AsureQuality
Kaitiaki Kai

Annual Report 2021

Helping Aotearoa shape a better food world

New Zealand has long been renowned for its food. Where growers, farmers and producers work hard to uphold what Aotearoa stands for in food – a higher standard of quality and safety. We are proud to work with them every day to help build and protect this enduring trust in food. With over 1700 dedicated people, deeply connected to our partners across the entire food supply chain, we offer the broadest range of food assurance services in New Zealand - helping Aotearoa uphold a higher standard in food as our partners proudly take their products to the world.

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AsureQuality Overview

Our business activities are grouped across three broad areas:

Testing Services

We offer a range of testing analysis against regulatory and retailer standards for pathogens, toxins, allergens, chemical residues, genetically modified organisms, and nutritional information which enables customers to access their market.

Through our specialist seed laboratory, we deliver testing and certification services which enable market access for exporters.

Our plant and pest laboratories provide taxonomy, border control and pathology services to government, horticulture, and food production sectors.

Inspection and Certification

Our veterinarians and field technicians provide on-farm services including farm assurance, dairy farm assessment, sample collection, TB testing and related disease management.

We perform ante-mortem and post-mortem meat inspection services to ensure our animal products meet the highest global standards of quality.

We provide independent audit, inspection, verification, and certification against domestic and international regulatory and retailer standards.

Partnering with government, industry, and communities, we implement operational solutions to issues affecting food security, economy, and the environment. We have a legacy of working in partnership with the Ministry for Primary Industries (MPI) to protect Aotearoa from the impact of pests and diseases.

The AsureQuality Academy delivers industry training services to help customers meet food safety and quality requirements.

Specialist Services

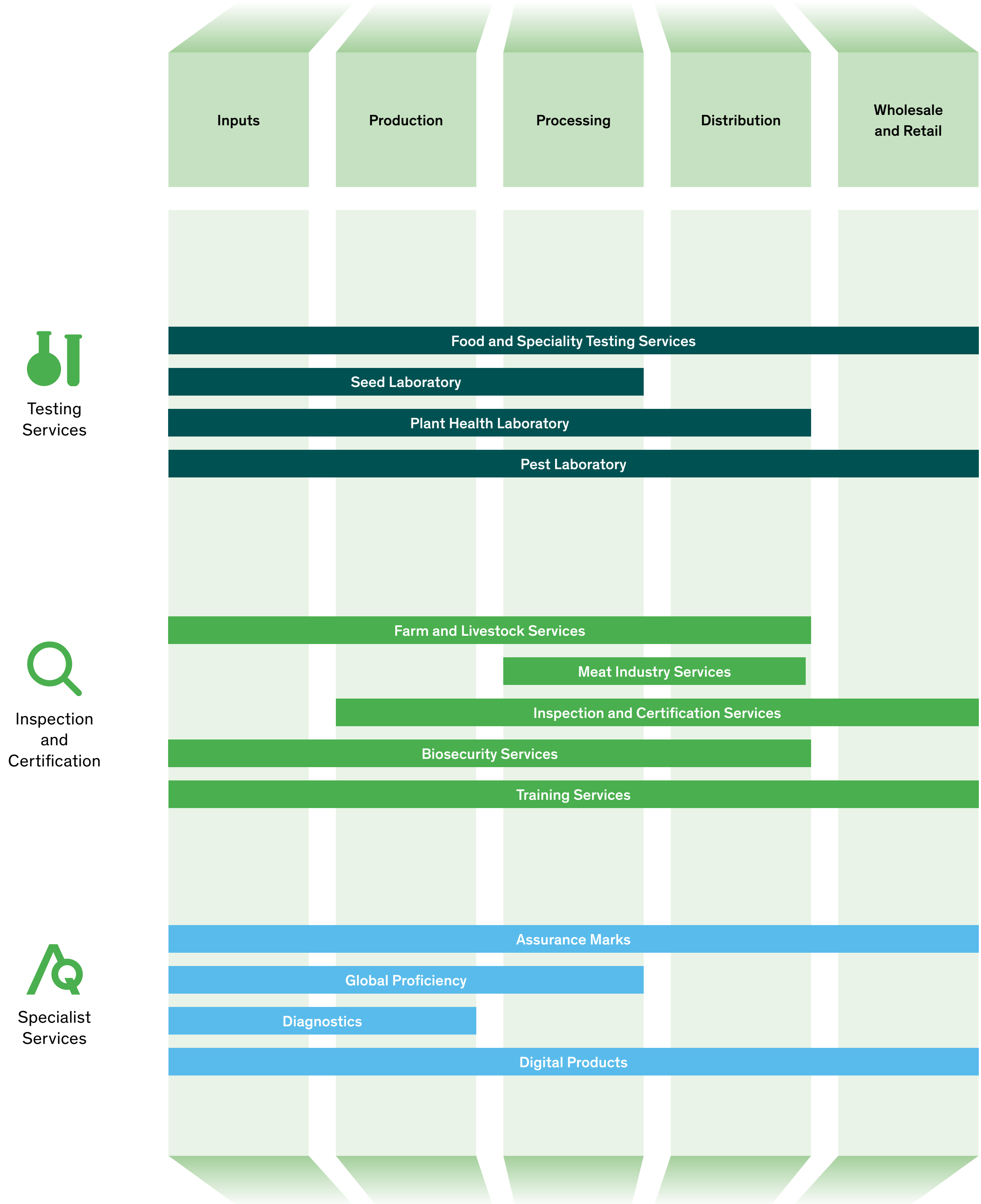
Our Assurance Marks, AQ Assured and AQ Certified, provide independent verification of product features, claims or supply chain authenticity which help our partners meet the growing demand from consumers who want to know where their food comes from.

We provide proficiency testing, reference materials and related services (Global Proficiency).

Contract manufacturing of diagnostic products and distribution of specialist veterinary test kits for use in disease management programmes.

We are developing new customer-facing portals as part of a larger digital transformation project to deliver rich assurance information to our customers when they need it.

Assurance expertise across the food supply chain



International Accreditations

Testing Services

Laboratories:
ISO/IEC 17025:2017 (IANZ, CNAS), ISTA, cGMP, MPI

Proficiency Testing Provider Accreditation:
ISO/IEC 17043:2010

Reference Material Producer Accreditation:
ISO 17034:2016

Chemistry
General
Inorganic
Organic
Nutritional
Contaminants
Pesticides
Dioxins

Microbiology
General
Pathogens

Serology

Entomology

Nematology

Seed and Plant
Pest and Disease

Sensory Evaluation

Storage of stability samples

Controlled Drugs License

Transitional Facility

Microbiological Proficiency Testing

Chemical Proficiency Testing

Manufacturing

Certifications held:

ISO 9001:2015 Quality Management Systems

ISO 13485:2016 Medical Devices Quality Management Systems

Licences and Permits:
MPI
APVMA
USDA
Australian Government
Victorian State Government

Products:
Observe™ Tuberculin PPD
Avian 2500IU
Observe™ Tuberculin PPD
Bovine 3000IU

Inspection

Inspection Body:
ISO/IEC 17020:2012

MPI Recognised Agency – Dairy
Risk Management Programme Evaluation
Risk Management Programme Verification
Heat Treatment Evaluation
Premises Evaluation
Official Assurance Verification –RCS verification
Transport and Vehicle Docking Facilities
Non-Dairy Transport RMP
Farm Dairy Assessment

MPI Recognised Agency – Food
Food Act Evaluation
Food Act Verification
Custom Food Control Plan
National Programmes 1, 2 and 3
Template Food Control Plan

MPI Recognised Agency – Bee Products
Risk Management Programme Verification
Official Assurance Verification

MPI Official Organics Assurance Programme

MPI Live Animal and Animal Germplasm Official Assurance Programme

MPI Independent Verification Agency for Plant Import and Export Certification

Ante Mortem and Post Mortem Inspection of Animal Products for the Domestic and Export Market

Certification

Product Certification:
ISO/IEC 17065:2012, IFOAM

- Organics – AsureQuality Organic Standard
- Organics (COR)
- BRC – Food Safety
- BRC – Agents and Brokers
- SQF
- GLOBALG.A.P. / NZGAP Equivalent
- Alliance Group Farm Assurance Programme
- AFFCO Farm Assurance Programme
- The Silver Fern Farms Assurance Programme
- JBS Farm Assurance Programme
- Synlait Lead with Pride Programme
- New Zealand Farm Assurance Programme
- Fonterra Trusted Goodness Scheme
- AsureQuality Animal Welfare Scheme
- The ZQ Grower Programme
- Responsible Wool Scheme (Textile Exchange)

Management Systems Certification:
ISO/IEC 17021-1:2015

- ISO 9001 Quality Management Systems
- ISO 22000 Food Safety Management Systems
- ISO 14001 Environmental Management Systems
- FSSC 22000 Food Safety System Certification
- FSSC-Q Food Safety and Quality System Certification

Chair and Chief Executive Report

Welcome to AsureQuality's Annual Report for the 2020 – 2021 financial year.

AsureQuality delivered a strong performance in the 2021 financial year, in spite of continued challenges resulting from COVID-19, as different areas moved in and out of lockdowns. COVID-19 added a lot of pressure to the business with Biosecurity, Training, Diagnostics, and our BVAQ International Joint Ventures, being noticeably impacted. Our sympathies go out to our staff and their families, particularly those in BVAQ Southeast Asia (SEA) and BVAQ Australia, who were directly and personally affected by the virus. Throughout this period our business continued to operate as essential services, often in new shift patterns and unique ways of working. We are proud of how our people have responded to these challenges and continued to deliver great service to their customers.

We have made great progress in safety over the past five years, with respect to the reduction of harm and serious injuries through the employment of quality management tools and processes. As is common in many businesses, we still however, have a way to go on our journey to instilling a world-class safety and wellbeing culture and leadership. This is a key priority for the Board and Executive in the 2021/22 financial year, where we will have an increased focus on safety leadership, reviewing our risk management framework, strengthening our contractor management processes and our collaboration with other PCBU's.

This financial year has delivered revenue of $233.3 million. Although this is a 9% decrease from the previous year, this is primarily due to the success and near eradication of the *M. bovis* virus (a reduction of $32.8 million revenue) and from the reduction of general biosecurity revenue ($4.3 million), due to closure of the international border. The substantial drop in *M. bovis* and biosecurity work during the year presented a challenge, and it is a testament to the efforts of our people that AsureQuality was able to respond quickly, improving the underlying business revenue during this period, particularly in food testing, livestock, serology testing and meat inspection.

The full year profit result was $27.7 million, which is $1.2 million EBIT lower than the 2019/20 profit of $28.9 million. However, this result is at an improved percentage profitability versus last year of 11.9% versus 11.3%. This improvement reflects the change of mix from biosecurity activities to core food assurance business activities.

It is worth noting that the 2021/22 year will bring its own challenges. AsureQuality will experience higher costs in consumables, primarily from freight and supply chain challenges, the in-housing of laboratories for many dairy customers, the upcoming live cattle export ban, and fundamental changes to the Chinese infant formula market.

AsureQuality will continue to evolve and focus on our customers and the future. Our customers have been telling us they are looking for stronger future partnerships with AsureQuality. Their consumers want increasing reassurance that the food they are eating is safe and has been produced with a limited environmental footprint and social impact. To deliver greater differentiated service to our customers, we will build on our strengths and breadth of services to become an integrated food assurance provider, ultimately providing our customers with greater insight, faster decision making and value creation potential with their consumers.

As our customers evolve, and with the focus on the future, AsureQuality has adjusted its operating model and structure to enable greater customer centricity, with improved adoption of technology and responsiveness to changes in the market. The new structure promotes collaborative leadership within AsureQuality and has provided several development opportunities for our employees. The new Executive team are very excited about the future as we align our model to become an integrated food assurance partner.

Shareholder Dividend

AsureQuality paid an interim dividend of $1.5 million in February 2021. A final dividend of $10.2 million, was declared in August, to be paid in September 2021. This brings the total dividend for 2020/21 to $11.7 million.

In Conclusion

2020/21 has been a strong performance year for AsureQuality, in spite of the challenges experienced from COVID-19. The success of the response programme and near eradication of *M. bovis* has had a significant effect on revenue. However, our people have risen to this business challenge with records set this year for food testing, serology, livestock and meat. We thank our people for their continued dedication and commitment to our business.

To our customers – we thank you for your business and look forward to strengthening our relationship by creating greater value for you, through our integrated assurance provider strategy. As Kaitiaki Kai, we are proud to continue to help you uphold what Aotearoa stands for in food – a higher standard of quality and safety.

Dr Alison Watters, Chair

Kim Ballinger, Chief Executive Officer

Business Overview

Safety and Wellbeing

COVID-19 continued to provide challenges for the organisation throughout the year as regions were impacted differently by various Alert Level changes and lockdowns. We are proud of how our people continued to deliver essential services for our customers and acknowledge that for some of our team what has been happening with COVID-19, both in New Zealand and around the world, has created a level of stress and anxiety not usually experienced.

In November 2020 AsureQuality was sentenced in the Invercargill District court under the Health and Safety at Work Act. The sentencing related to an incident that happened in May 2018, where several workers received minor or superficial chemical burns during cleaning as part of the *M. bovis* response. Prior to being aware of the prosecution, we had conducted an internal investigation and identified several corrective actions, which resulted in improved processes around inductions, training, supervision, and risk assessments. We have committed to a substantial contractor management project to ensure we are following best practice and continue to improve processes. This is the first health and safety prosecution for AsureQuality. We fully co-operated with WorkSafe throughout the process and entered an early guilty plea.

Like many organisations in New Zealand, AsureQuality has been working hard for several years to improve our safety culture and performance and while we have made good progress, we still have a way to go on our journey. Improving our safety culture is a key priority for 2022. This will see an increased focus on safety leadership, reviewing our risk management framework, as well as strengthening our contractor management processes and our work with other PCBU's. The Board and Executive team have committed that resourcing will be available to deliver an improved safety culture and performance.

Key highlights for 2021:

- Peer Support Network established
- Increased focus on Wellbeing
- Response to COVID-19
- Finalist in the Safeguard awards Innovation category (Nov 2020)
- Engagement survey results continue to show health and safety as a key driver of engagement

Testing Services

Food testing volumes have been above those in FY20, with the increase being driven by higher levels of testing at our Christchurch Laboratory. There has been minimal impact from COVID-19 on testing volumes, but there has been significant impact on operations with additional lockdowns in Auckland and the need for separate shifts and physical distancing resulting in higher labour costs and reduced operational efficiencies.

The volume of high-value dairy products, mostly infant formula, exported by our customers, has reduced this year primarily due to a drop in demand from China. There are a number of factors causing this, dropping birth rates, a focus on Chinese-made product and the effective removal of the daigou channel of infant formula into China due to COVID-19 travel restrictions. The impact of this has been a reduction in the more sophisticated testing services. Several infant formula manufacturers have been required to submit their registration renewals for China this year. Due to the requirements to use GB methods and the changing of rules on what can be sent to China for testing, some Chinese-owned manufacturers in New Zealand have undertaken this testing in China.

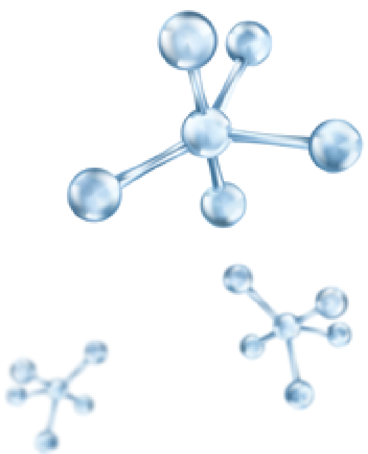
Additional faster pathogen testing methods using new rtPCR technologies and rapid confirmation tests were launched which delivered real advantages for our customers. These methods have had good uptake by our key and high-volume customers. There has also been a continued focus on automation in food testing.

In June 2021, the Auckland Laboratory, along with our Biosecurity team responded to a Salmonella response in poultry for MPI. This new strain of Salmonella was related to cases in the public population and required us to set up a new test method immediately, then submit for accreditation three weeks afterwards, which was successfully achieved.

The Wellington Laboratory had a record year thanks to the strong demand for serology testing for live animal exports. The good progress made towards eradication of *M. bovis*, and the Government-announced ban on live animal exports effective April 2023, will bring some challenges through reduction in testing volumes over the coming year.

The Pest Lab recorded a huge year where, in addition to the normal workloads, they undertook a major pest review on Zespri's kiwifruit (for lead contractor Plant and Food Research). This additional workload has been undertaken on time and has already received great feedback from the customer.

The AsureQuality Bureau Veritas joint ventures in Australia and Southeast Asia (SEA) have performed well, especially considering that the locations of these businesses have had varying levels of COVID-19 restrictions. Both revenue and operating profit across the joint ventures are higher than in the previous year, and the SEA laboratories are now operating under a connected Lab Information System, allowing the various testing facilities to operate as one network.



Inspection and Certification

The Livestock and Meat business again achieved record revenue on the back of strong demand for our Field Technician, Meat Inspector and Veterinary teams. The unprecedented level of demand for live cattle exports required extensive coordination with customers, farmers, our Field Technician and Veterinary teams and our Wellington Laboratory to ensure verification of each shipment. We have continued to work closely with OSPRI to deliver the TB testing programme nationally, including the ongoing support of the Hawkes Bay TB response. In addition to steady demand for meat inspection, we have implemented *M. bovis* slaughter surveillance in a number of meat processing sites on behalf of MPI.

Our Seed and Plant Health business unit was established as a result of a restructure during the year. This has successfully increased the focus on this important industry, providing a more integrated service for our customers through alignment of the Seed Laboratory, Seed Bureau, seed field inspections and the Plant Health Laboratory. A review by MPI of the operating model for OECD and OECD/EU seed varietal assurance issuance was implemented during the year, with the objective of a more robust framework and alignment with MPI regulatory models that are applied to all other primary product export sectors. Final outcomes are yet to be released, however the structural changes implemented place us in a strong position to service the seed industry moving forward.

The Biosecurity business has focused on responding to the changes happening in this sector. The good progress towards eradication of *M. bovis* in New Zealand has resulted in a 90% decrease of our workforce for this programme and a renegotiation of contracts for service. A new team structure has been deployed to support tenders and RFP's from MPI's newly appointed Biosecurity Response Services Panel, plus to broaden our customer base and service offerings. While previously we primarily worked to support MPI, our new approach has seen the Biosecurity business undertaking work for other customers including Tegel, Watercare and the Northland Regional Council, as well as being appointed to a panel of suppliers for the Department of Conservation in Maruhiku (Southland), Wellington Regional Council, Tasman District Council, and the Bay of Plenty Regional Council.

The Academy, our commercial training business, has maintained a strong presence in the industry delivering a broad range of training services for the food, dairy, and meat sectors. Additional engagement with our horticulture customers has also opened new opportunities regionally for this sector. A recent return to international work to support New Zealand Trade and Enterprise (G2G) and IFC has been successful and involved subject matter experts across the wider business for a collaborative approach to meet customer needs.

Specialist Services

Despite of the challenges created by COVID-19, Global Proficiency had a solid year, delivering steady revenue. The business continues to operate with high emphasis on Safety and Wellbeing, and consistently achieving high level of employee and customer engagement.

This year Global Proficiency successfully completed the delivery of the National Contaminants and Residues Programme for Honey Sampling Coordination for MPI, introduced several new proficiency programmes for yoghurt, UHT milk, cream and introduced a new contaminants category as part of the DairyChek Programme.

The Assurance Marks business demonstrated solid financial performance and customer growth this year. The growing China e-commerce trend of Shoppertainment has seen some customers leverage AsureQuality's independent verification and on-pack marks to support their efforts to sell online. Livestreaming using AsureQuality expert commentary to reinforce and educate consumers on key brand stories and verified claims continues to prove successful with Chinese shoppers. This will be an important focus for the coming year with more resources in the team driving customer co-marketing activities.

Our Diagnostics business has remained focused on customer and product diversification. While this is a long-term strategy, we've already started to see significant growth through these initiatives. There has also been growth from new customers and from large customers which has contributed to a very positive top line growth.

Digital Products

We have made progress developing our suite of digital products to support our customers as we move towards an integrated assurance offering. In November we launched MyOrganics, our online system which has been very well received by our organic operators. We are currently working with selected key customers on a beta version of our Assurance App designed for primary producers and the Assurance Hub which provides consolidated assurance data information for customers.

In Summary

It has been a very busy year for our business while continuing to navigate the ongoing impacts of COVID-19. While some areas have been significantly impacted by COVID-19 related issues, we have still seen solid growth and new opportunities across the business. We are evolving as a business and are focused on delivering excellent service for our customers, while developing our service offerings to better meet their future needs.

Environmental Sustainability Journey

In line with our Environmental Sustainability Policy, adopted in November 2019, we are committed to decreasing our impact to the environment and have charted our progress below.

2019

Jul Began to offset air travel carbon with credits

Sept Began to purchase hybrid vehicles for fleet replacement

Nov Selected **Top 3** UN Sustainability Goals at AQ Conference

2020

Feb Joined Sustainable Business Network
Mar Established internal Sustainability Steering Group
Aug Launched Environmental Sustainability Policy

Sept More than **50** hybrid vehicles in fleet

Sept Joined Toitū to begin monitoring carbon emissions

Sept Reduced carbon on air travel by **21%** for Jul-Sept quarter

Dec Launched Supplier Sustainability Code of Ethics Policy

Dec Reduced carbon on air travel by **38%** for Oct-Dec quarter

2021

Jan Rolled out new printer fleet, reducing utility use by **50%** and toner use by **30%**

Apr More than **100** hybrid vehicles now in fleet, equating to **29%** of total fleet

May Initiated Waste Reduction Audit

Board of Directors

AsureQuality's Board of Directors have been selected from a diverse range of backgrounds and abilities to ensure we are governed effectively, and continue to build on our success in the fields of food assurance and biosecurity.

Dr Alison Watters was appointed to the Board in May 2016 and the Chair role in November 2019. Alison is an elected Board Director for Livestock Improvement Corporation Ltd and sits on the Board of the High Value Nutrition National Science Challenge. Her previous roles include Director of Human Nutrition at Massey University and Technical Manager for Fonterra, during which time she was involved in commercialising food innovation internationally. Alison and her husband own a dairy farm in the Wairarapa and she is a strong advocate for the continued success of the food and fibre sector.

Paul McGilvary was appointed to the Board in May 2017. He is currently Chairman of Maui Milk and Southern Cross Genetics, and a Director of Waikato Milking Systems. He previously held governance roles within the science, food, dairy and infrastructure industries. Paul's previous roles have been across a diverse range of industries and have included CEO of HortResearch, and Managing Director of NZ Milk Products (Europe). Most recently, he was the Chief Executive Officer of Tatua Dairy Company for almost nine years until January 2017. Paul is a member of the New Zealand Institute of Directors. Paul commenced as Deputy Chair on 1 April 2020.

Margot Buick was appointed to the Board in November 2013. She has over 25 years' experience as a director of public and not-for-profit companies and is a Fellow, and past President, of the Institute of Food Science and Technology. She has a background in food science and technology, particularly in R&D, food production and processing, and extensive product and business development experience. Margot is a member of the New Zealand Institute of Directors.

Steve Murray was appointed to the Board in May 2014. He is the CEO of Tuaropaki Trust which participates in energy generation, food production and the telecommunications sectors. He has a broad range of governance and management expertise gained from time as a Partner in IBM's Global Business Consulting, Managing Director of EDS New Zealand and as CEO of Tainui Group Holdings. He has also held senior executive roles overseas where he gained business experience in IT, communications, energy, banking and financing, aviation, merger and acquisitions and supply chain.

Bruce Scott was appointed to the Board in May 2015. He is a director of finance companies in Australia and provides strategic agri-business services internationally. His international expertise includes board representation, and leading diverse and multi-cultural workforces that has taken him to the Middle East, Russia and the Pacific. He is a member of Chartered Accountants Australia and New Zealand and Chartered member of the NZ Institute of Directors. Bruce has 25 years' executive management experience in FMCG, rural servicing, agri-business, shipping, fuels, and fishing sectors that includes roles as CEO of Tegel Foods Limited, and Chairman of the NZ Poultry Association.

Alison Posa was appointed to the Board in January 2019. She has over 25 years' experience in finance roles, as a CFO and non-executive director in multi-national environments. Alison has experience in finance, strategy, risk management, governance of businesses across multiple countries and leading turnaround growth strategies in complex environments. Her previous roles have been across FMCG, Forestry and Pulp and Paper, and include roles In the food industry such as Director Finance Controlling – Asia, Middle East and Africa for Mondelēz International plus CFO roles with Fonterra Brands and Kraft Foods. Alison is a non-executive director of City Forests Ltd and a member of PWC's Audit Advisory Board. Alison is also a Chartered Accountant and a Chartered Member of the Institute of Directors.

Jan Hilder was appointed to the Board in November 2019. Originally trained as a Systems Engineer with IBM, Jan has over 30 years' experience in senior executive and governance roles. Her previous roles have been in the healthcare, insurance, finance, IT and manufacturing sectors. She has considerable experience in business transformation, technology strategy, risk management and mitigation planning. Jan founded and led an award winning NZ based software development company supplying systems to banks and insurance companies, which was successfully operating in New Zealand, Australia, Hong Kong and the United Kingdom at the time of its sale to a competitor.

Corporate Governance Statement

The Board of Directors is responsible for corporate governance. Corporate governance includes the direction of the Company, accountability of the Board to shareholders, the Company's performance, and compliance with laws and regulations.

The following is an overview of the main corporate governance practices which ensure effective management, statutory obligations and best practice are met.

Shareholder Relationship

AsureQuality is a limited liability company and a State-Owned Enterprise with its shares held by two Ministers on behalf of the Crown, the Minister for State-Owned Enterprises and the Minister of Finance.

Under the State-Owned Enterprises Act 1986, the principal objective of a State-Owned Enterprise is to operate as a successful business which is:

- As profitable and efficient as comparable businesses not owned by the Crown
- A good employer
- An organisation which exhibits a sense of social responsibility having regard to the interests of the communities in which it operates, and by endeavouring to accommodate or encourage those interests when able to do so

AsureQuality is required to provide its shareholders with an annual business plan, annual budget, a Statement of Corporate Intent and quarterly reports on performance relative to the objectives set out in the business plan. The unaudited half-year financial statements, audited year-end financial statements and Statement of Corporate Intent are tabled in Parliament.

The Role of the Board of Directors

The Directors are responsible for the governance of AsureQuality and its subsidiaries. The Board's principal responsibilities include:

- Ensuring that the Company goals are clearly established and that the strategies are in place for achieving them (such strategies being expected to originate from management in the first instance)
- Establishing policies for strengthening the performance of the Company including ensuring that management is proactively seeking to build the business through innovation, initiative, technology, new products and the development of its business capital
- Monitoring the performance of management
- Appointing the CEO, setting the terms of the CEO's employment contract and the Company's remuneration policy
- Deciding on whatever steps are necessary to protect the Company's financial position and the ability to meet its debts and other obligations when they fall due
- Ensuring that the Company's financial statements are true and fair and otherwise conform with law
- Ensuring that the Company adheres to high standards of ethics, corporate behaviour and corporate social responsibility
- Ensuring that the Company has appropriate risk management and regulatory compliance policies in place
- Ensuring a healthy and safe workplace for all staff

The Board supports the values, principles and practices set out in the "Code of Practice for Directors" issued by the Institute of Directors in New Zealand. These include the expectations that Directors will:

- Act honestly and with integrity
- Comply with the law
- Avoid conflicts of interest
- Use company assets responsibly and in the best interest of the Company
- Be responsible and accountable for their actions
- Act in accordance with their fiduciary duties

Policies and procedures are regularly reviewed to ensure integrity standards within the organisation are maintained, and where appropriate, enhanced.

The orderly conduct and control of the business depends on effective and responsible delegation of authority. The Board has a formal delegation of authority policy establishing authority to the CEO and management. This policy establishes parameters and limits within which management can commit AsureQuality to a transaction or approve spending. These limits are reviewed annually.

Appointment of Directors and Composition of Board

AsureQuality's constitution sets out policies and procedures for the operation of the Board, including the appointment and removal of Directors. Directors are appointed by the shareholding Ministers; the Minister of Finance and the Minister for SOEs. Under the constitution Directors may be appointed for a fixed term not exceeding three years, and shareholding Ministers may choose to renew any such appointments for a further fixed term. The Ministers also appoint the Chair and Deputy Chair. All Directors are non-executive independent Directors.

The Chair of the Board's role is to manage the Board effectively, to provide leadership to the Board and to interface with the CEO.

Board Meetings

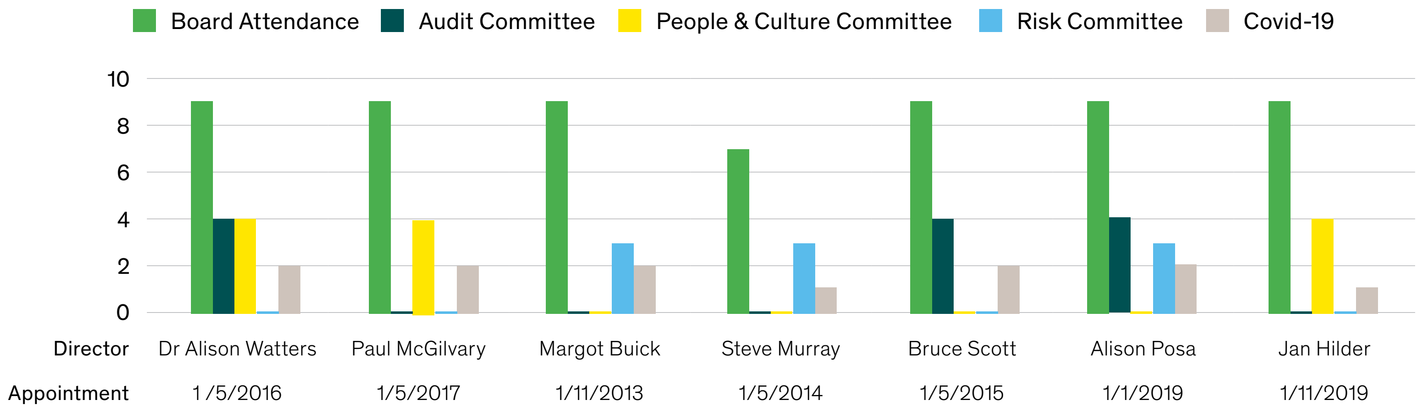
The Chair, with the assistance of the CEO, establishes the agenda for each Board meeting to ensure proper coverage of key issues. Each Director is able to request items for the agenda.

The Directors receive comprehensive information on AsureQuality's operations before each meeting and have unrestricted access to any other information they require. The CEO and senior executives attend each meeting to answer questions and to assist the Directors in their understanding of the issues facing AsureQuality and the performance of the Company. The Board and its committees also meet in confidential sessions without management present. These sessions deal with management performance and remuneration issues, Director performance process, and discussions with the external auditors to promote a robust independent audit process.

In line with best practice, the Board undertook a Board Review by an external independent advisor.

For the year ended 30 June 2021 the Board met for nine Board meetings plus two special meetings around COVID-19 and its impact to business operations. Details of attendance at Board and Committee meetings are set out in the following table.

Board Meeting Attendance for the year ended 30 June 2021



Board Committees

The Board has three formally constituted committees. The Board reviews the membership and terms of reference for the committees annually.

Audit Committee

The Audit Committee has authority to recommend to the Board and met four times in the year ended 30 June 2021. The objective of the Committee is to recommend the principles and standards with respect to internal controls, accounting policies and the nature, scope, objectives, and functions of internal and external audit. The Committee will assist the Board in producing accurate financial statements in compliance with the appropriate legal requirements and accounting standards. The Committee comprised Bruce Scott (Chair), Dr Alison Watters, and Alison Posa.

People and Culture Committee

The People and Culture Committee has authority to recommend to the Board and met four times in the year ended 30 June 2021. The objective of the Committee is to assist the Board on remuneration and performance management policies, procedures relating to the CEO and senior management and their implementation, and health and safety. The Committee comprised Paul McGilvary (Chair), Dr Alison Watters and Jan Hilder.

Risk Committee

The Risk Committee has authority to recommend to the Board and met three times in the year ended 30 June 2021. The objective of the Committee is to recommend risk management strategy, policy and process to the Board as well as making recommendations on specific issues. The Committee will also assist the Board in ensuring that appropriate policies are in place regarding the impartiality of AsureQuality's certification activities. The Committee comprised Alison Posa (Chair), Margot Buick and Steve Murray.

Directors' Remuneration

Each year shareholding Ministers advise the Board of the total amount of fees which may be allocated to Directors of AsureQuality. The allocation of those fees in respect of the year ended 30 June 2021 is included in the statutory disclosure information.

Risk Management

The Board has developed a rigorous process for risk management and internal control. AsureQuality has developed a comprehensive risk management framework which is reviewed for approval by the Board on an annual basis. The Company's management actively participates in the identification, assessment, and monitoring of new and existing risks. Particular attention is given to the market risks that could impact on AsureQuality.

Audit

In accordance with Section 29 of the Public Finance Act 1989, the Auditor General is required to express an opinion on the Group's financial statements. Pursuant to Section 15 of the Public Audit Act 2001, the Auditor General has appointed Graeme Edwards of KPMG to undertake this audit on his behalf. The Audit Report is set out in the Financial Statements. The Board has adopted a strict policy to maintain the independence of the external auditor with their work limited to external audit assurance services only.

During the year Grant Thornton acted as internal auditor to monitor the Company's internal control systems, risk management processes and the integrity of the financial information reported to the Board. The Board sets the internal audit programme for the internal auditor.

Both the internal auditor and the external auditor have unrestricted access to the Audit Committee and to the Board.

Building our Cultural Confidence

We have focused on building our Bi-cultural competence as a foundation for building our wider Cultural Competence at AsureQuality. During 2020 our Executive Team and Senior Leaders all completed their training on the Treaty of Waitangi and our obligations under the Treaty. We also established a Bi-cultural committee to co-create our Bi-Cultural strategy. This strategy is now well underway, and we are launching a tailored online culture intelligence application called "Ako Tahi – Learning Together" for all our people to learn and deepen their understanding of mātauranga Māori and Te Reo Māori.

With over 40 different ethnicities within AsureQuality we celebrate a diversity of cultural events that represent our people and their cultures throughout the year. To further develop our cultural intelligence and competence we intend to provide access to Mana Āki (cultural competence training, provided by MBIE) through our Learning Management System to all our employees.

Corporate Social Responsibility (CSR)

The Board recognises that AsureQuality has obligations under the State-Owned Enterprises Act to be a good employer, and to exhibit a sense of social responsibility by having regard to the interests of the communities in which it operates, and by endeavouring to accommodate or encourage these when able to do so. This means conducting business in a responsible fashion, including operating with a high level of business ethics. AsureQuality's CSR philosophies are embedded in the Company's Vision and Values statements, and are reflected in how the Company operates across all activities on a day-to-day basis.

AsureQuality's approach to corporate social responsibility focuses on three broad strategic objectives:

- Reducing the Company's environmental impact
- Being a good employer
- Encouraging social and community involvement and support

AsureQuality has identified a number of specific programmes and initiatives aimed at contributing to the achievement of these objectives. For example: reducing the Company's carbon footprint, supporting staff who suffer hardship, and establishing a staff volunteer programme.

Conflicts of Interest

The Board has adopted a policy that prohibits any Director providing services, in any capacity, to the Company except with the prior approval of shareholding Ministers. All Directors are required to disclose any conflicts of interest or if they have an interest in any transaction, they will not be entitled to participate in the discussion or to vote in relation to the transaction. To facilitate the disclosure of interests and identification of any actual or perceived conflicts of interests, the Company's Disclosure of Interests Register is tabled and reviewed at the beginning of each Board meeting.

Ethical Behaviour

The Board has adopted a number of policies to provide guidance to Directors, management and staff as to the expected standard of behaviour in conducting the business of the Company. These include policies covering drug and alcohol abuse, conflicts of interest, disclosure of information, personal and entertainment expenses for both Directors and staff, the treatment of fraudulent actions, protected disclosures, harassment, privacy, unsolicited electronic messages and the receipt of gifts.

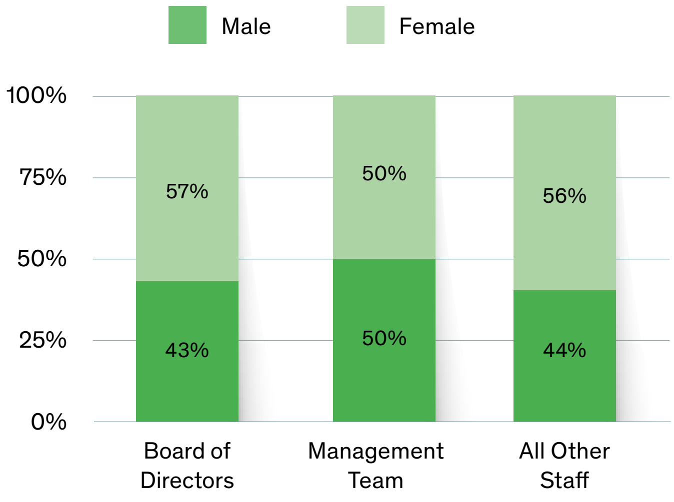
Diversity

AsureQuality seeks to create an integrated and inclusive culture, which acknowledges, respects and values the varied perspectives different people and cultures bring to the workplace.

All existing and prospective staff are respected and treated equally regardless of gender, ethnicity, age, religious beliefs, marital status, culture, sexual orientation, political opinion, employment status or physical ability.

AsureQuality's recruitment and selection process aims to ensure that selection reflects open competition (equitably on merit) and equal employment opportunity.

Directors and Staff by Gender as at 30 June 2021



Management Team

We are deeply connected to our partners and dedicated to helping Aotearoa shape a better food world. Our management team leads through strong and inspirational leadership. They have a strategic commitment to invest in world-class facilities, technology and people, to ensure that we remain leaders in our field, helping our partners take their products to the world.

Kim Ballinger, Chief Executive Officer, joined AsureQuality in December 2020. Kim's previous roles include Director at Waiū Dairy Company, Chief Executive Officer at Tip Top Ice Cream, involvement with two start-up companies, and 20 years with Fonterra, holding executive and senior management roles across New Zealand, Brazil, Mexico, China, and the USA. She is passionate about people and proud to be leading a business which supports New Zealand's food and primary producers, to uphold the reputation of Aotearoa for best-in-class quality food.

Jeremy Hood, Chief Operating Officer, joined AsureQuality in October 2015 as Chief Financial Officer. His previous roles include seven years as Chief Financial Officer of DairyNZ, Finance Manager at Dexcel and various finance and accounting roles at Fonterra and L'Oréal in the United Kingdom. He also has previous experience working in the manufacturing sector. He is an Associate Chartered Accountant of Chartered Accountants Australia and New Zealand and a member of the Institute of Directors. Jeremy grew up on a family farm in Paengaroa and is passionate about Aotearoa's primary industry sector.

Sandra Fischer, Group Manager – Customer Solutions, joined AsureQuality in 2015 after roles in sales and Global Account Management with Fonterra in China and Southeast Asia. Her previous experience includes sales and operational planning, supply chain, commercial and technical development. Sandra is committed to supporting Aotearoa's food producers through AsureQuality's services which support their initiatives for growth in domestic and global markets.

Michael Hodgson, Group Service Manager – Food Testing, joined AsureQuality in 2014 as Laboratory Manager Chemistry for the Auckland Laboratory before moving into the Laboratory Business Manager role. He has over 16 years' experience working in commercial laboratories within New Zealand, including Watercare Laboratory Services and Eurofins (NZ). Michael is proud to be supporting AsureQuality's customers through delivery of innovative food testing services.

Alan Robson, Group Service Manager – Food Processing, joined AsureQuality in October 1999 and has held both executive and business manager positions within the organisation. His career has mostly been associated with the primary sector where he has held a range of technical manager, general manager, and operational management positions, working within the horticultural and arable farming sectors, as well as the pipfruit, crop seed and meat industries. Alan is dedicated to helping support Aotearoa's primary industries share their products with the world.

Kylea Heaton, Group Service Manager – Field, joined AsureQuality in 2013 as an Audit Manager, before moving into a Key Account Manager role. Her previous experience encompassed many years' working in technical, product development and management roles across Aotearoa's food industry, including roles with Fonterra and Canary Enterprises. Kylea enjoys being part of a business that supports New Zealand producers and is committed to ensuring a high level of service.

Mike Fenton, Group Service Manager - Specialty Services, joined AsureQuality in June 2019 as the Business Manager Biosecurity. Prior to this he worked in management roles across a wide range of industries including KiwiRail, New Zealand Post, Ministry for Primary Industries and as Chief Operating Officer at Transdev Wellington. Mike is passionate about people and leadership and loves working in a company that contributes so much to Aotearoa.

Emma Bulter, General Manager People and Culture joined AsureQuality in January 2017. Emma's team supports our people to be able to do their work safely and feel satisfied that they have the ability and environment to achieve great things. She has led People and Culture teams in a number of companies, most recently as GM Human Resources Oceania Healthcare Ltd and NZ Bus Ltd. Her previous experience has been gained in largely transportation and healthcare sectors. She enjoys the food sector and the role that AsureQuality plays in providing quality assurance to people every day (Emma left the business in June 2021).

Financials

PROFIT OR LOSS

for the year ended 30 June

	NOTE	2021 $000	2020 $000
REVENUE	**2**	**233,253**	**255,922**
Employee benefit expenditure		(137,680)	(143,968)
Consumables		(23,909)	(20,756)
Contractors and subcontractors		(7,118)	(22,141)
Transportation expenses		(7,098)	(11,373)
Rental and operating lease costs	9	(1,567)	(1,463)
Other expenses	3	(21,099)	(20,506)
OPERATING EXPENSES		**(198,471)**	**(220,207)**
Depreciation and amortisation		(9,375)	(9,136)
Finance costs (net)	4	(1,215)	(1,866)
Share of profit of associates and joint ventures	10	2,275	2,308
PROFIT BEFORE INCOME TAX		**26,467**	**27,021**
Income tax expense	5	(6,934)	(7,064)
PROFIT FOR THE YEAR		**19,533**	**19,957**
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the parent		19,395	19,864
Non-controlling interest		138	93
		19,533	**19,957**

The accompanying notes and accounting policies form part of these financial statements.

OTHER COMPREHENSIVE INCOME

for the year ended 30 June

	NOTE	2021 $000	2020 $000
PROFIT FOR THE YEAR		19,533	19,957
OTHER COMPREHENSIVE INCOME NET OF TAX			
Items that may be reclassified subsequently to profit or loss:			
Net change in land and buildings revaluation reserve	7	10,108	-
Translation of foreign operations	15	(511)	834
TOTAL OTHER COMPREHENSIVE INCOME NET OF TAX		**9,597**	**834**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**29,130**	**20,791**
ATTRIBUTABLE TO			
Equity holders of the parent		28,992	20,698
Non-controlling interest		138	93
		29,130	**20,791**

The accompanying notes and accounting policies form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

	NOTE	SHARE CAPITAL $000	REVALUATION RESERVE $000	TRANSLATION RESERVE $000	RETAINED EARNINGS $000	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT $000	NON-CONTROLLING INTEREST $000	TOTAL EQUITY $000
BALANCE AT 30 JUNE 2019		**22,100**	**16,025**	**(526)**	**43,813**	**81,412**	**-**	**81,412**
Profit for the year		-	-	-	19,864	19,864	93	19,957
Other comprehensive income		-	-	834	-	834	-	834
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**-**	**-**	**834**	**19,864**	**20,698**	**93**	**20,791**
Acquisition of non-controlling interest in subsidiary		-	-	-	-	-	830	830
Dividends	15	-	-	-	(16,900)	(16,900)	-	(16,900)
TOTAL TRANSACTIONS WITH OWNERS		**-**	**-**	**-**	**(16,900)**	**(16,900)**	**830**	**(16,070)**
BALANCE AT 30 JUNE 2020		**22,100**	**16,025**	**308**	**46,777**	**85,210**	**923**	**86,133**
Profit for the year		-	-	-	19,395	19,395	138	19,533
Other comprehensive income		-	10,108	(511)	-	9,597	-	9,597
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**-**	**10,108**	**(511)**	**19,395**	**28,992**	**138**	**29,130**
Acquisition of additional shares in subsidiary	15	-	-	-	-	-	(402)	(402)
Dividends	15	-	-	-	(12,000)	(12,000)	(143)	(12,143)
TOTAL TRANSACTIONS WITH OWNERS		**-**	**-**	**-**	**(12,000)**	**(12,000)**	**(545)**	**(12,545)**
BALANCE AT 30 JUNE 2021		**22,100**	**26,133**	**(203)**	**54,172**	**102,202**	**516**	**102,718**

The accompanying notes and accounting policies form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 30 June

	NOTE	2021 $000	2020 $000
CURRENT ASSETS			
Cash and cash equivalents		3,260	3,111
Trade and other receivables	6	33,456	36,635
Inventories		7,435	8,538
TOTAL CURRENT ASSETS		**44,151**	**48,284**
NON-CURRENT ASSETS			
Property, plant and equipment	7	52,106	37,957
Intangible assets	8	8,364	8,363
Right-of-use assets	9	14,070	12,351
Investments in associates and joint ventures	10	48,198	46,358
Deferred income tax assets	5	4,820	5,449
TOTAL NON-CURRENT ASSETS		**127,558**	**110,478**
TOTAL ASSETS		**171,709**	**158,762**
CURRENT LIABILITIES			
Trade and other payables	11	31,812	33,133
Borrowings	12	2,000	2,500
Current lease liabilities	9	2,928	2,004
Derivative financial instruments	13	434	548
Current income tax liabilities		844	3,902
TOTAL CURRENT LIABILITIES		**38,018**	**42,087**
NON-CURRENT LIABILITIES			
Borrowings	12	15,794	15,733
Non-current lease liabilities	9	11,532	10,680
Payables	11	3,647	4,129
TOTAL NON-CURRENT LIABILITIES		**30,973**	**30,542**
TOTAL LIABILITIES		**68,991**	**72,629**
EQUITY			
Equity attributable to equity holders of the parent		102,202	85,210
Non-controlling interest		516	923
TOTAL EQUITY		**102,718**	**86,133**
TOTAL LIABILITIES AND EQUITY		**171,709**	**158,762**

The Board of Directors of AsureQuality Limited authorised these financial statements for issue on 24 August 2021.

Dr Alison Watters
Chair

Bruce Scott
Chair Audit Committee

The accompanying notes and accounting policies form part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 30 June

	NOTE	2021 $000	2020 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		237,051	262,763
Payments to suppliers and employees		(199,741)	(223,907)
Interest paid net of interest and dividends received		(1,332)	(1,668)
Income tax paid		(9,765)	(9,738)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**26,213**	**27,450**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(8,364)	(6,740)
Purchase of intangibles		(1,382)	(552)
Investment in subsidiary	10	(402)	(3,102)
NET CASH USED IN INVESTING ACTIVITIES		**(10,148)**	**(10,394)**
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayment of)/proceeds from borrowings		(439)	2,958
Dividend paid to non-controlling interest		(143)	-
Dividend paid to shareholder		(12,000)	(16,900)
Lease principal payments		(3,335)	(3,146)
NET CASH USED IN FINANCING ACTIVITIES		**(15,917)**	**(17,088)**
NET INCREASE/(DECREASE) IN CASH		**148**	**(32)**
Cash and cash equivalents at beginning of the year		3,111	3,131
Exchange gains on cash balances		1	12
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**3,260**	**3,111**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

RECONCILIATION OF THE PROFIT FOR THE YEAR WITH CASH FLOWS FROM OPERATING ACTIVITIES			
PROFIT AFTER TAX FOR THE YEAR		**19,533**	**19,957**
ADJUSTMENTS FOR:			
Depreciation and amortisation		9,375	9,136
Share of profit of associates and joint ventures	10	(2,275)	(2,308)
Other non-cash movements		(323)	(300)
NON-CASH MOVEMENTS		**6,777**	**6,528**
IMPACT OF CHANGES IN WORKING CAPITAL			
Trade and other receivables		3,179	6,032
Income tax		(3,058)	(1,999)
Trade and other payables		(1,321)	1,016
Inventories		1,103	(4,084)
WORKING CAPITAL MOVEMENTS		**(97)**	**965**
NET CASH GENERATED FROM OPERATING ACTIVITIES		**26,213**	**27,450**

The accompanying notes and accounting policies form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June

1. BASIS OF ACCOUNTING

REPORTING ENTITY

AsureQuality Limited is a company registered under the Companies Act 1993 and is a company incorporated and domiciled in New Zealand.

The consolidated financial statements presented are for the AsureQuality Limited Group ("AsureQuality" or "the Group") as at, and for the year ended 30 June 2021.

The Group comprises AsureQuality Limited and its subsidiaries, and its investments in associates and joint ventures. The Group provides food quality assurance and biosecurity services and manufactures and sells animal diagnostic products. During the year it operated in New Zealand, Australia, and South East Asia.

The ultimate shareholder of the Group is the Minister of Finance and Minister of State-Owned Enterprises on behalf of the Crown.

STATEMENT OF COMPLIANCE

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (“NZ IFRS”) and other applicable Financial Reporting Standards as appropriate for Tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards (“IFRS”).

The financial statements were approved by the Board of Directors on 24 August 2021.

BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Companies Act 1993, and the State-Owned Enterprises Act 1986 and generally accepted accounting practice in New Zealand (‘NZ GAAP’) as appropriate to Tier 1 for-profit entities.

AsureQuality’s management consider that the impact of COVID-19 will continue to have no material impact on its ability to operate for the next twelve months and believe that it remains appropriate to prepare the financial statements on a going concern basis.

The financial statements are prepared on the historical cost basis, with the exception of certain items for which specific accounting policies are identified.

The financial statements are presented in New Zealand dollars ($), rounded to the nearest thousand, which is the Group's presentation currency.

Items included in the financial statements of each of the Group’s entities are recognised using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of operations in New Zealand is NZ$, Australia is AU$ and South East Asia is SG$.

The statements of profit or loss, other comprehensive income, cash flows and changes in equity are stated exclusive of GST. All items in the statement of financial position are stated exclusive of GST with the exception of trade receivables and trade payables, which include GST.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

AsureQuality's management is required to make judgements, estimates and apply assumptions that affect the amounts reported in the financial statements. They have based these on historical experience and various other factors that they believe to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in the future periods affected.

Accounting policies, and information about judgements, estimations and assumptions that have had a significant effect on the amounts recognised in the financial statements are disclosed in the relevant notes as follows:

- Deferred tax recognition (Note 5)
- Property, plant and equipment valuation (Note 7)
- Impairment and valuation of goodwill (Note 8)
- Leases (Note 9)
- Consolidation basis and classification of investments (Note 10)
- Impairment of investments (Note 10)
- Valuation of retirement and long-service leave (Note 11)
- Impairment of trade receivables (Note 14)

SIGNIFICANT ACCOUNTING POLICIES

a) Comparatives

When presentation or classification of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so. There were no changes to comparatives in these financial statements.

b) New and amended accounting standards adopted

A number of new or amended standards became applicable for the current reporting period and have been adopted by the Group, with no material impact on the Group financial statements.

OTHER ACCOUNTING POLICIES

All other accounting policies are included with the applicable note.

CHANGES IN ACCOUNTING POLICIES

Accounting policies have been consistently applied to all periods presented in these financial statements.

2. REVENUE

POLICY

The Group recognises revenue from the following major sources:

- Testing services
- Inspection and Certification services
- Specialist services, including diagnostics product contract manufacturing and distribution, proficiency testing and food advisory services.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Testing services

The Group provides food and contaminant testing services. Revenue is recognised as testing services are completed.

Inspection and Certification services

The Group provides independent audit, inspection,verification and certification against domestic and international regulatory and retailer standards. Biosecurity readiness, capability, incursion response and surveillance services are provided under agreement with New Zealand's Ministry for Primary Industries. Such services are recognised as a performance obligation satisfied over time. Revenue is recognised for these inspection and certification services based on the stage of completion of the contract.

Specialist services

The Group contract manufactures diagnostic products and distributes specialist veterinary test kits for use in disease management. Revenue is recognised when the control of the goods has transferred, being at the point the goods have been shipped to the customer. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

The Group also provides proficiency testing and food advisory services. Revenue is recognised as services are completed.

	NOTE	2021 $000	2020 $000
DISAGGREGATION OF THE GROUP'S REVENUE FROM CONTRACTS WITH CUSTOMERS:			
Testing services		79,610	74,179
Inspection and certification		138,578	168,692
Specialist services		15,065	13,051
		233,253	**255,922**

3. OTHER OPERATING EXPENSES

Other operating expenses include donations of $62,000 (2020: $37,000).

4. FINANCE COSTS (NET)

	NOTE	2021 $000	2020 $000
Interest expense on borrowings		(746)	(829)
Interest expense on lease liabilities		(599)	(842)
Net foreign exchange gains/(losses)		2	(110)
Interest income on short-term bank deposits		14	9
Movement of derivatives held at fair value through profit or loss	13	114	(94)
TOTAL		**(1,215)**	**(1,866)**

POLICIES

Finance costs (net) include interest expense on borrowings and interest income on funds invested which are recognised using the effective interest rate method and the movement of derivatives held at fair value through profit or loss.

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. A qualifying asset is defined as an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Group has defined substantial time as being in excess of six months. There were no assets which met this criteria in the current year (2020: NIL).

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

	NOTE	2021 $000	2020 $000
5. TAXATION			
CURRENT TAXATION EXPENSE			
Current year		6,802	7,844
Adjustment in respect of prior years		(96)	(117)
DEFERRED TAXATION EXPENSE			
Origination and reversal of temporary differences		157	(951)
Adjustment in respect of prior years		71	288
INCOME TAX EXPENSE		**6,934**	**7,064**
RECONCILIATION OF EFFECTIVE TAX RATE			
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:			
Profit from operations		26,467	27,021
Prima facie income tax @ 28%		7,411	7,566
Effect of tax rates in foreign jurisdictions		30	28
Non-deductible or non-assessable items		(639)	(663)
Current period tax losses not recognised/(tax benefit of previously unrecognised tax losses)		-	(64)
Change in recognised deductible temporary differences		157	26
(Over)/under provision in prior years		(25)	171
TOTAL INCOME TAX EXPENSE		**6,934**	**7,064**
INCOME TAX RECOGNISED DIRECTLY IN EQUITY			
Income tax on income and expenses recognised directly in equity		401	(12)
IMPUTATION CREDITS DIRECTLY AND INDIRECTLY AVAILABLE TO SHAREHOLDERS AS AT 30 JUNE 2021 ARE:			
Parent		25,717	21,839
Subsidiaries		722	546
		26,439	**22,385**

5. TAXATION (CONTINUED)

	PROPERTY, PLANT & EQUIPMENT	EMPLOYEE ENTITLEMENTS	OTHER	TOTAL
	$000	$000	$000	$000
DEFERRED TAX ASSETS AND LIABILITIES				
Balance at 30 June 2019	876	3,254	644	4,774
Recognised in the profit in respect of prior years	-	(162)	(126)	(288)
Recognised in profit	34	917	-	951
Recognised in other comprehensive income	11	1	-	12
BALANCE AT 30 JUNE 2020	**921**	**4,010**	**518**	**5,449**
Recognised in the profit in respect of prior years	-	(71)	-	(71)
Recognised in profit	(281)	(162)	286	(157)
Recognised in other comprehensive income	(401)	-	-	(401)
BALANCE AT 30 JUNE 2021	**239**	**3,777**	**804**	**4,820**

POLICIES

Income tax expense comprises current and deferred tax and is calculated using rates enacted or substantially enacted at balance date.

Current and deferred tax is recognised in profit or loss unless the tax relates to items in other comprehensive income, in which case the tax is recognised as an adjustment in other comprehensive income against the item to which it relates.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or subsequently enacted at the reporting date.

A deferred tax asset is recognised to the extent that it is probable that sufficient future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

JUDGEMENTS

Obtaining the benefits of the deferred tax balance is dependent upon deriving sufficient assessable income, meeting conditions for deductibility and complying with relevant tax legislation.

The value, and use of income tax offsets and tax losses within the Group, are subject to statutory requirements being met.

Deferred tax in relation to the New Zealand and Australian taxation jurisdictions has been recognised as an asset as the Directors consider that there will be sufficient taxable income in the future to obtain the benefits.

There are no tax losses not recognised as future tax benefits in the financial statements in the current year (2020: NIL).

6. TRADE AND OTHER RECEIVABLES

	NOTE	2021 $000	2020 $000
Trade receivables		31,754	35,047
Impairment provision	14	(185)	(384)
Prepayments		1,672	1,398
Receivables from associates and joint ventures	17	215	574
		33,456	**36,635**

POLICIES

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Discounting is not applied to receivables where collection is expected to occur within the next 12 months.

The movement in the amount of the provision is recognised through profit or loss. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss. The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each receivable. Refer to note 14 for credit risk information.

7. PROPERTY, PLANT AND EQUIPMENT

	FREEHOLD LAND AT FAIR VALUE	BUILDINGS AT FAIR VALUE	LEASEHOLD IMPROVEMENTS AT COST	PLANT AND EQUIPMENT AT COST	MOTOR VEHICLES AT COST	CAPITAL WORK IN PROGRESS	TOTAL
	$000	$000	$000	$000	$000	$000	$000
Cost	17,340	4,802	6,738	52,511	-	1,097	82,488
Accumulated depreciation	-	(712)	(5,903)	(40,468)	-	-	(47,083)
CARRYING AMOUNT 30 JUNE 2019	**17,340**	**4,090**	**835**	**12,043**	**-**	**1,097**	**35,405**
Additions / transfers	-	252	34	4,575	2,575	(696)	6,740
Disposals	-	-	-	(40)	-	-	(40)
Depreciation expense	-	(340)	(153)	(3,504)	(165)	-	(4,162)
Exchange differences	-	-	7	4	-	3	14
Cost	17,340	5,054	6,836	53,055	2,575	404	85,264
Accumulated depreciation	-	(1,052)	(6,113)	(39,977)	(165)	-	(47,307)
CARRYING AMOUNT 30 JUNE 2020	**17,340**	**4,002**	**723**	**13,078**	**2,410**	**404**	**37,957**
Additions / transfers	-	321	207	4,293	3,512	71	8,404
Disposals	-	-	-	(4)	(90)	-	(94)
Net revaluation increments	9,072	1,437	-	-	-	-	10,509
Depreciation expense	-	(372)	(166)	(3,743)	(391)	-	(4,672)
Exchange differences	-	-	1	1	-	-	(2)
Cost	26,412	5,388	7,052	57,267	6,000	475	102,594
Accumulated depreciation	-	-	(6,287)	(43,642)	(559)	-	(50,488)
CARRYING AMOUNT 30 JUNE 2021	**26,412**	**5,388**	**765**	**13,625**	**5,441**	**475**	**52,106**

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

POLICIES

Property, plant and equipment other than land and buildings are recognised at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment is the value of the consideration given to acquire the property, plant and equipment and other directly attributable costs incurred in bringing the property, plant and equipment to the location and condition necessary for their intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Land and buildings are recognised at fair value less impairment losses and, for buildings, less depreciation accumulated since the assets were last revalued.

Disposal of property, plant and equipment

Gains and losses arising from disposal of property, plant and equipment are recognised in profit or loss in the period in which the transaction occurs. Any balance attributable to the disposed asset in the asset revaluation reserve is transferred to retained earnings.

Capital work in progress

Capital work in progress represents costs relating to property, plant and equipment that at balance date are not yet operational and capitalised. Depreciation commences when the item is capitalised.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised as an expense in profit or loss as incurred.

Depreciation

Depreciation is recognised as an expense in profit or loss on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its estimated useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method.

The following estimated useful lives are used in the calculation of depreciation:

Buildings	10 – 25 years
Plant and equipment	3 – 8 years
Leasehold improvements	10 years or over the period of the lease if more appropriate
Motor vehicles	3 – 5 years

Land and capital work in progress are not depreciated.

JUDGEMENTS

Land and Buildings are revalued by an independent valuer every three years unless the Directors consider the value has changed significantly since the last formal valuation and it is necessary to obtain a more current valuation. Valuations are performed with sufficient frequency to ensure that the fair value of the revalued asset does not differ materially from its carrying amount.

Darroch Limited, independent registered valuers and associates of the New Zealand Institute of Valuers, valued the Auckland Laboratory land and buildings at 30 June 2021 and the Wellington Laboratory land and buildings at 30 June 2021. Valuations were performed on the basis of recent market transactions on arm's length terms.

Management considers the carrying values to be reflective of fair value in total as at 30 June 2021.

If land and buildings were stated on the historical cost basis, the carrying amounts would be as follows:

	FREEHOLD LAND	BUILDINGS	TOTAL
	$000	**$000**	**$000**
Carrying amount 30 June 2020	2,465	5,783	8,248
Carrying amount 30 June 2021	2,465	5,431	7,896

CAPITAL COMMITMENTS

At 30 June 2021 the Group had entered into contractual commitments for the acquisition of property, plant and equipment, motor vehicles and software amounting to $4.7 million (2020: $2.1 million).

8. INTANGIBLE ASSETS

	NOTE	GOODWILL	SOFTWARE	RELATIONSHIP CONTRACTS	WORK IN PROGRESS	TOTAL
		$000	**$000**	**$000**	**$000**	**$000**
Cost		829	19,239	245	608	20,921
Accumulated amortisation		-	(15,437)	(245)	-	(15,682)
CARRYING AMOUNT 30 JUNE 2019		**829**	**3,802**	**-**	**608**	**5,239**
Additions / transfers		4,109	902	-	(350)	4,661
Disposals		-	(96)	-	-	(96)
Amortisation expense		-	(1,442)	-	-	(1,442)
Exchange differences		-	1	-	-	1
Cost		4,938	10,340	245	258	15,781
Accumulated amortisation		-	(7,173)	(245)	-	(7,418)
CARRYING AMOUNT 30 JUNE 2020		**4,938**	**3,167**	**-**	**258**	**8,363**
Additions / transfers		-	1,028	432	(78)	1,382
Amortisation expense		-	(1,379)	-	-	(1,379)
Exchange differences		-	(2)	-	-	(2)
Cost		4,938	11,369	677	180	17,164
Accumulated amortisation		-	(8,555)	(245)	-	(8,800)
CARRYING AMOUNT 30 JUNE 2021		**4,938**	**2,814**	**432**	**180**	**8,364**

POLICIES

Software

Software assets include both purchased software and direct costs associated with the development of internally developed software. Capitalised costs include the cost of all materials used in construction and the direct labour on the project. Costs cease to be capitalised as soon as the software is ready for productive use. Capitalised costs are amortised on a straight-line basis over the period of the expected benefits. This period is reviewed on an annual basis.

Amortisation – software

Software is amortised on a straight-line basis over three to eight years, being the estimated useful life.

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest (if any) in the acquiree over the fair value of the identifiable net assets recognised. Goodwill is recognised as an asset and not amortised, but tested for impairment at each reporting date. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

Impairment testing

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite life, including goodwill, are not subject to amortisation and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset/s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows e.g. cash-generating units.

JUDGEMENTS

To assess impairment, management must estimate the future cash flows of the cash generating units. This entails making judgements including:

- the expected rate of growth of revenues;
- margins expected to be achieved;
- the level of future maintenance expenditure required to support these outcomes; and
- the appropriate discount rate to apply when discounting future cash flows.

Goodwill has been allocated for impairment testing purposes to the New Zealand and Australian Global Proficiency subsidiaries and the NZIDT subsidiary (cash-generating units). The recoverable amounts of these cash-generating units are determined based on a value in use calculation which uses cash flow projections based on the latest financial forecasts using an average growth rate of 1% (2020: 1%) in perpetuity and a discount rate of 7.69% (2020: 7.69%) per annum.

The recoverable amount of each cash-generating unit to which goodwill is allocated exceeds the net assets plus goodwill allocated. Therefore the Group has determined that no impairment to goodwill has occurred during the period.

The value of the intangible assets has been compared to fair value as at 30 June 2021 based on a discounted cash flow prepared from the latest financial forecast received from NZIDT Limited using an average growth rate of 1% in perpetuity and a discount rate of 7.69%. The discounted cash flow indicates that the above carrying value has not been impaired.

9. LEASES

JUDGEMENTS

Where a discount rate is not explicit in a lease the Group determines an applicable discount rate to use based on publicly available rates for Government Bonds, Westpac swap rates and Treasury Risk-free discount rates and then applies an adjustment to these rates to apply a company specific credit risk. In determining the lease term the Group includes any periods covered by options to extend where the Group is reasonably certain to exercise that option

RIGHT-OF-USE ASSETS

	PROPERTY	VEHICLES	OTHER	TOTAL
	$000	$000	$000	$000
At adoption on 1 July 2019	11,739	3,418	294	15,451
Additions	27	437	-	464
Depreciation	(1,966)	(1,496)	(65)	(3,527)
Changes in scope or lease term	9	(44)	-	(35)
Exchange differences	(2)	-	-	(2)
CARRYING AMOUNT 30 JUNE 2020	**9,807**	**2,315**	**229**	**12,351**
Additions	3,644	-	-	3,644
Depreciation	(2,172)	(1,086)	(66)	(3,324)
Changes in scope or lease term	1,433	(44)	9	1,398
Exchange differences	1	-	-	1
CARRYING AMOUNT 30 JUNE 2021	**12,713**	**1,185**	**172**	**14,070**

LEASE LIABILITIES - MATURITY ANALYSIS	2021	2020
	$000	$000
Less than one year	2,928	2,004
Between one and five years	7,191	7,074
More than five years	4,341	3,606
TOTAL LEASE LIABILITIES	**14,460**	**12,684**

POLICIES

The Group leases various offices, vehicles and other office equipment which are classified as operating leases.

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low-value assets. For these leases, the Group recognises the lease payments as an other operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate (IBR).

Each lease payment is allocated between the lease principal and finance costs. Finance costs are charged to profit and loss over the lease period and the right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability if:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or
- A lease contract is modified and lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The estimated useful lives of right-of-use assets are determined on the same basis as similar owned assets within property, plant and equipment. Depreciation starts at the commencement date of the lease.

Wherever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under NZ IAS 37 Provisions, contingent liabilities and contingent assets (NZ IAS 37). From the 1st July 2019 these costs are included in the related right of use asset.

The Group applies NZ IAS 36 to determine whether a ROU asset is impaired and accounts for any identified loss under the same policy adopted for property, plant and equipment.

10. INVESTMENTS

JUDGEMENTS

Classifying investments as subsidiaries, associates, or joint operations requires management to judge the degree of influence which the group holds over the investee.

These judgements impact upon the basis of consolidation accounting which is used to recognise the Group's investments in the consolidated financial statements.

Impairment testing

Investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the investments carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs of sell and value in use.

To assess impairment, management must estimate the future cash flows of the investments. This entails making judgements including:

- the expected rate of growth of revenues;
- margins expected to be achieved;
- the level of future capital expenditure required to support these outcomes; and
- the appropriate discount rate to apply when discounting future cash flows.

The recoverable amounts of the investments are determined based on a value in use calculation which uses cash flow projections based on the latest financial forecasts using an average growth rate of 1% (2020: 1%) in perpetuity and discounts rates ranging between 7.69% - 21.08% (2020: 7.69%) per annum.

The recoverable amount of each investment exceeds the carrying value of each investment. Therefore the Group has determined that no impairment to investments has occurred during the period.

10.1 Investment in subsidiaries:

NAME	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	BALANCE DATE	OWNERSHIP AND VOTING INTEREST 2021	OWNERSHIP AND VOTING INTEREST 2020
AsureQuality Asia Pacific Limited	New Zealand	Holding company	30-June	100%	100%
AsureQuality Australia Pty Limited	Australia	Diagnostic manufacturing	30-June	100%	100%
Global Proficiency Limited	New Zealand	Proficiency testing services	30-June	100%	100%
Global Proficiency Pty Limited	Australia	Proficiency testing services	30-June	100%	100%
NZIDT Limited	New Zealand	Halal advisory services	30-June	87%	80%

POLICIES

The Group financial statements consolidate the financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries acquired or disposed of during the period are included in profit or loss from the effective date of acquisition or effective date of disposal, as appropriate.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed. Acquisition-related costs are expensed as incurred.

Non-controlling interests in the net assets of the consolidated subsidiaries are identified separately from the Group equity. The interest of non-controlling shareholders is measured at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets.

Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of acquisition.

Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and

ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under NZ IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Goodwill

Goodwill arising on the acquisition of a subsidiary is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree over the fair value of the identifiable net assets recognised. For the purposes of impairment testing, goodwill has been allocated to cash generating units. Unless otherwise stated, the cash generating unit is synonymous with the entity acquired. Any impairment loss is recognised immediately in profit in the statement of comprehensive income and is not reversed in a subsequent period.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at costs less accumulated amortisation and accumulated impairment, on the same basis as intangible assets acquired separately.

Translation of foreign operations

On consolidation, the assets and liabilities of the Group's overseas operation are translated at exchange rates prevailing at balance date. Income and expense items are translated at the average exchange rate for the period unless exchange rates fluctuate significantly. If fluctuations are significant then the spot rate is used. Exchange differences arising, if any, are recognised in the foreign currency translation reserve and recognised in the statement of comprehensive income.

10.2 Investments in associate and joint venture

NAME	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	BALANCE DATE	OWNERSHIP AND VOTING INTEREST 2021	OWNERSHIP AND VOTING INTEREST 2020
Bureau Veritas AsureQuality Holdings Limited (BVAQ AU)	Australia	Independent food testing laboratories	31-December	49%	49%
BV-AQ (Singapore) Holdings Pte Ltd (BVAQ SEA)	Singapore	Independent food testing laboratories	31-December	49%	49%

10. INVESTMENTS (CONTINUED)

POLICIES

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of voting rights. Joint ventures are where the Group is a party to a joint arrangement, has joint control over the investee and has rights to the net assets relating to the arrangement. Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates and joint ventures' post acquisition profits are recognised in profit for the year, and its share of post acquisition movements in other comprehensive income are recognised in other comprehensive income.

JUDGEMENT

The Group is deemed to have joint control over its investment in Bureau Veritas AsureQuality Holdings Pty Limited through the contractually agreed sharing of the financial and operating decisions. The investment has been accounted for as a joint venture and has been equity accounted.

The Group is deemed to have joint control over its investment in BV-AQ (Singapore) Holdings Pte Ltd through the contractually agreed sharing of the financial and operating decisions. The investment has been accounted for as a joint venture and has been equity accounted.

INVESTMENT IN BUREAU VERITAS ASUREQUALITY HOLDINGS LIMITED (BVAQ AU)

On 31st May 2016 the Group sold its investment in associate, Dairy Technical Services Limited and contributed non-monetary assets and cash in exchange for a share in a new business, Bureau Veritas AsureQuality Holdings Pty Limited. Bureau Veritas AsureQuality Holdings Pty Limited was incorporated on 23 May 2016 and is owned 51% by Bureau Veritas Singapore Pte Ltd and 49% by AsureQuality Limited.

Bureau Veritas AsureQuality Holdings Limited is strategic for the Group's presence and growth in the Australian market. Bureau Veritas AsureQuality Holdings Limited is a private company and there is no quoted market price available for its shares. There are no contingent liabilities relating to the Group's interest in joint venture.

	2021	2020
SUMMARISED STATEMENT OF FINANCIAL POSITION FOR BUREAU VERITAS ASUREQUALITY HOLDINGS LIMITED	**$000**	**$000**
Current assets	30,414	28,847
Non-current assets	95,056	98,248
Current liabilities	(18,600)	(23,167)
Non-current liabilities	(14,317)	(16,418)
NET ASSETS	**92,553**	**87,510**
Group interest in joint venture (49%)	45,351	42,880
Gain on sale not recognised	(9,060)	(9,060)
Foreign exchange difference	231	233
CARRYING VALUE OF INTEREST IN JOINT VENTURE, BUREAU VERITAS ASUREQUALITY HOLDINGS LIMITED	**36,522**	**34,053**
SUMMARISED STATEMENT OF PROFIT OR LOSS FOR BUREAU VERITAS ASUREQUALITY HOLDINGS LIMITED		
Revenue	70,395	67,259
Profit for the year	4,702	4,094
Other comprehensive income	337	2,474
TOTAL COMPREHENSIVE INCOME	**5,039**	**6,568**
GROUP'S SHARE OF PROFIT FOR THE YEAR	**2,304**	**2,006**
GROUP'S SHARE OF OTHER COMPREHENSIVE INCOME FOR THE YEAR	**165**	**1,212**

Bureau Veritas AsureQuality Holdings Limited has a 31 December balance date and the numbers represent the balances as of 30 June 2021. The total comprehensive income includes the impact of the foreign currency translation from the spot rates of exchange used by the Group at the reporting date.

10.2 INVESTMENTS IN ASSOCIATE AND JOINT VENTURE (CONTINUED)

INVESTMENT IN BV-AQ (SINGAPORE) HOLDINGS PTE LTD (BVAQ SEA)

On 1st December 2018 the Group sold its investment in subsidiary, AsureQuality Singapore Pte Ltd to BV-AQ (Singapore) Holdings Pte Ltd in exchange for a 49% share of BV-AQ (Singapore) Holdings Pte Ltd.

BV-AQ (Singapore) Holdings Pte Ltd is strategic for the Group's presence and growth in the South-East Asia market. BV-AQ (Singapore) Holdings Pte Ltd is a private company and there is no quoted market price available for its shares. There are no contingent liabilities relating to the Group's interest in the joint venture.

	NOTE	2021 $000	2020 $000
SUMMARISED STATEMENT OF FINANCIAL POSITION FOR BV-AQ (SINGAPORE) HOLDINGS PTE LTD			
(Unaudited)			
Current assets		10,521	9,044
Non-current assets		23,167	23,510
Current liabilities		(4,788)	(3,036)
Non-current liabilities		(1,306)	(614)
NET ASSETS		**27,594**	**28,904**
Group interest in joint venture (49%)		13,521	14,163
Gain on sale not recognised		(1,857)	(1,857)
Foreign exchange difference		12	(1)
CARRYING VALUE OF INTEREST IN JOINT VENTURE, BV-AQ (SINGAPORE) HOLDINGS PTE LTD		**11,676**	**12,305**
SUMMARISED STATEMENT OF PROFIT OR LOSS FOR BV-AQ (SINGAPORE) HOLDINGS PTE LTD			
Revenue		17,334	13,989
Profit for the year		(59)	617
Other comprehensive income		(1,225)	519
TOTAL COMPREHENSIVE INCOME		**(1,284)**	**1,136**
GROUP'S SHARE OF PROFIT FOR THE YEAR		**(29)**	**302**
GROUP'S SHARE OF OTHER COMPREHENSIVE INCOME FOR THE YEAR		**(600)**	**254**

BV-AQ (Singapore) Holdings Pte Ltd has a 31 December balance date and the numbers represent the balances as of 30 June 2021. The total comprehensive income includes the impact of the foreign currency translation from the spot rates of exchange used by the Group at the reporting date.

	NOTE	2021 $000	2020 $000
11. TRADE AND OTHER PAYABLES			
CURRENT			
Trade payables		6,660	6,840
Trade payables due to related parties	17	10	59
Non trade payables and accrued expenses		6,053	7,697
Deferred income		4,195	3,850
Employee benefits		12,079	12,319
Provision for restructuring and lease obligations		2,815	2,368
BALANCE AT 30 JUNE		**31,812**	**33,133**
NON-CURRENT			
Employee benefits		3,647	4,129
BALANCE AT 30 JUNE		**3,647**	**4,129**

POLICIES

Trade and other accounts payables are recognised when the Group becomes obliged to make future payments as a result of a purchase of assets or services. Trade payables are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received. Trade payables are unsecured and are generally settled within 30 to 45 days.

Liabilities for benefits accruing to employees in respect of salaries and wages, annual leave, long service leave, retirement leave, accumulating sick leave and other similar benefits are recognised when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities in respect of employee benefits expected to be settled within 12 months, are recognised at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities in respect of employee benefits which are not expected to be settled within 12 months, are recognised at the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services by employees up to reporting date.

Defined contribution plans

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in profit or loss as incurred.

Deferred income consists of customer advances for services to be performed within the next financial year.

ESTIMATES

Retirement leave and long service leave

The non-current provision for employee entitlements for retirement leave and long-service leave, is based on an actuarial valuation completed by Erikson & Associates Limited as at 30 June 2021. This requires the use of assumptions and estimates by the actuary. The key economic assumptions used were: discount rates, of 0.38% to 4.07% (2020: 0.22% to 4.30%) and a salary increase rate of 2.50% (2020: 2.50%).

	NOTE	2021 $000	2020 $000
12. BORROWINGS			
Current portion of long-term borrowings		2,000	2,500
Non-current		15,794	15,733
TOTAL BORROWINGS		**17,794**	**18,233**
The exposure of the Group's borrowings to contractual maturity dates is as follows:			
Six months or less		2,000	2,500
One to five years		15,794	15,733
		17,794	**18,233**
The carrying amounts of the Group's borrowings are denominated in the following currencies:			
NZ dollar		2,000	2,500
AU dollar	15	15,794	15,733
		17,794	**18,233**
THE GROUP HAS THE FOLLOWING UNDRAWN BORROWING FACILITIES:		**17,206**	**33,767**

Details and draw down of banking facilities

2021	EXPIRY	FACILITY $000	DRAWDOWN $000
Revolving cash facility 1	31-Dec-21	11,000	2,000
Revolving cash facility 2	31-Dec-22	22,000	15,794
Revolving cash facility 3	31-Dec-23	2,000	-

The facility expiring within one year is an ongoing facility subject to annual review.

2020	EXPIRY	FACILITY $000	DRAWDOWN $000
Revolving cash facility 1	31-Dec-20	25,200	2,500
Revolving cash facility 2	31-Dec-21	25,000	15,733
Revolving cash facility 3	31-Dec-22	1,800	-

POLICIES

Borrowings are recognised initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowing are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit or loss over the period of the borrowing using the effective interest method.

COVENANTS

The bank term borrowings are unsecured but are subject to a negative pledge and two financial covenants. The negative pledge agreement means that the Group may not grant a security interest greater than 5% of adjusted tangible total assets to another party without the consent of the bank. The two financial covenants are that equity cannot be less than 30% of adjusted total tangible assets and total permitted indebtedness cannot be more than 3.25 times earnings before funding costs, income tax, depreciation, amortisation and extraordinaries. The Group complied with these ratios during the years ended 30 June 2020 and 30 June 2021. The interest rates on the bank borrowings are floating, resetting quarterly and ranged from 1.21% - 1.50% per annum during the year ending 30 June 2021 (2020: 1.29% - 2.85% per annum).

13. DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into various financial instruments to either eliminate or manage its exposure to interest rate and foreign currencies movements. Interest rate swaps are used to economically convert the Group's exposure to floating interest rates to fixed rates.

Forward exchange rate contracts are used to economically convert material exposures to foreign exchange. Other financial instruments may be used from time to time to reduce risk.

The Group holds the following instruments:

	NOTIONAL PRINCIPAL		FAIR VALUE		MOVEMENT OF DERIVATIVES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS	
	2021	2020	2021	2020	2021	2020
	$000	$000	$000	$000	$000	$000
Interest rate swaps	7,818	7,793	(434)	(548)	114	(94)

POLICIES

Derivative financial instruments are used to hedge exchange rate and interest rate risks. The Group does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are recognised at fair value. Any resulting gains or losses are recognised in profit or loss within finance costs.

The fair value of financial derivatives and fixed rate debt is determined based on current market information from independent valuation sources.

14. FINANCIAL RISK MANAGEMENT

Exposure to credit, interest rate, foreign currency and liquidity risks arise in the normal course of the Group's business.

The Group manages commodity price risks through negotiated supply contracts which are not considered to be financial instruments.

CREDIT RISK

In the normal course of business, the Group incurs credit risk from trade receivables and financial institutions. The Group has a credit policy which is used to manage credit risk. As part of this policy, credit evaluations are performed on all customers requiring credit over a certain amount. Policy limits on exposure are set and approved by the Board of Directors and monitored on a regular basis.

The Group does not require any collateral or security to support financial instruments, as it only deposits with, or loans to banks and other financial institutions with high credit ratings. The Group does not expect the non-performance of any obligations at balance date.

IMPAIRMENT LOSSES

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

JUDGEMENTS

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The expected credit loss allowance as at 30 June 2021 was determined as follows for trade receivables:

	CURRENT	PAST DUE 1 TO 30 DAYS	PAST DUE 31 TO 90 DAYS	PAST DUE MORE THAN 90 DAYS	TOTAL
30 JUNE 2021					
Expected loss rate	0.4%	1.8%	4.4%	12.2%	
Trade receivables	28,762	2,736	389	82	31,969
Impaired receivables	(110)	(48)	(17)	(10)	(185)
	28,652	**2,688**	**372**	**72**	**31,784**

The expected credit loss allowance as at 30 June 2020 was determined as follows for trade receivables:

	CURRENT	PAST DUE 1 TO 30 DAYS	PAST DUE 31 TO 90 DAYS	PAST DUE MORE THAN 90 DAYS	TOTAL
30 JUNE 2020					
Expected loss rate	0.6%	1.6%	6.1%	23.2%	
Trade receivables	31,733	2,484	908	496	35,621
Impaired receivables	(175)	(39)	(55)	(115)	(384)
	31,558	**2,445**	**853**	**381**	**35,237**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June

INTEREST RATE RISK
The Group has exposure to interest rate risk to the extent that it borrows or invests with financial institutions. The Group manages its risk in accordance with an approved treasury policy. This allows for the use of interest rate swaps and interest rate options. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Details of interest rate swaps are disclosed in note 13.

Hedge accounting has not been applied to these balances.

CURRENCY RISK
The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal trading activities.

Where exposures are material and certain, it is policy to economically hedge these risks as they arise using forward exchange contracts.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Foreign currency exchange differences arising on the translation of monetary assets and liabilities are recognised in the foreign currency translation reserve. This exposure is hedged as a net investment, refer to note 15.

LIQUIDITY RISK
The Group monitors and manages its debt maturity profile, operating cash flows and the availability of funding. The Group targets maintaining funding facilities to meet the 115% of maximum debt level for normal trading activity forecast for the next 24 months, plus any confirmed commitments in the year.

A maturity analysis of the Group's borrowings is set out in note 12. The relevant maturity groupings are based on the remaining period from the reporting date to the contractual maturity date.

LIQUIDITY PROFILE OF FINANCIAL INSTRUMENTS
The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	LESS THAN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS
AT 30 JUNE 2021	**$000**	**$000**	**$000**	**$000**
Borrowings	2,000	15,794	-	-
Derivative financial instruments	-	-	434	-
Trade and other payables	8,357	-	-	-
AT 30 JUNE 2020				
Borrowings	2,500	15,733	-	-
Derivative financial instruments	33	-	515	-
Trade and other payables	8,264	-	-	-

FAIR VALUES
Cash, trade receivables, payables and non-current liabilities are disclosed in the statement of financial position at their amortised cost which is equivalent to their fair value.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques such as discounted cashflows.

15. SHARE CAPITAL AND RESERVES

SHARE CAPITAL

Ordinary shares are classified as equity.

All shares carry equal voting rights and share equally in dividends and surplus in winding up. At 30 June 2021 there were 23,800,000 shares on issue (2020: 23,800,000).

On 4 December 2020 the Group purchased an additional 7% share in its subsidiary company for $402,000. The Group has a commitment to purchase the remaining interest over the next two years.

FOREIGN CURRENCY TRANSLATION RESERVE

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

The Group designates certain hedging instruments in respect of foreign currency exchange risk as a hedge of net investments in foreign operations. On an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated as a separate component of equity in the foreign currency translation reserve.

Hedge of net investment in foreign operations:

	2021				2020			
HEDGING INSTRUMENT	LOCAL CURRENCY	EXCHANGE RATE	NZD	GAIN/(LOSS) RECOGNISED	LOCAL CURRENCY	EXCHANGE RATE	NZD	GAIN/(LOSS) RECOGNISED
	$000	$000	$000	$000	$000	$000	$000	$000
AUD denominated borrowings	15,000	0.9497	15,794	(61)	15,000	0.9534	15,733	(458)

The remaining movement in the foreign currency translation reserve relates to foreign currency differences arising from the translation of the financial statements of foreign operations.

REVALUATION RESERVE

The revaluation reserve relates to the revaluation of land and buildings for Auckland and Wellington laboratories. Refer Note 7.

Any revaluation increase arising on the revaluation of land and buildings is credited to the asset revaluation reserve, unless it offsets a previous decrease for the same asset recognised in profit or loss, in which case it is recognised in profit or loss. A decrease in carrying amount arising on the revaluation of land and buildings is recognised in profit or loss where it exceeds the balance held in the asset revaluation reserve relating to a previous revaluation of that asset.

DIVIDEND

The distribution to equity holders represents 50.42 cents per share (2020: 71.01 cents per share).

CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital structure are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or increase available debt.

The Group monitors capital structure on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including lease liabilities) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

The gearing ratio for the Group as at 30 June 2021 was 22% (2020: 25%).

	2021	2020
	$000	$000
16. AUDITOR'S REMUNERATION		
Amounts paid or payable to the auditors for:		
Audit of the Group's financial statements	241	224
Risk Profile Workshop	8	-
	249	**224**

There were no non-audit services, apart from the Risk Profile Workshop provided in 2021.

17. RELATED PARTY TRANSACTIONS

The Group undertakes many transactions with other State-Owned Enterprises and Government entities and departments in the normal course of business.

The Group made significant sales of biosecurity services to the Ministry for Primary Industries during the year.

The remaining transactions were not significant and are exempt from related party disclosures (under NZ IAS 24 (Revised) Related Party Disclosures). The following represents the major ongoing transaction types but should not be taken as a complete list: product and environmental testing services, animal health services, accident compensation levies, air travel services, energy products, postal and courier services, specific scientific advisory services and rental and leasing services.

The Group made sales to and purchases from its associates and joint ventures, Bureau Veritas AsureQuality Holdings Limited and BV-AQ (Singapore) Holdings Pte Ltd during the year.

	2021 $000	2020 $000
RELATED PARTY TRANSACTIONS		
The following transactions were carried out with related parties:		
SALES OF SERVICES:		
Sale of services to Ministry for Primary Industries	26,985	62,018
Services provided to associate and joint ventures	2,988	2,961
EXPENSES:		
Purchases of services from associate and joint ventures	334	418
RELATED PARTY BALANCES		
OWED BY:		
Ministry for Primary Industries	3,157	6,138
Associate and joint ventures	215	574
OWING TO:		
Associate and joint ventures	10	59
These balances are unsecured and payable on demand.		
KEY MANAGEMENT COMPENSATION		
The compensation of the Directors and executives, being the key management personnel of the entity, is set out below:		
Salaries, Directors' fees and other short-term employee benefits	3,731	3,146

18. CONTINGENT LIABILITIES

Any claims, investigations and inquiries are not expected to have a significant effect on AsureQuality's financial position or profitability. There are no further contingent liabilities as at 30 June 2021 (2020: Nil).

POLICIES
Contingent liabilities are disclosed if the possibility that they will crystallise is not remote.

19. NEW AND REVISED STANDARDS AND INTERPRETATIONS

There are no new standards and interpretations not yet effective for the year ended 30 June 2021 which were considered relevant to the Group in preparing the financial statements.

20. SIGNIFICANT EVENTS AFTER BALANCE DATE

On 24 August 2021, the Board of Directors declared a final dividend of $10,200,000 for the period ended 30 June 2021, representing 42.86 cents per share. As the dividend was declared after balance date the financial effect has not been recognised in these financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF ASUREQUALITY LIMITED'S GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

The Auditor-General is the auditor of AsureQuality Limited group (the Group). The Auditor-General has appointed me, Graeme Edwards, using the staff and resources of KPMG, 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 26 to 51, that comprise the statement of financial position as at 30 June 2021, 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:

- present fairly, in all material respects
    - its financial position as at 30 June 2021; 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.

Our audit was completed on 24 August 2021. 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 there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Director's responsibilities arise from the State Owned Enterprises Act 1986.

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

For the budget information reported in the financial statements, our procedures were limited to checking that the information agreed to the 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. We are responsible for the direction, supervision and the performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 25 and 53 to 57, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standards 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with or interests in the Group.

G. Edwards

Graeme Edwards
KPMG
On behalf of the Auditor-General, Auckland, New Zealand

COMPARISON WITH PERFORMANCE TARGETS INCLUDED IN THE STATEMENT OF CORPORATE INTENT

for the financial year ended 30 June

	ACHIEVEMENT	2021 TARGET
FINANCIAL PERFORMANCE TARGETS		
Revenue	$233.3m	$208.2m
Earnings before interest and tax (EBIT)	$27.7m	$17.0m
Net profit after tax (NPAT)	$19.5m	$11.7m
Net cash flows from operating activities	$26.2m	$17.7m
ANNUAL KEY RATIOS		
Revenue growth	91%	86%
EBITDA growth	98%	87%
Total shareholder return [1]	26%	4%
Dividend yield	5%	4%
Capital replacement	161%	157%
Return on equity	21%	14%
Return on capital employed	30%	21%
Operating margin	16%	13%
Gearing ratio	22%	26%
Interest cover	28	17
Debt to EBITDA	0.4	0.7
NON-FINANCIAL PERFORMANCE TARGETS		
Staff turnover rate	9%	< 12%
Total recordable injury frequency rate	3.9	< 4.0
Critical programme audit failures	Nil	Nil
Critical facility audit failures	Nil	Nil

1. Total shareholder return is higher than the prior year as a result of an increase in the commercial valuation in 2021, with less uncertainty surrounding the impact of Covid-19 on future trading conditions.

EXECUTIVE REMUNERATION REPORT

AsureQuality's Executive remuneration policy is based on the following principles:

- Fixed and Total remuneration are measured against the 'industrial and service' market median;
- The desired market position for Fixed Remuneration is between 80% - 120% of the market median;
- An individual's position in range (PIR) is determined on performance, where 90% to 105% is considered fully competent;
- The PIR will be achieved using a short-term performance incentive to provide an 'At Risk' component to achieve Total Remuneration;
- The short-term performance incentive shared priorities are based on stretch goals approved by the Board annually.

Total remuneration is made up of two components: fixed remuneration and short-term performance incentives. Short-term performance incentives are deemed 'at-risk' because the outcome is determined by performance against a combination of predetermined financial and non-financial objectives.

The People and Culture Committee (PCC) reviews the annual performance appraisal outcomes for all members of the Executive Team and approves the outcomes for all Executive Team members other than the Chief Executive. The Chief Executive's remuneration is approved by the Board on the recommendation of the PCC. The review takes into account external benchmarking to ensure competitiveness with comparable market peers, along with consideration of an individual's performance, skills, expertise and experience.

External benchmarking is commissioned by the PCC from an expert party, Korn Ferry Hay Group. Korn Ferry Hay Group is required to declare independence of any management influence in the collation of the information provided.

FIXED REMUNERATION
Fixed remuneration consists of base salary and benefits. AsureQuality's policy is to pay fixed remuneration with reference to the fixed pay market median.

SHORT-TERM PERFORMANCE INCENTIVES
Short-term incentives (STIs) are at-risk payments designed to share goals that create success and encourage and reward performance in the current financial year.

The target value of an STI payment is set annually, usually as a percentage of the executive's base salary. For FY2021 the relevant target percentage for the Chief Executive is 30% and for all the other executives is 25%.

50% of the STI is related to a shared set of Key Performance Indicators (KPIs) based on business priorities for the next 12 months, with the objective of aligning the Executive Team's focus with the company's priorities.

The shared KPIs in FY2021 cover the areas of People, Customer, and Sustainability with respective weightings applied across areas. The criteria are selected to closely align with AsureQuality's strategic objectives, purpose and goals.

The remaining 50% of the STI for the Chief Executive is related to meeting or exceeding the Group's annual net profit target. For the other Executive team members, the balance is related to a combination of meeting or exceeding the Group's annual net profit target and individual business group financial targets.

The Board retains discretion to ensure the final outcome of STI payments fairly reflects performance over the relevant financial year.

CHIEF EXECUTIVE'S REMUNERATION

	SALARY[1]	BENEFITS[2]	SUBTOTAL	STI[3]	TOTAL REMUNERATION
	$	$	$	$	$
Chief Executive - Kim Ballinger					
FY 2021	270,755	8,123	278,878	73,871	352,749
Chief Executive - John McKay					
FY 2021	136,197	11,228	147,425	-	147,425
FY 2020	492,349	29,133	521,482	153,539	675,021

1. This year with the departure of the Chief Executive - John McKay and the arrival of the new Chief Executive - Kim Ballinger, two sets of remuneration data for the Chief Executive for FY 2021 are set out above.
2. Benefits include Kiwisaver. John McKay received an additional week of annual leave.
3. The STI payment relating to the 12 months to 30 June 2020 was paid in September 2021. The value of the STI payment relating to the 12 months ending 30 June 2021 is estimated based on the achievement of KPIs and will be paid in September 2021.

STATUTORY DISCLOSURE INFORMATION

for the financial year ended 30 June

1. SHAREHOLDERS
In accordance with the State-Owned Enterprise Act 1986, the Company has two shareholders; The Minister for State-Owned Enterprises and the Minister of Finance.

2. DIRECTORS
The following people were Directors of AsureQuality Limited during the year 1 July 2020 to 30 June 2021:

- Dr Alison Watters, Chair
- Paul McGilvary, Deputy Chair
- Margot Buick
- Steve Murray
- Bruce Scott
- Alison Posa
- Jan Hilder

3. DIRECTORS' INTERESTS
Declaration of General Interest pursuant to section 140(2) of the Companies Act 1993 as at 30 June 2021 are set out below.

There were no declarations of interest made pursuant to section 140(1) of the Companies Act 1993 entered in the Interests Register of AsureQuality Limited or its subsidiary companies. No director of AsureQuality Limited is a shareholder of AsureQuality Limited or any of its subsidiary companies.

In accordance with section 211(1)(e) of the Companies Act 1993, particulars of the entries in the Interests Register of AsureQuality Limited made during the year are set out below:

Dr Alison Watters, Chair

Livestock Improvement Corporation, Director
AgInvest Holdings Limited, Shareholder
MyFarm Limited, Shareholder
Fonterra, Supplier/Shareholder
Taumata Island Dairy Limited, Shareholder
Figured Limited, Shareholder
High Value Nutrition (National Science Challenge), Director
Totally Vets Group Ltd, Director
BV-AQ (Singapore) Holdings Pte Limited, Director

Paul McGilvary, Deputy Chair

Waikato Milking Systems Limited (and subsidiaries), Director
Maui Milk Limited, Chair (retired 28 June 2021)
Southern Cross Dairy Sheep Technology Limited, Chair (retired 28 June 2021)
Bureau Veritas AsureQuality Holdings Limited (and subsidiaries), Chair

Margot Buick
Mondeur Trust, Trustee
SouthPort, PGG Wrightson, AMP, Shareholder
Meat Industry Association Innovation Limited, Director
NZIDT Limited, Chair (retired 18 July 2021)
New Zealand Institute of Food Science and Technology (NZIFST), Director

Steve Murray
Kaawai International Limited, Director
Tuaropaki Communications Limited, Director
Vins Sophora Limited, Director
Future Value Investments Limited, Director
Century Drilling and Energy Services (NZ) Limited, Director
Miraka Limited, Director

Bruce Scott

BV-AQ (Singapore) Holdings Pte Limited (and subsidiaries), Chair

Alison Posa

City Forests Limited, Director
PricewaterhouseCoopers, Audit Advisory Board

Jan Hilder

Accordant Group, Lifetime Asset Management Limited, Hot Springs Spa, Shareholder
Sonsusi Limited, Director/Shareholder
Hilder Consulting Limited, Director/Shareholder
IHC Group, Supplier

4. DIRECTORS' TRANSACTIONS
All transactions in entities in which Directors disclosed an interest have been conducted in the normal course of business.

5. DIRECTORS' USE OF INFORMATION
There were no requests for information or disclosures or use of information that would not otherwise be available to the director.

6. INDEMNITY AND INSURANCE
AsureQuality Limited has arranged for directors and officers insurance for any act or omission in their capacity as a director or executive officer.

7. DIRECTORS' REMUNERATION
Shareholding Ministers advise the Board of the total allowance for fees available to Directors of AsureQuality Limited and its subsidiary companies. The following table sets out the total remuneration (including remuneration for standing committee membership) received or receivable from AsureQuality Limited by each Director of the Company during the year.

DIRECTORS' FEES	2021	2020
Dr Alison Watters, Chair	71,030	61,250
Paul McGilvary, Deputy Chair	44,780	37,396
Margot Buick	36,028	36,873
Steve Murray	32,280	35,000
Bruce Scott	38,530	37,500

Alison Posa	38,322	36,667
Jan Hilder (appointed 1 November 2019)	36,030	23,333
Janine Smith, (Chair, retired 31 October 2019)	-	23,333
	297,000	**291,352**

8. EMPLOYEE REMUNERATION

The following table shows the number of employees who received remuneration and benefits greater than $100,000 per annum, during the financial year ended 30 June 2021. The remuneration figures shown in the table include all monetary payments actually paid during the year, plus the cost of all benefits provided to the individuals.

	2021 **NUMBER OF EMPLOYEES IN THE GROUP**
$620,001 - $630,000	1
$470,001 - $480,000	1
$460,001 - $470,000	1
$390,001 - $400,000	1
$360,001 - $370,000	1
$330,001 - $340,000	1
$310,001 - $320,000	1
$300,001 - $310,000	1
$270,001 - $280,000	1
$250,001 - $260,000	1
$230,001 - $240,000	3
$220,001 - $230,000	2
$210,001 - $220,000	1
$190,001 - $200,000	1
$180,001 - $190,000	1
$170,001 - $180,000	4
$160,001 - $170,000	8
$150,001 - $160,000	10
$140,001 - $150,000	13
$130,001 - $140,000	13
$120,001 - $130,000	35
$110,001 - $120,000	40
$100,000 - $110,000	57

9. CHANGE IN NATURE OF BUSINESS

There was no change in the nature of the business during the year.

DIRECTORY

DIRECTORS
Dr Alison Watters, Chair
Paul McGilvary, Deputy Chair
Steve Murray
Bruce Scott
Alison Posa
Jan Hilder
Margot Buick (term ended 18 July 2021)
Paul Cochrane (appointed 19 July 2021)
Vicky Taylor (appointed 19 July 2021)

EXECUTIVES
Kim Ballinger - Chief Executive Officer
Jeremy Hood - Chief Operating Officer
Sandra Fischer - Group Manager - Customer Solutions
Michael Hodgson - Group Service Manager - Food Testing
Alan Robson - Group Service Manager - Food Processing
Kylea Heaton - Group Service Manager - Field
Mike Fenton - Group Service Manager - Specialty Services
Emma Butler - Group Manager - People and Culture (left 11 June 2021)

AUDITOR
Graeme Edwards, KPMG

BANKER
Westpac Banking Corporation

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Kaitiaki Kai


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ANALYSIS

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shape a better food world

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