

AsureQuality
Kaitiaki Kai

Integrated
Annual Report

2024



Contents

Our Purpose	4
Our Vision	6
Our Locations	8
Our Capitals	9
Our Strategy	10
Chair and CEO Report	12
Materiality	14
Sustainability	16
Board of Directors	18
Corporate Governance Statement	20
Executive Team	24
Where We Operate	26
Who We Are	28
Celebrating Our Diversity	30
Health, Safety and Wellbeing	32
Community Partnerships	34
What Sets Us Apart	36
What We Do	38
Assurance Expertise	40
Financials	43
Directory	69

Helping Aotearoa shape a better food world

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.

New Zealand's food is recognised globally for its high standard of quality and safety and is well placed to be at the forefront of emerging demands of the global market and consumer.

Our end-to-end service and expertise across the value-chain is dedicated to upholding this reputation and supporting our farmers, growers and food producers to continue to be leaders in our changing food world.



The Integrated Food Assurance Partner

To accelerate the future of food assurance, we provide integrated, end-to-end services to ensure sustainable business growth. Our vision is enabled through the expertise and experience of our people, technology and data insights, and partnerships with our customers.



Our Vision



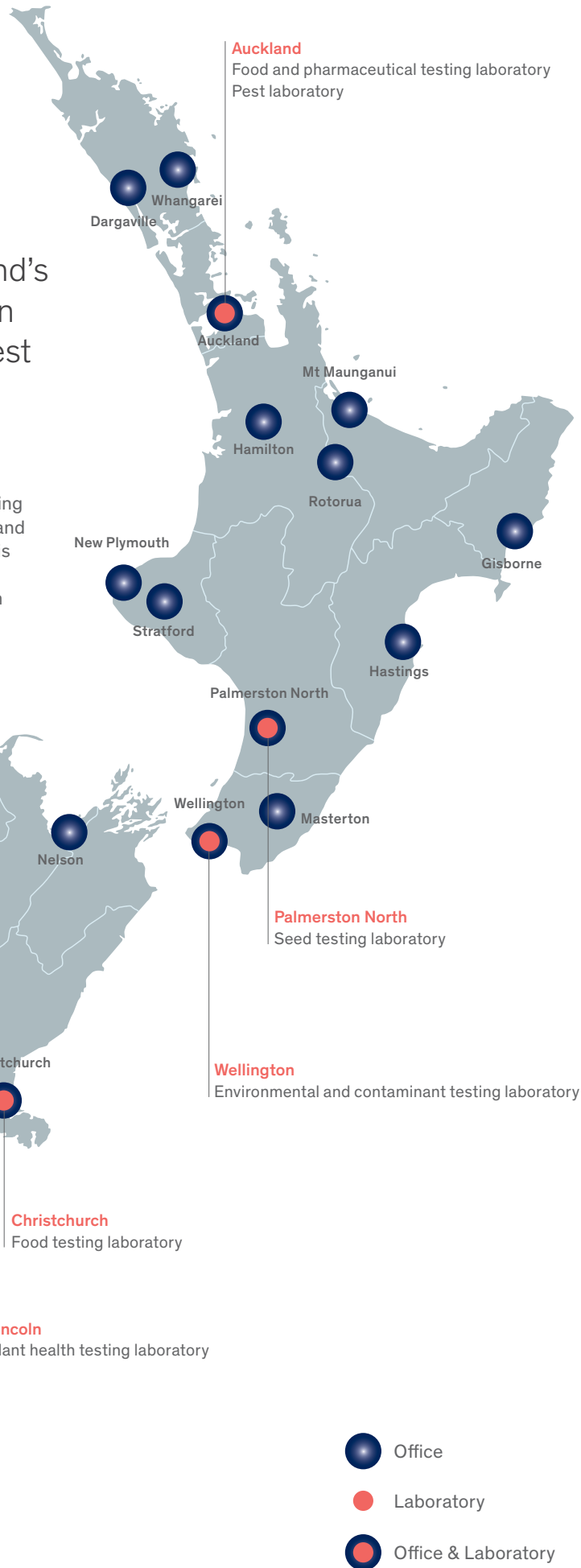
Our Locations

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

With over 1700 dedicated people, we support 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 achieve this through collaboration, knowledge-sharing, and resource-sharing, ensuring benefits for all, both in the present and for generations to come.

As a government-owned entity, our name instils confidence, and we deliver independence of the highest integrity. We take pride in supporting New Zealand's farmers, growers, and producers to uphold Aotearoa's high standard of quality and safety in food.



Our Capitals

Financial		\$228.4m Revenue		\$176.8m Assets
	Intellectual		Broadest range of certifications and accreditations	
Human			1700+ Global experts	
		96 Health and Safety representatives		International Joint venture with Bureau Veritas in Australia and Southeast Asia
	Social and relationship		100% government ownership	
		7,000 customers		13,600 hrs available to support our communities via Employee Volunteer Day programme
		\$50,000 Donated to community partnerships Kura Kai and Conservation Volunteers		Achieved Toitū carbon reduce certification
Natural		46% Total reductions in CO ₂ emissions since programme began in FY20		65% of vehicle fleet now hybrid

Our Strategy on a Page

A high-level summary of where we will focus our mahi to achieve our goals and vision over the next three to five years

Our Purpose

Why

Our overarching reason for being

**Helping Aotearoa
shape a better food world**

Our Strategic Vision

Where

Where we are heading – our target destination

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

Our active areas of focus

Service Excellence

Service as promised
Ease of doing business

Fit for purpose systems and processes

Valued Insights and Expertise

Enhanced access to technical knowledge
Integrated data solution and roadmap

Customer decision support

New Assurance Models

Technology-enabled assurance
Integrated services

Strategic ventures growth

Our Foundations

Who

Our key relationships & stakeholders

Our Engaged People

Safety and wellbeing
Great leaders
People and capability

Our Engaged Customers

Voice of customer
Customer fit offerings
Enhanced customer experience

Sustainable for Aotearoa

Revenue and profitability benchmarks
Environmental sustainability
Strong trusted reputation

Active in our Community

Meaningful community partnerships
Volunteer day programme

Our Values

How

How we work together



Trusted
Whakamana



Connected
Whakawhanaungatanga



Bold
Whakapakari

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 over 7000 customers. Despite challenges in the overall primary sector, our results for the 2024 financial year have generated revenue of \$228.4 million, which was on target but as expected below the previous year's revenue of \$232.7 million following the halt of live cattle exports by sea. The full year operating EBIT result of \$9.3 million reflected strong performance in our inspection and auditing businesses. The profit after tax for the year is \$3.8 million, reflecting one-off costs resulting from reduced biosecurity and field animal disease work.

The company's performance has benefited from a strong focus on customer service during the year. Consistently fast turnaround times in our laboratory food testing services, on time auditing and inspection services, and providing new highly valued integrated food assurance services and insights, have contributed to increased customer satisfaction and customer contract renewals despite the challenging business environment.

Our results also continue to reflect sustainable change in employee engagement and safety. AsureQuality was a finalist in the 2024 Safeguard awards and employee engagement eNPS scores have more than doubled over the financial year from 4 to 11. The launch of new values will help us deliver our vision to be the Integrated Food Assurance Partner, ultimately accelerating the value growth of NZ's primary and food industry.

Our People

We continue to focus on Safety and Wellbeing, delivering strong results. AsureQuality has introduced visible leadership targets for all levels of leadership, to ensure the refreshed critical risks and associated controls are being continuously reviewed. Targets for visible leadership were exceeded by 150%. We have continued to put emphasis on the importance of safety observations and near-miss reporting as good indicators of a strong health and safety culture. The health of the culture in AsureQuality is also reflected in other indicators; 92% of safety investigations and actions were completed on time and the high level of engagement of approximately 100 health and safety front-line representatives. We are proud that all these representatives have been through NZQA training and are continuing to bring strong employee voice to our safety and wellbeing activity.

We continue to focus on our considerable shared responsibilities with other PCBU's (Person Conducting a Business or Undertaking) and to deepen our expertise in this critical area, with the key intent to keep our people safe no matter where they work. We acknowledge that employee wellbeing is of critical importance to ensure the workplace is a place where people can thrive, which also means they will perform better in their roles. Aligned to this philosophy we have completed a number of "Wellbeing by Design"

workshops with actions taken to improve the work itself and the environment.

We know our leaders have an important role in employee engagement, and we broadened our internal development programme "Te Ara Whakapakari" to include four main elements, new leader orientation, leadership coaching, leadership labs and leadership navigator. Our leaders have responded positively to these modules with 65% of AsureQuality leaders having completed two or more leadership development exercises in this financial year. The investment in our people is illustrated in the results of the increased engagement of our 1700 workforce with eNPS climbing from 4 to 11 and in the reduction of employee turnover from 17% to 14%, 12 month rolling average.

To help accelerate the delivery of our strategy and to meet the future expectations of our customers, AsureQuality has launched a new set of organisational values through a multi-level cross functional group of "Values Architects". The launch of the three new values, Trusted - Whakamana, Connected - Whakawhanaungatanga and Bold - Whakapakari, has been well executed and the values very well received by our people.

We continue to benefit from a diverse and inclusive workforce with a similar gender balance reflected in the senior leadership team as our front-line employees. The focus of our people strategy for the following financial year will continue to be on safety and wellbeing, building capability, development opportunities, leadership and embracing our bi-cultural heritage led by Te Rōpu aka whiri hou.

Our Customers

As we strengthen our delivery under the strategic pillar "service excellence", we are increasingly being commended as a customer focused organisation, with a more satisfied customer base. This is evidenced through the attraction (a number of new customers from competitor organisations), retention of existing customers (no loss of significant customers), and improved NPS customer engagement scores from 11 to 14.

Our laboratories have delivered a record test turnaround time result while our inspection, auditing, biosecurity, and field functions have delivered a service on time result of 99.3%. We consider these service delivery results as proxy measures for customer satisfaction.

This year, we were delighted to win new contracts with MPI, total diet survey, sampling and analysis of pre-slaughter cattle and from the Australian Department of Agriculture, Fisheries and Forestry the national residues survey, despite significant competition for these contracts. Feedback from our annual survey (independent interviews) demonstrates that although customer expectations are rising, AsureQuality is seen to have large competitive advantages in what matters to customers for food assurance services - "Venture Research 2024".

Our Strategy

AsureQuality continues to make steady progress towards our strategic vision of becoming an integrated assurance partner with our customers, uniting our people, improving the customer experience and connecting our services to provide unified assurance. The pillars of this strategy include service excellence for our customers, enhanced decision support, access to expertise and knowledge and new assurance models. There are several projects underway aligning with these core pillars, including new business processes and systems, operational automation, innovation roadmaps and new future assurance models.

We are excited about the redevelopment of the company's main testing laboratory at Lynfield in Auckland, acknowledging the support of our Shareholder for this important infrastructure project. This laboratory was originally built in 1980 and was designed to house approximately 80 people. It is now the largest food testing laboratory in the Southern Hemisphere, underpinning New Zealand's \$70+ billion food industry and exports, employing 450 people as the New Zealand food and primary industry has grown. The laboratory is of critical importance to New Zealand with the reliance on this facility for both exports and to ensure safe food supply to local retailers. The redevelopment will provide continued confidence in maintaining New Zealand's reputation for the highest standards of food safety and quality. The project began in June, with enabling works and will be completed by July 2025.

Our Financials

This financial year has delivered revenue of \$228.4 million, which is 2% down from the previous year following the halt on live cattle exports by sea, offset by the strong performance of our inspection and auditing businesses. The full year operating EBIT result was \$9.3 million.

Outlook

In FY 2025, the focus will be on maintaining and growing our core business of food assurance, testing, inspection and auditing through our customer-oriented strategy and exceeding the expectations of the NZ food industry as an integrated food assurance partner. We will continue to strengthen our services, remaining focussed on services where we can most create the most value for our customers.



Peter Landon-Lane Chair



We will continue to look at new ways of achieving efficient and effective food assurance outcomes through technology. Examples of this include the "Future of Meat Inspection" project which looks to enhance visual inspection using imagery and modelling of animal disease in carcasses, and new sample location technology for our laboratories. The investment in the Auckland food testing facility will provide greater confidence to customers with respect to our leading role in NZ food safety, increase our capacity and flexibility, realise productivity gains, deliver faster more accurate testing results, attract and retain our people and ultimately ensure a long-term sustainable business. This investment will be funded from increased bank debt and utilisation of the cash typically paid as dividends.

In a fast-changing world these investments will ensure AsureQuality is relevant to customers in the future, supporting and growing the value of Aotearoa's \$70+ billion food industry via the trust provided through AsureQuality assurance services.

Conclusion

Despite the current challenges in the primary sector and food industry, AsureQuality has delivered its financial commitments to shareholders on revenue and profit. We are proud of how our people have served our customers, despite the on-going market challenges and the continued evolution of the biosecurity and animal disease sector. We thank our people for their openness to change and their continued dedication and commitment to our business.

To our customers – we thank you for your business and look forward to continuing to strengthen our relationship by creating greater value for you and your customers and consumers through our integrated assurance provider strategy, enabled by our new values. 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.

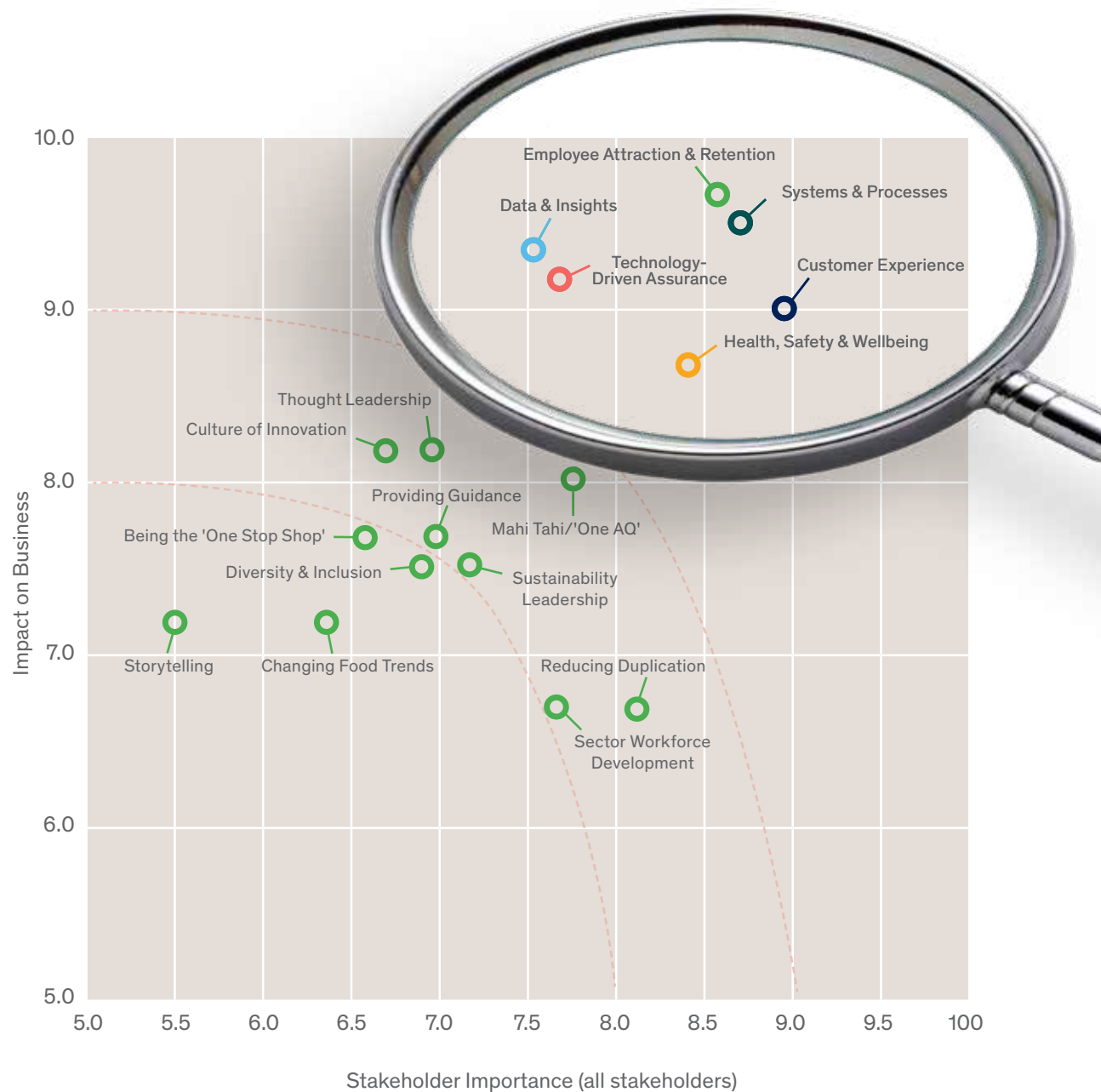


Kim Ballinger Chief Executive Officer



Our strategy is informed by a 'materiality assessment' process, identifying the most important environmental, social and governance (ESG) topics for our business.

The matrix below shows the key topics we are focussed on addressing. These have been prioritised based on input from external stakeholders (customers, suppliers, regulators etc.) and internal stakeholders (employees).



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 have a multi-year people strategy with a focus on communications and leadership to build the capacity and capability that our people need to meet the growing demands of our customers and consumers. This is enabling us to meet the needs of a diverse, modern business, ensuring a culture for our people to be their best now and in the future.



Systems and Processes

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

We continue to invest in ensuring our people have the tools and processes that support them to deliver excellent customer outcomes. The audit management system is now live and the roll out across service units continues. As part of this deployment processes are being standardised enabling legacy technologies to be removed. At an enterprise process level, a cross functional Initiative Prioritisation Process has been implemented to ensure prioritisation is aligned with our business goals and investment decision making is robust.



Customer Experience

"Providing a seamless, integrated experience that delights our customers"

We have implemented a customer support platform integrated with our CRM which is integral to our customer's experience and ensures we have the right tools for our team to provide excellent service. Our Voice of Customer programme is embedded which, along with other data sources, guides continuous improvement to our services as well as enhancing the end-to-end customer journey.



Data and Insights

"Using data to develop better insights and trends for our customers and develop new digital products"

Work to implement a new modern data platform, data team and capabilities has been completed. The data team is focussed on unlocking AsureQuality's strategic vision through the delivery of use cases that enable our customers to experience our integrated business. We are establishing data science and product capabilities to enable the development of new decision support approaches, and new digital products.



Technology-Driven Assurance

"Exploring new models to deliver assurance outcomes that improve customer experience, release net efficiencies, and strengthen confidence in the market."

To enable us to move towards more technology-enabled services with new assurance models, we are investing across three innovation roadmaps in the areas of testing, audit, and inspection. These roadmaps balance our focus on enhancing our core business and exploring new ideas for the future, and recognise the opportunities around digitisation, augmentation, automation, ecosystem integrations, and AI-driven data analytics.

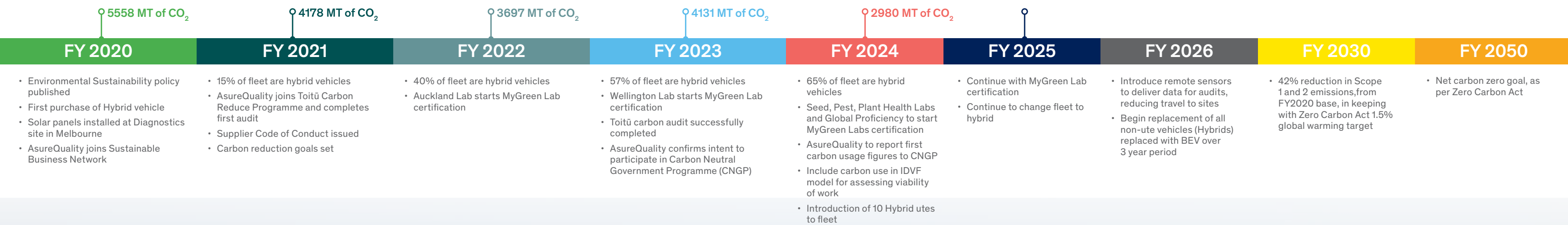


Health, Safety and Wellbeing

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

In line with our strategic priorities ensuring that visible leadership is demonstrated at all levels of our organisation, we have significantly lifted the number of observations from across the Board, Executive, people leaders and health and safety representatives. We continue to work with our customers to ensure we meet our overlapping duty obligations with a focus on designing our work to ensure our people and our business is safe, healthy and thriving. We continue to empower our health and safety representatives.

Environmental Sustainability Roadmap

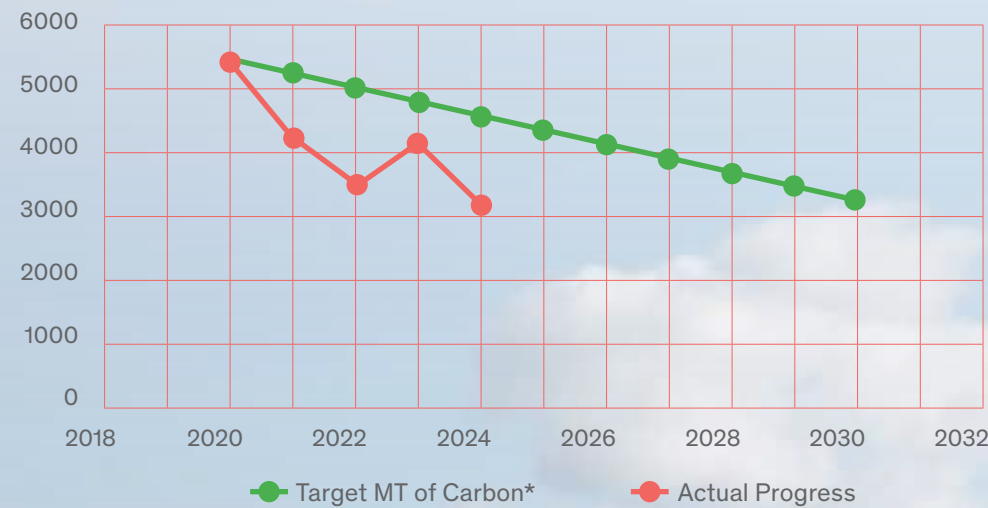


AsureQuality environmental and sustainability initiatives are in place to support our Environmental Sustainability Policy.

We are participating in the Carbon Neutral Government Programme (CNGP) and first carbon usage figures were reported in December 2023.

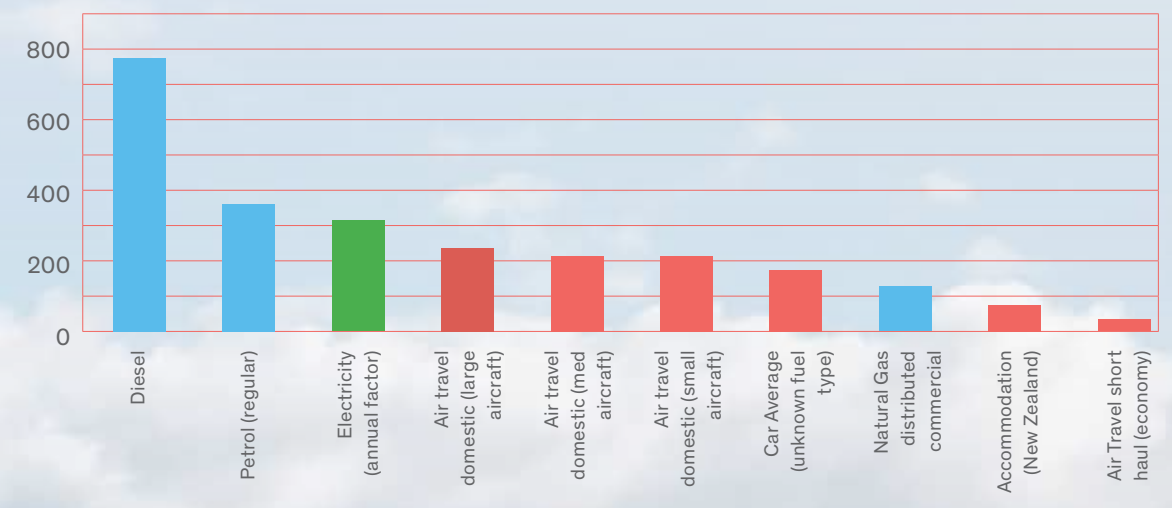
AsureQuality has successfully completed the annual audit requirements of the Toitū carbonreduce certification. The total emissions are 46% lower than the base total of FY 2020.

MT of Carbon - Target vs Progress



* 42% reduction from initial number in keeping with the 1.5% Global Warming target

Top 10 GHG Emmissions (tonnes CO₂e) by source FY2024



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.



Peter Landon-Lane
Chair



Jan Hilder
Deputy Chair



Alison Posa
Director



Dean Moana
Director



Ariana Estoras
Director



Belinda Storey
Director

Peter Landon-Lane

Chair

Peter was appointed to the board in July 2023. He is a director of NIWA and executive chair of T&G Global Ltd's VentureFruit business. He has governance experience in the agri-food, science and trade sectors and his management career included senior roles at T&G Global, CEO of Plant & Food Research, Managing Director of Fonterra Europe, President of Fonterra Japan and roles in China, the Philippines and Taiwan. Peter has degrees in science and economics and is a member of the Institute of Directors.

Alison Posa

Director

With over 25 years' experience in finance and strategy roles in multinational environments, Alison was appointed to the board in 2019. Her career has spanned industries including food, pulp and paper, forestry, building and banking. Since 2002 she has worked in the food industry with Kraft Foods and Mondelez International. Most recently she was based in Singapore as Director Financial Controlling responsible for 34 countries across Asia, Middle East and Africa. Alison was previously CFO for Kraft Foods Australia and NZ. Her experience has covered finance, strategy, risk management and governance of businesses in diverse international markets. She has a BMS (Hons) from the University of Waikato and is a Chartered Accountant and chartered member of the Institute of Directors.

Ariana Estoras

Director

Ariana is of Ngāti Maniapoto descent and was appointed to the Board in July 2022. She has over 15 years' experience working in Aotearoa's primary industries sector establishing Māori Agribusiness partnerships while working for Beef + Lamb NZ and Ministry for Primary Industries. She is a recent independent Director for Food HQ and independent Trustee for NZ Rural Leadership Trust and currently the Director of Māori Research and Partnerships at AgResearch, leading engagement with Māori partners and development of Māori research strategy and capability. Ariana has a Masters in Science from the University of Otago which led to her joining the Imperial College in the United Kingdom, enabling research within the area of genetic modification legislation.

Jan Hilder

Deputy Chair

Appointed to the Board in November 2019, Jan has over 30 years' experience in senior executive and governance roles. Her previous roles include Chief Executive and Executive Director positions with Panacea Healthcare and Tacit Group, along with multiple advisory and senior management roles within the healthcare, insurance, finance, IT and manufacturing sectors. Jan has considerable expertise in business and technology strategy, risk management, mitigation planning and corporate governance.

Dean Moana

Director

Dean was appointed to the Board in March 2022, having previously held various governance and senior management roles in Aotearoa's food and seafood sectors, including 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 Ngāti Porou and Apanui descent, Dean is a current Director of Ngāti Porou Runanga and its commercial entity Ngāti Porou Holdings Ltd. He is also a Chartered Accountant and has a Bachelor of Commerce and Administration.

Belinda Storey

Director

Belinda was appointed to the Board in July 2023, having also served as a director of State Owned Enterprise Pāmu/Landcorp for the last 5 years. She holds the position of Managing Director for the Whakahura Programme, a 5-year \$10 million research programme funded by MBIE. Recently, she contributed her expertise to the Ministry for Environment's Managed Retreat Expert Working Group and to the External Reporting Board (XRB)'s External Advisory Panel on Climate Related Disclosures. Belinda has a MBA in Finance from Columbia University of New York and a Masters in Disaster Risk from the University of Canterbury.

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; and
- 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 Board are responsible for the governance of AsureQuality and its subsidiaries. The Board’s principal responsibilities include:

- setting the Company’s strategic plan and in particular the overall organisation purpose, vision and values, and monitoring and reviewing these regularly;
- ensuring that strategies are in place for achieving the company’s purpose and vision;
- 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;

- setting the risk appetite within the risk management framework;
- monitoring the performance of Management
- appointing the CEO, setting the terms of the CEO’s employment agreement and, where necessary, terminating the CEO’s employment with the Company;
- 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, and ensuring that such steps are taken;
- ensuring that the Company’s financial statements are true and fair and otherwise conform with law;
- ensuring that the company has environmental, sustainability and climate change policies in place;
- together with the CEO, setting, modelling, and monitoring of the Company’s organisational culture;
- ensuring that the Company adheres to high standards of ethics, corporate behaviour, and corporate social responsibility;
- ensuring that the Company has appropriate risk management, legal and regulatory compliance policies in place;
- ensuring that the Company has appropriate health and safety policies and practices in place that ensure the wellbeing of staff; and
- ensuring that all employees are treated with due respect and are provided with a working environment and working conditions that meet all reasonable standards of employment as defined by workplace and employment legislation.

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; and
- act in accordance with their fiduciary duties.

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. 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 nonexecutive 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 and Board Secretary, 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 Management 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 processes, and discussions with the external auditors to promote a robust independent audit process.

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

For the year ended 30 June 2024, the Board met for nine Board meetings. Details of attendance at Board and Committee meetings are set out in the table shown.

Board Meeting Attendance for the year ended 30 June 2024			
Peter Landon-Lane	9	3	4
Paul McGilvary (retired 30/04/2024)	6	1	3
Alison Posa	9	4	0
Jan Hilder	9	0	4
Paul Cochrane (retired 30/04/2024)	6.5	0	3
Dean Moana	7	4	0
Ariana Estoras	5	0	4
Belinda Storey	8	2	0

■ Board Attendance ■ Finance & Risk ■ People & Culture

Board Committees

The Board has two formally constituted committees, the People and Culture Committee, and the Finance and Risk Committee.

The Board reviews the membership and terms of reference for the committees annually.

People and Culture Committee

The People & Culture Committee has authority to recommend to the Board and met four times in the year ended 30 June 2024. 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 safety and wellbeing. The Committee comprised Jan Hilder (Chair), Peter Landon-Lane, Paul McGilvary (until April), Paul Cochrane (until April), and Ariana Estoras.

Finance & Risk Committee

The Finance & Risk Committee has authority to recommend to the Board and met four times in the year ended 30 June 2024. The objective of the Committee is to recommend the principles and standards with respect to internal controls, accounting policies, the nature, scope, objectives, and functions of internal and external audit, risk management strategy, policy, and process, as well as, making recommendations on specific issues. The Committee assists the Board in producing accurate financial statements in compliance with the appropriate legal requirements and accounting standards, and ensuring that appropriate policies are in place regarding the impartiality of AsureQuality’s certification activities. The Committee comprised Alison Posa (Chair), Peter Landon-Lane (from December), Paul McGilvary (until November), Belinda Storey (from December), and Dean Moana.

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 2024 is included in the statutory disclosure information.

Risk Management

The Board has developed a rigorous process for risk assessment, management, and internal control. AsureQuality has developed a comprehensive risk management framework which is reviewed for approval by the Finance and Risk Committee on an annual basis. The Board also complete an externally facilitated risk appetite and risk assessment review. 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 Company's financial statements. Pursuant to Section 15 of the Public Audit Act 2001, the Auditor General has appointed Ian Proudfoot 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 and assurance services only. During the year, Grant Thornton acted as internal auditor to monitor the Company's internal control systems. The Board sets the internal audit programme for the internal auditor. Both the internal auditor and the external auditor have unrestricted access to the Finance & Risk Committee and to the Board. AsureQuality has engaged Toitū to audit the Company's carbon reduction emissions.

Building our Cultural Confidence

We are committed to a bi-cultural journey and are building our cultural capability at AsureQuality, led by Te Rōpu Aka Whiri Hou (our bi-cultural committee), as the foundation to a holistic Māori strategy. We are focussing on the development of our AQ Tikanga and deepening our understanding and use of Te Reo. Our refreshed values and behaviours developed with and for our people, represent an authentic Māori perspective, supported by the development of meaningful symbols and Te Reo to create deeper and shared meaning.

With over 50 plus nationalities within AsureQuality we are building a strong culture of belonging for all our people, continuing to find ways to share and celebrate cultural practises and events of many cultures throughout the year.

Corporate Social Responsibility (CSR)

The Board recognises that AsureQuality has obligations under the State-Owned Enterprises Act 1983 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 Foundations of our Strategy 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 in three areas:

Engaged People

- Our work is designed to ensure our people are safe, healthy and thriving
- We actively create opportunities for our people to grow
- Our reward approach is fair and enables our talent aspirations

Sustainable for Aotearoa

- Established our Environmental Sustainability policy and supplier code of conduct
- Active commitments and deliverables for Carbon Neutral Government Programme (CNGP) participation, MyGreen Lab certification journey and Toitū carbonreduce certification

Active in our Community

- Our volunteer day programme assisted by the Community Partnership Coordinator to facilitate and enable volunteering by our people with our nominated community partner(s)
- Annual financial contribution and in-kind services to our nominated community partner(s)

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 Register of Directors' & Executive Team Interests 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 diverse perspectives different people and cultures bring to the workplace. All existing and prospective employees 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.



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



Jeremy Hood
Chief Operating Officer



Georgina Daly
General Manager
– People and Culture



Sandra Fischer
Group Manager
– Customer Solutions



Elke van der Meijden
Group Manager
– Innovation and Insights



Michael Hodgson
Group Service Manager
– Food Testing



Rupert Mitchell
Group Service Manager
– Meat Services



Kylea Heaton
Group Service Manager
– Auditing Services



Mike Fenton
Group Service Manager
– Specialty Services

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.

Rupert Mitchell

Group Service Manager – Meat Services

Rupert joined AsureQuality in October 2023, having previously held operations and production leadership roles across the primary industry, most recently for Alliance and Van Den Brink Poultry Group. Prior to that he worked in the United Kingdom where he was involved in significant technology implementation projects and M&A projects for several primary producers. A passionate people leader who drives a highly engaged, safety focused team to deliver our AsureQuality vision, values and strategies, Rupert is proud to deliver high quality integrated services to our customers and to be part of a business which supports Aotearoa’s food and primary producers.

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 - Auditing Services

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 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.

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.

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 Philippines.

South East Asia

Australia

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.

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.

New Zealand

Our people embrace their role as Kaitiaki Kai, guardians of food and are mindful of their shared responsibility to do the right thing for food and the environments it comes from.

Kaitiaki requires collaboration with others; sharing knowledge, resources, and skills so that everyone benefits, now and for future generations to come.

Every day our people are on the ground, bringing a sense of personal commitment to our partners, at every point of their food supply chains. They share and apply the knowledge and insights gained from nearly 150 years of experience, committed to inspiring a safer, more sustainable and transparent food world. As a New Zealand Government owned entity, AsureQuality provides independence of the highest integrity instilling confidence in food producers and consumers.



People and Culture

We have a team of over 1700 people across the breadth of our services in New Zealand. Additionally, we have 500 people working in our Bureau Veritas AsureQuality joint venture businesses in Australia and Southeast Asia.

With over 50 different nationalities represented across the business, we are proud of our diverse workforce. Additionally, our gender statistics show a higher proportion of female in our Food Testing, Specialty Testing, Field and Support Services workforce, with other services more evenly split.

Our people strategy identifies three key focus areas: **our safety and wellbeing, our leadership** and **our people and capability**. In parallel with these focus areas, we are actively strengthening our people foundations with a deep focus on people data and insights, talent acquisition and reward.

To enable us to deliver on the defined outcomes in our 3-year strategy (2023-2025), we have developed a focussed set of priorities, with supporting measures to monitor the impact of our mahi and our overall organisational health.

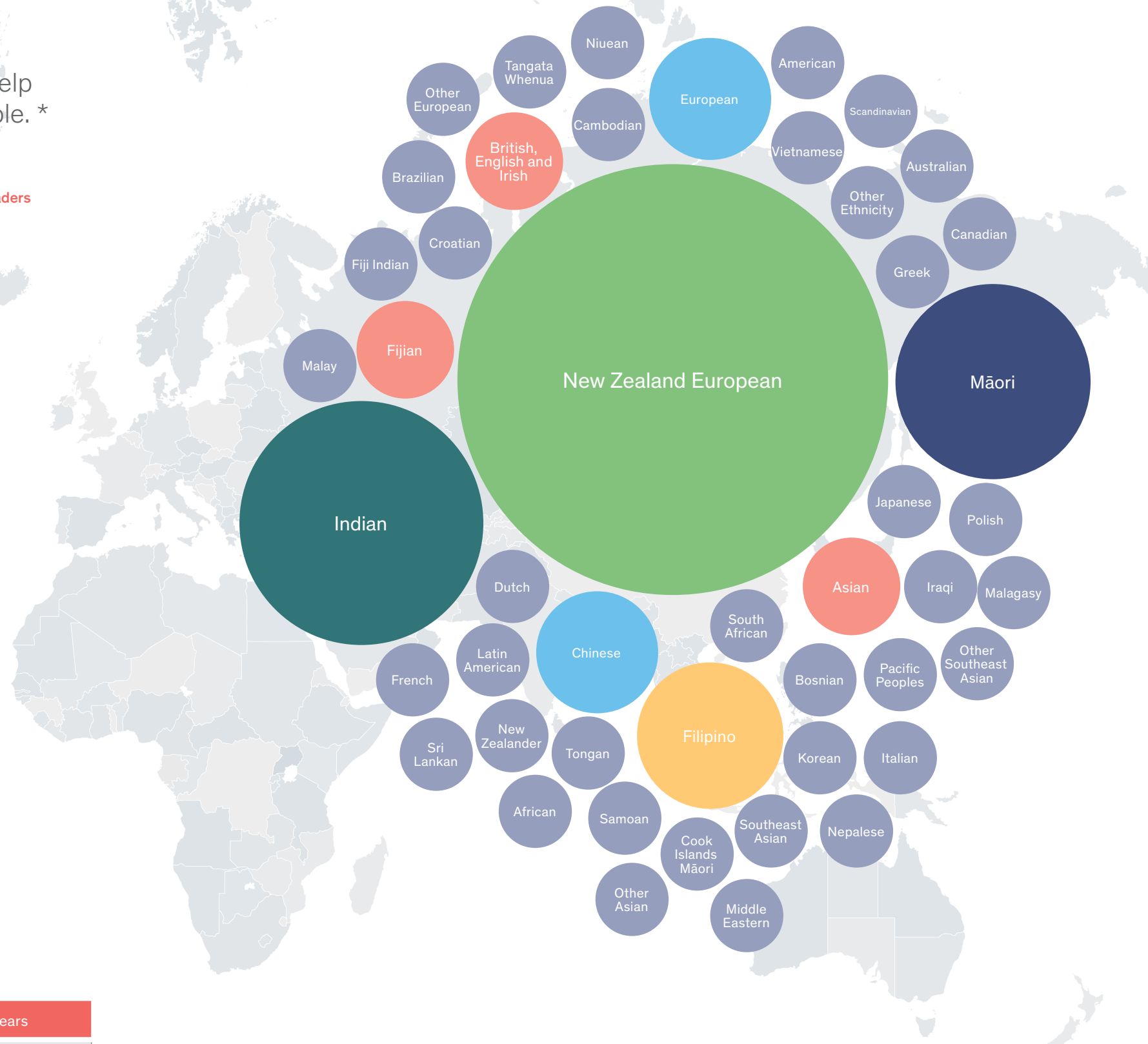
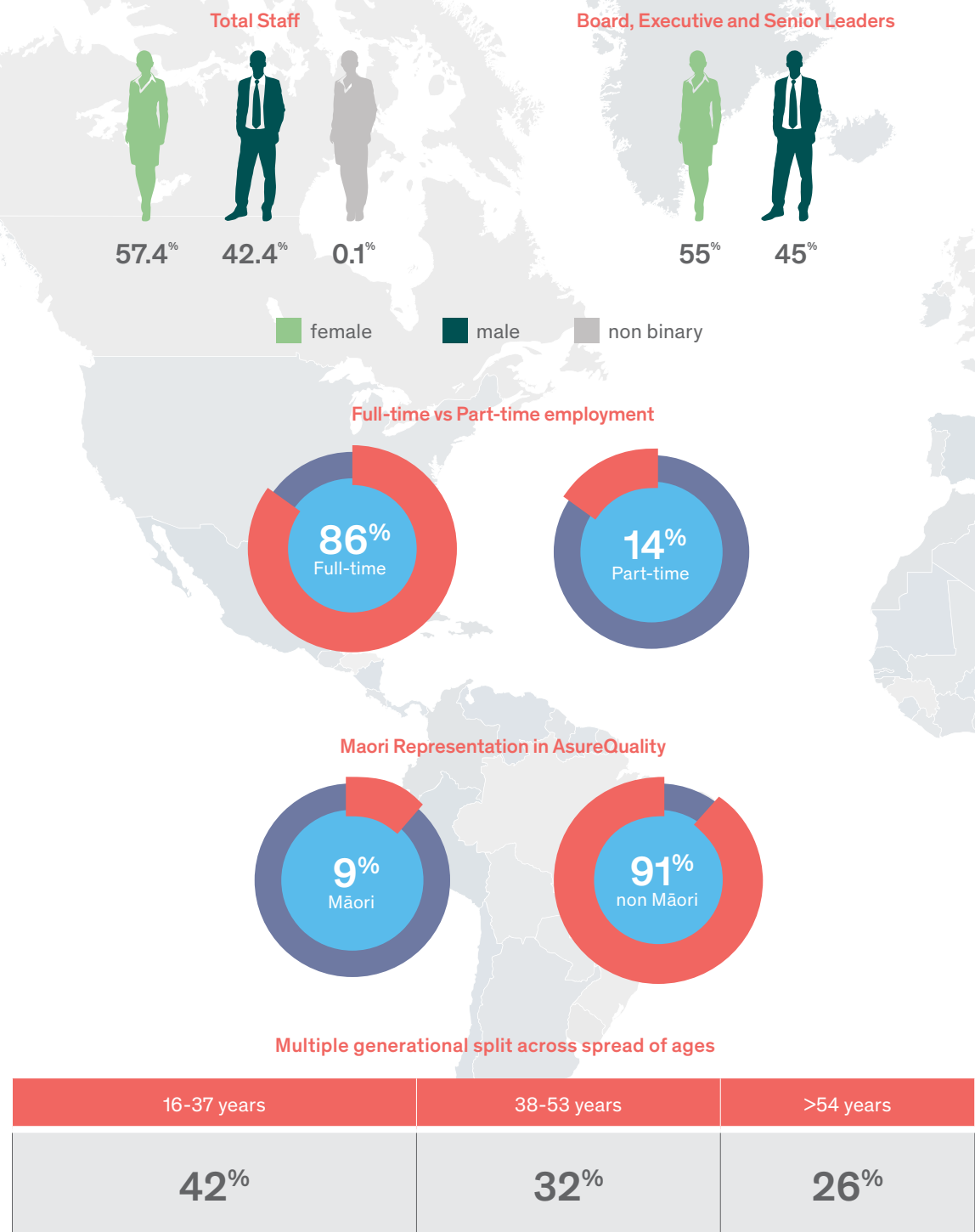
- Continue to deepen the deployment of the Wellbeing by Design framework and tools across the organisation - an evidenced based approach to better work design, and a proactive approach to the wellbeing of our people; enabling them to do their best work.

- Continue to strengthen our safety foundations, unlocking the potential of our safety and wellbeing representatives, optimising our critical risk framework, supported by strong visible leadership by our Board and Executive Team.
- The next phase of our culture journey (making the desired culture shift) is underway, with the activation of our new Values & Behaviours – Mahi Tahi Tātou. Over the next twelve months we will embed these throughout our employee experience, supported by an organisation wide capability build program that we will deploy from Q2 of FY2025.
- We remain committed to our Te Ao Māori journey, building on the passion and dedication of Te Ropu Aka Whiri Hou (our bi-cultural committee), with a focus on strengthening our engagement with our AQ Tikanga and our capability in te reo. A te ao Māori perspective has been woven throughout the development of our values and behaviours.
- We continue to embed Te Ara Whakapakari, our leadership approach to ensure the four valuable experiences continue to strengthen the capabilities that are crucial as a “Great AQ Leader”, as an enabler of culture change.
- Our AQ Talent approach continues to mitigate our greatest talent risks, accelerate development for our people with potential, and unlock greater internal mobility and career growth for our people. We will continue to mature our approach and deepen the impact of this work through our quarterly leadership discipline, monitoring progress against our critical risks and conversion of our succession plans.

Celebrating Our Diversity

A multi-national workforce our people come from all over the globe - we are proud of our diverse workforce with over 50 ethnicities represented across the business.

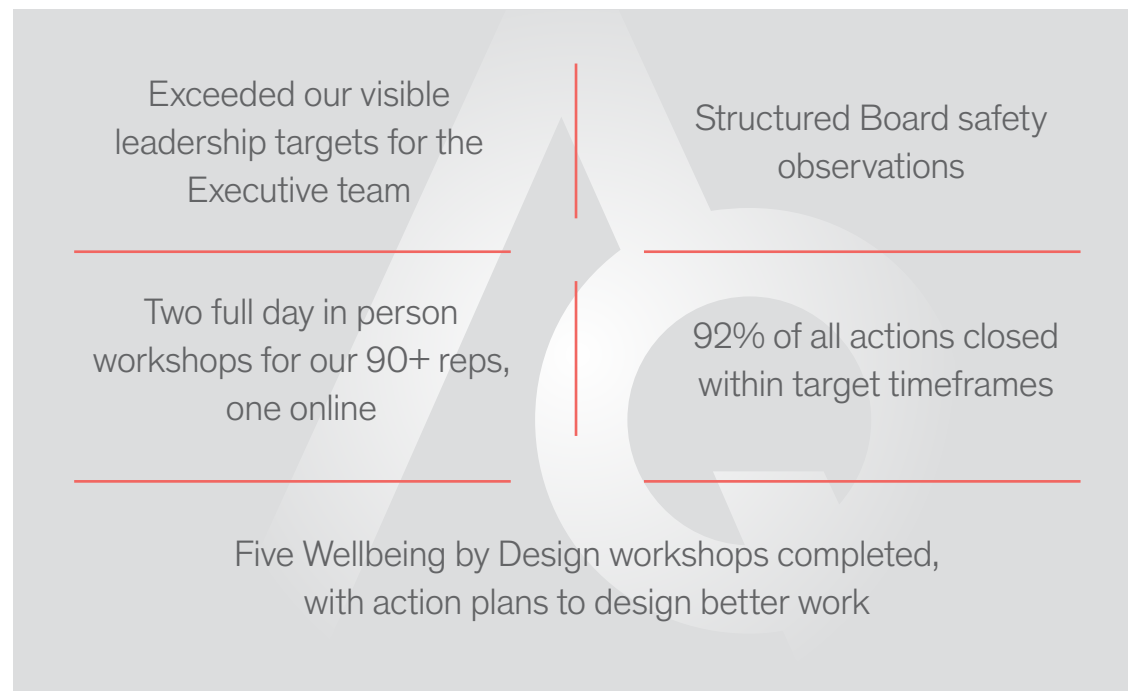
We are improving the way we capture ethnicity data to help better understand the diverse cultural needs of our people. *



*The above data visualisation represents the ethnicity of our workforce collected to date. Our people were able to select up to 3 different ethnicities, based on the data standard from Stats NZ [Ethnicity New Zealand Standard Classification 2005V2.1.0]. Some participants used free text to identify their ethnicity/nationality.

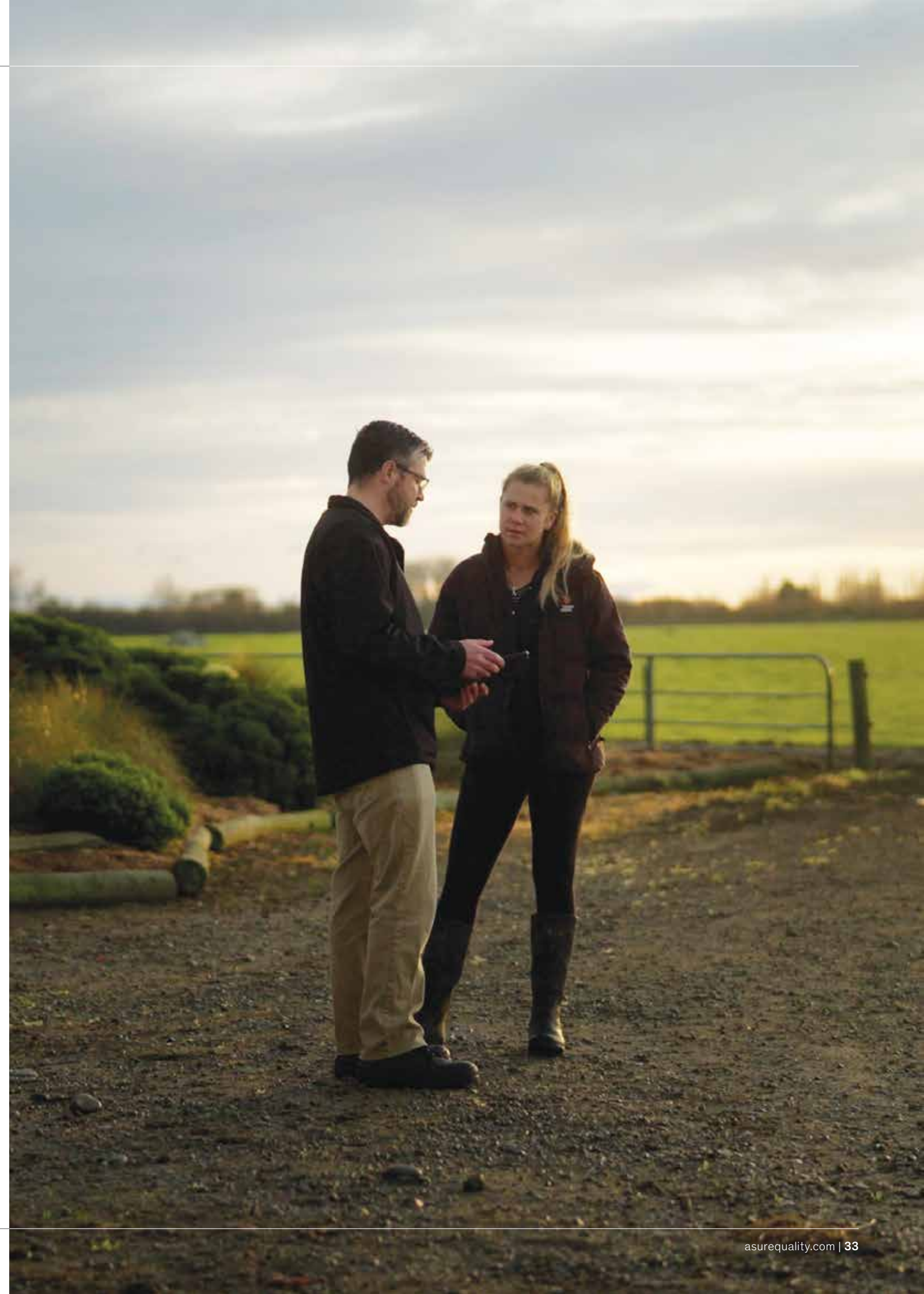
At the heart of our strategy lies an unwavering commitment to integrating safety and wellbeing into everything we do.

Over the past year, we've tangibly demonstrated this commitment through the successful execution of our framework, achieving key indicators as outlined below:



In addition to this, we have delivered five key strategic initiatives to enable us to further honour the commitment we have made, these include:

- 1** Continued to empower our health and safety representatives
- 2** Board and Executive visible leadership strengthen
- 3** Overlapping duties agreements established
- 4** "Wellbeing by Design" workshops to enable our people to thrive
- 5** Critical controls established



Our people care deeply about our purpose of ‘helping Aotearoa shape a better food world’ and our shared role as Kaitiaki Kai, guardians of food.

This brings a sense of commitment and connection to our partners and the food world, and we believe that this connection can be further strengthened through more active and facilitated involvement with our communities.

We support this via our Employee Volunteer Programme which provides paid leave so our people can donate a day of their time to help one of our partner organisations. To make the biggest impact for our community we established partnerships with two amazing organisations - Conservation Volunteers New Zealand and Kura Kai. Working closely with these organisations we share our time, skills and expertise in food safety, ecological restoration, and our environment. Most importantly we are proud to contribute to the wellbeing of people and the communities where we operate.

In FY 2024 we are proud to have made financial contributions to these organisations:

 <p>KURA KAI CARING FOR OUR COMMUNITY</p> <p>\$25,000</p>	 <p>Conservation Volunteers New Zealand</p> <p>\$25,000</p>
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Achievements and highlights in 2024:

August 2023

Executive Team, Tree planting, Wellington

People and Culture team, Meal Preparation, Auckland

August 2023

Laboratory team, Meal Preparation, Auckland

September 2023

IT team, Meal Preparation, Auckland

Laboratory team, Meal Preparation, Auckland

December 2023

Audit Services team, Meal Preparation, Hastings

February 2024

People and Culture team, Meal Preparation, Auckland

May 2024

AQ LIMS team, Weeding at the ‘Food Forest and Community Garden’

June 2024

AQ team, Waikākāriki (Red Zone), Christchurch

Audit Services team, Meal Preparation, Auckland



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

Credibility

We are a trusted partner

New Zealand Government owned.
Connected to New Zealand's food and primary industries for nearly 150 years.
Extensive global accreditations and recognitions.

Capacity

We can support at scale

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

Capability

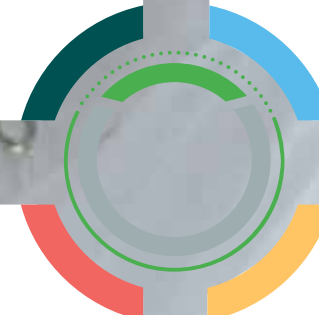
We focus on food and sharing our expertise

Depth and breadth of expert knowledge and services to support New Zealand's food safety system and export market requirements.

Integrated

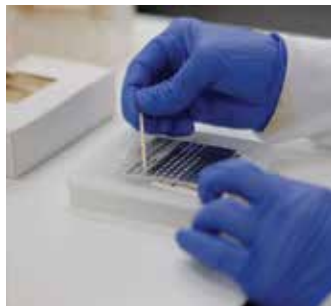
We are end-to-end

Integrated service across the entire food supply chain from on-farm to consumer.



With our comprehensive focus on the food supply chain, from farm to consumer, AsureQuality is unique in New Zealand and proud to provide an extensive range of food assurance services.

These services are key to helping farmers, growers and food producers, distributors and retailers meet the necessary domestic and international regulatory and retailer standards to access export markets and assure consumer trust in the safety and quality of food.



Testing

Across our labs in Auckland, Wellington and Christchurch our team of scientists and technicians do testing for food release, forensics and surveillance testing for contaminants and project work.



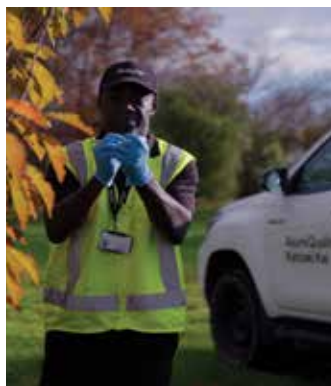
Auditing

We provide independent auditing expertise for horticulture, food manufacturing, dairy manufacturing, on-farm and environmental programmes.



Inspection

We are the New Zealand government's recognised meat inspection agency. Our plant and seed health teams offer inspection services for seeds, crops and plants.



Other

The biosecurity team works to protect Aotearoa from the impact of pests and diseases in the food and primary industries sector.

To protect livestock from disease, our technicians manage sampling and testing for TB surveillance. Assurance Marks, AQ Assured and AQ Certified provide independent verification of product claims for consumer transparency.

Our data modelling analysts support a range of animal epidemiological scenarios and other primary industry response projects.

Through the Academy we provide an extensive range of courses for vocational training.

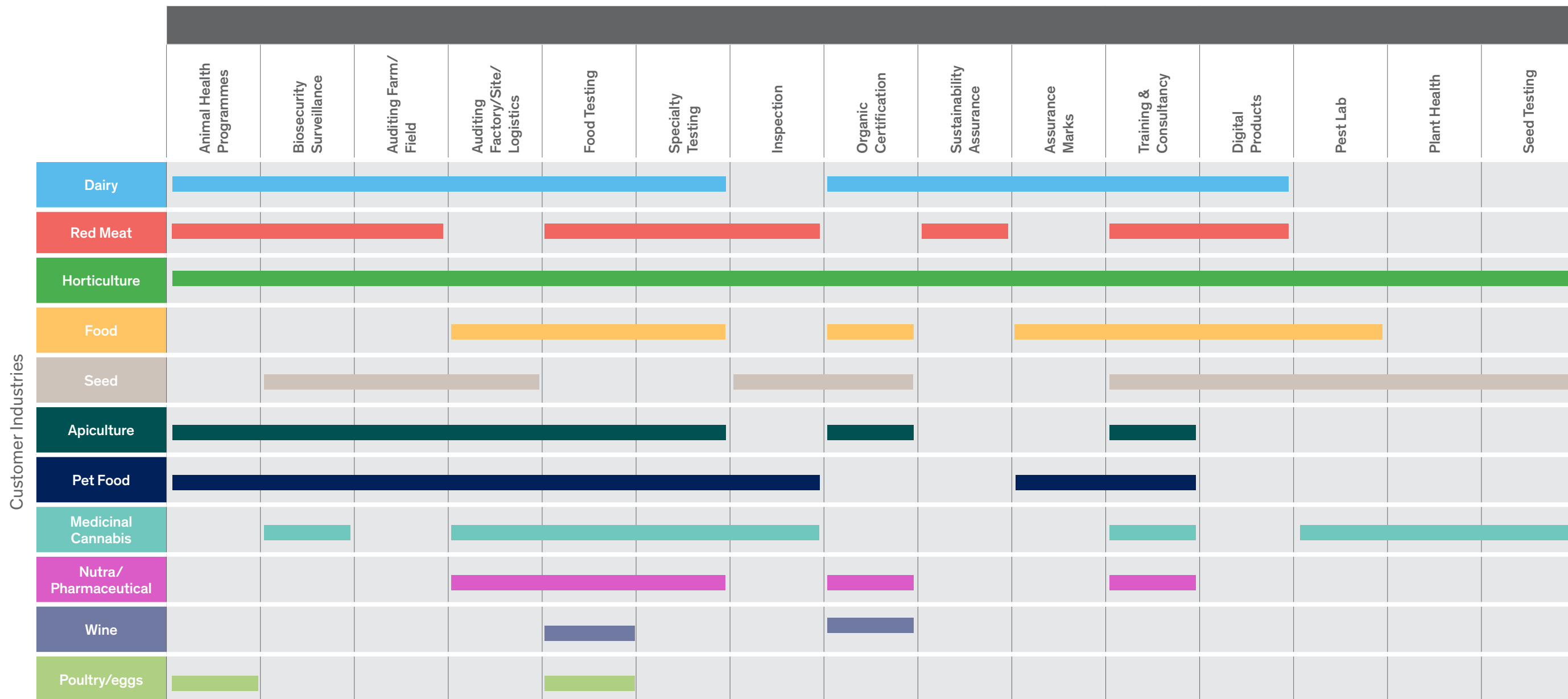
We contract manufactures diagnostic products and distributes specialist veterinary test kits for use in disease management and provide proficiency testing services.



Assurance Expertise



Our assurance expertise across the food supply chain





Financials

Profit or Loss	44
Other Comprehensive Income	45
Statement of Changes in Equity	46
Statement of Financial Position	47
Statement of Cash Flows	48
Notes to the Consolidated Financial Statements	49
Independent Auditor's Report	64
Comparison with Performance Targets	65
Executive Remuneration Report	66
Statutory Disclosure Information	67
Directory	69

	Note	2024 \$000	2023 \$000
Revenue	2	228,411	232,676
Employee benefit expenditure		(155,319)	(152,619)
Consumables		(17,893)	(22,271)
Contractors and subcontractors		(3,204)	(3,949)
Transportation expenses		(6,635)	(8,627)
Short term and low value lease costs		(1,247)	(1,212)
Other expenses	3	(28,729)	(25,276)
Operating expenses		(213,027)	(213,954)
Depreciation and amortisation		(8,365)	(9,206)
Impairment of assets		-	(1,565)
Other non-operating expenses		(2,672)	(2,894)
Finance costs (net)	4	(2,423)	(2,046)
Share of profit of associates and joint ventures	10	2,269	1,805
Profit before income tax		4,193	4,816
Income tax expense	5	(348)	(916)
Profit for the year		3,845	3,900

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

	Note	2024 \$000	2023 \$000
Profit for the year		3,845	3,900
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	(2,003)	-
Translation of foreign operations	15	249	170
Total other comprehensive (loss)/income net of tax		(1,754)	170
Total comprehensive income for the year		2,091	4,070

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

Note	Share capital \$000	Revaluation reserve \$000	Translation reserve \$000	Retained earnings \$000	Total equity \$000
Balance at 30 June 2022	22,100	26,133	1,886	49,752	99,871
Profit for the year	-	-	-	3,900	3,900
Other comprehensive income	-	-	170	-	170
Total comprehensive income for the year	-	-	170	3,900	4,070
Dividends	15	-	-	(4,400)	(4,400)
Total transactions with owners	-	-	-	(4,400)	(4,400)
Balance at 30 June 2023	22,100	26,133	2,056	49,252	99,541
Profit for the year	-	-	-	3,845	3,845
Other comprehensive income	-	(2,003)	249	-	(1,754)
Total comprehensive income for the year	-	(2,003)	249	3,845	2,091
Balance at 30 June 2024	22,100	24,130	2,305	53,097	101,632

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

Note	2024 \$000	2023 \$000
Current assets		
Cash and cash equivalents	2,622	1,211
Trade and other receivables	6	30,001
Inventories	6,813	7,323
Current income tax asset	394	666
Derivative financial assets	13	595
Total current assets	40,425	41,592
Non-current assets		
Property, plant and equipment	7	55,953
Intangible assets	8	2,189
Right-of-use assets	9	10,849
Investments in associates and joint ventures	10	55,910
Trade and other receivables	6	4,851
Deferred income tax assets	5	6,586
Total non-current assets	136,338	130,973
Total assets	176,763	172,565
Current liabilities		
Trade and other payables	11	40,131
Borrowings	12	4,350
Current lease liabilities	9	1,664
Total current liabilities	46,145	46,842
Non-current liabilities		
Borrowings	12	16,146
Non-current lease liabilities	9	9,912
Payables	11	2,928
Total non-current liabilities	28,986	26,182
Total liabilities	75,131	73,024
Equity		
Equity attributable to equity holders of the parent	101,632	99,541
Total equity	101,632	99,541
Total liabilities and equity	176,763	172,565

The Board of Directors of AsureQuality Limited authorised these financial statements for issue on 29 August 2024.



Peter Landon-Lane
Chair



Alison Posa
Chair Finance and Risk Committee

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

	Note	2024 \$000	2023 \$000
Cash flows from operating activities			
Receipts from customers		230,203	234,865
Payments to suppliers and employees		(211,875)	(212,353)
Interest paid net of interest		(2,161)	(2,152)
Income tax paid		(583)	(58)
Net cash generated from operating activities		15,584	20,302
Cash flows from investing activities			
Purchase of property, plant and equipment		(10,395)	(8,226)
Purchase of intangibles		(147)	(696)
Proceeds from sale of property, plant and equipment		2,904	713
Dividends received from associate		-	225
Net cash used in investing activities		(7,638)	(7,984)
Cash flows from financing activities			
Repayment of borrowings		(4,809)	(6,559)
Dividend paid to shareholder		-	(4,400)
Lease principal payments		(1,733)	(2,345)
Net cash used in financing activities		(6,542)	(13,304)
Net increase/(decrease) in cash		1,404	(986)
Cash and cash equivalents at beginning of the year		1,211	2,211
Exchange gains/(losses) on cash balances		7	(14)
Cash and cash equivalents at the end of the year		2,622	1,211
Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.			
Reconciliation of the profit for the year with cash flows from operating activities			
Profit after tax for the year		3,845	3,900
Adjustments for:			
Depreciation and amortisation		8,365	9,206
Impairment of assets		-	1,565
Share of profit of associates and joint ventures	10	(2,269)	(1,805)
Other non-cash movements		(842)	(1,585)
Other non-cash movements		5,254	7,381
Impact of changes in working capital			
Trade and other receivables		1,468	1,972
Income tax		272	2,232
Trade and other payables		4,235	4,545
Inventories		510	272
Working capital movements		6,485	9,021
Net cash generated from operating activities		15,584	20,302

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

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 2024.

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 29 August 2024.

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.

The financial statements are prepared on the historical cost basis, except for certain financial instruments, land and buildings. Financial derivatives, land and buildings 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. 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 recognises revenue from the following major sources:

- Food Testing services
- Meat services
- Auditing services
- Specialist services, including biosecurity and field, specialist testing, and pest identification services.
- Other, including proficiency testing and food and environmental 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.

Meat services

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

Auditing services

The Group provides independent audit, inspection, verification and certification against domestic and international regulatory and retailer standards to Food, Farm 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 and on-farm Tuberculosis testing services for cattle and deer are provided under agreement with TBFree New Zealand Limited. 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.

	2024 \$000	2023 \$000
Disaggregation of the Group's revenue from contracts with customers:		
Food Testing services	63,297	61,081
Meat services	72,708	67,821
Auditing services	36,031	34,904
Specialist services	40,590	55,216
Other	15,785	13,654
	228,411	232,676

3. Other Operating Expenses

Other operating expenses include donations of \$54,000 (2023: \$45,000).

4. Finance Costs (NET)

	Note	2024 \$000	2023 \$000
Interest expense on borrowings		(1,394)	(1,568)
Interest expense on lease liabilities		(625)	(589)
Net foreign exchange losses		(97)	(12)
Interest income on short-term bank deposits		21	6
Movement of derivatives held at fair value through profit or loss	13	(328)	117
Total		(2,423)	(2,046)

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. Interest costs capitalised during the year amounted to \$66,000 at an average rate of 6.71% (2023: NIL).

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

5. Taxation

	2024 \$000	2023 \$000
Current taxation expense		
Current year	1,143	2,311
Adjustment in respect of prior years	(291)	(21)
Deferred taxation expense		
Origination and reversal of temporary differences	(719)	(1,250)
Adjustment in respect of prior years	215	(124)
Income tax expense	348	916
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 before income tax	4,193	4,816
Prima facie income tax @ 28%	1,174	1,348
Effect of tax rates in foreign jurisdictions	2	33
Non-deductible or non-assessable items	(738)	(221)
Other reconciling differences	(14)	(99)
Over provision in prior years	(76)	(145)
Total income tax expense	348	916
Income tax recognised directly in equity		
Income tax on income and expenses recognised directly in equity	(2)	-
Imputation credits directly and indirectly available to shareholders		
Parent	26,338	26,138
Subsidiaries	273	132
	26,611	26,270

	Property, plant & equipment \$000	Employee entitlements \$000	Other \$000	Total \$000
Deferred tax assets and liabilities				
Balance at 30 June 2022	424	3,708	574	4,706
Recognised in the profit in respect of prior years	99	24	1	124
Recognised in profit	453	241	556	1,250
Balance at 30 June 2023	976	3,973	1,131	6,080
Recognised in the profit in respect of prior years	(17)	(198)	-	(215)
Recognised in profit	367	60	292	719
Recognised in other comprehensive income	-	2	-	2
Balance at 30 June 2024	1,326	3,837	1,423	6,586

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 (2023: NIL).

6. Trade and Other Receivables

	Note	2024 \$000	2023 \$000
Current			
Trade receivables		26,833	27,765
Impairment provision	14	(576)	(640)
Prepayments		2,365	2,378
Receivables from associates and joint ventures	17	1,379	1,966
Balance at 30 June		30,001	31,469
Non-Current			
Other receivables		4,851	4,851
Balance at 30 June		4,851	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

	Land and Buildings at fair value \$000	Leasehold improvements at cost \$000	Plant and equipment at cost \$000	Motor vehicles at cost \$000	Capital work in progress \$000	Total \$000
Cost	31,904	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	31,571	614	12,905	8,571	398	54,059
Additions / transfers	514	22	3,267	2,678	1,745	8,226
Disposals	-	-	(10)	(610)	-	(620)
Depreciation expense	(347)	(128)	(3,810)	(1,371)	-	(5,656)
Exchange differences	-	(5)	(1)	(1)	(1)	(8)
Carrying amount 30 June 2023	31,738	503	12,351	9,267	2,142	56,001
Additions / transfers	428	488	4,159	3,371	2,015	10,461
Disposals	(6)	-	-	(2,696)	-	(2,702)
Net revaluation increments	(2,003)	-	-	-	-	(2,003)
Depreciation expense	(407)	(149)	(3,837)	(1,423)	-	(5,816)
Exchange differences	-	(3)	8	2	5	12

Cost	30,837	7,335	63,630	11,247	4,162	117,211
Accumulated depreciation	(1,087)	(6,496)	(50,949)	(2,726)	-	(61,258)
Carrying amount 30 June 2024	29,750	839	12,681	8,521	4,162	55,953

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.

Independent registered valuers and associates of the New Zealand Institute of Valuers valued the Auckland Laboratory land and buildings as at 30 June 2024 (Preston Rowe Paterson Auckland North Limited) and the Wellington Laboratory land and buildings at 30 June 2024 (Darroch Limited).

Management considers the carrying values to be reflective of fair value in total as at 30 June 2024.

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

	Land and Buildings	
	2024 \$000	2023 \$000
Carrying amount	6,944	7,840

Capital commitments

Capital work in progress includes an amount of \$2,000,000 (2023: NIL) relating to the Group's Auckland Lab development which is currently under construction. The cost of the building will be depreciated once the property is complete and available for use. The estimated construction costs to which the Group is contractually committed is \$14,600,000 (2023: NIL). The Group had also entered into contractual commitments for the acquisition of property, plant and equipment, motor vehicles and software amounting to \$1,100,000 (2023: \$4,000,000).

8. Intangible Assets

	Goodwill \$000	Software \$000	Relationship contracts \$000	Work in progress \$000	Total \$000
Cost	829	12,773	722	346	14,670
Accumulated amortisation	-	(9,882)	(274)	-	(10,156)
Carrying amount 30 June 2022	829	2,891	448	346	4,514

Additions / transfers	-	934	-	(238)	696
Impairment of intangible assets	-	(1,392)	(173)	-	(1,565)
Amortisation expense	-	(963)	(60)	-	(1,023)
Exchange differences	-	(7)	-	-	(7)

Cost	829	13,704	721	108	15,362
Accumulated amortisation and impairment losses	-	(12,241)	(506)	-	(12,747)
Carrying amount 30 June 2023	829	1,463	215	108	2,615

Additions / transfers	-	165	-	(18)	147
Amortisation expense	-	(529)	(38)	-	(567)
Exchange differences	-	(5)	(1)	-	(6)

Cost	829	13,871	722	90	15,512
Accumulated amortisation and impairment losses	-	(12,777)	(546)	-	(13,323)
Carrying amount 30 June 2024	829	1,094	176	90	2,189

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.

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% (2023: 1%) in perpetuity and a discount rate of 9.0% (2023: 9.0%) 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.

9. Leases

Judgements

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

	Property \$000	Vehicles \$000	Other \$000	Total \$000
Carrying amount 30 June 2022	10,468	518	102	11,088
Additions	1,881	-	-	1,881
Depreciation	(2,127)	(333)	(67)	(2,527)
Changes in scope or lease term	(2,171)	(24)	-	(2,195)
Exchange differences	-	(1)	-	(1)
Carrying amount 30 June 2023	8,051	160	35	8,246

Additions	4,255	-	322	4,577
Depreciation	(1,838)	(76)	(68)	(1,982)
Changes in scope or lease term	77	(67)	(8)	2
Exchange differences	6	-	-	6
Carrying amount 30 June 2024	10,551	17	281	10,849

Lease liabilities - Maturity analysis

	2024 \$000	2023 \$000
Less than one year	1,664	1,646
Between one and five years	5,607	5,323
More than five years	4,305	1,768
Total lease liabilities	11,576	8,737

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 as a result of 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). 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 growth rates between 1% to 3% (2023: 1%) in perpetuity and discounts rates ranging between 8.02% - 17.26% (2023: rates ranging between 8.03% - 17.52%) 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 2024	Ownership and Voting interest 2023
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%

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.

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 2024	Ownership and Voting interest 2023
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%

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	2024 \$000	2023 \$000
Current assets	26,971	26,016
Non-current assets	91,404	89,143
Current liabilities	(11,309)	(10,785)
Non-current liabilities	(4,098)	(5,280)
Net assets	102,968	99,094
Group interest in joint venture (49%)	50,454	48,556
Gain on sale not recognised	(9,060)	(9,060)
Foreign exchange difference	231	230
Carrying value of interest in joint venture, Bureau Veritas AsureQuality Holdings Limited	41,625	39,726

Summarised statement of profit or loss for Bureau Veritas AsureQuality Holdings Limited	2024 \$000	2023 \$000
Revenue	67,253	65,372
Profit for the year	3,031	2,743
Other comprehensive income	845	(1,618)
Total comprehensive income	3,876	1,125
Group's share of profit for the year	1,485	1,344
Group's share of other comprehensive income for the year	414	(793)

Bureau Veritas AsureQuality Holdings Limited has a 31 December balance date and the numbers represent the balances as of 30 June 2024. 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.

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.

Summarised statement of financial position for BV-AQ (Singapore) Holdings Pte Ltd	2024 \$000	2023 \$000
(Unaudited)		
Current assets	22,889	20,449
Non-current assets	21,586	22,349
Current liabilities	(10,220)	(9,984)
Non-current liabilities	(1,335)	(1,596)
Net assets	32,920	31,218
Group interest in joint venture (49%)	16,131	15,297
Gain on sale not recognised	(1,857)	(1,857)
Foreign exchange difference	11	14
Carrying value of interest in joint venture, BV-AQ (Singapore) Holdings Pte Ltd	14,285	13,454

Summarised statement of profit or loss for BV-AQ (Singapore) Holdings Pte Ltd	2024 \$000	2023 \$000
Revenue	20,920	18,382
Profit for the year	1,600	940
Other comprehensive income	102	1,489
Total comprehensive income	1,702	2,429
Group's share of profit for the year	784	461
Group's share of other comprehensive income for the year	50	730

BV-AQ (Singapore) Holdings Pte Ltd has a 31 December balance date and the numbers represent the balances as of 30 June 2024. 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.

11. Trade and other Payables

	Note	2024 \$000	2023 \$000
Current			
Trade payables		7,997	6,163
Trade payables due to related parties	17	12	59
Non trade payables and accrued expenses		9,384	7,968
Deferred income		4,597	4,260
Employee benefits		14,379	14,232
Provision for restructuring, litigation and lease obligations		3,762	3,214
Balance at 30 June		40,131	35,896
Non-current			
Employee benefits		2,928	3,086
Balance at 30 June		2,928	3,086

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 2024. This requires the use of assumptions and estimates by the actuary. The key economic assumptions used were: discount rates, of 4.54% to 5.33% (2023: 4.19% to 5.01%) and a salary increase rate of 3.00% (2023: 2.50%).

Provision for restructuring, litigation and lease obligations

The restructuring provision relates to redundancy costs incurred as a result of reduced livestock and biosecurity work. The lease obligations provision have been estimated using assumptions regarding the likelihood and cost per square meter of remedial work. Additions during the period were \$2,758,000, while provisions used were \$2,183,000 and unused amounts reversed were \$27,000.

12. Borrowings

	Note	2024 \$000	2023 \$000
Current portion of long-term borrowings		4,350	9,300
Non-current		16,146	16,005
Total borrowings		20,496	25,305
The exposure of the Group's borrowings to contractual maturity dates is as follows:			
Six months or less		4,350	9,300
One to five years		16,146	16,005
		20,496	25,305
The carrying amounts of the Group's borrowings are denominated in the following currencies:			
NZ dollar		4,350	9,300
AU dollar	15	16,146	16,005
		20,496	25,305
The Group has the following undrawn borrowing facilities:			
		24,504	19,695

Details and draw down of banking facilities

	Expiry	Facility \$000	Drawdown \$000
2024			
Revolving cash facility 1	31-Dec-24	15,000	4,350
Revolving cash facility 2	31-Dec-25	30,000	16,146

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

	Expiry	Facility \$000	Drawdown \$000
2023			
Revolving cash facility 1	31-Dec-23	15,000	9,300
Revolving cash facility 2	31-Dec-24	30,000	16,005

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 extraordinary items. The Group complied with these ratios during the years ended 30 June 2023 and 30 June 2024. The interest rates on the bank borrowings are floating, resetting quarterly and ranged from 5.19% - 6.80% per annum during the year ending 30 June 2024 (2023: 2.86% - 6.80% 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	
	2024 \$000	2023 \$000	2024 \$000	2023 \$000	2024 \$000	2023 \$000
Interest rate swaps	16,005	15,902	595	923	(328)	117

Policies

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

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

14. Financial Risk Management

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

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

Credit risk

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

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

Impairment losses

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

Judgements

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

The expected credit loss allowance as at 30 June 2024 was determined as follows for trade receivables:

30 June 2024	Current	Past due 1 to 30 days	Past due 31 to 90 days	Past due more than 90 days	Total
Expected loss rate	0.6%	3.5%	20.7%	31.8%	
Trade and other receivables	27,298	4,672	794	299	33,063
Impaired receivables	(155)	(162)	(164)	(95)	(576)
	27,143	4,510	630	204	32,487

The expected credit loss allowance as at 30 June 2023 was determined as follows for trade receivables:

30 June 2023	Current	Past due 1 to 30 days	Past due 31 to 90 days	Past due more than 90 days	Total
Expected loss rate	0.3%	0.7%	4.7%	49.7%	
Trade and other receivables	28,163	4,454	995	970	34,582
Impaired receivables	(81)	(30)	(47)	(482)	(640)
	28,082	4,424	948	488	33,942

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 2024	\$000	\$000	\$000	\$000
Borrowings	4,350	16,146	-	-
Derivative financial instruments	-	(313)	(493)	-
Trade and other payables	9,957	-	-	-
At 30 June 2023				
Borrowings	9,300	16,005	-	-
Derivative financial instruments	-	(412)	(513)	-
Trade and other payables	8,213	-	-	-

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 2024 there were 23,800,000 shares on issue (2023: 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:

Hedging instrument	2024				2023			
	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	0.9290	16,146	(141)	15,000	0.9372	16,005	259

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

There was no distribution to equity holders in the financial year ending 30 June 2024 (2023: The distribution to equity holders represented 18.49 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 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 2024 was 22% (2023: 25%).

16. Auditor's Remuneration

	2024 \$000	2023 \$000
Amounts paid or payable to the auditors for:		
Audit of the Group's financial statements	298	278
	298	278

There were no non-audit services provided by the auditors in 2023 and 2024.

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.

	2024 \$000	2023 \$000
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Related party transactions

The following transactions were carried out with related parties:

Sales of services:

Sale of services to Ministry for Primary Industries	10,862	13,522
Services provided to joint ventures	2,650	3,662

Expenses:

Purchases of services from joint ventures	348	410
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Related party balances

Owed by:

Ministry for Primary Industries	856	1,454
Joint ventures	1,379	1,966

Owing to:

Joint ventures	12	59
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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	3,452	3,374
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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 2024 (2023: 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 2024 which were considered relevant to the Group in preparing the financial statements.

20. Significant Events After Balance Date

There were no significant events after balance date that required adjustment or disclosure in the financial statements.



The Auditor-General is the auditor of AsureQuality Limited group (the Group). The Auditor-General has appointed me, Ian Proudfoot, using the staff and resources of KPMG, to carry out the audit of the financial statements of the Group on his behalf.

Opinion

We have audited the financial statements of the Group on pages 44 to 63, that comprise the statement of financial position as at 30 June 2024, the statement of profit and loss and 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 2024; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Our audit was completed on 29 August 2024. This is the date at which our opinion is expressed.

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

Basis for our Opinion

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

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

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

Responsibilities of the Board of Directors for the financial statements

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

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

In preparing the financial statements, the Board of Directors is responsible on behalf of the group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of 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 43 and 65 to 69, 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 (including International Independence Standards) (New Zealand) (PES 1)* issued by the New Zealand Auditing and Assurance Standards Board.

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

Ian Proudfoot
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	2024 Target
Financial performance targets		
Revenue	\$228.4m	\$222.6m
Earnings before interest and tax (EBIT)	\$9.3m	\$6.0m
Net profit after tax (NPAT)	\$3.8m	\$2.9m
Net cash flows from operating activities	\$15.6m	\$8.7m
Annual key ratios		
Revenue growth	98%	98%
EBITDA growth	86%	81%
Total shareholder return ¹	(12%)	1%
Dividend yield	0%	1%
Capital replacement	165%	234%
Return on equity	4%	3%
Return on capital employed	10%	6%
Operating margin	8%	7%
Gearing ratio	22%	29%
Interest cover	11	7
Debt to EBITDA	1.6	2.8
Non-financial performance targets		
Staff turnover rate	13.3%	< 15%
Total recordable injury frequency rate	3.2	< 3.8
Critical programme audit failures	Nil	Nil
Critical facility audit failures	Nil	Nil

1. Total shareholder return is negative as a result of a decrease in the commercial valuation in 2024, driven by reduced cashflow projections reflecting the impact of ongoing inflationary market pressures.

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 FY2024 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 FY2024 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 \$	Benefits ¹ \$	Subtotal \$	STI ² \$	Total Remuneration \$
Chief Executive - Kim Ballinger					
FY 2024	545,193	18,024	563,217	110,517	673,734
FY 2023	514,250	16,927	531,177	55,616	586,793

1. Benefits include Kiwisaver.
2. The STI payment relating to the 12 months to 30 June 2023 was paid in September 2023. The value of the STI payment relating to the 12 months ending 30 June 2024 is estimated based on the achievement of KPIs and will be paid in September 2024.

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 2023 to 30 June 2024:

- Peter Landon-Lane
- Paul McGilvary (retired 30 April 2024)
- Alison Posa
- Jan Hilder
- Dean Moana
- Belinda Storey
- Ariana Estoras
- Paul Cochrane (retired 30 April 2024)

3. Directors' interests

Declaration of General Interest pursuant to section 140(2) of the Companies Act 1993 as at 30 June 2024 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:

- **Peter Landon-Lane**
Venturefruit Global Limited (and subsidiaries), Executive Chair / Director
Delica Limited (and subsidiaries), Executive Chair / Director
- **Paul McGilvary (retired 30 April 2024)**
Bureau Veritas AsureQuality Holdings Limited (and subsidiaries), Director
Synlait Milk Limited (and subsidiaries), Acting Chair
New Zealand Hops Limited, Director
Dairyworks New Zealand, Director
- **Alison Posa**
City Forests Limited, Director
PricewaterhouseCoopers, Audit Advisory Board
City Care Limited, Director
- **Jan Hilder**
Accordant Group, Lifetime Asset Management Limited, Hot Springs Spa, Shareholder
Sonsusi Limited, Director/Shareholder
Hilder Consulting Limited, Director/Shareholder
IHC Group, Supplier
- **Dean Moana**
Whangaokena ki Onepoto Takutai Trust, Trustee
The New Zealand Food & Beverage Group Limited, Director/Shareholder
NATI Growth Limited (and subsidiaries), Director/Shareholder
The New Zealand Institute for Plant & Food Research Limited, Director
Te Ohu Kaimoana Trustee Ltd, 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
- **Belinda Storey**
Climate Sigma Limited, Managing Director/Shareholder
Reserve Bank of New Zealand, Research Consultant
Victoria University of Wellington, Senior Research Fellow
Ministry for the Environment Framework Independent Reference Group, Member
- **Ariana Estoras**
AgResearch, Director Māori Research & Partnerships
DairyNZ Science Board, Member
- **Paul Cochrane (retired 30 April 2024)**
BTL(NZ) Limited, Director/Shareholder
Federation Internationale de Football Association (FIFA), Governance, Audit and Compliance Committee Member
NZ Post, Director
NZ Public Service Association, Life member

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	2024	2023
Peter Landon-Lane, Chair (appointed 1 July 2023)	71,069	-
Jan Hilder, Deputy Chair	37,527	36,088
Paul McGilvary, previously Acting Chair (retired 30 April 2024)	36,458	61,250
Alison Posa	38,569	38,588
Paul Cochrane (retired 30 April 2024)	29,167	36,088
Dean Moana	36,069	36,088
Ariana Estoras (appointed 8 July 2022)	36,069	35,394
Belinda Storey (appointed 1 July 2023)	36,069	-
Dr Alison Watters, Chair (retired 31 October 2022)	-	23,333
Vicky Taylor (retired 31 May 2023)	-	33,171
	320,997	300,000

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 2024. 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.

	2024 Number of Employees in the Group
\$610,001 - \$620,000	1
\$430,001 - \$440,000	1
\$320,001 - \$330,000	2
\$280,001 - \$290,000	1
\$250,001 - \$260,000	2
\$240,001 - \$250,000	2
\$230,001 - \$240,000	1
\$210,001 - \$220,000	3
\$200,001 - \$210,000	4
\$190,001 - \$200,000	5
\$180,001 - \$190,000	10
\$170,001 - \$180,000	10
\$160,001 - \$170,000	8
\$150,001 - \$160,000	20
\$140,001 - \$150,000	29
\$130,001 - \$140,000	37
\$120,001 - \$130,000	46
\$110,001 - \$120,000	103
\$100,000 - \$110,000	174

9. Change in nature of business

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

Directors

Peter Landon-Lane, Chair

Jan Hilder, Deputy Chair

Alison Posa

Dean Moana

Ariana Estoras

Belinda Storey

Scottie Chapman (appointed 8 July 2024)

Kenneth Hames (appointed 8 July 2024)

Executives

Kim Ballinger, Chief Executive Officer

Jeremy Hood, Chief Operating Officer

Georgina Daly, General Manager - People and Culture

Sandra Fischer, Group Manager - Customer Solutions

Elke van der Meijden, Group Manager - Innovation and Insights

Michael Hodgson, Group Service Manager - Food Testing

Rupert Mitchell, Group Service Manager - Meat Services

Kylea Heaton, Group Service Manager - Auditing Services

Mike Fenton, Group Service Manager - Specialty Services

Auditor

Ian Proudfoot, KPMG

Banker

Westpac Banking Corporation

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