354
CASH & CASH EQUIVALENTS AT YEAR END		\$3,626,295	\$2,198,096	\$3,552,785

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 2022

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 6 September 2022.

(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 2022. 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 2022

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 2022

(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 2022

(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 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 2022

(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 2022

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 2022.

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 (2021: \$Nil).

4. STATEMENT OF COMMITMENTS

As at 30 June 2022 there were no Lease Commitments (2021: \$Nil).

At balance date, there were no capital commitments (2021: \$143,774).

At balance date the company had placed a firm order for raw materials to the value of \$690,000 (2021: \$347,000).

ANIMAL CONTROL PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

5. NET SURPLUS BEFORE INCOME TAX

	2022	2021
	\$	\$
Direct Costs consist of:		
Direct Wages	686,817	671,536
Freight & Packaging	720,901	709,783
Repairs and Maintenance of Equipment	168,860	220,851
Depreciation	279,433	268,046
Other Direct Expenses	252,663	240,639
Total Direct Expenses	<u>\$2,108,674</u>	<u>\$2,110,853</u>

Other Income consists of:

Interest Received	32,347	11,858
Foreign Exchange Gain	0	0
Sundry Income	7,187	0
Total Other Income	<u>\$39,534</u>	<u>\$11,858</u>

	2022	2021
	\$	\$
Overheads consist of:		
Amortisation of Intangibles	482	825
Audit of Financial Statements	37,852	30,000
Depreciation	20,909	27,916
Directors' Fees	143,790	143,791
Donations	0	0
Insurance	121,859	118,710
Loss on disposal of assets	3,960	412
Employee Benefits	606,719	578,704
Research & Development	433,152	234,904
Other Expenses	313,487	329,963
Total Operating Expenses	<u>\$1,682,210</u>	<u>\$1,465,225</u>

6. CASH & CASH EQUIVALENTS

	2022	2021
	\$	\$
Bank of New Zealand Cheque Account	48,453	526,020
Bank of New Zealand Imprest	1,384	32
Bank of New Zealand Autocall	3,558,031	2,886,610
Bank of New Zealand Customer Deposits	13,224	134,977
Petty Cash Imprest	100	100
Bank of New Zealand Foreign Currency Account	0	0
Equilibrium Chartered Accountants Limited Trust Account	5,103	5,046
TOTAL CASH & CASH EQUIVALENTS	<u>\$3,626,295</u>	<u>\$3,552,785</u>

ANIMAL CONTROL PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	\$	\$
7. SHORT TERM INVESTMENTS		
Bank of New Zealand Term Deposits	1,600,000	600,000
TOTAL SHORT TERM INVESTMENTS	<u>\$1,600,000</u>	<u>\$600,000</u>

	2022	2021
	\$	\$
8. INVENTORY		
Finished Goods	1,339,951	934,887
Raw Materials	1,786,434	1,530,978
TOTAL INVENTORY	<u>\$3,126,385</u>	<u>\$2,465,865</u>

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

	2022	2021
	\$	\$
Total stock on hand comprised the following split:		
Current Assets	1,917,981	1,605,276
Non Current Assets	1,208,404	860,589
TOTAL INVENTORY	<u>\$3,126,385</u>	<u>\$2,465,865</u>

	2022	2021
	\$	\$
9. PROPERTY, PLANT & EQUIPMENT		
Land		
At Cost	50,218	50,218
Closing Carrying Value	<u>\$50,218</u>	<u>\$50,218</u>

Buildings		
At Cost	2,738,864	2,736,238
Accumulated Depreciation	(1,129,148)	(1,064,942)
Cost Price of Assets Disposed	0	0
Accumulated Depreciation on Assets Disposed	0	0
Carrying Value	<u>\$1,609,716</u>	<u>\$1,671,296</u>

Opening Carrying Value	1,671,296	1,669,258
Purchases	2,605	60,440
Depreciation	(64,185)	(58,402)
Gain/Loss on Disposal	0	0
Closing Carrying Value	<u>\$1,609,716</u>	<u>\$1,671,296</u>

ANIMAL CONTROL PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	\$	\$
Motor Vehicles		
At Cost	107,691	65,636
Accumulated Depreciation	(35,464)	(26,391)
Cost Price of Assets Disposed	(30,782)	0
Accumulated Depreciation on Assets Disposed	11,288	0
Carrying Value	\$52,733	\$39,245
Opening Carrying Value	39,245	52,372
Purchases	42,057	0
Sales	(16,522)	0
Depreciation	(9,073)	(13,127)
Gain/Loss on Disposal	(2,974)	0
Closing Carrying Value	\$52,733	\$39,245
Lab Equipment		
At Cost	249,362	249,363
Accumulated Depreciation	(241,788)	(236,987)
Cost Price of Assets Disposed	0	0
Accumulated Depreciation on Assets Disposed	0	0
Carrying Value	\$7,575	\$12,376
Opening Carrying Value	12,376	10,075
Purchases	0	7,704
Depreciation	(4,801)	(5,405)
Closing Carrying Value	\$7,575	\$12,374
Office Equipment		
At Cost	95,996	91,390
Accumulated Depreciation	(76,636)	(64,798)
Cost Price of Assets Disposed	(1,955)	(5,285)
Accumulated Depreciation on Assets Disposed	587	3,915
Carrying Value	\$17,992	\$25,222
Opening Carrying Value	25,222	35,673
Purchases	5,975	5,708
Sales	(382)	(958)
Depreciation	(11,837)	(14,789)
Loss on Disposal	(986)	(412)
Closing Carrying Value	\$17,992	\$25,222

ANIMAL CONTROL PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	\$	\$
Plant & Equipment		
At Cost	3,834,236	3,695,838
Accumulated Depreciation	(2,464,424)	(2,253,997)
Cost Price of Assets Disposed	0	0
Accumulated Depreciation on Assets Disposed	0	0
Carrying Value	\$1,369,812	\$1,441,841
Opening Carrying Value	1,441,841	1,585,955
Purchases	138,398	60,125
Depreciation	(210,427)	(204,239)
Loss on disposal	0	0
Closing Carrying Value	\$1,369,812	\$1,441,841
Total Property, Plant & Equipment	\$3,108,046	\$3,240,196

During the year the Group disposed of assets with a cost price of \$32,737. The book value of these assets was \$20,863.

10. TAXATION

	2022	2021
	\$	\$
Net Surplus	2,189,931	2,564,400
Non Deductible Expenses	3,982	1,537
Taxable income	\$2,193,913	\$2,565,937
Prima Facie Taxation Expense	\$614,296	\$718,463
Comprising		
Current Tax	625,399	716,351
Deferred Taxation	(11,103)	2,112
Income Tax Expense	\$614,296	\$718,463
Tax Calculation	625,399	716,351
Less:		
Resident Withholding Tax	(7,138)	(4,422)
Provisional Tax Paid	(498,351)	(331,150)
Terminal Tax paid	(380,779)	(356,141)
Balance Brought Forward	380,779	356,141
Total tax to pay / (Refund)	\$119,910	\$380,779

ANIMAL CONTROL PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

11. DEFERRED TAX

Taxable and Deductible temporary differences arise from the following:

	Property, Plant & Equipment	Employee Entitlements	Revenue	Total
Balance at 30 June 2020	(198,115)	33,015	0	(165,100)
Charged to Income	(5,534)	3,422		(2,112)
Balance at 30 June 2021	(203,649)	36,437	0	(167,212)
Charged to Income	5,548	5,555		11,103
Balance at 30 June 2022	\$(198,101)	\$41,992	\$0	\$(156,109)

12. FINANCIAL INSTRUMENTS

There is no impairment to trade receivables (2021: Nil).

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

	2022	2021
	\$	\$
<u>Financial assets measured at amortised cost</u>		
Cash & cash equivalents	3,626,295	3,552,785
Short term investments	1,600,000	600,000
Receivables	926,473	1,245,865
<u>Financial liabilities measured at amortised cost</u>		
Payables (excluding income in advance & taxes payable)	1,308,981	992,197

13. SHARE CAPITAL

	2022	2021
	\$	\$
100 Ordinary Shares (2021: 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.

ANIMAL CONTROL PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

14. RESERVES

	2022	2021
	\$	\$
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. 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 \$855,286 (2021: \$767,210). 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 \$3,003,355 (2021: \$3,074,619).

ANIMAL CONTROL PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Goods and services purchased from related parties were \$194,544 (2021: \$153,674).

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

	2022	2021
	\$	\$
Related Party Receivables	403,489	413,962
Related Party Payables	11,891	3,077
Related Party Deposits Received & Income in Advance	68,047	193,287

17. POST BALANCE DATE EVENTS

There are no post balance date events that may affect these financial statements.

18. 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 2022.

19. 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 and significantly increased export sales to Australia, which were not budgeted for.

As a result of the higher level of sales and efficiency gains from the higher volumes the gross profit is significantly higher than budget in both dollar and percentage terms.

Total direct costs are lower than budget with factory costs being significantly lower than budgeted.

Overhead costs continued to be very carefully monitored and controlled. With the exception of both salary costs and product and market development, other costs are broadly in line with budget. Product and market development costs are above budget as a result of the DR8 LP vehicle, which was envisaged in the preparation of the 2022 projections not going ahead. DR8 costs are included in product development. Salary costs are higher than budget due to employment contracts and salary reviews being undertaken after the budget was set.

The net profit before tax records a significant positive variance to budget due to the factors above.

ANIMAL CONTROL PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Statement of Financial Position

Cash equivalents and short term investments are significantly higher than budget due to the higher actual opening position for the year and the higher level of profitability achieved in the current financial year, as well as timing delays resulting from Covid and supply chain issues in completing both capital expenditure and DR8 investment.

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.

Statement of Changes in Cash Flows

Net cash inflows from operations were higher than budgeted due to the higher level of profitability achieved.

Investment cash out flows were significantly lower than budgeted due to the timing delays of capital expenditure projects and due to a limited partnership not being formed for the further investment in DR8.

The closing balance of cash and cash equivalents is significantly higher than budget due to the stronger than anticipated opening balance for the year, the timing of capital expenditure projects and the stronger level of profitability.

ANIMAL CONTROL PRODUCTS LIMITED

PERFORMANCE ASSESSMENT

FOR THE YEAR ENDED 30 JUNE 2022

The Group's financial performance is, to some extent, gauged by reference to financial performance targets contained within the 2022-2024 Statement of Corporate Intent (SCI):

Financial Measures	Previous Year Result	SCI Target	Actual Result 2022
<i>Shareholder Returns</i>			
Total Shareholder Return	47.35%	0.00%	2.35%
Dividend Yield	12.84%	0.00%	0.00%
Return on Equity	19.90%	13.40%	15.64%
<i>Profitability & Efficiency</i>			
Net Operating Margin	29.54%	20.90%	27.05%
Return on Assets	21.77%	13.80%	18.29%
Return on Capital Employed	27.61%	15.80%	21.44%
<i>Financial Leverage/Solvency</i>			
Gearing Ratio	0.00%	0%	0%
Interest Cover	N/A	N/A	N/A
Solvency	4.3	3.6	5.6
<i>Growth & Investment</i>			
Revenue Growth	(5.49)%	2.50%	(4.55)%
Earnings Growth	(1.72)%	(8.20)%	(13.64)%
Profit Growth	(12.80)%	5.20%	(14.64)%
Capital Renewal	0.5	4.4	0.6

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 were no lost time work related injuries 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.

ANIMAL CONTROL PRODUCTS LIMITED

PERFORMANCE ASSESSMENT

FOR THE YEAR ENDED 30 JUNE 2022

Actual Result.

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

Customer Satisfaction

SCI Target.

Customer satisfaction is surveyed annually. Specific targets are for ratings of 'good' or 'excellent' are

Product Quality 95%

The quality of our packaging 95%

Adequacy of printed information on packaging 95%

Customer Service 95%

Actual Result.

The customer survey conducted during the year confirmed that greater than 95% of customers rated Animal Control Products Limited as good or excellent in product quality; 89% in packaging quality; 97% on adequacy of information; and 97% for customer service.

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 1 during the year.

The annual medical checks were undertaken and regular 1080 urine tests were conducted on 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.

ANIMAL CONTROL PRODUCTS LIMITED

PERFORMANCE ASSESSMENT

FOR THE YEAR ENDED 30 JUNE 2022

Actual Result.

The company met all legislative requirements during the year.

Carbon Emissions

SCI Target.

Less than 16 tonnes per \$m of revenue.

(note that the basis for measurement of emissions has now been modified as reported below)

Actual Result.

Direct emissions 37.75 tCO₂e or 4.1tCO₂e per \$m of revenue

Total Gross Emissions 227.61 tCO₂e or 24.74 tCO₂e per \$m of revenue

ANIMAL CONTROL PRODUCTS LIMITED

STATEMENT OF RESPONSIBILITY

FOR THE YEAR ENDED 30 JUNE 2022

In the financial year ended 30 June 2022 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
28 September 2022



Director
28 September 2022

ANIMAL CONTROL PRODUCTS LIMITED

COMPANY DIRECTORY

FOR THE YEAR ENDED 30 JUNE 2022

Registered Office	6th Floor 111 The Terrace Wellington
Directors	T D Murdoch (Appointed 1 May 2014) P J Clarke (Appointed 1 November 2015) S Rickman (Appointed 1 October 2019) M R G Christensen (Appointed 1 November 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
	<hr/> 100 <hr/>