



orillion

STATEMENT OF CORPORATE INTENT

2026 - 2028



Safe-guarding your environment
through innovative solutions.

(Orillion is the trading name of Animal Control Products Ltd)





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INTRODUCTION

The Statement of Corporate Intent is prepared in accordance with Section 14 of the State Owned Enterprises Act 1986 (the Act). It sets the overall intentions and objectives of Orillion (the trading name of Animal Control Products Ltd), for the financial year commencing 1 July 2026 and the succeeding two financial years.

OUR PURPOSE

Orillion delivers mission-critical support for New Zealand to become both predator and bovine Tuberculosis free, and through that, makes an important contribution to New Zealand's living standards.

Orillion continues to deliver value to the New Zealand in several ways:

- Development and production of strategically important, high quality tools and solutions to protect New Zealand's vulnerable environment; to achieve Predator Free goals and to prevent bovine TB disease spread.
- Generation of revenue from the export of predator and pest control technologies, and hence direct financial contribution to the New Zealand Government by way of dividends.
- Contribution to MFAT programmes for developing countries.

The focus and priorities of predator control evolve, and Orillion seeks to be the trusted and reliable partner to all those involved.

OUR STRATEGY



OUR VALUES

- Personal safety, security and well-being
- Entrepreneurship
- Tenacity and commitment
- Agility and flexibility
- Collaborative relationships
- Environmental sustainability



NATURE AND SCOPE OF ACTIVITIES

BACKGROUND

Orillion, formerly known as Animal Control Products, was originally established in the 1950s to manage the secure importation and storage of toxins required to manufacture bait products for the various agencies involved in controlling a wide range of introduced vertebrate pests including rabbits, wallabies, possums, rooks and feral ungulates. Without effective pest control tools, New Zealand faces further degradation of biodiversity and extinction of native species. Orillion's wealth of expertise in formulating and developing products has served as a launch pad for innovation and growth.

CORE BUSINESS

Orillion has a wide range of formulated products for the control of a diverse range of pests, and our manufacturing capability includes many different product formats. This enables us to supply effective pest control solutions tailored to particular needs. Examples include pelletised products for aerial distribution, blocks, pastes and treated grains.

Orillion is a major supplier of bait for broad-scale predator control operations. While many other control tools are available for certain circumstances, 1080 bait remains the only safe, cost-effective tool for multi-species control in rugged or extensive tracts of land where possums, rats and stoats threaten New Zealand's biodiversity, or where possums present a risk of bovine tuberculosis spread. Safe, sustainable use of 1080 in New Zealand requires continuous attention and improvement of all aspects of usage, from bait quality and effectiveness to a heightened focus on all aspects of safety and security throughout the supply chain.

Orillion is also internationally recognised as a leading manufacturer and exporter of rodenticide baits for island projects where rodent eradication is undertaken as part of ecological restoration programmes. Rodenticides manufactured by Orillion have been used to eradicate rodents on over 200 offshore islands totalling over 60,000 Ha in twenty countries. Increasingly we are manufacturing bespoke bait products for a wide variety of pests in many overseas locations.

A further core feature of Orillion's role is manufacturing bait products for others to market under their own brands domestically and internationally. This leverages Orillion's considerable formulation expertise, flexible manufacturing capabilities and high quality bait ingredients sourced in New Zealand. Orillion also supplies the New Zealand retail market through a distributor, Bell-Booth Ltd.

CURRENT AND FUTURE DIRECTIONS

Orillion's core business is strategically important to New Zealand and the company works to support New Zealand to become predator free. To be a sustainable and successful business in a competitive environment, we continually look for new opportunities for growth and diversification. Achieving a Predator Free New Zealand by 2050 will require new tools to achieve eradication of possums, rats and mustelids. Working closely with New Zealand end-users to find solutions for current challenges in protecting biodiversity and food production will remain a priority, but so too will be our export focus, and entry into aligned but new business areas. The Asian and Australian markets are a continued area of focus for the Company.

Improving manufacturing processes to retain our industry leading reputation for product quality while at the same time improving safety standards and efficiency will continue to be a core activity. Opportunities to reduce our carbon emissions will also receive special attention.

CURRENT PRODUCTS

Orillion has 30 registered products and is authorised by the Ministry for Primary Industries and the Environmental Protection Authority to manufacture registered trade name products known as vertebrate toxic agents (VTAs). The company holds a GMP Certificate of Compliance for manufacturing VTAs, issued by the New Zealand Ministry for Primary Industries. Orillion also offers a range of devices and vast expertise in effective use of our products. More recently Orillion has introduced natural insecticide products to our range.

OPERATING ENVIRONMENT

Urbanisation, warming climates and a focus on managing threats to biodiversity set the scene for increasing demand for pest control solutions internationally. Rodents and other pest species cause great damage to agricultural crops. The situation is exacerbated by growing restrictions on the use of different classes of rodenticides. Orillion invests in innovative solutions to improve the sustainability of pest control. Product quality and reliability are at the heart of Orillion's success for existing and new pest control solutions.

CORPORATE SOCIAL RESPONSIBILITY

In accordance with the State-Owned Enterprises Act, and fundamental to Orillion's vision, is our sense of social responsibility where we have regard to the interests of the community in which we operate.

In the context of Orillion's core business, we have identified the following specific areas contributing to our social responsibility:

Individual and Collective Wellbeing

- Predator control engages diverse groups to contribute to environmental amenity, it creates natural spaces for people to play and recreate, and provides places to sustain and gather kai.
- Control of pest-borne diseases is important around our homes, hospitals, food production facilities and to prevent transmission of zoonoses such as bovine tuberculosis.
- Healthy ecosystems protected by Orillion products support generation of wealth through tourism, agriculture and increases in productivity. Healthy forests are also an important carbon sink for New Zealand.

Our Institutions and Governance

- Orillion being a State Owned Enterprise connects the commercial world, generates income for the Government, while providing essential tools for central government, local government, NGOs, and philanthropic interests.
- Linkages with Crown Research Institutions, end-users and international collaborators are supported by Orillion's strong governance and accountability model in a transparent way.
- Government to government projects to assist developing countries to tackle pest issues to improve health and productivity are tangible linkages with New Zealand's broader objectives.

The Wealth of Aotearoa New Zealand

- Orillion contributes to the protection and enhancement of New Zealand's natural environment through provision of pest and predator control solutions. This contributes directly and indirectly to productivity and sustainability.
- This in turn generates an acceptable commercial return for the government, and creates wealth by supporting and protecting services that rely on our biodiversity, agriculture and horticulture.

Staff

Orillion strives to be a 'good employer' with effective policies and practices necessary to ensure the fair treatment of all employees including provision for good and safe working conditions, equal opportunities, and personal development while working in a culture of respect for each other.

Customers and end-users

Our vision to deliver solutions to meet the needs of others involved in biosecurity protection, food production and industry productivity is fundamental. Further we take a long-term approach with the best interests of New Zealand at heart.

Community

Orillion operates a manufacturing site in Whanganui. As part of that community, we ensure that we securely maintain our premises and meet and exceed all legal requirements regarding the environment and our waste handling. We support several local charitable organisations.



SUSTAINABILITY

Orillion has mapped our impact against the United Nations Sustainable Development Goals. Of particular relevance are the goals of:

 <p>3 GOOD HEALTH AND WELL-BEING</p>	<p>Ensuring the health and well-being of all staff and workers</p>	 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>Our pest control tools sustain productive agriculture and minimise waste</p>
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>Being a good employer and contributing to the economic growth of New Zealand and the Whanganui region</p>	 <p>13 CLIMATE ACTION</p>	<p>Orillion is participating in the Carbon neutral Government Programme and has emission reduction plans</p>
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>Orillion is focused on development of innovative solutions for predator control</p>	 <p>15 LIFE ON LAND</p>	<p>Our tools support plant life, and freedom from predators</p>
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<p>Our development, production and supply of tools to control urban pests contributes to sustainable cities and communities</p>		





PERFORMANCE MEASURES

	Actual	Forecast	Budget	Budget	Budget
	2024	2025	2026	2027	2028
Shareholder Returns					
Total Shareholder Return	(16.8)%	(20.5)%	10.0%	10.4%	10.8%
Dividend Yield	15.2%	8.4%	10.0%	10.4%	10.8%
Return on Equity	17.7%	13.0%	2.3%	7.0%	6.8%
Profitability & Efficiency					
Net Operating Margin	26.9%	25.3%	10.6%	20.5%	19.0%
Return on Assets	20.1%	18.1%	3.7%	9.3%	8.7%
Return on Capital Employed	23.3%	20.4%	4.1%	10.2%	9.6%
Financial Leverage/Solvency					
Shareholders funds to Total Assets	85.0%	91.0%	92.7%	92.7%	92.2%
Gearing Ratio	N/A	N/A	N/A	N/A	N/A
Interest Cover	0	0	0	0	0
Solvency	4.8	8.3	4.9	3.7	3.8
Growth & Investment					
Revenue Growth	(21.7)%	37.9%	(16.5)%	4.4%	4.5%
Earnings Growth	(45.9)%	29.6%	(65.2)%	102.8%	(3.2)%
Profit Growth	(47.6)%	14.9%	(79.2)%	197.6%	(4.1)%

COMMERCIAL VALUE OF THE CROWN'S INVESTMENT

The Board's estimate of the Crown's investment in the Company as at 30 June 2025 is \$12.03m.

The key points to note regarding the assessment of the value are:

- The valuation is calculated on the estimated position as at 30 June 2025.
- The discounted cash flow ("DCF") methodology was used to calculate a Net Present Value of the company on an after-tax basis.
- The DCF was based on the nominal (i.e. not inflation adjusted) future cash flows set out in Orillion's 3-year business plan, with forward projections then also made about years 4 to 10. A terminal value of nil was included in the terminal year. The terminal value is assumed to be nil as the long-term prospects for the company are uncertain. The factors contributing to this uncertainty include:
 - Security of supply of 1080 powder.
 - Political acceptance of 1080 as a toxin for pest control in New Zealand.
 - Continued acceptance of the continued use of anti-coagulant toxins.
 - Development of new technologies that render 1080 obsolete.
- Any potential upside to the valuation from current R&D projects has been ignored.
- A discount rate of 8.35% was assumed, compared to 8.35% for the previous valuation.
- The valuation was prepared by the Company's advisors Equilibrium Chartered Accountants Limited for Board approval.
- The current commercial value of the Crown's investment of \$12,039,000 (referred to as the equity value) was calculated by taking the enterprise value of \$4,254,000 and adding the net cash position of the company of \$7,784,000.

The valuation compares with a commercial value as at 30 June 2024 of

\$11,700,000, consisting of the enterprise value of \$4,110,000 and the net cash position of \$7,590,000.

NON-FINANCIAL PERFORMANCE MEASURES

HEALTH AND SAFETY

The target is to have no work-related lost time injuries for any year.

Consistent with the Government's support for diversity, gender balance and wider ethnicity, Orillion supports diversity and inclusion in the workplace and ensures there are no gender and ethnic pay gaps.

CARBON EMISSIONS

- Orillion is participating in the Carbon Neutral Government Programme (CNGP) with the 'base year' being the year ending 30th June 2023. Toitu Envirocare independently verify our reported emissions. Options for emissions reductions include alternative fuel sources, and changes to packaging and freight. Emissions constitute a fixed component and a larger component related directly to production volumes and hence sales revenue.
- Emissions for the 'base year' ending 30th June 2023 were 404 tonnes CO2 or 21 tonnes per million dollars of revenue. Emissions for future years are forecast to reduce to below this level.

QUALITY

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

Customer Satisfaction. 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%
- Receipt of orders on time 95%
- Customer Service 95%

LEGISLATIVE COMPLIANCE

Orillion will meet all legislative requirements during the year.



ACCOUNTING POLICIES

Animal Control Products Limited prepares its financial statements in accordance with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) – Reduced Disclosure Regime as set out in the External Reporting Board Standard A1: ‘Accounting Standards.

Framework (For –profit Entities plus Public Sector Public Benefit Entities)’

A complete list of the accounting policies is attached in Appendix A.

CAPITAL STRUCTURE AND DIVIDEND POLICY

CAPITAL STRUCTURE

An appropriate capital structure for Animal Control Products Limited will maximise the value of the business for the shareholder by enabling the company to achieve its strategic objectives.

The Board and management of Animal Control Products Limited recognise the importance of managing the assets and capital of the business effectively. The current challenges facing the company require some flexibility in the capital structure during the planning period.

DIVIDEND POLICY

The Board intends to distribute to Shareholders all funds that are surplus to the Company’s financing, investing and operating requirements whilst recognising that the rate payers and taxpayers of New Zealand effectively fund the primary customers.

The dividend policy is based on distributions being made of between 40% and 80% of net cash flow from operations adjusted for changes in income in advance and for base capital expenditure but always subject to the existing commercial provisos of legislative solvency declarations and any threats to the Company’s future earnings base.

In recommending dividends payable to shareholders, the Company will follow the procedures laid down in the Companies Act 1993 and in accordance with sections 13 and 15 of the SOE Act.

In determining the precise level of dividend to be proposed to Shareholders at the appropriate time of the year, the Board will consider the following:

- The liquidity position of the Company and the appropriate level of cash to be retained in the business to meet Working Capital requirements. To determine this, the Company will evaluate the Liquidity Ratio appropriate to its business.
- The Company’s planned medium-term Capital Expenditure programme.
- Maintaining an appropriate capital structure for the business.
- The Company’s research and development and infrastructure development activities.
- Threats to Company’s future earnings base.
- A single dividend for each year will be paid by the end of the September following balance date.

REPORTING

In accordance with the State Owned Enterprises Act 1986, and the requirements of Shareholding Ministers, ACP will provide the following information.

Within three months after the end of each financial year, an Annual Report including:

- Audited financial statements for the year
- Notes to the financial statements including accounting policies
- A report from the Chairman and Chief Executive including a review of operations, changes, if any, to the nature and scope of the Company's activities, an assessment of performance against targets, comments on the outlook for the Company, and matters in relation to dividends.

Within two months after the end of each half-year, a report including:

- An abridged, unaudited statement of the Company's financial performance for the half year
- A report from the Board on the Company's performance

Within one month after the end of each intervening quarter, a report covering:

- Performance against targets for the preceding quarter
- Forecasts of key financial and operating performance measures for the remaining quarters of the financial year as appropriate
- The reasons for material differences between actual and target performance

In addition, the Company will provide Shareholding Ministers with a Statement of Corporate Intent each year.

The Company will also provide other information relating to the performance of the Company as requested by Shareholding Ministers, in accordance with the provisions.

CONSULTATION ON CAPITAL INVESTMENT DECISIONS

Without prior consultation with shareholding Ministers the Company will not subscribe for, purchase or otherwise acquire shares in any company or organisation. Consultation and approval for capital investment decisions will follow the steps outlined in the 'Owners Expectations Manual' published and available on-line from the Treasury, that is if the investment constitutes a major transaction this must be approved by special shareholder resolution, and if the sale or purchase is not a major transaction but exceeds 25% of total assets of the company the Company will consult with shareholding ministers.

COMPENSATION FROM THE CROWN

Animal Control Products reserves the right under Section 7 of the Act, to seek compensation from the Crown for the necessity to provide any service where ACP is constrained from acting in a normal commercial manner.

There are currently no requests for compensation.

APPENDIX A

THE COMPANY'S ACCOUNTING POLICIES ARE:

BASIS OF PREPARATION 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 wholly owned on behalf of the Government by the two 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.

BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on a historic cost basis.

FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in New Zealand Dollars (NZD) and values are rounded to the nearest dollar.

BASIS OF CONSOLIDATION

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

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its return.

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

- The contractual arrangements with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

REVENUE RECOGNITION

Revenue from Contracts with Customers

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

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

The Group's revenue from customers is derived from a single major product line, pest control solutions, to predominantly the New Zealand market.

Predominantly, customer terms of trade require payment of invoices by the 20th of the month following.

Interest Revenue

Interest revenue is recognised using the effective interest method.

Property, Plant & Equipment

Property, Plant and Equipment are recorded in the Statement of Financial Position at cost less accumulated depreciation.

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:

Building	40 Years
Factory Equipment	10 -15 Years
Lab Equipment	5 Years
Office Equipment	5 Years
Motor Vehicles	5 Years

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, except for Accounts Receivable and Accounts Payable which includes GST invoiced.

Income Tax

Income tax expense comprises both current tax and deferred tax and is calculated using tax rates that have 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 way 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.

Inventories

Inventories are recognised at the lower of cost, determined on a first in first out 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.

Receivables

Receivables are stated at their estimated realisable value. Bad debts are written off in the year in which they are identified.

Research & Development Costs

Research and Development expenses are brought to account in the Statement of Comprehensive Income in the period incurred.

Cash & Cash Equivalents

For the Statement of Cash Flows, cash and cash equivalents are 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.

INTANGIBLES

Software Acquisition

Acquired computer software licences are capitalized based on the costs incurred to acquire and bring to use the software.

Costs associated with maintaining computer software are recognised as an expense when incurred.

AMORTISATION

The carrying value of an intangible assets 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 amortization charge for each year is recognized in the surplus or deficit.

The useful lives and associated amortization rates of the acquired software are estimated as follows: 5 years

IMPAIRMENT

The carrying amounts of the company's assets other than inventories are reviewed at each balance 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.

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 Animal Control Products Limited anticipates it will be used by staff to cover those future absences.

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.

FINANCIAL INSTRUMENTS

Financial instruments include cash & cash equivalents, receivables, payables, and term loans. These are initially measured at fair value and subsequently measured at cost less impairment which in most of cases is the same as the face value of the items.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements the Group has made estimates and assumptions concerning the future. These estimates and assumptions may differ from subsequent results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period are set out below:

PROPERTY PLANT AND EQUIPMENT USEFUL LIVES AND RESIDUAL VALUE.

At each balance date management and the board of the Group reviews the residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires factors such as the physical condition of the asset, expected period of use of the asset by Animal Control Products Limited, 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.

The Group 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 and factory equipment is 10-15 years. There have been no other significant changes to past assumptions concerning useful lives and residual values. The carrying amounts of property, plant and equipment are disclosed in the notes to the financial statements.

APPENDIX B

DEFINITIONS FOR THE FINANCIAL PERFORMANCE MEASURES

• Shareholder Funds to Total Assets	Shareholder Equity	Total Shareholder funds / Total Asset
SHAREHOLDER RETURNS: MEASURES OF PERFORMANCE FROM A SHAREHOLDER PERSPECTIVE.		
• Total Shareholder Return	Dividend and investment growth	Net Growth in Commercial Value plus Dividends paid / Commercial Value (beg.)
• Dividend Yield	Cash return to the Shareholder	Dividends Paid / Average Commercial value
• Return on Equity	Profits generated from Shareholder funds invested	Net Profit after tax /average Shareholders' equity
PROFITABILITY & EFFICIENCY: GENERATION OF PROFITS FROM SALES AND ASSETS EMPLOYED.		
• Net Operating Margin	Profitability per dollar of revenue	EBITDA/Revenue
• Return on Assets	Efficiency and profitability of assets utilised	EBIT/Average Assets
• Return on Capital Employed	Efficiency and profitability of capital sources (debt and equity)	EBIT/Average Shareholder Funds
FINANCIAL LEVERAGE/SOLVENCY: DEBT LEVELS AND DEBT SERVICING ABILITY.		
• Gearing Ratio.	Measure of financial leverage.	Net Debt/Net Debt plus Equity.
• Interest Cover	How well earnings can cover Interest exposure.	EBITDA/Interest Expense
• Solvency	Ability to pay its debts as they fall due.	Current Assets/Current Liabilities.
GROWTH & INVESTMENT: RATE OF EXPANSION AND LEVEL OF CAPITAL INVESTMENT.		
• Revenue Growth	Whether the revenue is growing	% change in revenue
• Earnings Growth	Whether the earnings have grown	% change in EBITDA
• Profit Growth	Whether the profit has grown	% change in NPAT
• Capital Renewal	Measuring the level of capital investment being made	Capital Expenditure / Depreciation Expense



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