AsureQuality

ANNUAL REPORT 2018

VISION

GLOBAL EXPERTS IN FOOD ASSURANCE

PURPOSE

TOGETHER WE BUILD AND PROTECT CONSUMER CONFIDENCE

CONTENTS

6 OVERVIEW
8 INTERNATIONAL ACCREDITATIONS
10 CHAIR AND CEO REPORT
12 BUSINESS OVERVIEW
16 BOARD OF DIRECTORS
18 CORPORATE GOVERNANCE STATEMENT
22 MANAGEMENT TEAM

24 FINANCIALS
26 PROFIT OR LOSS
27 OTHER COMPREHENSIVE INCOME
28 STATEMENT OF CHANGES IN EQUITY
29 STATEMENT OF FINANCIAL POSITION
30 STATEMENT OF CASH FLOWS
31 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
51 INDEPENDENT AUDITOR'S REPORT
52 COMPARISON WITH PERFORMANCE TARGETS
53 STATUTORY DISCLOSURE INFORMATION
55 DIRECTORY

ASUREQUALITY OVERVIEW

At AsureQuality we understand that food assurance can be complicated and challenging, and if things go wrong the consequences can be serious. That is why our customers need an assurance provider they can trust: someone that inspires confidence right across their supply chain. As a leading provider of food assurance services to the primary production and food manufacturing sectors for over 100 years, AsureQuality is part of New Zealand's global reputation for safe, quality food production and transparent assurance systems.

Our services help customers to achieve access to their chosen markets, gain competitive advantage and protect their products, brands and reputation. We provide a range of services to producers, processors, wholesalers, retailers and regulators across the food supply chain including dairy, food, meat, poultry and seafood, horticulture and wine, arable, forestry, live animal export and biosecurity.

Our business activities are grouped across FIVE broad areas:

FOOD TESTING SERVICES

Food testing and analysis against regulatory and retailer standards for pathogens, toxins, allergens, chemical residues, genetically modified organisms and nutritional information

INSPECTION AND CERTIFICATION

Independent audit, inspection, verification and certification against local and international regulatory and retailer standards

Veterinary and field technician services including: farm assurance, dairy farm assessment, sample collection, TB testing and related disease management

Specialist plant and pest taxonomy, border control and pathology services

Ante-mortem and post-mortem meat inspection

Seed testing and certification for arable, dairy, livestock farming and export

INTERNATIONAL SERVICES

Advisory services to support food industry clients with risk management, improving operational and supply chain efficiency and enabling growth

International food testing and analysis against regulatory and retailer standards

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

Specialist provider of proficiency testing, reference materials, and related services

ASSURANCE MARKS

AsureQuality owned and branded endorsement marks licensed to customers for use on their customer or consumer-facing packaging, with two distinct value propositions

AQ Assured – holistic verification, endorsement and transparency to an exhaustive AsureQuality review of customer's total supply chain

AQ Certified – specific recognition, endorsement and verification of a particular aspect of a customer's supply chain - e.g. animal welfare, non-GMO, or free range

Both propositions can be supplemented with authenticity, live traceability and counterfeit protection functional

BIOSECURITY

Under agreement with the Ministry for Primary Industries (MPI) the business provides readiness, capability, incursion response and surveillance services

INPUTS

PRODUCTION

PROCESSING

DISTRIBUTION

WHOLESALE AND RETAIL

FOOD LABORATORIES

MEAT INDUSTRY SERVICES

INSPECTION AND CERTIFICATION SERVICES

FARM AND LIVESTOCK SERVICES

SEED AND PEST LABORATORIES

DIAGNOSTICS

ADVISORY

FOOD LABORATORIES

ASSURANCE MARKS

BIOSECURITY

INTERNATIONAL ACCREDITATIONS

MANUFACTURING

GOOD MANUFACTURING PRACTICE (GMP)

Agricultural Compounds and Veterinary Medicines

USDA

Australian Pesticides and Veterinary Medicines Authority

TESTING

LABORATORY PROFICIENCY

ILAC GUIDE 13, ISO/IEC 17043

Microbiological Proficiency Testing

Chemical Proficiency Testing

LABORATORIES

ISO/IEC 17025, ISTA, cGMP

Chemistry
- General
- Inorganic
- Organic
- Nutritional
- Contaminants
- Pesticides
- Dioxins

Microbiology
- General
- Pathogens

Serology

Entomology

Nematology

Seed and Plant Pest and Disease

INSPECTION

INSPECTION BODY

ISO/IEC 17020

MPI Recognised Agency - Dairy
- Risk Management Programme Evaluation
- Risk Management Programme Verification
- Heat Treatment Evaluation
- Premises Evaluation
- Official Assurance Verification
- Regulated Control Scheme (Transport and Vehicle Docking Facilities)
- Non-Dairy Transport RMP

MPI Recognised Agency - Bee Products

MPI Recognised Agency - Wine

MPI Official Organics Assurance Programme

MPI HACCP Based Food Safety Programmes

MPI Live Animal and Animal Germplasm Official Assurances

MPI Independent Verification Agency for Plant Import and Export Certification

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

CERTIFICATION

MANAGEMENT SYSTEMS CERTIFICATION

ISO/IEC 17021

ISO 9001 Quality Management Systems

ISO 22000 Food Safety Management Systems

ISO 14001 Environmental Management Systems

FSSC 22000 Food Safety System Certification

FSSC-Q Food Safety and Quality System Certification

Forest Management Systems Scheme

PRODUCT CERTIFICATION

ISO/IEC 17065

Organics

BRC

SQF

LEAF

GLOBALG.A.P.

New Zealand GAP

AsureQuality Timber Treatment Programme

Australian Wood Packaging Certification Scheme

PINENZ - Pine Manufacturers Association Scheme

AsureQuality Verification of Timber Products Scheme

CodeMark

AsureQuality Engineered Wood Products

Programme for the Endorsement of Forest Certification Schemes

Alliance Group Farm Assurance Programme

Ovation Farm Assurance Programme

AFFCO Farm Assurance Programme

ANZCO Foods Farm Quality Assurance Programme

The Silver Fern Farms Assurance Programme

JBS Farm Assurance Programme

Synlait Lead with Pride Programme

New Zealand Farm Assurance Programme

Fonterra Trusted Goodness Scheme

IFOAM

Organics
- AsureQuality Organics Standard

CHAIR AND CHIEF EXECUTIVE REPORT

Welcome to AsureQuality's annual report for the 2017 – 2018 financial year.

The Health & Safety of our people and those who work with us remains the number one priority for the Board and Executive team. This year AsureQuality significantly improved Health & Safety engagement and culture and achieved a >10% reduction in its Total Recordable Injury Frequency Rate.

Our financial performance also improved in 2018 showing a net profit after tax of $8.5 million on record revenues of $211.7 million. The corresponding period last year had revenues of $180.3 million and a net profit of $5.3 million.

Revenue increased on the prior period due to a number of factors. Firstly there was significant biosecurity activity with AsureQuality contracted to work on the Myrtle Rust response and also on the *Mycoplasma bovis* out-break. AsureQuality's meat inspection services also returned revenues above the previous period due to meat processors having a long killing season compared with the prior season. Lastly, the New Zealand food testing business had a strong finish to the year with increased revenues from its dairy customers after some volatility earlier in the year.

Although revenue increased by $31.4m, net profit only increased by $3.2m with the majority of the revenue gains being made in lower-margin businesses such as the biosecurity responses and meat inspection services.

SHAREHOLDER DIVIDEND

AsureQuality paid an interim dividend of $1.5 million in February 2018. A final dividend of $4.0 million was paid in September 2018. This brings the total dividend relating to 2018 to $5.5 million.

BOARD CHANGES

In April 2018 the Deputy Chair of the Board, John Ashby, finished a nine year tenure with AsureQuality. John made significant contributions to the deliberations of the Board and his experience in the food and beverage industry, both in New Zealand and overseas, has been invaluable. We wish John well in his future ventures.

Dr Alison Watters has been appointed to the position of Deputy Chair.

REVENUE

$211.7M

NET PROFIT AFTER TAX

$8.5M

COMMERICAL VALUATION

$181M

STRATEGIC PRIORITIES FOR 2018-2019

The focus on our strategic priorities continues as we transform AsureQuality toward higher value, technology-led analysis, advice and assurance across the supply chain. Our priorities are:

- Having highly motivated, performance driven teams. We are focussed on creating alignment behind a 'OneAQ' approach, which will focus on driving performance with clear accountabilities, open communication and trust.
- Doing the basics well, first and foremost. There will be a continued focus on delivering a consistently high standard of service and customer experience; supported by efficient processes, systems & technology.
- Partnering to deliver higher value services. AsureQuality's strategy is to grow through partnerships. We will invest in opportunities to provide analytics, advisory and assurance-based services that deliver more value for customers and AsureQuality; making better use of science, technology and partnerships.

IN CONCLUSION

We are proud of the AsureQuality team and what they have achieved in the 2018 year. A lot of hard work in many different parts of the business has been undertaken to achieve the record revenue and improvement in profit. We would particularly like to thank those who have made substantial commitments to helping with the two nationally significant Biosecurity responses during the year. This work, undertaken for the good of the country, has often involved extended periods away from home and family.

Lastly but most importantly we thank you our customers for your continued support. We are committed to improving our services and developing stronger partnerships to ultimately help you better achieve your goals.

JANINE SMITH CHAIR

JOHN MCKAY CHIEF EXECUTIVE OFFICER

BUSINESS OVERVIEW

HEALTH & SAFETY

Ensuring our people return home to their families safe and healthy every day remains a key priority for AsureQuality. The focus on improving engagement throughout the year had a positive outcome, with a Total Injury Recordable Frequency Rate of 4.9, down from 5.7 the prior year. The continued focus on health and safety also returned a 6% improvement in the safety portion of the engagement survey conducted.

TESTING SERVICES

Demand for Infant Formula testing services was highly variable during the year due to changing infant formula regulations in China. This led to a variable and challenging demand for testing services from infant formula customers which impacted the team's ability to meet the F18 target.

AsureQuality validated and successfully launched faster pathogen testing methods using new rtPCR technologies, which offer real advantages to our customers. These began to be rolled out widely in Q3 2018 and will provide more efficient solutions for our NZ and Singapore customers. Additional rtPCR services are planned for the new financial year.

A highlight for Auckland Laboratory was Dr George Joseph, Chemistry Technical Manager, being nominated as a Fellow of AOAC (Association of Official Agricultural Chemists). This is both a real honour and very rare, recognising George and AsureQuality's significant contribution to food testing science globally.

The Wellington Laboratory experienced an expected drop in revenue in F18 relative to F17. Lower volumes of live animal export disease-related serology test work and dairy testing were the main reason of the reduced volumes. Environmental project work continued with a focus on emerging contaminant testing, with the laboratory leading the way with fire retardant testing (PFAS) in New Zealand. Demand for this testing in both New Zealand and offshore is expected to increase in F19.

The second year of operations for the AsureQuality and Bureau Veritas joint venture in Australia, which involved the acquisition of DTS food laboratories, was impacted by the significant decrease in testing from their largest customer, Murray Goulburn, who experienced market difficulties and were sold. This decreased revenue was partially offset by right-sizing the business and profitability has been successfully restored.

INSPECTION AND CERTIFICATION

The past twelve months have seen a detailed review into the core of the Food and Dairy business with a focus on 'Doing the basics well, first and foremost'. We now have a Food and Dairy business that is agile and able to adapt quickly to the ever-changing requirements of our customers, including the on-going transition away from paper based methodologies. Food and Dairy will be focused on consolidating and growing its position in the market for the year ahead.

The Plant and Seed business has continued to focus on establishing a strong core of services to address customer requirements. Central to this core are IVA (Independent Verification Services) and Seed Varietal Certification services undertaken under MPI delegated authority. These core services are complimented with specialist Pest and Plant Health Diagnostic Services and several Good Agricultural Practice (GAP) audit programmes delivered to support our customers in maintaining or gaining market access. We have continued to build our expertise and recognition within the Plant and Seed industry through our team members participating in an ISTA workshop on Imaging Technologies for Seed Evaluation in Sweden, attending the ISTA Annual meeting in Japan, and also a nematology workshop in the Netherlands.

The Livestock and Meat business this year has been dominated by our significant contribution to the *M. bovis* response. We have supported the *M. bovis* response with over 200 of our people performing a wide range of roles including sampling (both in the field and at meat processing sites), movement permitting, incident control point management, surveillance and various management roles at times throughout the year. Despite our heavy commitment to the *M. bovis* response Livestock and Meat delivered on all core activities, exceeding expectations in a number of areas. This year demonstrated the strength of our team and the expertise we have across AsureQuality Field Technicians, Meat Inspectors and Veterinarians.

The Biosecurity readiness and response team has made significant contributions to two of New Zealand's biggest responses in Myrtle Rust and *M. bovis* both operating within the same year. The team have established and managed the operation of these responses under significant challenges. Further changes to MPI's preparedness model has impacted the workload of this team and we continue to work closely with our MPI partners as they establish a response model that meets their needs.

Surveillance continues to update its geo-spatial data capture abilities, and align our data flow processes with MPI to optimise effectiveness and efficiency.

The AsureQuality Academy's internal and commercial training function continues to provide valuable training to our food assurance customers and conducted over 500 external training courses for the year.

INTERNATIONAL SERVICES

Global Proficiency had another year of strong performance. One of the greatest achievements was gaining IANZ Accreditation status for the preparation of Reference Materials and Certified Reference Materials (based on ISO 17034). This year Global Proficiency also launched an improved VeriCal Milk Calibration Check programme produced out of Australia, introduced new tests in both proficiency and as quality control materials in HoneyChek and NurtureChek programmes, undertook a number of customer-specific projects, and held training seminars both in New Zealand and overseas.

The Singapore laboratory had a year concentrating on expanding business outside its well-established long term key account relationships in the region. The renovation project that commenced in the previous financial year was completed during this financial year and has expanded the operational footprint of the business in anticipation of future growth.

Our joint venture laboratory in Jeddah was accredited to the ISO17025 standard by the Saudi Accreditation Committee, and testing services are being provided to a range of food manufacturing customers in Saudi Arabia and the UAE.

AsureQuality provided specialist technical support to customers in China and Qatar. In China, we provided an on-the-ground study of the fresh meat supply chain for the NZ Meat Industry Association. In Qatar, AsureQuality completed a second mission of specialist technical support, providing training manuals and workshops as part of the development plan for the Qatar Food Safety Authority.

Revenue for the Diagnostics business was lower than the previous record year of revenue, as our largest customer balanced their stock levels. The focus for the year has been setting up the business for future growth and diversification.

ASSURANCE MARKS

The Assurance Marks business had a year of strong performance with revenue nearly doubled from the previous year. A significant number of new customers were on-boarded this year, with more in the pipeline for F19. A collaboration with New Zealand Trade and Enterprise and New Zealand Post was established to support New Zealand food and beverage exporters to China via e-Commerce.

CONTINUOUS IMPROVEMENT

The Find a Better Way programme has delivered over $6.5m worth of direct and indirect benefits since it began in January 2015. There are now almost 800 processes documented in a standard way within our Know How system, with over 400 active monthly users and over 2000 process views every month. As a result, process changes are easier to identify, plan and roll out to distributed teams. There are 24 individuals trained in the foundational principals of Continuous Improvement across AsureQuality, with many others who have completed exercises demonstrating practical skills in identifying and removing waste. Additionally there are now standardised productivity metrics embedded in every Business Unit being used to identify and drive improvement action.

BOARD OF DIRECTORS

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

DR ALISON WATTERS

STEVE MURRAY

JOHN ASHBY
DEPUTY CHAIR

JANINE SMITH
CHAIR

HAMISH STEVENS

MARGOT BUICK

BRUCE SCOTT

PAUL MCGILVARY

JANINE SMITH has been a company director for over 20 years. She is a founding Principal of The Boardroom Practice Limited, a Council Member at AUT, the only independent member of Fonterra's Governance Development Committee, President of the London Business School alumni Auckland chapter and a well-known judge of business awards. She has held a number of other non-executive independent board positions as director and chair in public listed companies, State-Owned Enterprises, private companies and with companies in the arts and education sectors. Janine was also acknowledged in the 2015 New Year's Honours List receiving an MNZM for services to corporate governance.

In her CEO and senior management roles, Janine spent over 15 years in the manufacturing and food sector with companies such as Tip Top Ice Cream and Arnott's NZ (part of Campbell US), where she was also an executive director. She has Bachelor of Commerce in Finance and Marketing and Masters in Philosophy with Honours first class.

JOHN ASHBY is an independent director. He has extensive experience in the international food and beverage industry and held CEO and senior executive roles with Whitbread UK, Lion Nathan, Kraft General Foods, Rio Beverages, Cerebos, Columbus Coffee, Bell Tea and Foodstuffs Auckland. John has degrees in Engineering and Commerce from Auckland University, and is currently a Director of Tasti Products, Integria Healthcare, Moa Group and Groenz Group. (Retired 30 April 2018).

HAMISH STEVENS is a chartered accountant and independent director. He has a background in strategy, finance, and international business development in the food and beverage sector including senior executive positions with Heinz-Wattie's, Tip Top Ice Cream, and DB Breweries. Hamish is currently a Director of Restaurant Brands Ltd, Counties Power Ltd, Smart Environmental Ltd and East Health Services Ltd, and is the independent Chair of the Waikato Regional Council Audit & Risk Committee. He has an MCom and MBA from the University of Auckland.

MARGOT BUICK has over 25 years' experience as a director of public and not-for-profit companies. She has a background in food science and technology, particularly in R&D, food production and processing, and extensive product and business development experience. Margot is a Fellow, and past President, of the Institute of Food Science and Technology and has an MBA from Massey University.

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

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

DR ALISON WATTERS was appointed to the board in May 2016, and has over 20 years' experience in governance roles spanning the commercial, educational, sporting and farming sectors. Her previous roles include Director of Human Nutrition at Massey University and Technical Manager for Fonterra, during which time she was involved in commercialising food innovation internationally. Alison is an elected Board Director for Livestock Improvement Corporation Ltd. She has a passion for all aspects of the Primary Industry and owns a 600 cow dairy farm in the Wairarapa. Alison has an honours degree in Agricultural Science and a PhD in Nutrition from Massey University.

PAUL MCGILVARY was appointed to the Board in May 2017 and has previously held governance roles within the science, food, dairy and infrastructure industries. He is currently Chairman of Maui Milk and Southern Cross Genetics, and a Director of Waikato Milking Systems. Paul's previous roles have been across a diverse range of industries and have included CEO of HortResearch, and Managing Director of NZ Milk Products (Europe). Most recently, he was the Chief Executive Officer of Tatua Dairy Company for almost nine years until January 2017. Paul has a Bachelor of Commerce and Administration (Hons) from Victoria University in Wellington, and is a member of the New Zealand Institute of Directors.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for corporate governance. Corporate governance includes the direction of the Company, accountability of the Board to shareholders, the Company's performance, and compliance with laws and regulations. The following is an overview of the main corporate governance practices which ensure effective management, statutory obligations and best practice are met.

SHAREHOLDER RELATIONSHIP

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

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

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

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

THE ROLE OF THE BOARD OF DIRECTORS

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

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

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

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

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

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

APPOINTMENT OF DIRECTORS AND COMPOSITION OF BOARD

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

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

BOARD MEETINGS

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

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

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

For the year ended 30 June 2018, the Board met for 11 Board meetings. Details of attendance at Board and Committee meetings are set out in the following table.

DIRECTOR	APPOINTMENT	BOARD ATTENDANCE	AUDIT COMMITTEE	PEOPLE & CULTURE COMMITTEE	RISK COMMITTEE
Janine Smith	1 November 2010	11	4	4	0
John Ashby	1 May 2009 (retired 30 April 2018)	8	0	0	1
Hamish Stevens	1 November 2010	11	2	0	4
Margot Buick	1 November 2013	10	0	4	4
Steve Murray	1 May 2014	10	0	0	2
Bruce Scott	1 May 2015	11	4	0	0
Dr Alison Watters	1 May 2016	10	0	4	3
Paul McGilvary	1 May 2017	9	4	4	0

BOARD COMMITTEES

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

Audit Committee

The Audit Committee has authority to recommend to the Board and met four times in the year ended 30 June 2018. The objective of the Committee is to recommend the principles and standards with respect to internal controls, accounting policies and the nature, scope, objectives and functions of internal and external audit. The Committee will assist the Board in producing accurate financial statements in compliance with the appropriate legal requirements and accounting standards. The Committee comprised Bruce Scott (Chair), Steve Murray (retired from Committee 20 July 2017), Hamish Stevens, Janine Smith and Paul McGilvary (appointed 20 July 2017). The Chair of the Committee is required to be a Chartered Accountant and not be the Chair of the Board.

People & Culture Committee

The People & Culture Committee has authority to recommend to the Board and met four times in the year ended 30 June 2018. The objective of the Committee is to assist the Board on remuneration and performance management policies, procedures relating to the CEO and senior management and their implementation, and health and safety. The Committee comprised Margot Buick (Chair), Janine Smith, Steve Murray (retired from Committee 20 July 2017), Dr Alison Watters and Paul McGilvary (appointed 20 July 2017).

Risk Committee

The Risk Committee has authority to recommend to the Board and met four times in the year ended 30 June 2018. The objective of the Committee is to recommend risk management strategy, policy and process to the Board as well as making recommendations on specific issues. The Committee will also assist the Board in ensuring that appropriate policies are in place regarding the impartiality of AsureQuality's certification activities. The Committee comprised John Ashby (retired 30 April 2018), Hamish Stevens (Chair), Margot Buick, Dr Alison Watters, and Steve Murray (appointed 20 July 2017).

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 2018 is included in the statutory disclosure information.

RISK MANAGEMENT

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

AUDIT

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

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

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

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Board recognises that AsureQuality has obligations under the State-Owned Enterprises Act to be a good employer, and to exhibit a sense of social responsibility by having regard to the interests of the communities in which it operates, and by endeavouring to accommodate or encourage these when able to do so. This means conducting business in a responsible fashion, including operating with a high level of business ethics.

AsureQuality's CSR philosophies are embedded in the Company's Vision and Values statements, and are reflected in how the Company operates across all activities on a day-to-day basis.

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

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

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

CONFLICTS OF INTEREST

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

ETHICAL BEHAVIOUR

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

DIVERSITY

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

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

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

DIRECTORS AND STAFF BY GENDER AS AT 30 JUNE 2018:

	BOARD OF DIRECTORS		EXECUTIVE		ALL OTHER STAFF	
Female	3	43%	2	20%	994	55%
Male	4	57%	8	80%	801	45%

MANAGEMENT TEAM

Effective leadership is a central part of AsureQuality's winning formula. Our management team leads with strong, inspirational leadership and has a strategic commitment to invest in world-class facilities, technology and people to ensure that AsureQuality remains a leader in its field.

JOHN MCKAY (Chief Executive Officer) joined AsureQuality in June 2014. His previous role was CEO of Hansells Food Group. He has a strong business development and customer-focused approach based on experience in Asia, Latin America and Europe including the roles of Global Brands Director for Fonterra based in Singapore, and Marketing Manager (Europe) for American Express. John is passionate about agribusiness and is personally connected with the farming sector as a part owner of three dairy farms, and having been raised on a dairy farm in Northland. John holds a BCom from Canterbury University and an MBA with Distinction from London Business School.

ALASTAIR DE RAADT (Group Director, Business Development & Marketing) joined AsureQuality in October 2014. His previous role was MD of Mondelez New Zealand (formerly Cadbury). He has over 20 years' experience in general management, marketing, and sales roles in many countries across Oceania, the Indian Sub-Continent, Central America, the Caribbean, and Latin America. Alastair holds a BA in Sociology and a BBus in Marketing from Monash Business School in Melbourne. His career commenced in Melbourne but an interest in travel and culture soon drew him overseas to roles including Managing Director for Fonterra Brands in Central America, Sri Lanka and Hub Manager for the Indian Sub-Continent.

JEREMY HOOD (Chief Financial Officer) joined AsureQuality in October 2015. His previous roles have included 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 some 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.

EMMA BUTLER (General Manager, People & Culture) joined AsureQuality in January 2017. Her team supports AsureQuality's people to do their work safely and to feel motivated that they have the ability, information and environment to achieve their goals. Emma has led People & Culture teams in a number of companies, including roles as GM Human Resources at Oceania Healthcare Ltd, NZ Bus Ltd, SkyCity Entertainment Ltd and Auckland Airport Ltd. Her previous experience has been gained largely in service related sectors where connection and delivery to the customer is a key focus. Emma holds a Bachelor of Business Studies with a double major from Massey University.

BRIAN WATSON (Group Manager, Testing Services) joined AsureQuality in October 2012. His responsibilities include the Auckland, Wellington and Christchurch Laboratories, as well as the Diagnostics manufacturing facility in Melbourne. Brian is a director of DTS Food Assurance Ltd and has 30 years of experience in senior management roles. He holds a BSc as well as a Post Graduate Diploma in Business. Brian was formerly the CEO of Bureau Veritas/NZ Laboratory Services (NZLABS) and is a graduate Company Director (GAICD).

ALAN ROBSON (Group Manager, Inspection & Certification) joined AsureQuality (formerly ASURE) in October 1999, and has held both executive and business manager positions within the organisation. His career has mostly been associated with the primary sector where he has held a range of technical manager, general manager and operational management positions. These included working within or supporting the wider horticultural and arable farming sectors, as well as the pipfruit, crop seed and meat industries.

DARREN WILSON (Chief Information Officer) joined AsureQuality in May 2013 as Chief Information Officer. He currently leads AsureQuality's Digital and IT transformation. He has a passion for technology and how it can enable people to add value and take advantage of new opportunities. Previously, he spent six years overseeing the development of an information systems capability for a New Zealand Dairy company. Darren has a strong people and business focus with an Honours degree in Psychology and an MBA from Canterbury.

DR HARRY VAN ENCKEVORT (GM Science & Technology) has worked with AsureQuality and its predecessor organisations since gaining a DPhil degree, majoring in Physical Chemistry, in 1983 from New Zealand's Waikato University. Over this time he has enjoyed a progression of roles. These have allowed him to contribute to the forensic, environmental and food science sectors, while gaining regulator, industry, stakeholder, customer and business perspectives at national and international levels in the Asia Pacific, North America, Europe and the Middle East. Harry has always maintained an interest in science and technology and in his current role is responsible for bringing into AsureQuality's businesses, the awareness, strategies and planning to implement science and technology trends and applications relevant to our vision and portfolio of customers solutions.

KERRY RUSSELL (Group Manager International Markets) joined AsureQuality in July 2015 initially based in Christchurch before relocating to Singapore in 2016. His previous role was Head of International Nutrition with Westland Milk Products for seven years. Prior to that he accumulated over 20 years' management experience across the food primary sector (dairy, pet food, seafood, beef and sheep meat) with a focus on international markets in the disciplines of sales, marketing and business development. He is a dedicated advocate of developing strong relationships, and is passionate about taking New Zealand business globally by developing and executing commercial strategies for business success. He holds an MBA from the University of Canterbury.

SANDRA FISCHER (Head of Sales) joined AsureQuality in November 2015. She recently returned from seven years in Asia with Fonterra in various sales roles in Global Account Management and infant nutrition in China and Southeast Asia. Previously she worked in roles in sales and operational planning, supply chain, and technical development. Sandra enjoys working with New Zealand's food industry to support its growth plans and initiatives and to protect the NZ brand on the global stage. She holds a BTech in Food Technology and Dip in Dairy Science and Technology.

FINANCIALS

24 FINANCIALS
26 PROFIT OR LOSS
27 OTHER COMPREHENSIVE INCOME
28 STATEMENT OF CHANGES IN EQUITY
29 STATEMENT OF FINANCIAL POSITION
30 STATEMENT OF CASH FLOWS
31 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
51 INDEPENDENT AUDITOR'S REPORT
52 COMPARISON WITH PERFORMANCE TARGETS
53 STATUTORY DISCLOSURE INFORMATION
55 DIRECTORY

PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE

	NOTE	2018 $000	2017 $000
REVENUE	2	211,710	180,263
Employee benefit expenditure		(119,915)	(110,159)
Consumables		(18,083)	(16,783)
Contractors and subcontractors		(18,076)	(5,598)
Transportation expenses		(11,480)	(8,413)
Rental and operating lease costs	18	(5,618)	(5,364)
Other expenses	3	(19,322)	(17,161)
OPERATING EXPENSES		(192,494)	(163,478)
Depreciation and amortisation		(5,732)	(5,750)
Finance costs (net)	4	(1,040)	(1,305)
Costs on sale of non-monetary assets	9	-	(859)
Share of loss of associate and joint venture	9	(81)	(499)
PROFIT BEFORE INCOME TAX		12,363	8,372
Income tax expense	5	(3,871)	(3,030)
PROFIT FOR THE YEAR		8,492	5,342
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the parent		9,281	6,181
Non-controlling interest		(789)	(839)
		8,492	5,342

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

OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE

	NOTE	2018 $000	2017 $000
PROFIT FOR THE YEAR		8,492	5,342
OTHER COMPREHENSIVE INCOME NET OF TAX			
Items that may be reclassified subsequently to profit or loss:			
Translation of foreign operations	14	1,017	1,012
TOTAL OTHER COMPREHENSIVE INCOME NET OF TAX		1,017	1,012
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		9,509	6,354
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the parent		10,298	7,193
Non-controlling interest		(789)	(839)
		9,509	6,354

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE

	NOTE	SHARE CAPITAL $000	REVALUATION RESERVE $000	TRANSLATION RESERVE $000	RETAINED EARNINGS $000	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT $000	NON-CONTROLLING INTEREST $000	TOTAL EQUITY $000
BALANCE AT 1 JULY 2016		22,100	9,614	(1,892)	18,816	48,638	440	49,078
Profit for the year		-	-	-	6,181	6,181	(839)	5,342
Other comprehensive income		-	-	1,012	-	1,012	-	1,012
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	-	1,012	6,181	7,193	(839)	6,354
Capital contribution by non-controlling interest in subsidiary	9	-	-	-	-	-	582	582
Dividends	14	-	-	-	(4,900)	(4,900)	-	(4,900)
TOTAL TRANSACTIONS WITH OWNERS		-	-	-	(4,900)	(4,900)	582	(4,318)
BALANCE AT 30 JUNE 2017		22,100	9,614	(880)	20,097	50,931	183	51,114
Profit for the year		-	-	-	9,281	9,281	(789)	8,492
Other comprehensive income		-	-	1,017	-	1,017	-	1,017
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	-	1,017	9,281	10,298	(789)	9,509
Capital contribution by non-controlling interest in subsidiary	9	-	-	-	-	-	701	701
Dividends	14	-	-	-	(3,700)	(3,700)	-	(3,700)
TOTAL TRANSACTIONS WITH OWNERS		-	-	-	(3,700)	(3,700)	701	(2,999)
BALANCE AT 30 JUNE 2018		22,100	9,614	137	25,678	57,529	95	57,624

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE

	NOTE	2018 $000	2017 $000
CURRENT ASSETS			
Cash and cash equivalents		5,159	4,402
Trade and other receivables	6	41,246	30,642
Inventories		4,929	4,799
Contract work in progress		853	1,052
TOTAL CURRENT ASSETS		52,187	40,895
NON-CURRENT ASSETS			
Property, plant and equipment	7	33,102	32,209
Intangible assets	8	5,908	6,601
Investments in associate and joint venture	9	31,440	30,343
Deferred income tax assets	5	3,578	2,370
TOTAL NON-CURRENT ASSETS		74,028	71,523
TOTAL ASSETS		126,215	112,418
CURRENT LIABILITIES			
Trade and other payables	10	30,756	26,466
Borrowings	11	5,000	5,000
Derivative financial instruments	12	78	226
Current income tax liabilities		2,342	372
TOTAL CURRENT LIABILITIES		38,176	32,064
NON-CURRENT LIABILITIES			
Borrowings	11	25,213	24,056
Loan from non-controlling interest		1,662	1,535
Payables	10	3,540	3,649
TOTAL NON-CURRENT LIABILITIES		30,415	29,240
TOTAL LIABILITIES		68,591	61,304
EQUITY			
Equity attributable to equity holders of the parent		57,529	50,931
Non-controlling interest		95	183
TOTAL EQUITY		57,624	51,114
TOTAL LIABILITIES AND EQUITY		126,215	112,418

The Board of Directors of AsureQuality Limited authorised these financial statements for issue on 24 August 2018.

Janine Smith
Chair

Bruce Scott
Chair Audit Committee

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE

	NOTE	2018 $000	2017 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		200,855	177,249
Payments to suppliers and employees		(187,978)	(162,334)
Interest paid net of interest and dividends received		(1,271)	(1,354)
Income tax paid		(3,109)	(4,494)
NET CASH GENERATED FROM OPERATING ACTIVITIES		8,497	9,067
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(5,494)	(4,914)
Purchase of intangibles		(647)	(868)
Capital contribution by non-controlling interest in subsidiary	9	701	582
NET CASH USED IN INVESTING ACTIVITIES		(5,440)	(5,200)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		1,157	2,810
Repayment of loan from non-controlling interest		-	(247)
Dividend paid to shareholder		(3,700)	(4,900)
NET CASH USED IN FINANCING ACTIVITIES		(2,543)	(2,337)
Net increase in cash		514	1,530
Cash and cash equivalents at beginning of the year		4,402	2,722
Exchange gains on cash balances		243	150
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		5,159	4,402

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.

	NOTE	2018 $000	2017 $000
RECONCILIATION OF THE PROFIT FOR THE YEAR WITH CASH FLOWS FROM OPERATING ACTIVITIES			
PROFIT AFTER TAX FOR THE YEAR		8,492	5,342
ADJUSTMENTS FOR:			
Depreciation and amortisation		5,732	5,750
Costs on sale of non-monetary assets	9	-	859
Share of loss of associate and joint venture	9	81	499
Other non-cash movements		(1,533)	(71)
NON-CASH MOVEMENTS		4,280	7,037
IMPACT OF CHANGES IN WORKING CAPITAL			
Trade and other receivables		(10,604)	(3,352)
Income tax		1,970	(1,466)
Trade and other payables		4,290	1,686
Other non-cash movements		69	(180)
WORKING CAPITAL MOVEMENTS		(4,275)	(3,312)
NET CASH GENERATED FROM OPERATING ACTIVITIES		8,497	9,067

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 2018.
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. It operates in New Zealand, Australia, Singapore, China and Saudi Arabia.
The ultimate shareholder of the Group is the Minister of Finance and Minister of State-Owned Enterprises on behalf of the Crown.

Statement of compliance

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards as appropriate for Tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").
The financial statements were approved by the Board of Directors on 24 August 2018.

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. Financial derivatives are carried at fair value.
The financial statements are presented in New Zealand dollars ($), rounded to the nearest thousand, which is the Group's presentation currency.
Items included in the financial statements of each of the Group's entities are recognised using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of operations in New Zealand is NZ$, Australia is AU$, Singapore is SG$, China is CNY and Saudi Arabia is SAR.
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)
- Impairment of trade receivables (Note 6)
- Property, plant and equipment valuation (Note 7)
- Impairment and valuation of goodwill (Note 8)
- Consolidation basis and classification of investments (Note 9)
- Valuation of retirement and long-service leave (Note 10)

Significant accounting policies

a) Comparatives

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

b) New and amended accounting standards adopted

All mandatory amendments to accounting standards have been adopted by the Group, with no 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.

	NOTE	2018 $000	2017 $000
2. REVENUE			
REVENUE FROM OPERATIONS COMPRISES:			
Revenue from the rendering of services		207,924	174,738
Revenue from the sale of goods		3,779	5,514
Other income		7	11
		211,710	180,263

Policies
Revenue is measured at the fair value of the consideration received.
Revenue from the rendering of services is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to work in progress reports.
Revenue from the supply of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer and is recorded net of returns.

3. OTHER OPERATING EXPENSES

Other operating expenses include donations of $5,000 (2017: $9,000).

4. FINANCE COSTS (NET)

	NOTE	2018 $000	2017 $000
Interest expense on borrowings		(1,289)	(1,390)
Net foreign exchange gains		84	23
Interest income on short-term bank deposits		18	8
Movement of derivatives held at fair value through profit or loss	12	147	54
TOTAL		(1,040)	(1,305)

Policies
Finance costs (net) include interest expense on borrowings and interest income on funds invested which are recognised using the effective interest rate method and the movement of derivatives held at fair value through profit or loss.
Borrowing costs directly attributable to the acquisition or construction of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. A qualifying asset is defined as an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Group has defined substantial time as being in excess of six months. There were no assets which met this criteria in the current year (2017: NIL).
All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

	NOTE	2018 $000	2017 $000
5. TAXATION			
CURRENT TAXATION EXPENSE			
Current year		4,762	3,411
Adjustment in respect of prior years		317	(383)
DEFERRED TAXATION EXPENSE			
Origination and reversal of temporary differences		(1,159)	(224)
Adjustment in respect of prior years		(49)	226
INCOME TAX EXPENSE		3,871	3,030
RECONCILIATION OF EFFECTIVE TAX RATE			
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:			
Profit from operations		12,363	8,372
Prima facie income tax @ 28%		3,462	2,344
Effect of tax rates in foreign jurisdictions		305	178
Non-deductible or non-assessable items		(138)	1,163
Current period tax losses not recognised (tax benefit of previously unrecognised tax losses)		245	(273)
Change in recognised deductible temporary differences		(271)	(225)
Over/(under) provision in prior years		268	(157)
TOTAL INCOME TAX EXPENSE		3,871	3,030
INCOME TAX RECOGNISED DIRECTLY IN EQUITY			
Income tax on income and expenses recognised directly in equity		-	-
IMPUTATION CREDITS DIRECTLY AND INDIRECTLY AVAILABLE TO SHAREHOLDERS AS AT 30 JUNE 2018 ARE:			
Parent		19,450	15,529
Subsidiaries		340	333
		19,790	15,862

5. TAXATION (CONTINUED)

	PROPERTY, PLANT & EQUIPMENT	EMPLOYEE ENTITLEMENTS	OTHER	TOTAL
	$000	$000	$000	$000
DEFERRED TAX ASSETS AND LIABILITIES				
Balance at 1 July 2016	(390)	2,706	56	2,372
Recognised in the profit in respect of prior years	-	(86)	(140)	(226)
Recognised in profit	303	(181)	102	224
BALANCE AT 30 JUNE 2017	**(87)**	**2,439**	**18**	**2,370**
Recognised in the profit in respect of prior years	-	63	(14)	49
Recognised in profit	379	412	368	1,159
BALANCE AT 30 JUNE 2018	**292**	**2,914**	**372**	**3,578**

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 Group's tax losses within Singapore, China and Saudi Arabia taxation jurisdictions has not been recognised in the current year, as Directors consider the level of uncertainty to be such that an asset should not be recognised. Deferred tax in relation to the New Zealand and Australian taxation jurisdictions has been recognised as an asset as Directors consider that there will be sufficient taxable income in the future to obtain the benefits.

Tax losses not recognised as future tax benefits in the financial statements amount to NZ$10.7 million, tax effect NZ$1.5 million (2017 NZ$7.9 million, tax effect NZ$1.1 million) in the Group entity.

6. TRADE AND OTHER RECEIVABLES

	NOTE	2018 $000	2017 $000
Trade receivables		40,067	28,842
Impairment provision		(292)	(105)
Prepayments		1,237	1,194
Receivables from associate and joint venture	16	234	711
		41,246	30,642
AGEING OF TRADE RECEIVABLES:			
Current		33,557	25,712
Past due 1 to 30 days		5,155	2,551
Past due 31 to 90 days		1,359	707
Past due more than 90 days		230	583
		40,301	29,553

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

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

The movement in the amount of the provision is recognised through profit or loss. The amount of the provision is the difference between an asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss.

Judgements
Trade receivables are impaired when there is objective evidence that the Group will not be able to collect the amounts due. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and inconsistency in timing of payments are considered indicators that the trade receivable is impaired. The Directors consider the current provision to be appropriate.

7. PROPERTY, PLANT AND EQUIPMENT

	FREEHOLD LAND AT FAIR VALUE	BUILDINGS AT FAIR VALUE	LEASEHOLD IMPROVEMENTS AT COST	PLANT AND EQUIPMENT AT COST	CAPITAL WORK IN PROGRESS	TOTAL
	$000	$000	$000	$000	$000	$000
Cost	11,630	5,553	8,490	46,998	615	73,286
Accumulated depreciation	-	(916)	(6,138)	(34,415)	-	(41,469)
CARRYING AMOUNT 1 JULY 2016	11,630	4,637	2,352	12,583	615	31,817
Additions / transfers	-	291	173	2,809	1,657	4,930
Disposals	-	-	-	(12)	-	(12)
Depreciation expense	-	(430)	(484)	(3,478)	-	(4,392)
Exchange differences	-	-	(29)	(104)	(1)	(134)
Cost	11,630	5,844	8,611	49,146	2,271	77,502
Accumulated depreciation	-	(1,346)	(6,599)	(37,348)	-	(45,293)
CARRYING AMOUNT 30 JUNE 2017	11,630	4,498	2,012	11,798	2,271	32,209
Additions / transfers	-	2,036	1,058	3,821	(1,421)	5,494
Disposals	-	-	(524)	(7)	(5)	(536)
Depreciation expense	-	(465)	(437)	(3,492)	-	(4,394)
Exchange differences	-	-	60	224	45	329
Cost	11,630	7,880	8,992	53,415	890	82,807
Accumulated depreciation	-	(1,811)	(6,823)	(41,071)	-	(49,705)
CARRYING AMOUNT 30 JUNE 2018	11,630	6,069	2,169	12,344	890	33,102

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Policies

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

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

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

Disposal of property, plant and equipment

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

Capital work in progress

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

Subsequent costs

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

Depreciation

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

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

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

Land and capital work in progress are not depreciated.

Judgements

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

Darroch Limited, independent registered valuers and associates of the New Zealand Institute of Valuers, valued the Auckland Laboratory land and buildings at 30 June 2016 and the Wellington Laboratory land and buildings at 30 June 2016. Valuations were performed on the basis of recent market transactions on arm's length terms.

Management considers these carrying values to be reflective of fair value in total as at 30 June 2018.

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

	FREEHOLD LAND	BUILDINGS	TOTAL
	$000	$000	$000
Carrying amount 30 June 2017	2,465	4,969	7,434
Carrying amount 30 June 2018	2,465	6,590	9,055

Capital commitments

The estimated capital expenditure for property, plant, equipment and software intangibles contracted for at balance date but not provided is $0.4 million for the Group (2017: $1.2 million).

8. INTANGIBLE ASSETS

	GOODWILL	SOFTWARE	ACCREDITATION	RELATIONSHIP CONTRACTS	WORK IN PROGRESS	TOTAL
	$000	$000	$000	$000	$000	$000
Cost	829	17,353	665	245	417	19,509
Accumulated depreciation	-	(11,681)	(485)	(245)	-	(12,411)
CARRYING AMOUNT 1 JULY 2016	829	5,672	180	-	417	7,098
Additions / transfers	-	667	-	-	201	868
Amortisation expense	-	(1,277)	(81)	-	-	(1,358)
Exchange differences	-	(1)	(6)	-	-	(7)
Cost	829	18,021	634	245	618	20,347
Accumulated depreciation	-	(12,960)	(541)	(245)	-	(13,746)
CARRYING AMOUNT 30 JUNE 2017	829	5,061	93	-	618	6,601
Additions / transfers	-	1,033	-	-	(386)	647
Disposals	-	-	(6)	-	-	(6)
Amortisation expense	-	(1,255)	(84)	-	-	(1,339)
Exchange differences	-	1	4	-	-	5
Cost	829	19,058	680	245	232	21,044
Accumulated depreciation	-	(14,218)	(673)	(245)	-	(15,136)
CARRYING AMOUNT 30 JUNE 2018	829	4,840	7	-	232	5,908

Policies

Software

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

Amortisation – software

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

Accreditation costs

Intangible assets in relation to accreditation costs are recognised at cost less amortisation. These represent directly attributable expenditure incurred to obtain external accreditation of AsureQuality's laboratories in Singapore and Christchurch. Amortisation and impairment expenses are charged to profit or loss. Accreditation costs are amortised on a straight-line basis over eight years being the estimated future life of the asset.

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 whenever there is an indication that the goodwill may be impaired. 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 2% (2017: 2%) in perpetuity and a discount rate of 9.03% (2017: 9.4%) 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. 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.

9.1 Investment in subsidiaries:

NAME	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	BALANCE DATE	OWNERSHIP AND VOTING INTEREST 2018	OWNERSHIP AND VOTING INTEREST 2017
AsureQuality Asia Pacific Limited	New Zealand	Holding company	30-June	100%	100%
AsureQuality Australia Pty Limited	Australia	Diagnostic manufacturing	30-June	100%	100%
AsureQuality Singapore Pte Limited	Singapore	Laboratory services	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%
AsureQuality Advisory Singapore Pte Limited	Singapore	Food advisory services	30-June	100%	100%
AsureQuality (Shanghai) Advisory Co.,Ltd.	China	Food advisory services	31-December	100%	100%
AsureQuality Motabaqah Limited	Saudi Arabia	Laboratory services	31-December	51%	51%

CAPITAL CONTRIBUTION BY NON-CONTROLLING INTEREST

AsureQuality Motabaqah Limited
On 10 July 2015 the Group incorporated a company with a Saudi Arabian partner, Saudi Specialized Laboratories Co. (Motabaqah). The company, AsureQuality Motabaqah Limited, was incorporated and domiciled in Saudi Arabia. This company gives the Group a much broader base for food testing and a strong base for increased growth in the Middle East. The Group holds 51% shareholding and voting rights in this company. Through its majority shareholding and having the power to govern the financial and operating decisions of this company, the Group is deemed to have control over AsureQuality Motabaqah Limited. An equity investment of NZ$701,000 was received by AsureQuality Motabaqah Limited from Saudi Specialized Laboratories Co. (Motabaqah) during 2018 (2017: NZ$582,000) for its 49% share. The equity investments have been accounted for as a non-controlling interest in the subsidiary.

Policies

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

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

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

Business combinations

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

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

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

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

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

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

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

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

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under NZ IAS 39 Financial Instruments: Recognition and Measurement 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.

9. INVESTMENTS (CONTINUED)

9.2 Investments in associate and joint venture

NAME	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	BALANCE DATE	OWNERSHIP AND VOTING INTEREST 2018	OWNERSHIP AND VOTING INTEREST 2017
Bureau Veritas AsureQuality Holdings Limited (BVAQ)	Australia	Independent food testing laboratories	31-December	49.0%	49.0%

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.

CARRYING AMOUNT OF INVESTMENTS IN ASSOCIATE AND JOINT VENTURE	BVAQ 2018	BVAQ 2017
	$000	$000
Investment at the beginning of the year	30,343	31,144
Share of loss	(81)	(499)
Share of costs relating to acquistion	-	(859)
Share of other comprehensive income of associate	1,178	557
BALANCE AT 30 JUNE	31,440	30,343

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 associate and joint venture's 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.

9. INVESTMENTS (CONTINUED)

	2018 $000	2017 $000
9.2 Investments in associate and joint venture (continued)		
Summarised financial information for joint venture, Bureau Veritas AsureQuality Holdings Limited		
Revenue	59,511	58,792
Loss for the year	(165)	(1,018)
Costs relating to acquisition	-	(1,753)
Other comprehensive income	2,404	1,135
TOTAL COMPREHENSIVE INCOME	2,239	(1,636)
Current assets	12,423	13,292
Non-current assets	101,477	99,993
Current liabilities	(15,021)	(13,317)
Non-current liabilities	(16,703)	(20,030)
NET ASSETS	82,176	79,938

Bureau Veritas AsureQuality Holdings Limited has a 31 December balance date and the numbers above represent the balances as of 30 June 2018. The total comprehensive income includes the impact of the foreign currency translation from the spot rate on the date of acquisition to the exchange rate used by the Group at 30 June 2018.

Reconciliation of the summarised financial information presented to the carrying amount of its interest in joint venture:

	2018 $000	2017 $000
CLOSING NET ASSETS	82,176	79,938
Interest in joint venture (49%)	40,266	39,170
Gain on sale not recognised	(9,060)	(9,060)
Foreign exchange difference	234	233
CARRYING VALUE OF INTEREST IN JOINT VENTURE, BUREAU VERITAS ASUREQUALITY HOLDINGS LIMITED	31,440	30,343

	NOTE	2018 $000	2017 $000
10. TRADE AND OTHER PAYABLES			
CURRENT			
Trade payables		9,081	7,297
Trade payables due to related parties	16	50	34
Non trade payables and accrued expenses		7,962	7,200
Deferred income		2,933	3,426
Employee benefits		10,306	8,439
Provision for restructuring		424	70
BALANCE AT 30 JUNE		30,756	26,466
NON-CURRENT			
Employee benefits		3,540	3,649
BALANCE AT 30 JUNE		3,540	3,649

Policies

Trade and other accounts payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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 2018. This requires the use of assumptions and estimates by the actuary. The key economic assumptions used were; discount rates, of 1.78% to 4.75% (2017: 1.97% to 4.75%) and a salary increase rate of 2.50% (2017: 2.50%).

	NOTE	2018 $000	2017 $000
11. BORROWINGS			
Current portion of long-term borrowings		5,000	5,000
Non-current		25,213	24,056
TOTAL BORROWINGS		**30,213**	**29,056**
The exposure of the Group's borrowings to contractual maturity dates is as follows:			
Six months or less		5,000	5,000
One to five years		25,213	24,056
		30,213	**29,056**
The carrying amounts of the Group's borrowings are denominated in the following currencies:			
NZ dollar		10,600	10,300
AU dollar	14	17,600	16,916
SG dollar	14	2,013	1,840
		30,213	**29,056**
THE GROUP HAS THE FOLLOWING UNDRAWN BORROWING FACILITIES:		**9,787**	**14,444**

Details and draw down of banking facilities

2018	EXPIRY	FACILITY $000	DRAWDOWN $000
Revolving cash facility 1	31-Dec-18	5,000	5,000
Revolving cash facility 2	31-Dec-19	25,000	24,614
Revolving cash facility 3	31-Dec-20	10,000	600

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

2017	EXPIRY	FACILITY $000	DRAWDOWN $000
Revolving cash facility 1	31-Dec-17	14,500	5,000
Revolving cash facility 2	31-Dec-18	14,500	12,530
Revolving cash facility 3	31-Dec-19	14,500	11,526

Policies

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

Covenants

The bank term borrowings are unsecured but are subject to a negative pledge and two financial covenants. The negative pledge agreement means that the Group may not grant a security interest greater than 5% of adjusted tangible total assets to another party without the consent of the bank. The two financial covenants are that equity cannot be less than 30% of adjusted total tangible assets and total permitted indebtedness cannot be more than 3.25 times earnings before funding costs, income tax, depreciation, amortisation and extraordinaries. The Group complied with these ratios during the years ended 30 June 2017 and 30 June 2018. The interest rates on the bank borrowings are floating, resetting quarterly and ranged from 2.30% - 3.14% per annum during the year ending 30 June 2018 (2017: 2.25% - 4.55% per annum).

12. 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 into 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	
	2018	2017	2018	2017	2018	2017
	$000	$000	$000	$000	$000	$000
Interest rate swaps	17,801	19,476	(78)	(226)	147	158
Foreign exchange contracts	-	8	-	-	-	(104)
	17,801	19,484	(78)	(226)	147	54

Policies
Derivatives are initially recognised at fair value on the date of the derivative contract entered into and are subsequently re-measured to their fair value. The Group has not designated any derivatives as hedges and all derivatives are accounted for as trading instruments at fair value through profit or loss. Changes in the fair value of these derivative instruments are recognised immediately 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.

13. 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.

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 12.
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 14.

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 11. 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
	$000	$000	$000	$000
AT 30 JUNE 2018				
Borrowings	5,000	-	25,213	-
Derivative financial instruments	58	10	10	-
Trade and other payables	11,084	-	-	-
AT 30 JUNE 2017				
Borrowings	5,000	-	24,056	-
Derivative financial instruments	14	226	(15)	-
Trade and other payables	8,900	-	-	-

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.

14. 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 2018 there were 23,800,000 shares on issue (2017: 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:

	2018				2017			
HEDGING INSTRUMENT	**LOCAL CURRENCY**	**EXCHANGE RATE**	**NZD**	**GAIN/(LOSS) RECOGNISED**	**LOCAL CURRENCY**	**EXCHANGE RATE**	**NZD**	**GAIN/(LOSS) RECOGNISED**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
SGD denominated borrowings	1,900	0.9437	2,013	173	1,900	1.0326	1,840	(92)
AUD denominated borrowings	16,535	0.9395	17,600	684	16,535	0.9775	16,916	(690)

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

Revaluation reserve

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

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

Dividend

The distribution to equity holders represents 15.55 cents per share (2017: 20.59 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 2018 was 32% (2017: 34%).

15. AUDITOR'S REMUNERATION

	2018	**2017**
	$000	**$000**
Amounts paid or payable to the auditors for:		
Audit of the Group's financial statements	196	186
Audit of stand alone financial statements of subsidiaries	32	61
Risk Management Framework	23	-
	251	247

There were no non-audit services, apart from the Risk Management Framework provided in 2018 and 2017.

16. 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 venture, Bureau Veritas AsureQuality Holdings Limited during the year.

	2018 $000	2017 $000
RELATED PARTY TRANSACTIONS		
The following transactions were carried out with related parties:		
SALES OF SERVICES:		
Sale of services to the Ministry for Primary Industries	43,751	11,895
Services provided to associate and joint venture	2,077	3,526
EXPENSES:		
Purchases of services from associate and joint venture	1,023	1,297
RELATED PARTY BALANCES		
OWED BY:		
Ministry for Primary Industries	13,441	3,137
Associate and joint venture	256	734
OWING TO:		
Associate and joint venture	47	34
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	3,182	3,713

17. CONTINGENT LIABILITIES

AsureQuality Limited has undertaken to provide sufficient financial assistance to its subsidiary company AsureQuality Asia Pacific Limited as and when it is needed to enable AsureQuality Asia Pacific Limited to continue its operations and fulfil all of its financial obligations now and for the next 12 months.

There are no other contingent liabilities as at 30 June 2018 (2017: Nil).

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

18. OPERATING LEASES

	2018	2017
	$000	$000
Lease payments under operating leases recognised as an expense in the period	5,618	5,364

Operating lease obligations payable after balance date on non-cancellable operating leases:		
Less than one year	4,496	3,912
One to two years	3,597	2,233
Two to five years	3,802	2,564
TOTAL OPERATING LEASE COMMITMENTS	11,895	8,709

The Group leases various offices, vehicles and computer equipment under non-cancellable operating lease agreements. The lease terms are between two and five years, and the majority of lease agreements are renewable at the end of lease period at market rate.

Policies
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks or rewards of ownership to the lessee. All other leases are classified as operating leases.
Payments made under operating leases, where the lessor substantially retains the risks and rewards of ownership, are recognised in profit or loss on a straight-line basis, net of any lease incentives, over the term of the lease.

19. NEW AND REVISED STANDARDS AND INTERPRETATIONS

The following standards and interpretations which were considered relevant to the Group but not yet effective for the year ended 30 June 2018 have not been applied in preparing the financial statements.

- NZ IFRS 16 Leases (effective for reporting periods beginning after 1 January 2019). The standard requires a lessee to recognise a lease liability reflecting the future lease payments and a 'right-of-use asset' for substantively all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets. The Group intends to adopt NZ IFRS 16 on its effective date and has yet to assess its full impact.
- NZ IFRS 15 Revenue from Contracts with Customers (effective for reporting periods beginning after 1 January 2018). The standard provides a single, comprehensive principles-based five-step model to be applied to all contracts with customers and introduces new disclosures about revenue. The Group has reviewed its contracts with customers and assessed that the profile of revenue and profit recognition will not change significantly. The Group intends to adopt NZ IFRS 15 on its effective date and has decided that it will apply the standard retrospectively, making use of any practical expedient available. The Group is still gathering data to finalise the impact on its 2018 result had NZ IFRS 15 been applied this year, but estimates that revenue would have been approximately $0.2 million higher.
- NZ IFRS 9 Financial Instruments (effective for reporting period beginning after 1 January 2018). The standard introduces new classifications and removal of some existing classification and measurement regime for financial assets and liabilities. The complete version of this standard was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as at fair value through profit or loss. There is a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. The new hedge accounting requirements align hedge accounting more closely with risk management, and establish a more principles-based approach to hedge accounting. The Group is reviewing its risk management strategies to assess whether more relationships might qualify for hedge accounting under IFRS 9. Subject to this review, the Group does not intend to early adopt the new standard before its effective date.

20. SIGNIFICANT EVENTS AFTER BALANCE DATE

On 24 August 2018, the Board of Directors declared a final dividend of $4,000,000 for the period ended 30 June 2018, representing 16.81 cents per share. As the dividend was declared after balance date the financial effect has not been recognised in these financial statements.

INDEPENDENT AUDITOR'S REPORT
TO THE READERS OF ASUREQUALITY LIMITED'S GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

OPINION

We have audited:

- the financial statements of the Group on pages 26 to 50, that comprise the statement of financial position as at 30 June 2018, the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion:

- the financial statements of the Group on pages 26 to 50:
  - o present fairly, in all material respects:
    - its financial position as at 30 June 2018; and
    - its financial performance and cash flows for the year then ended; and
  - o comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards.

Our audit was completed on 24 August 2018. 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 comply with generally accepted accounting practice in New Zealand. The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Group, or there is no realistic alternative but to do so.

The Board of Directors's responsibilities arise from the Crown Entities Act 2004.

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 performance of the Group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 25 and 52 to 55, 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 Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out an engagement in the area of risk framework advisory, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Group.

G Edwards

Graeme Edwards
KPMG
On behalf of the Auditor-General
Auckland, New Zealand
24 August 2018

COMPARISON WITH PERFORMANCE TARGETS INCLUDED IN THE STATEMENT OF CORPORATE INTENT FOR THE FINANCIAL YEAR ENDED 30 JUNE

	ACHIEVEMENT	2018 TARGET
FINANCIAL PERFORMANCE TARGETS		
Revenue	$211.7m	$175.5m
Earnings before interest and tax (EBIT)	$13.4m	$10.1m
Net profit after tax (NPAT)	$8.5m	$5.9m
Net cash flows from operating activities	$8.5m	$9.5m
ANNUAL KEY RATIOS		
Total shareholder return	5%	2%
Dividend yield	2%	2%
Dividend payout	134%	91%
Return on equity	16%	11%
Return on capital employed	18%	14%
Operating margin	9%	9%
Gearing ratio	32%	33%
Interest cover	15	11
Solvency	1.4	1.4
NON-FINANCIAL PERFORMANCE TARGETS		
Staff turnover rate	12%	< 12%
Total recordable injury frequency rate	4.9	< 5.0
Critical programme audit failures	Nil	Nil
Critical facility audit failures	Nil	Nil

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 2017 to 30 June 2018:

- Janine Smith, Chair
- Dr Alison Watters, Deputy Chair
- Hamish Stevens
- Margot Buick
- Steve Murray
- Bruce Scott
- Paul McGilvary
- John Ashby (retired 30 April 2018)

3. DIRECTORS' INTERESTS

Declaration of General Interest pursuant to section 140(2) of the Companies Act 1993 as at 30 June 2018 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:

Janine Smith, Chair
The Boardroom Practice Limited, Principal
AUT Council, Councillor
Fonterra Governance & Development Committee, Independent Member

Dr Alison Watters, Deputy Chair
Livestock Improvement Corporation, Director
Nga Tawa Diocesan School for Girls, Deputy Chair
AgInvest Holdings Limited, Shareholder
MyFarm Limited, Shareholder
Taumata Island Dairy Limited, Shareholder
Figured Limited, Shareholder

Hamish Stevens
Smart Environmental Limited, Director
East Health Services Limited, Chair
Counties Power Limited (and subsidiaries), Director
The Kennedys Limited, Chair
Governance & Advisory Limited, Director/Shareholder
Bureau Veritas AsureQuality Holdings Limited (and subsidiaries), Director
Waikato Regional Council, External Chair - Audit and Risk Committee
Restaurant Brands New Zealand Limited (and subsidiaries), Director
Ormiston Health Properties Limited, Director
Pharmaco (NZ) Limited, Director

Margot Buick
Mondeur Trust, Trustee
Clarence St Theatre Trust, Trustee/Director
SouthPort, PGG Wrightson, AMP, Shareholder
Meat Industry Association Innovation Limited, Director

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

Bruce Scott
No current interests

Paul McGilvary
Waikato Milking Systems Limited (and subsidiaries), Director
Maui Milk Limited, Chair
Southern Cross Genetics Limited, Chair

John Ashby (retired 30 April 2018)
Coffee Connection 2006 Limited (and subsidiaries), Director/Shareholder
SIA (Strategy in Action) Limited, Director/Shareholder
Medicine Mondiale CT, Trustee
Tasti Products Limited, Director
Integria Healthcare Limited, Director
Groenz Group Limited, Director
Moa Group, Director
Knowhow Solutions Limited, Director/Shareholder
Cella Holdings, Director/Shareholder

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	2018	2017
Janine Smith, Chair	70,000	70,286
Dr Alison Watters, Deputy Chair	36,458	35,188
Hamish Stevens	37,500	37,643
Margot Buick	37,500	37,643
Steve Murray	35,000	35,144
Bruce Scott	37,500	37,643
Paul McGilvary (appointed 1 May 2017)	35,000	5,857
John Ashby (retired 30 April 2018)	36,458	43,929
Jane Lancaster (retired 31 October 2016)	-	11,667
	325,416	315,000

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 2018. 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.

	2018 NUMBER OF EMPLOYEES IN THE GROUP
$470,001 - $480,000	1
$340,001 - $350,000	1
$300,001 - $310,000	2
$270,001 - $280,000	2
$250,001 - $260,000	1
$210,001 - $220,000	2
$200,001 - $210,000	1
$190,001 - $200,000	2
$170,001 - $180,000	6
$160,001 - $170,000	8
$150,001 - $160,000	6
$140,001 - $150,000	9
$130,001 - $140,000	10
$120,001 - $130,000	14
$110,001 - $120,000	33
$100,000 - $110,000	41

9. CHANGE IN NATURE OF BUSINESS

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

DIRECTORS

Janine Smith, Chair
Dr Alison Watters, Deputy Chair
Hamish Stevens
Margot Buick
Steve Murray
Bruce Scott
Paul McGilvary

EXECUTIVES

John McKay - Chief Executive Officer
Alastair de Raadt - Group Director, Business Development & Marketing
Jeremy Hood - Chief Financial Officer
Emma Butler - General Manager, People & Culture
Brian Watson - Group Manager, Testing Services
Alan Robson - Group Manager, Inspection and Certification
Darren Wilson - Chief Information Officer
Dr Harry van Enckevort - General Manager, Science & Technology
Kerry Russell - General Manager, Southeast Asia & China
Sandra Fischer - Head of Sales

AUDITOR, BANKER & SOLICITOR

Auditor - Graeme Edwards, KPMG
Banker - Westpac Banking Corporation
Solicitor - Bell Gully

CONTACT DETAILS

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