C26

AsureQuality
Kaitiaki Kai

Integrated Annual Report 2022

Contents

Welcome to AsureQuality's first Integrated Annual Report

We are committed to meeting the Integrated Reporting Framework. With our first report in 2022 we acknowledge we have more work to do. We appreciate and welcome your feedback as we improve our reporting.

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.

Active as **Kaitiaki Kai, guardians of food**, we work with care and passion.

We are dedicated to supporting our partners across **New Zealand's food and primary production sectors**, offering the broadest range of food assurance services in Aotearoa.

We have a deep responsibility to do the right thing for food, the people involved in the production and the environments it comes from. We do this through collaboration with others, sharing knowledge, resources, and skills so that everyone benefits – not just in the immediate future but for generations to come.

Owned by the New Zealand Government, our name helps provide confidence. We deliver independence of the highest integrity. We are proud to support New Zealand's farmers, growers and producers uphold what Aotearoa stands for in food – a higher standard of quality and safety.

Our Locations

Our Capitals

Financial

$213.5m Revenue

$4.4m Dividend

$177.8m Assets

Intellectual

Broadest range of certifications and accreditations

145+ years of experience supporting primary industry

Human

1700+ global experts

60+ Technical experts

Safe staff with injury rates down on previous year by **29%**

Social and relationship

100% government ownership

Enabling NZ's **$70+** billion food industry

International Joint venture with Bureau Veritas in Australia and Southeast Asia

7,000 customers

13,600 hours available to support our communities via Employee Volunteer Day programme

2 Community partnerships with organisations that align with our purpose: Kura Kai and Conservation Volunteers

Natural

4,077 tonnes CO_2 in F21, reduction on year prior by **26%**

Achieved Toitū carbon reduce certification

43% of vehicle fleet now hybrid

Our Purpose
Why

Helping Aotearoa shape a better food world

Our Strategic Vision
Where

The Integrated Food Assurance Partner

Vital to our customers, we provide trust in New Zealand food – unlocking and growing the value of our $70+ billion food industry in an increasingly competitive world.

Our people are dynamic; operating with integrity – delivering strong sustainable growth by offering unique value adding services and insights that can only be provided by our integrated business.

Our Pillars
What

Service Excellence
- Service as promised
- Ease of doing business
- Fit for purpose systems and processes

Valued Insights & Expertise
- Enhanced access to technical knowledge
- Establish data basics and roadmap
- Customer decision support

New Assurance Models
- Technology-enabled assurance
- Integrated services
- Strategic venture growth options

Our Foundations
Who

Our Engaged People
- Safety and wellbeing
- Leadership
- Talent and capability

Our Engaged Customers
- Customer segmentation
- Customer management model
- Enhanced customer experience

Sustainable for Aotearoa
- Revenue and profitability versus benchmarks
- Environmental sustainability
- Brand awareness and reputation

Active in our Community
- Targeted community partnerships
- Volunteer day programme

Our Values
How

Stronger Together

Do the Right Thing

Exceed Expectations

Take the Lead

Chair and CEO Report

Summary

Our primary purpose is to help unlock and grow the value of Aotearoa's $70+ billion food industry via the trust provided through AsureQuality assurance services. To illustrate our commitment to this purpose, our strategy and value creation for the industry, we have chosen to use an Integrated Reporting framework which links our materiality assessment, our strategy, our value creation and our financial performance. Our results in the 2022 financial year demonstrate a step-change performance with respect to Safety and Wellbeing and our focus on our customers. However, COVID-19 did have significant impact on the delivery of our financial results.

COVID-19 impact

As a provider of essential services to the food and primary industries, it was vital that we continued to operate throughout the various COVID-19 lockdowns, COVID-19 outbreaks, and alert level changes. Our two priorities throughout the year have been the safety of our people and providing a high standard of service to our customers. Despite challenges of a Delta variant incursion in our Auckland laboratory and the closing of this facility for 48 hours, subsequent Omicron outbreaks and infection waves across the country, we are proud of the way we have adapted to ensure the continued safety of our people and quality of service to our customers - the food industry of New Zealand.

Some of these adaptions included altered shift patterns, additional PPE, rapid testing protocols, temporary alterations to our facilities and the introduction of technology-enabled remote services, to allow business continuity. Whilst these changes effectively kept our people safe and helped maintain our customer service levels, they also significantly reduced our operational efficiencies leading to lower profitability across the business.

Our business has been further impacted as customers reduced their non-essential work (new product development) and were disrupted by supply chain issues, reducing shipments out of New Zealand. We have also faced on-going rising costs, inflation, and consumables supply disruption.

Regardless of these challenges, we have continued to build goodwill with our customers and industry, staying responsive to their needs, and actively working with them on growth opportunities in targeted areas.

As a State-owned enterprise, AsureQuality was ineligible for COVID-19 subsidies until March 2022 when we applied, and were granted two payments under the COVID-19 Leave Support Scheme totalling $35,036.

Safety and wellbeing

Our major focus on organisational safety and wellbeing has delivered strong results with the improvement of both lead and lag performance indicators. These results demonstrate that we have led a significant shift in the everyday Safety and Wellbeing culture across the organisation. Safety observations, as examples of good indicators of a healthy safety culture, are up 42% on the previous year. The lag injury frequency rates of Total Recordable Incident Frequency Rate (TRIFR) and Lost Time Injury Frequency Rate (LTIFR) continued to trend down over the past twelve months. We're aware that these lag indicators are no longer considered best practice safety indicators and we are moving towards more contemporary measures.

Visible leadership, increased education and management focus has led to a more holistic, responsive approach to addressing the prevention of high potential incidents, which has been appreciated by all AsureQuality employees and our stakeholders. We continue to improve our shared responsibilities with other PCBUs (Person Conducting a Business or Undertaking) and to deepen our expertise in this critical area, keeping our people safe.

Safety and wellbeing remains a key focus for the Board and Executive heading into the new financial year. It forms the first of three pillars in our people strategy with defined outcomes that we are striving to achieve over the next three years with clear priorities for the coming financial year.

Customer Focus

AsureQuality has been striving to improve its performance with our customers. Although there were challenges to our service levels throughout the pandemic, our employees worked hard to deliver service on time and to communicate any issues preventing the meeting of expectations. Feedback from our annual survey demonstrates that customers were grateful for the additional focus and called out AsureQuality as a role-model of best practice in responding to the pandemic, by providing thought leadership and practical advice to the industry on operating in this challenging environment. Customer NPS scores demonstrate this feedback, with a lift in score from <10 to >40 over the past 10 months.

Strategy Execution

With the new integrated assurance strategy in place, the organisation has made solid progress this year towards the digitisation of services, pricing simplification, analytical reporting, electronic submission of samples and more effective use of our Customer Relationship Management process.

Financial details

This financial year has delivered revenue of $213.5 million, which is 8% down from the previous year due to the end of the M.bovis response. The full year operating EBIT result was $10.8 million, down from the previous year's $27.6 million. AsureQuality finished the year $12.3 million below the original budget EBIT and $16.8 million EBIT below last year. We estimate the negative impact of COVID-19 on profit for the year at $8.7 million due to reduced higher margin revenue, additional costs, inefficiencies from split shifts, social distancing, PPE, and remote working. There was also some additional investment to drive our business strategy in the areas of IT, People and Culture, Customer Solutions, and Innovation and Insights.

Outlook

The budget for the 2023 financial year has significant stretch, incorporating $10.7 million of new business as well as the opportunity to bring a continuous improvement discipline to our operational areas, particularly in the Auckland Laboratory and livestock service units.

We foresee additional headwinds with retention and attraction of talent whilst ensuring we deliver the budget, maintain service levels, and keep our people safe and well, during the continuing pandemic. We will continue to face higher costs, especially in relation to consumables, inflation and unplanned staff absences.

Despite these difficulties, we are committed to growing the business, by building stronger partnerships with customers and adding value to New Zealand's food industry.

Shareholder Dividend

AsureQuality paid an interim dividend of $1.5 million in February 2022. A final dividend of $2.9 million, was declared in August, to be paid in September 2022. This brings the total dividend for 2021/22 to $4.4 million.

Conclusion

2021/22 has been a challenging year for Aotearoa's food and primary industries and this has had a significant effect on our revenue and cost structure. We are proud of how our people have responded to these challenges, continuing to deliver great service to our customers and looking after each other during this extremely difficult period. 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 and your customers/consumers 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

Materiality

AsureQuality has taken some very positive environmental and social sustainability action in recent times, including measuring and offsetting carbon, updating procurement policies, and improving cultural competency.

To further strengthen our approach, we completed our first Materiality Assessment (MA) in March 2022 to help us prioritise areas of focus according to external and internal stakeholders and potential business impacts. The outcomes of this Materiality Assessment align well with our current strategy.

The Materiality Matrix shows the key topics which we need to address, ranked according to their importance to stakeholders and their potential impact on business.

The top **six** areas identified as critical to **AsureQuality's success**

Employee Attraction and Retention

"Empowering and retaining our people through professional development, fair pay, career pathways and creating environments where they have the tools and support to thrive."

We're responding to this by reorganising and strengthening the capability of our People and Culture Team. This will enable us to align with the needs of a diverse, modern business, ensuring a culture for our people to be their best now and in the future. We have a multi-year people strategy to build the capacity and capability that our people need to meet the growing demands of our customers and consumers.

Systems and Processes

"Ensuring our internal systems (e.g. job management) and processes enable efficient and effective service delivery."

We're responding to this by prioritising projects that will deliver significant improvements in how we operate, making it easy to do business with 'fit for future' systems and processes. This includes a new Audit Management System along with ongoing investment in automation across the organisation.

Data and Insights

"Using data to develop insights and trends (and early warning indicators). Connecting our data with others via APIs."

We're responding to this by formalising our customer empathy to inform advanced analytics and insights. Investment in our internal capability as well as strategic partnerships will enable us to advance our data governance in a more agile and responsive manner, connecting data and people.

Customer Experience

"Proactively working with customers in a timely, flexible, and agile way. Building close and lasting relationships with customers."

We're responding to this by working to better segment our customers with a focus on gaining an intimate understanding of their needs and growing meaningful partnerships. This is supported by further investment in our state-of-the-art CRM system that is at the heart of all our customer interactions.

Technology-Driven Assurance

"Moving towards automated, remote, real-time, data-driven testing and verification. E.g. Using sensors, on-site testing, and remote audits."

We're responding to this by completing our audit digitisation project which is expected to occur in the first quarter of FY23. The majority of our services have already been successfully digitised, enabling us to move towards more data driven services with key programmes of work "future of testing, 'future of auditing and meat inspections', we are looking at technology-enabled future services.

Health, Safety and Wellbeing

"Ensuring the health, safety and wellbeing of our people and our customers."

We're responding to this by continuing to take an unrelenting focus on keeping our people and customers safe. We're working with other PCBU's to ensure we're all meeting our obligations and sharing data to benchmark performance.

Our Flex for All policy and focus on the design of work is enabling our staff to reimagine their work/life balance in a way that works for them while considering their team and customers. Through the Business Leaders Health and Safety Forum (BLHSF) we're ensuring that we stay abreast of the latest innovations and emerging trends.

Health, Safety and Wellbeing

AsureQuality has been working hard for several years to **improve our safety culture and performance** and while we have made good progress, improving our safety culture has remained a **key priority for 2022**.

This has seen an **increased focus on safety leadership**, reviewing our risk management framework, as well as strengthening our contractor management processes and our work with other PCBUs (Person Conducting a Business or Undertaking).

COVID has resulted in a challenging operating environment to fully progress and embed all the changes planned. It has however presented opportunities for us to leverage learnings from the previous two years. This is evidenced by the engagement and success in educating our people leaders on the new risk management framework.

Our Executive team have participated in the Business Leaders Forum training and both the Executive team and Board of Directors have now had training on the overlapping duties of PCBUs.

Encouraging performance indicators (lead and lag) and other qualitative evidence, firmly demonstrate that we are on-track to lead a significant shift in an everyday Safety and Wellbeing culture across the organisation.

Improved performance indicators

While there are accepted challenges relying on frequency rates as an indicator for safety, we have seen an improvement on the previous year.

In terms of lead indicators, we have continued to see an increase in our actions being closed on time, which indicates more emphasis is being placed on safety. Aligned to this, we have also seen a steady increase in incidents being reported on time and investigations completed on time. Safety observations are also a good indicator of a healthy safety culture and we've seen a 42% increase in observations reported.

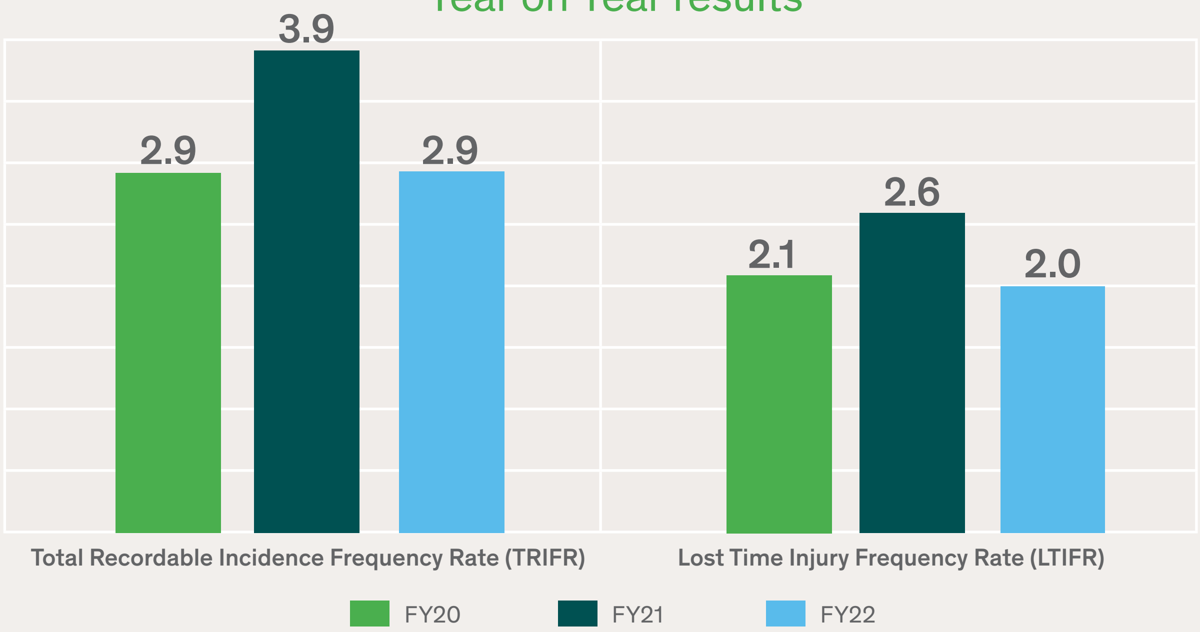
More progressive approach to wellness

The build and launch of our "Flex For All policy" indicates a much more progressive organisational approach to Wellbeing. We acknowledge that the nature of flexible working is not static and will continue to adapt and change over time to reflect the needs of our people, our teams, and our business.

Our updated People and Culture strategy places Safety and Wellbeing as the first of three key strategic pillars, with defined outcomes that we are striving to achieve over the next three years along with clear priorities for the 2023 financial year.

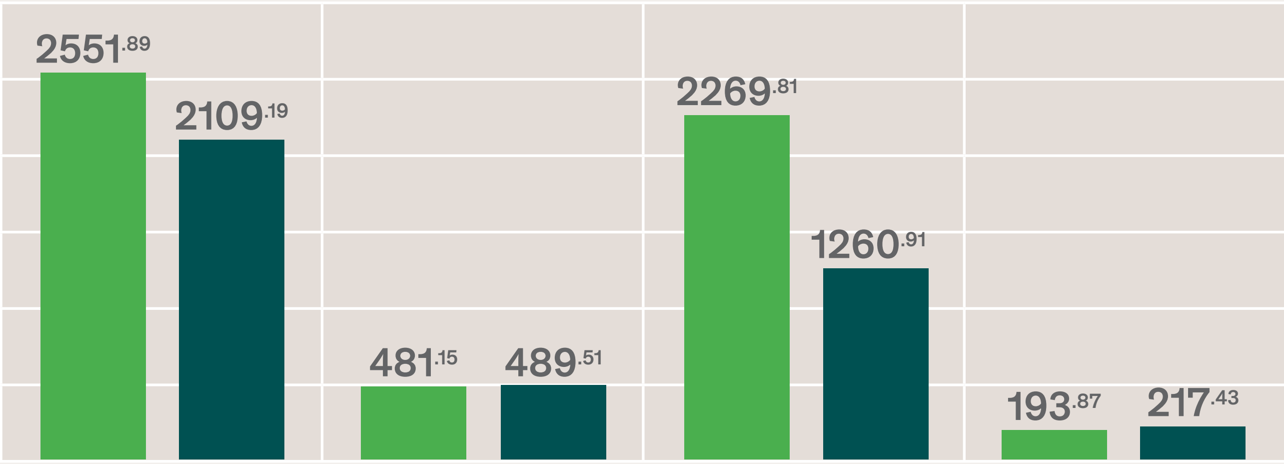
We are working towards a more contemporary and holistic approach to wellbeing across our organisation. We're growing our understanding around the Design of Work Well-being Framework which has been developed by the Business Leaders Health and Safety Forum and are considering how this can be applied to our organisation.

Year on Year results



Environmental Sustainability

In line with our Environmental Sustainability Policy, adopted in November 2019, we are **committed to decreasing our impact** to the environment.



Category 1
Direct emissions

Category 2
Indirect emissions from imported energy

Category 3
Indirect emissions from transportation

Category 4
Indirect emissions from products used by organisation

Base year 2019/2020 | 2021

As a business with a large geographical spread, our largest contributor to Greenhouse Gas emissions (GHG) is transport. In 2019 **we began offsetting air travel carbon with credits** and increasing the use of technology to reduce our reliance on physical meetings. We've launched a Supplier Sustainability Code of Ethics policy and updated our printers to reduce electricity and toner use.

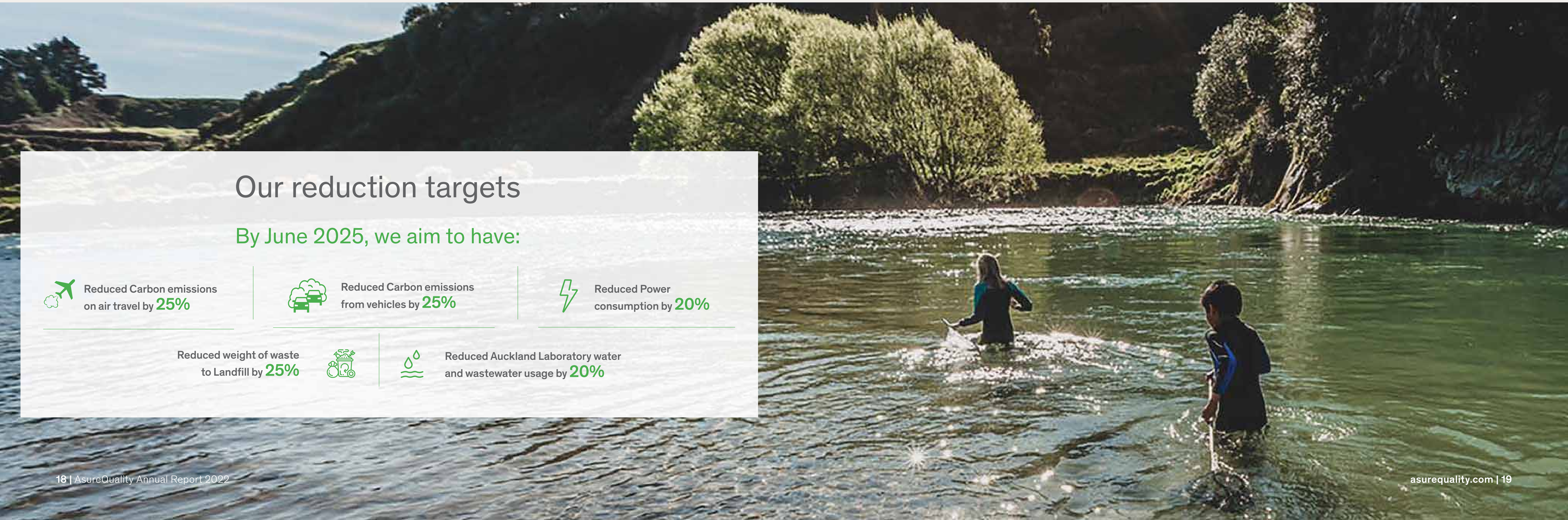
Our most significant action to date has been replacing our **vehicle fleet with hybrids** which began in September 2019. As of March 2022, we have **150 hybrid** vehicles, with just over **200 traditional** internal combustion engine vehicles remaining in our fleet.Most of these non-hybrid vehicles are currently used to service our rural customers and will be replaced as suitable options become available. We intend to start converting our vehicle fleet to **full electric in 2025**.

TOITŪ CARBON REDUCE ISO 14064-1 ORGANISATION

In **2022 AsureQuality achieved Toitū carbonreduce certification**. The carbon inventory confirmed that our efforts have been successful with our emissions **26% lower** than the previous year.

We joined the **Sustainable Business Network** February 2020 and are committed to working together to empower business **so that people and nature prosper**. Through our membership contribution we support the restoration of New Zealand's waterways through our membership contribution to Million Metres.

Sustainable Business Network IMPACT INVESTOR



Our reduction targets

By June 2025, we aim to have:

- Reduced Carbon emissions on air travel by **25%**
- Reduced Carbon emissions from vehicles by **25%**
- Reduced Power consumption by **20%**
- Reduced weight of waste to Landfill by **25%**
- Reduced Auckland Laboratory water and wastewater usage by **20%**

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, continue to build on our successes and can **support Aotearoa's food industries** to achieve.

Dr Alison Watters

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. She is also a Director of Totally Vets Group and Meteorological Services of NZ. Alison's 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

Appointed to the Board in May 2017 and the Deputy Chair role in April 2020.

Paul is a Director of Synlait Milk, New Zealand Hops, Waikato Milking Systems and Dairyworks New Zealand. He has held governance roles within the science, food, dairy, and infrastructure industries. Paul's previous roles have been across a diverse range of industries and include 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.

Alison Posa

Appointed to the Board in January 2019.

Alison has over 25 years' experience in finance, as a CFO and as a non-executive director in multi-national environments covering strategy, risk management, governance of businesses and leading turnaround growth strategies in complex environments. Her previous roles have been across the FMCG, forestry and pulp and paper sectors including 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

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.

Vicky Taylor

Appointed to the Board in July 2021.

Vicky has previously held governance roles in the food, automotive testing, tourism, and science sectors. She is currently Chair of two privately owned entities in primary industry and employment dispute resolution, as well as sitting on the Industry Advisory Board of the High Value Nutrition Science Challenge. Vicky's previous roles have been across the food and beverage industry, including Country Manager New Zealand and Pacific at The Coca-Cola Company and COO of Smart foods, producer of Vogel's Cereals.

Paul Cochrane

Appointed to the Board in July 2021.

Paul has a varied background that includes leading the New Zealand Public Service Association (NZPSA), legal practice, leadership, and governance consultancy. His governance experience includes being on the boards of Transpower NZ Ltd, NZ Football and the NZPSA. Paul is currently a member of the Fédération Internationale de Football Association's (FIFA) Governance, Audit and Compliance Committee and its Human Rights Sub-Committee.

Dean Moana

Appointed to the Board in March 2022.

Dean's previous roles include Chief Executive and General Manager of subsidiaries within Aotearoa Fisheries Group - New Zealand's largest Māori-owned fisheries company. He is a current Board member for two Crown Research Institutes, Plant & Food Research and the National Institute of Water and Atmospheric Research (NIWA), as well as serving on the Board for Akaroa Salmon New Zealand and Port Nicolson Fisheries Ltd. Of Ngati Porou and Apanui descent, Dean is a Director of Ngati Porou Runanga and its commercial entity Ngati Porou Holdings Ltd and is also a Chartered Accountant.

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.

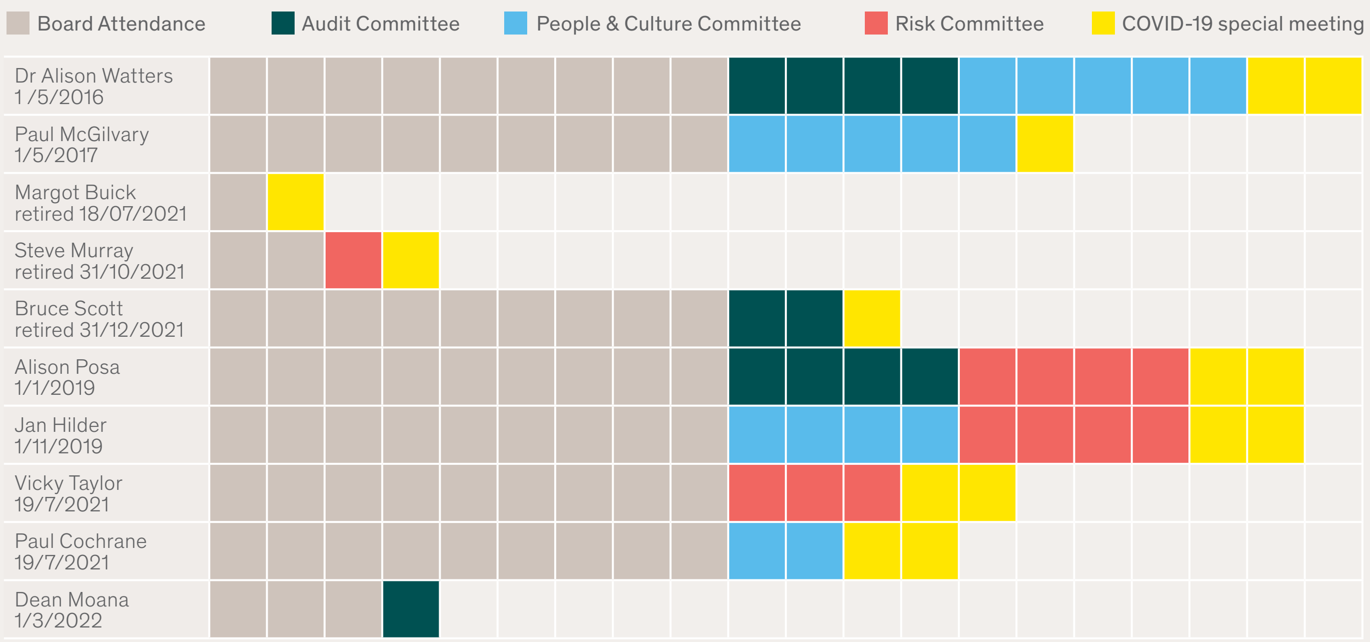
The Chair of the Board's role is to manage the Board effectively, to provide leadership to the Board and to interface with the CEO.

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.

Board Meeting Attendance for the year ended 30 June 2022



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

For the year ended Details 30 June 2022 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 table above.

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 2022. 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 until 31 December), Alison Posa (Chair from 1 January), Dr Alison Watters and Dean Moana from 1 March.

People and Culture Committee

The People and Culture Committee has authority to recommend to the Board and met five times in the year ended 30 June 2022, with one of these times being specifically around COVID-19. 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, Jan Hilder, and Paul Cochrane (from 1 December).

Risk Committee

The Risk Committee has authority to recommend to the Board and met four times in the year ended 30 June 2022. 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 until 31 December), Jan Hilder (Chair from 1 January), Vicky Taylor (from 1 December) and Steve Murray until he retired from the Board on 31 October.

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 2022 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 are focused on building our bicultural competence as a foundation for building our wider cultural competence at AsureQuality. Our Executive Team and Senior Leaders have all completed training on the Treaty of Waitangi and our obligations under the Treaty. Our bicultural committee meets throughout the year to support our commitment to building cultural competence across our business.

With over 50 plus nationalities within AsureQuality we celebrate a diversity of cultural events that represent our people and their cultures throughout the year.

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 in the communities we serve and live in.

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, responsible use of technology and the receipt of gifts.

Diversity

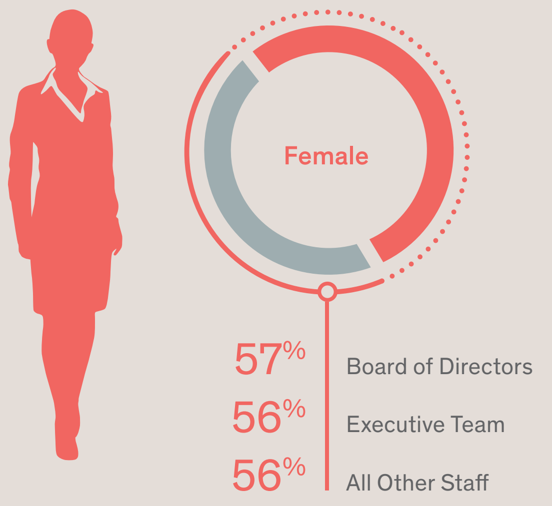
AsureQuality seeks to create an integrated and inclusive culture, which acknowledges, respects and values the varied perspectives different people and cultures bring to the workplace.

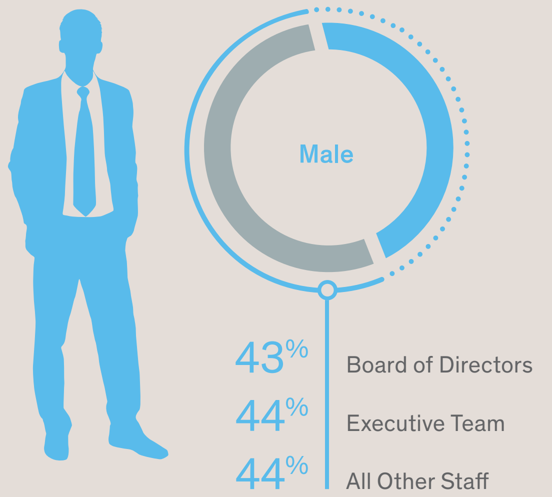
All existing and prospective staff are respected and treated equally regardless of gender, ethnicity, age, religious beliefs, marital status, culture, sexual orientation, political opinion, employment status or physical ability.

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

Diversity and Staff by Gender

as at 30 June 2022





Executive Team

Our executive team provide **inspirational and strong leadership** for our people. This ensures we continue to **deliver world-class food assurance services** to support our partners as they work hard to uphold **Aotearoa's reputation** for a higher standard of quality and safety
in food.

Kim Ballinger

Chief Executive Officer

Kim joined AsureQuality in 2020. Her 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. Kim 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.

Sandra Fischer

Group Manager - Customer Solutions

Sandra 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.

Alan Robson

Group Service Manager - Food Processing

Alan joined AsureQuality in 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.

Jeremy Hood

Chief Operating Officer

Jeremy joined AsureQuality in 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.

Elke van der Meijden

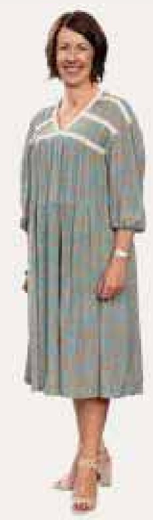
Group Manager - Innovation and Insights

Elke joined AsureQuality in 2022. She has previously held leadership roles in New Zealand and Europe encompassing customer strategy and experience, operations, marketing, innovation, and technology. Her most recent roles include Head of Analytics and Innovation at Mercury, and senior leadership positions at AMP NZ and Vodafone. Elke is future-focused and committed to supporting Aotearoa's farmers, producers, and exporters through innovative services which help them maximise opportunities in an increasingly values-based global market.

Kylea Heaton

Group Service Manager - Field

Kylea 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.



Georgina Daly

General Manager - People and Culture

Georgina joined AsureQuality in 2021. Her previous roles include Chief People Officer at JUCY Group, GM Talent at Fonterra, and People and Culture leadership roles at Sitel and HBSC with a focus on leading organisational cultural change, building admirable leaders and putting employee experience at the heart of everything she does. Georgina is passionate about Aotearoa's primary industry and the opportunity she has to unlock our people's aspirations and potential to deliver on the AsureQuality vision.

Michael Hodgson

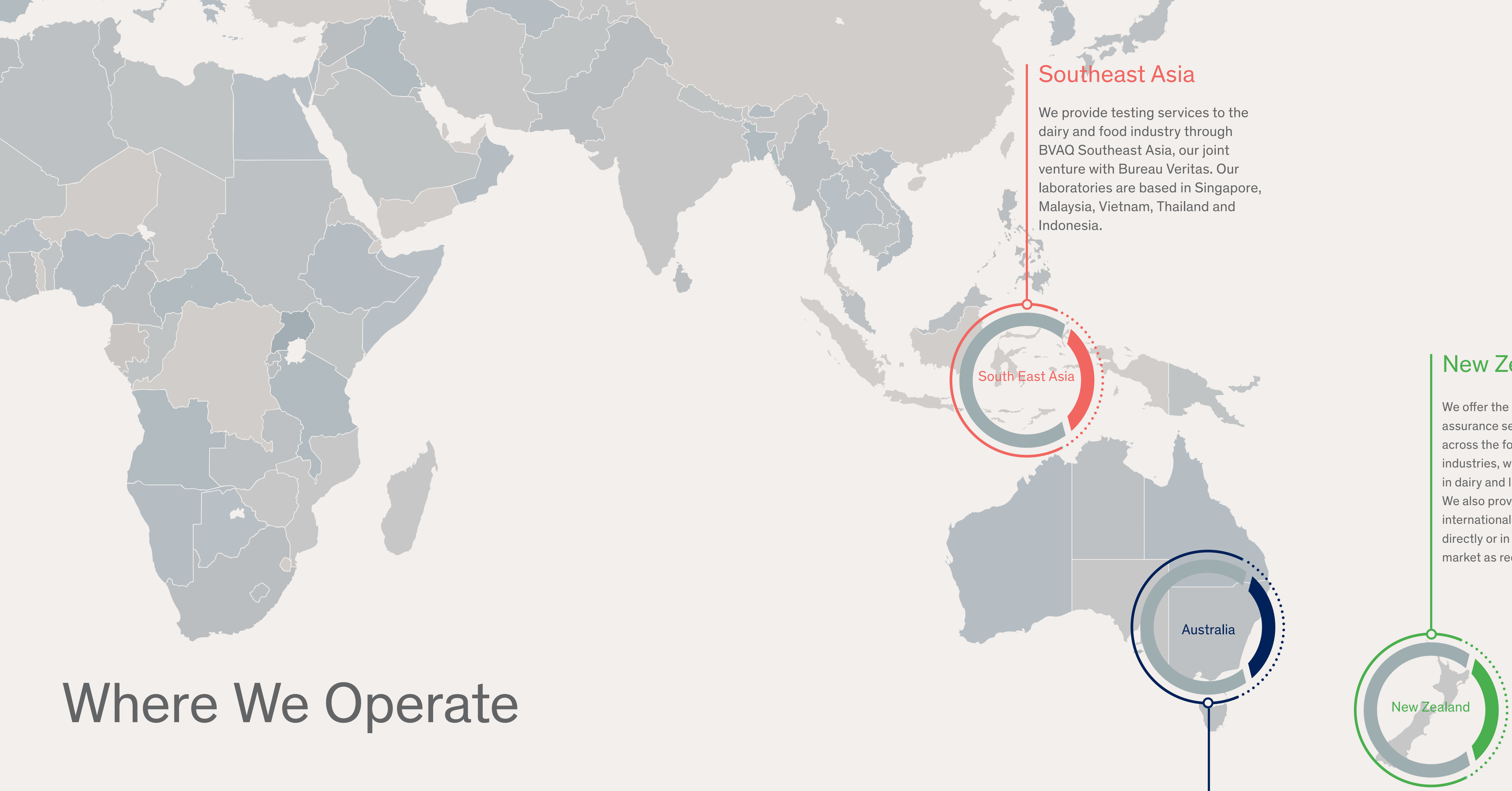
Group Service Manager - Food Testing

Michael 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.

Mike Fenton

Group Service Manager - Specialty Services

Mike joined AsureQuality in 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.



Southeast Asia

We provide testing services to the dairy and food industry through BVAQ Southeast Asia, our joint venture with Bureau Veritas. Our laboratories are based in Singapore, Malaysia, Vietnam, Thailand and Indonesia.

New Zealand

We offer the broadest range of food assurance services in New Zealand across the food and agriculture industries, with particular strength in dairy and livestock and meat. We also provide services to several international customers, either directly or in support of our teams in market as required.

Where We Operate

We support **New Zealand's food and primary producers and exporters**, both in New Zealand and via our network of laboratories in Australia and Southeast Asia.

Australia

We provide testing, inspection and certification services through our joint venture with Bureau Veritas. Together we own BVAQ Australia, the leading service provider to the Australian agri-food industries, with laboratories in Melbourne, Sydney, Brisbane and Perth.

We also have AsureQuality facilities in North Melbourne, where our Diagnostics and Global Proficiency businesses are located.

Who We Are

We are a leading provider of food assurance services to New Zealand's food and primary industries, proudly supporting our partners as they work hard to uphold what Aotearoa stands for in food – a higher standard of quality and safety.

We are unique in New Zealand, with our end-to-end focus on the food supply chain, through a combination of auditing, inspection, certification, farm assurance, training, assurance mark traceability, diagnostics, and laboratory testing, with an extensive range of domestic and international accreditations and approvals.

We are building to become the Integrated Assurance Partner - meeting the current and emerging needs of customers by efficiently and accurately capturing, using, and sharing relevant assurance-related insights across our range of assurance services and throughout the food supply chain.

Our People

Our dedicated team of over **1700** people are deeply connected to our partners, at every point of their food supply chains, sharing and applying knowledge and insights gained from **over 145 years of experience**. Our people are primarily full-time employees based in frontline service delivery roles throughout New Zealand.

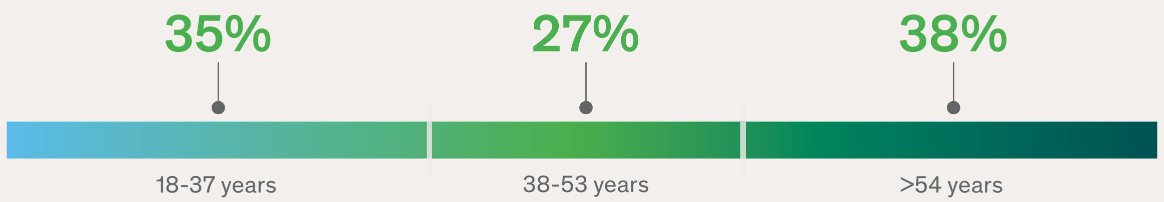
Additionally, we have **500** people working in our Bureau Veritas AsureQuality joint venture businesses in Australia and Southeast Asia.

Celebrating Our Diversity

A Multi-National workforce our people come from all **over the globe** - we have a diverse workforce with over **50** different nationalities represented across the business. We are working towards capturing improved data around the ethnic diversity of our people to help us better understand their needs.

Gender statistics show that overall our total staff are split as **56% female** and **44% male**. We have a higher proportion of female staff in Food Testing, Field and Support Services, with other services more evenly split.

We have a generational split of workforce spread of ages
across multiple generations



Why People Choose AsureQuality

Customers and industry stakeholders choose to **work with us for three key reasons**

Credibility

We are a trusted partner

Helping Aotearoa to uphold its global reputation for a higher standard of quality and safety in food with robust, transparent assurance systems

New Zealand Government owned

Independence of the highest integrity

Connected to New Zealand's food and primary industries for over 145 years

Specialisation and leadership in food testing and assurance services

Extensive global accreditations and recognitions

In-depth technical expertise

Strong relationships built over 145 years

Capability

We focus on food

Depth and breadth of expert knowledge and services across the entire food supply chain

Capacity

We can support at scale and across multiple locations

Market leader with unmatched scale in New Zealand and an expanding global network, in partnership with Bureau Veritas.

What We Do

We work closely with our partners across New Zealand's food and primary production sectors, offering the broadest range of food assurance services in Aotearoa.

Food Testing

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 our customers to access their markets.

Food Processing

We provide independent audit, inspection, verification and certification services for the food and primary sectors against domestic and international regulatory and retailer standards.

Our people perform ante-mortem and post-mortem meat inspection services to support our customers and ensure that New Zealand animal products meet the highest global standards of quality.

Field

Working in the field alongside our partners, our veterinary and field technicians provide a range of services including farm assurance, dairy farm assessment, sample collection, TB testing and related disease management.

Our Seed Laboratory delivers seed testing and certification services which enable market access for exporters, while our Plant Health Laboratory offers identification services for plant and seed microorganisms and nematodes.

Specialty Services

Through our Pest Laboratory we deliver entomology and nematology services to the horticulture, seed, and food production sectors.

We partner with government, industry and communities to implement operational solutions to protect our environment. We work in partnership with the Ministry for Primary Industries and other organisations to protect Aotearoa from the impact of pests and diseases.

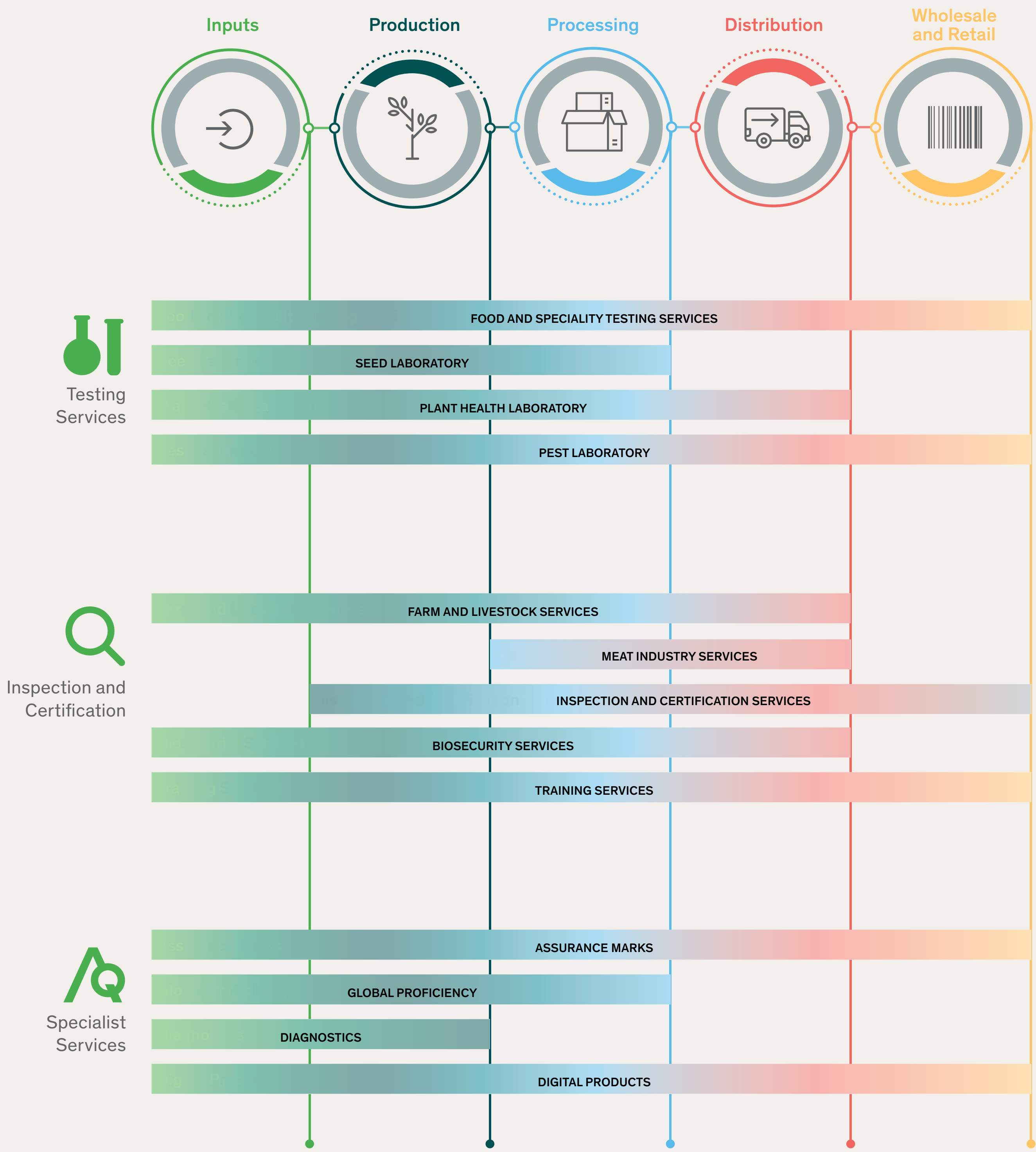
We provide contract manufacturing services for diagnostic products and distribution of specialist veterinary test kits for use in disease management programmes.

Support 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 and how it was grown.

Global Proficiency provides proficiency testing, reference materials and related services to a wide range of industries.

Assurance Expertise Across the Food Supply Chain



Financials

PROFIT OR LOSS

for the year ended 30 June

	Note	2022 $000	2021 $000
Revenue	2	**213,546**	**233,253**
Employee benefit expenditure		(138,690)	(137,680)
Consumables		(21,070)	(23,909)
Contractors and subcontractors		(3,968)	(7,118)
Transportation expenses		(5,742)	(7,098)
Rental and operating lease costs	9	(683)	(1,567)
Other expenses	3	(23,764)	(21,204)
Operating expenses		**(193,917)**	**(198,576)**
Depreciation and amortisation		(9,828)	(9,375)
Loss on disposal of fixed assets		(659)	105
Finance costs (net)	4	(159)	(1,215)
Loss on sale of subsidiary	10	(60)	-
Share of profit of associates and joint ventures	10	1,006	2,275
Profit before income tax		**9,929**	**26,467**
Income tax expense	5	(2,580)	(6,934)
Profit for the year		**7,349**	**19,533**
Profit for the year attributable to:			
Equity holders of the parent		7,280	19,395
Non-controlling interest		69	138
		7,349	**19,533**

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

OTHER COMPREHENSIVE INCOME

for the year ended 30 June

	Note	2022 $000	2021 $000
Profit for the year		7,349	19,533
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	2,089	(511)
Total other comprehensive income net of tax		**2,089**	**9,597**
Total comprehensive income for the year		**9,438**	**29,130**
Attributable to			
Equity holders of the parent		9,369	28,992
Non-controlling interest		69	138
		9,438	**29,130**

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 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 non-controlling interest in subsidiary		-	-	-	-	-	(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**
Profit for the year		-	-	-	7,280	7,280	69	7,349
Other comprehensive income		-	-	2,089	-	2,089	-	2,089
Total comprehensive income for the year		**-**	**-**	**2,089**	**7,280**	**9,369**	**69**	**9,438**
Acquisition of additional shares from non-controlling interest in subsidiary		-	-	-	-	-	(621)	(621)
Elimination of non-controlling interest on disposal of subsidiary	10	-	-	-	-	-	153	153
Dividends	15	-	-	-	(11,700)	(11,700)	(117)	(11,817)
Total transactions with owners		**-**	**-**	**-**	**(11,700)**	**(11,700)**	**(585)**	**(12,285)**
Balance at 30 June 2022		**22,100**	**26,133**	**1,886**	**49,752**	**99,871**	**-**	**99,871**

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

STATEMENT OF FINANCIAL POSITION

as at 30 June

	Note	2022 $000	2021 $000
Current assets			
Cash and cash equivalents		2,211	3,260
Trade and other receivables	6	33,441	33,456
Inventories		7,595	7,435
Current income tax asset		2,898	-
Derivative financial assets	13	806	-
Total current assets		**46,951**	**44,151**
Non-current assets			
Property, plant and equipment	7	54,059	52,106
Intangible assets	8	4,514	8,364
Right-of-use assets	9	11,088	14,070
Investments in associates and joint ventures	10	51,664	48,198
Trade and other receivables	6	4,851	-
Deferred income tax assets	5	4,706	4,820
Total non-current assets		**130,882**	**127,558**
Total assets		**177,833**	**171,709**
Current liabilities			
Trade and other payables	11	31,352	31,812
Borrowings	12	13,000	2,000
Current lease liabilities	9	2,237	2,928
Derivative financial liabilities	13	-	434
Current income tax liabilities		-	844
Total current liabilities		**46,589**	**38,018**
Non-current liabilities			
Borrowings	12	18,864	15,794
Non-current lease liabilities	9	9,381	11,532
Payables	11	3,128	3,647
Total non-current liabilities		**31,373**	**30,973**
Total liabilities		**77,962**	**68,991**
Equity			
Equity attributable to equity holders of the parent		99,871	102,202
Non-controlling interest		-	516
Total equity		**99,871**	**102,718**
Total liabilities and equity		**177,833**	**171,709**

The Board of Directors of AsureQuality Limited authorised these financial statements for issue on 25 August 2022.

Dr Alison Watters
Chair

Alison Posa
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	2022 $000	2021 $000
Cash flows from operating activities			
Receipts from customers		213,790	237,051
Payments to suppliers and employees		(195,809)	(199,741)
Interest paid net of interest and dividends received		(1,407)	(1,332)
Income tax paid		(6,231)	(9,765)
Net cash generated from operating activities		**10,343**	**26,213**
Cash flows from investing activities			
Purchase of property, plant and equipment		(8,160)	(8,364)
Purchase of intangibles		(2,044)	(1,382)
Investment in subsidiary		(621)	(402)
Net cash used in investing activities		**(10,825)**	**(10,148)**
Cash flows from financing activities			
Proceeds from/(repayment of) borrowings		14,070	(439)
Dividend paid to non-controlling interest		(117)	(143)
Dividend paid to shareholder		(11,700)	(12,000)
Lease principal payments		(2,847)	(3,335)
Net cash used in financing activities		**(594)**	**(15,917)**
Net increase/(decrease) in cash		**(1,076)**	**148**
Cash and cash equivalents at beginning of the year		3,260	3,111
Exchange gains on cash balances		27	1
Cash and cash equivalents at the end of the year		**2,211**	**3,260**

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

	Note	2022 $000	2021 $000
Profit after tax for the year		**7,349**	**19,533**
Adjustments for:			
Depreciation and amortisation		9,828	9,375
Loss on disposal of fixed assets		659	-
Loss on sale of subsidiary	10	60	-
Share of profit of associates and joint ventures	10	(1,006)	(2,275)
Other non-cash movements		(2,291)	(323)
Other non-cash movements		**7,250**	**6,777**
Impact of changes in working capital			
Trade and other receivables		(310)	3,179
Income tax		(3,742)	(3,058)
Trade and other payables		(44)	(1,321)
Inventories		(160)	1,103
Working capital movements		**(4,256)**	**(97)**
Net cash generated from operating activities		**10,343**	**26,213**

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 2022.

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 25 August 2022.

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, except for certain financial instruments. Financial derivatives are carried at fair value.

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. The comparatives in note 2 Revenue have been reclassified to reflect the reorganisation of the Group structure. There have been no other 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.

All other mandatory amendments to accounting standards 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 has reorganised its Group structure and now recognises revenue from the following major sources:

- Food Testing services
- Food Processing services
- Field services
- Specialist services, including biosecurity, specialist testing, and pest identification services.
- Other, including 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.

Food Testing services

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

Food Processing services

The Group provides independent audit, inspection, verification and certification against domestic and international regulatory and retailer standards to Food Processors. Revenue is recognised for these services based on the stage of completion of the contract.

Field services

The Group provides independent audit, inspection, verification and certification against domestic and international regulatory and retailer standards to Livestock and Seed companies. Revenue is recognised for these services based on the stage of completion of the contract.

Specialist services

The Group provides contaminant testing services, with revenue recognised as testing services are completed. 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. The Group also 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.

Other

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

	Note	2022 $000	2021 $000
Disaggregation of the Group's revenue from contracts with customers:			
Food Testing services		56,635	59,940
Food Processing services		84,687	83,443
Field services		32,051	36,388
Specialist services		30,736	43,447
Other		9,437	10,035
		213,546	**233,253**

3. OTHER OPERATING EXPENSES

Other operating expenses include donations of $37,000 (2021: $62,000).

4. FINANCE COSTS (NET)

	Note	2022 $000	2021 $000
Interest expense on borrowings		(922)	(746)
Interest expense on lease liabilities		(485)	(599)
Net foreign exchange gains		7	2
Interest income on short-term bank deposits		1	14
Movement of derivatives held at fair value through profit or loss	13	1,240	114
Total		**(159)**	**(1,215)**

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 (2021: NIL).

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

5. TAXATION

	Note	2022 $000	2021 $000
Current taxation expense			
Current year		2,549	6,802
Adjustment in respect of prior years		(94)	(96)
Deferred taxation expense			
Origination and reversal of temporary differences		68	157
Adjustment in respect of prior years		57	71
Income tax expense		**2,580**	**6,934**
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		9,929	26,467
Prima facie income tax @ 28%		2,780	7,411
Effect of tax rates in foreign jurisdictions		4	30
Non-deductible or non-assessable items		(235)	(639)
Other reconciling differences		68	157
(Over)/under provision in prior years		(37)	(25)
Total income tax expense		**2,580**	**6,934**
Income tax recognised directly in equity			
Income tax on income and expenses recognised directly in equity		(11)	401
Imputation credits directly and indirectly available to shareholders as at 30 June 2022 are:			
Parent		27,266	25,717
Subsidiaries		550	722
		27,816	**26,439**

5. TAXATION (continued)

	Property, plant & equipment $000	Employee entitlements $000	Other $000	Total $000
Deferred tax assets and liabilities				
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**
Recognised in the profit in respect of prior years	-	(23)	(34)	(57)
Recognised in profit	176	(48)	(196)	(68)
Recognised in other comprehensive income	9	2	-	11
Balance at 30 June 2022	**424**	**3,708**	**574**	**4,706**

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 (2021: NIL).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June

6. TRADE AND OTHER RECEIVABLES

	Note	2022 $000	2021 $000
Current			
Trade receivables		31,270	31,754
Impairment provision	14	(301)	(185)
Prepayments		2,183	1,672
Receivables from associates and joint ventures	17	289	215
Balance at 30 June		**33,441**	**33,456**
Non-Current			
Other receivables		4,851	-
Balance at 30 June		**4,851**	**-**

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 trade receivables where collection is expected to occur within the next 12 months. Other receivables have been initially recognised at fair value.

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	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**
Additions / transfers	-	104	5	3,863	4,331	(79)	8,224
Disposals	-	-	-	(666)	(159)	-	(825)
Depreciation expense	-	(333)	(163)	(3,928)	(1,042)	-	(5,466)
Exchange differences	-	-	7	11	-	2	20
Cost	26,412	5,492	7,124	60,261	10,154	398	109,841
Accumulated depreciation	-	(333)	(6,510)	(47,356)	(1,583)	-	(55,782)
Carrying amount 30 June 2022	**26,412**	**5,159**	**614**	**12,905**	**8,571**	**398**	**54,059**

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 2022, due to recent declines in property values offsetting increases from the first quarter of the financial year.

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 2021	2,465	5,431	7,896
Carrying amount 30 June 2022	2,465	4,871	7,336

Capital commitments
At 30 June 2022 the Group had entered into contractual commitments for the acquisition of property, plant and equipment, motor vehicles and software amounting to $4.5 million (2021: $4.7 million).

8. INTANGIBLE ASSETS

	Note	Goodwill	Software	Relationship contracts	Work in progress	Total
		$000	$000	$000	$000	$000
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**
Additions / transfers		-	1,400	478	166	2,044
Disposals		(4,109)	-	(389)	-	(4,498)
Amortisation expense		-	(1,316)	(73)	-	(1,389)
Exchange differences		-	(7)	-	-	(7)
Cost		829	12,773	722	346	18,779
Accumulated amortisation		-	(9,882)	(274)	-	(14,265)
Carrying amount 30 June 2022		**829**	**2,891**	**448**	**346**	**4,514**

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.

During the year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The new accounting policy is presented below. The change in accounting policy did not have a material impact on the financial statements of the Group.

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received. Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

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 (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% (2021: 1%) in perpetuity and a discount rate of 8.27% (2021: 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.

Goodwill and relationship assets relating to NZIDT Limited have been derecognised with the sale of subsidiary company NZIDT Limited during the financial year ending 30 June 2022.

9. LEASES

Judgements
Where a discount rate is not explicit in a lease the Group determines an applicable discount rate to use (it's incremental borrowing rate) 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 $000	Vehicles $000	Other $000	Total $000
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**
Additions	723	-	-	723
Depreciation	(2,264)	(642)	(67)	(2,973)
Changes in scope or lease term	(704)	(27)	(3)	(734)
Exchange differences	-	2	-	2
Carrying amount 30 June 2022	**10,468**	**518**	**102**	**11,088**

Lease liabilities - Maturity analysis	2022 $000	2021 $000
Less than one year	2,237	2,928
Between one and five years	6,510	7,191
More than five years	2,871	4,341
Total lease liabilities	**11,618**	**14,460**

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% (2021: 1%) in perpetuity and discounts rates ranging between 8.03% - 17.69% (2021: rates ranging between 7.69% - 21.08%) 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 2022	Ownership and Voting interest 2021
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	0%	87%

Divestment of subsidiary

On 26 November 2021 the Group divested its investment in NZIDT Limited, resulting in the ownership of NZIDT Limited reverting to the full ownership by the previous non-controlling interest.

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 2022	Ownership and Voting interest 2021
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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June

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.

Summarised statement of financial position for Bureau Veritas AsureQuality Holdings Limited	**2022 $000**	**2021 $000**
Current assets	25,066	30,414
Non-current assets	98,830	95,056
Current liabilities	(14,986)	(18,600)
Non-current liabilities	(10,942)	(14,317)
Net assets	**97,968**	**92,553**
Group interest in joint venture (49%)	48,004	45,351
Gain on sale not recognised	(9,060)	(9,060)
Foreign exchange difference	231	231
Carrying value of interest in joint venture, Bureau Veritas AsureQuality Holdings Limited	**39,175**	**36,522**
Summarised statement of profit or loss for Bureau Veritas AsureQuality Holdings Limited		
Revenue	64,507	70,395
Profit for the year	2,561	4,702
Other comprehensive income	2,854	337
Total comprehensive income	**5,415**	**5,039**
Group's share of profit for the year	**1,255**	**2,304**
Group's share of other comprehensive income for the year	**1,398**	**165**

Bureau Veritas AsureQuality Holdings Limited has a 31 December balance date and the numbers represent the balances as of 30 June 2022. 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	2022 $000	2021 $000
Summarised statement of financial position for BV-AQ (Singapore) Holdings Pte Ltd			
(Unaudited)			
Current assets		18,139	10,521
Non-current assets		23,425	23,167
Current liabilities		(10,193)	(4,788)
Non-current liabilities		(2,118)	(1,306)
Net assets		**29,253**	**27,594**
Group interest in joint venture (49%)		14,334	13,521
Gain on sale not recognised		(1,857)	(1,857)
Foreign exchange difference		12	12
Carrying value of interest in joint venture, BV-AQ (Singapore) Holdings Pte Ltd		**12,489**	**11,676**
Summarised statement of profit or loss for BV-AQ (Singapore) Holdings Pte Ltd			
Revenue		14,898	17,334
Profit for the year		(509)	(59)
Other comprehensive income		2,168	(1,225)
Total comprehensive income		**1,659**	**(1,284)**
Group's share of profit for the year		**(249)**	**(29)**
Group's share of other comprehensive income for the year		**1,062**	**(600)**

BV-AQ (Singapore) Holdings Pte Ltd has a 31 December balance date and the numbers represent the balances as of 30 June 2022. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June

	Note	2022 $000	2021 $000
11. TRADE AND OTHER PAYABLES			
Current			
Trade payables		5,636	6,660
Trade payables due to related parties	17	20	10
Non trade payables and accrued expenses		7,163	6,053
Deferred income		4,238	4,195
Employee benefits		13,096	12,079
Provision for restructuring and lease obligations		1,199	2,815
Balance at 30 June		**31,352**	**31,812**
Non-current			
Employee benefits		3,128	3,647
Balance at 30 June		**3,128**	**3,647**

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 2022. This requires the use of assumptions and estimates by the actuary. The key economic assumptions used were: discount rates, of 3.34% to 4.47% (2021: 0.38% to 4.07%) and a salary increase rate of 2.50% (2021: 2.50%).

	Note	2022 $000	2021 $000
12. BORROWINGS			
Current portion of long-term borrowings		13,000	2,000
Non-current		18,864	15,794
Total borrowings		**31,864**	**17,794**
The exposure of the Group's borrowings to contractual maturity dates is as follows:			
Six months or less		13,000	2,000
One to five years		18,864	15,794
		31,864	**17,794**
The carrying amounts of the Group's borrowings are denominated in the following currencies:			
NZ dollar		15,600	2,000
AU dollar	15	16,264	15,794
		31,864	**17,794**
The Group has the following undrawn borrowing facilities:		**8,136**	**17,206**

Details and draw down of banking facilities

2022	Expiry	Facility $000	Drawdown $000
Revolving cash facility 1	31-Dec-22	13,000	13,000
Revolving cash facility 2	31-Dec-23	25,000	18,864
Revolving cash facility 3	31-Dec-24	2,000	-

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

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	-

Policies
Borrowings are recognised initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings 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 2021 and 30 June 2022. The interest rates on the bank borrowings are floating, resetting quarterly and ranged from 1.22% - 3.40% per annum during the year ending 30 June 2021 (2021: 1.21% - 1.50% 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	
	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000
Interest rate swaps	16,005	7,818	806	(434)	1,240	114

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 and other 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 and other receivables at an amount equal to lifetime expected credit losses (ECL). The ECL on trade and other 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 2022 was determined as follows:

	Current	Past due 1 to 30 days	Past due 31 to 90 days	Past due more than 90 days	Total
30 June 2022					
Expected loss rate	0.2%	8.2%	4.2%	7.8%	
Trade and other receivables	33,272	2,198	644	296	36,410
Impaired receivables	(70)	(181)	(27)	(23)	(301)
	33,202	**2,017**	**617**	**273**	**36,109**

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

	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 and other receivables	28,762	2,736	389	82	31,969
Impaired receivables	(110)	(48)	(17)	(10)	(185)
	28,652	**2,688**	**372**	**72**	**31,784**

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 2022	**$000**	**$000**	**$000**	**$000**
Borrowings	13,000	18,864	-	-
Derivative financial instruments	-	(313)	(493)	-
Trade and other payables	7,597	-	-	-
At 30 June 2021				
Borrowings	2,000	15,794	-	-
Derivative financial instruments	-	-	434	-
Trade and other payables	8,357	-	-	-

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 2022 there were 23,800,000 shares on issue (2021: 23,800,000).

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:

	2022				2021			
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	0.9223	16,264	(470)	15,000	0.9497	15,794	(61)

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 49.16 cents per share (2021: 50.42 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 2022 was 29% (2021: 22%).

	2022 $000	2021 $000
16. AUDITOR'S REMUNERATION		
Amounts paid or payable to the auditors for:		
Audit of the Group's financial statements	257	241
Risk Profile Workshop	-	8
	257	**249**

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 joint ventures, Bureau Veritas AsureQuality Holdings Limited and BV-AQ (Singapore) Holdings Pte Ltd during the year.

	2022 $000	2021 $000
Related party transactions		
The following transactions were carried out with related parties:		
Sales of services:		
Sale of services to Ministry for Primary Industries	15,058	26,985
Services provided to joint ventures	2,640	2,988
Expenses:		
Purchases of services from joint ventures	345	334
Related party balances		
Owed by:		
Ministry for Primary Industries	1,691	3,157
Joint ventures	289	215
Owing to:		
Joint ventures	20	10
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	3,288	3,731

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 2022 (2021: 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 2022 which were considered relevant to the Group in preparing the financial statements.

20. SIGNIFICANT EVENTS AFTER BALANCE DATE

On 25 August 2022, the Board of Directors declared a final dividend of $2.9m for the period ended 30 June 2022, representing 12.18 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 2022

The Auditor-General is the auditor of AureQuality 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 page 38 to 65, that comprise the statement of financial position as at 30 June 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion the financial statements of the Group:

- present fairly, in all material respects
  - its financial position as at 30 June 2022; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting.

Our audit was completed on 25 August 2022. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Basis for our Opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible on behalf of the group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless 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 37 and 67 to 71, 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	2022 Target
Financial performance targets		
Revenue	$213.5m	$206.6m
Earnings before interest and tax (EBIT)	$10.8m	$23.1m
Net profit after tax (NPAT)	$7.3m	$16.2m
Net cash flows from operating activities	$10.3m	$23.6m
Annual key ratios		
Revenue growth	92%	98%
EBITDA growth	56%	105%
Total shareholder return [1]	9%	4%
Dividend yield	5%	4%
Capital replacement	149%	213%
Return on equity	7%	18%
Return on capital employed	11%	24%
Operating margin	10%	16%
Gearing ratio	29%	23%
Interest cover	15	26
Debt to EBITDA [2]	2.0	0.9
Non-financial performance targets		
Staff turnover rate	19.5%	< 12%
Total recordable injury frequency rate	2.9	< 3.8
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 2022, driven by improved cashflow projections, with outer years expected to recover from the impact of Covid that we have seen in the current year.
2. This measure has been updated to include lease liabilities in Net Debt.

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 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 FY2022 the relevant target percentage for the Chief Executive is 30% and between 20% to 25% for the other executives.

100% 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 FY2022 cover the areas of People, Customer, and Performance with respective weightings applied across areas. The criteria are selected to closely align with AsureQuality's strategic objectives, purpose and goals.

An individual performance multiplier is then applied based on performance against individual goals.

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 2022	514,823	17,648	532,471	63,561	596,032
FY 2021	270,755	8,123	278,878	73,451	352,329
Chief Executive - John McKay					
FY 2021	136,197	11,228	147,425	-	147,425

1. The prior year saw the departure of the Chief Executive - John McKay and the arrival of the new Chief Executive - Kim Ballinger, therefore 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 2021 was paid in September 2021. The value of the STI payment relating to the 12 months ending 30 June 2022 is estimated based on the achievement of KPIs and will be paid in September 2022.

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 2021 to 30 June 2022:

- Dr Alison Watters, Chair
- Paul McGilvary, Deputy Chair
- Alison Posa
- Jan Hilder
- Paul Cochrane (appointed 19 July 2021)
- Vicky Taylor (appointed 19 July 2021)
- Dean Moana (appointed 1 March 2022)
- Margot Buick (retired 18 July 2021)
- Steve Murray (retired 31 October 2021)
- Bruce Scott (retired 31 December 2021)

3. Directors' interests
Declaration of General Interest pursuant to section 140(2) of the Companies Act 1993 as at 30 June 2022 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 Limited (and subsidiaries), Director
AgInvest Holdings Limited (and subsidiaries), Shareholder
Fonterra, Supplier/Shareholder
Taumata Island Dairy Limited, Shareholder
High Value Nutrition (National Science Challenge), Director
Totally Vets Group Limited, Director
Meteorological Services of NZ Limited, Director
BV-AQ (Singapore) Holdings Pte Limited, Director (resigned 1 April 2022)

Paul McGilvary, Deputy Chair
Waikato Milking Systems Limited (and subsidiaries), Director
Bureau Veritas AsureQuality Holdings Limited (and subsidiaries), Chair
Synlait Milk Limited (and subsidiaries), Director
New Zealand Hops Limited, Director
Dairyworks New Zealand, Director

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

Paul Cochrane (appointed 19 July 2021)
BTLI(NZ) Limited, Director/Shareholder
Federation Internationale de Football Association (FIFA), Governance, Audit and Compliance Committee Member
NZ Public Service Association, Life member

Vicky Taylor (appointed 19 July 2021)
Ugly Duckling Trading Limited, Director/Former Shareholder (until 23 May 2022)
Three60 Consult Limited, Chair
Ashley & Co, CEO
The Fresh Fruit Company of New Zealand Limited (FreshCo), Chair
New Zealand King Salmon Investments Limited, Director
BeWell Kits Limited, Director/Shareholder

Dean Moana (appointed 1 March 2022)
Whangaokena ki Onepoto Takutai Trust, Trustee
The New Zealand Food & Beverage Group Limited, Director/Shareholder
Te Runanganui o Ngati Porou Trustee Limited (and subsidiaries), Director/Shareholder
The New Zealand Institute for Plant & Food Research Limited, Director
Tohe Taka Limited, Chair
ICP General Partner Limited, Director
Port Nicholson Fisheries General Partner Limited, Director
Koura Inc General Partner Limited, Director
Ahi Mokopuna GP Limited, Director
Akaroa Salmon New Zealand Limited, Director
National Institute of Water and Atmospheric Research Limited (and subsidiaries), Director
BV-AQ (Singapore) Holdings Pte Limited, Director (appointed 25 May 2022)

Margot Buick (retired 18 July 2021)
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 (retired 31 October 2021)
Kaawai International Limited, Director
Tuaropaki Communications Limited, Director
Century Drilling and Energy Services (NZ) Limited, Director
Miraka Limited, Director

Bruce Scott (retired 31 December 2021)
BV-AQ (Singapore) Holdings Pte Limited (and subsidiaries), Chair
West Auckland Trust Services Limited, Director

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	2022	2021
Dr Alison Watters, Chair	71,663	71,030
Paul McGilvary, Deputy Chair	45,413	44,780
Alison Posa	39,163	38,322
Jan Hilder	36,663	36,030
Paul Cochrane (appointed 19 July 2021)	35,073	-
Vicky Taylor (appointed 19 July 2021)	35,073	-
Dean Moana (appointed 1 March 2022)	13,330	-
Margot Buick (retired 18 July 2021)	2,916	36,028
Steve Murray (retired 31 October 2021)	11,667	32,280
Bruce Scott (retired 31 December 2021)	18,750	38,530
	309,711	**297,000**

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 2022. 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.

	2022 Number of Employees in the Group
$600,001 - $610,000	1
$480,001 - $490,000	1
$400,001 - $410,000	1
$340,001 - $350,000	1
$250,001 - $260,000	3
$240,001 - $250,000	1
$230,001 - $240,000	1
$220,001 - $230,000	1
$210,001 - $220,000	1
$200,001 - $210,000	3
$190,001 - $200,000	3
$180,001 - $190,000	1
$170,001 - $180,000	7
$160,001 - $170,000	6
$150,001 - $160,000	12
$140,001 - $150,000	13
$130,001 - $140,000	28
$120,001 - $130,000	36
$110,001 - $120,000	48
$100,000 - $110,000	108

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
Alison Posa
Jan Hilder
Paul Cochrane (appointed 19 July 2021)
Vicky Taylor (appointed 19 July 2021)
Dean Moana (appointed 1 March 2022)
Ariana Estoras (appointed 8 July 2022)

Executives
Kim Ballinger, Chief Executive Officer
Jeremy Hood, Chief Operating Officer
Georgina Daly, General Manager - People & Culture
Sandra Fischer, Group Manager - Customer Solutions
Elke van der Meijden, Group Manager - Innovation & Insights
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

Auditor
Graeme Edwards, KPMG

Banker
Westpac Banking Corporation

Contact details
www.asurequality.com
info@asurequality.com

ADDRESS
AsureQuality Limited
7a Pacific Rise
Mt Wellington, Auckland 1060
Private Bag 14946,Panmure, Auckland 1741
NEW ZEALAND

Telephone: +64 9 573 8000
Freephone: 0508 00 11 22

Helping Aotearoa shape a better food world

AsureQuality Limited
Level 1, 7a Pacific Rise, Mt Wellington 1060
Private Bag 14 946, Panmure, Auckland 1741, New Zealand

Telephone: +64 9 573 8000
asurequality.com