

AsureQuality
Kaitiaki Kai

Interim Report
2025



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Results Overview

Despite the overall primary and food sector challenges, AsureQuality's top line performance remains on target with YTD Revenue of \$112 million after the six-month period. With prudent cost management, the exiting of unprofitable contracts and strong performance across Auditing and Testing, AsureQuality is pleased to be on target to meet net profit expectations for the year, at \$3.3 million YTD, tracking ahead of the six-month net profit reported in the previous year, of \$1 million YTD.

This is a strong and pleasing result that positions us to meet the opportunities and challenges in our sector, although we would like to acknowledge the difficult decisions we have made regarding our Biosecurity and Field Services programmes and the impacts on our people.

During the past six months, we have continued to focus on the six critical areas that resulted from a Materiality Assessment completed with our customers and employees. These include employee health, safety and well-being, employee attraction and retention, customer experience, data and insights, technology enabled assurance and systems and processes.

We are pleased that our results to date continue to demonstrate progress in these critical areas of focus. Our safety culture metrics have improved from 93% to 96% actions completed on time YTD. Our employee

engagement net promoter score has increased from 11 to 14 and employee turnover continues to fall. Our commitment to delivering great customer experience and service is demonstrated by the improvement in monthly customer survey results from a Net Promoter Score of 12 (June 2024) to 57 (December 2024).

We are also making good progress on updating our core infrastructure. This includes the introduction of a new world-class audit management system and using our improved data capability to provide enhanced customer reporting. The redevelopment of our company's main testing laboratory at Lynfield in Auckland commenced in June 2023 and remains on budget and on time with the opening of the new building scheduled for September 2025.

The Lynfield laboratory was originally built in 1980 and was designed to house approximately 80 people. It is now the largest food testing laboratory in the Southern Hemisphere, underpinning New Zealand's \$70 billion food industry and exports, employing 450 people as the New Zealand food and primary industry has grown. The laboratory is of critical importance to New Zealand with reliance on this facility for both exports and to ensure safe food supply to local retailers. The redevelopment will provide greater confidence in maintaining New Zealand's reputation for the highest standards of food safety and quality and help unlock productivity and efficiency through automation and innovation.

Strategic Direction

AsureQuality's strategy is to become an integrated assurance partner with New Zealand food companies and the primary industry we serve.

This is underpinned by three key pillars strongly aligned to customer expectations now, and in the future:

- **Service Excellence** – delivering our services expediently and efficiently at the highest standard and earning the right for broader opportunities with our customers.
- **Decision Support** – providing data and insights along with technical expertise.
- **New Assurance Models** – new technology, automation and new business models to remain relevant for our customers in the future.

AsureQuality is investing in this strategy with a focus on culture, innovation, data and insights, automation and technology for the future and is making very good progress towards our strategic vision. This has been accelerated with the implementation of the new operating audit system and the result of establishing a strong data architecture and capability.

Our enhanced focus on service delivery and overall customer experience is assisting us to grow our opportunity pipeline from existing and new customers, which in turn, supports the growth forecast in FY26 and FY27.

To further support our business transformation, we have refreshed our values and behaviours, which will enable the culture required to deliver our strategic ambition.

In Conclusion

With financial performance on track to achieve the full year target earnings, AsureQuality remains well placed to meet the opportunities ahead and the current challenges experienced by some of our customers. There has been significant progress to strengthen our core business and services, with the focus on improving AsureQuality as a place to work and delivering high quality customer experience, as well as the delivery of key strategic initiatives to ensure our continued relevance to our customers and stakeholders in the future.

Our success is dependent on continuing to meet the needs of our customers, and the hard work and commitment of our people.

We thank our people, our customers and our stakeholders for their continued support and dedication, and we look forward to the second half of the year.

Ngā mihi,



Peter Landon-Lane
Chair



Kim Ballinger
Chief Executive Officer



People & Culture

We are now in the final year of our people strategy and have made significant progress toward achieving our aspirational outcomes in the areas of safety and wellbeing, leadership, and talent & capability. This progress is reflected in a positive shift in key people metrics, including continued improvements in our quarterly engagement results over the past two and a half years.

A major milestone was reached as we co-created and activated our new values and behaviours, Mahi Tahī Tātou, marking the next phase of our culture journey. This culture shift is a core enabler of the AsureQuality strategy and serves as a competitive advantage, guiding changes in key organisational practices, including planning, decision-making, and performance.

Te Rōpū Aka Whiri Hou (our bi-cultural committee) continues to shape our capability-building efforts, supporting the authentic integration of cultural practices across our work.

To further enhance our people strategy, we remain focused on optimising people data and reporting, advancing our digital tools, and leveraging generative AI to enrich the employee experience.

Safety and wellbeing

We have continued to mature our approach to safety and wellbeing, with growing impact demonstrated through visible leadership and the integration of our critical risk framework. By focusing on the disciplined design of good work, we've enhanced wellbeing for our people, consistently applying our evidence-based approach through Wellbeing by Design.

Leadership, talent and capability

The full deployment of Te Ara Whakapakari (our approach to building leadership capability) is progressing well, with strong engagement and endorsement across all four leadership experiences. This initiative is a key enabler of our desired culture, helping to establish a shared organisational language and toolkit for leadership roles.

The next phase involves deploying accessible learning and capability solutions for the next three priority organisational capabilities, starting with 'self-leadership,' to be piloted in Q3 FY25.

Our talent strategy focuses on two main areas: unlocking succession for critical roles and accelerating the development of high-potential individuals through targeted internal mobility and career growth.

Customer Solutions

Our commitment to delivering service excellence to our customers over the first half of FY25 is evidenced through the attraction of new and retention of existing customers, and results from our customer Net Promoter Score which continues to show a positive shift. Our Voice of Customer programme, along with other data sources, guides future improvement to our services.

The implementation of a new customer support platform, integrated with our CRM, has streamlined the management of customer enquiries for our laboratory testing services, with plans to extend it to our food auditing team in Q4 of FY25.

To enhance the customer journey, a new Customer Care Centre will be introduced in Q3 FY25 enabling self-help via access to an online knowledgebase.

Testing

Food Testing

As New Zealand's leading provider of food testing services, we're committed to delighting our customers and exceeding their expectations through a range of future-focused initiatives.

Our ongoing journey toward becoming a digital, intelligent laboratory includes the implementation of state-of-the-art automation and technology-driven solutions. This will enhance efficiencies in our mahi and meet the growing demand for our laboratory services. These include the successful implementation of automation technology in Microbiology and Chemistry.

Aligned with this, we are actively reducing paper usage in laboratory workflows as part of our commitment to quality and digitisation. As we move into the second stage of our best in class laboratory redevelopment project at the Lynfield site, we will further explore automation capabilities to continue driving innovation.

In Q2 of FY25, we successfully launched a new courier service, enhancing our sample collection process across an expanded geographical network and improving service for our customers.

Specialty Testing

An increase in work through the residue programmes, coupled with a strong focus on operational efficiency, has delivered excellent service and reduced operating costs. Increased demand toward the end of the calendar year has further boosted profitability, and with a major contract set to commence, the outlook for the financial year remains strong.

Audit Services

The phased rollout of our new Audit Management System has progressed successfully this year. This system is integral to delivering our audit services, enabling standardised practices, improving efficiency, and enhancing customer-focused solutions. Completing the implementation of this system remains a key focus, along with initiating a programme of improvements to further enhance the customer experience.

Audit services performed well in the first half of the year, reflecting the benefits of these advancements and continual business improvement initiatives.

Meat Services

AsureQuality continues to play a vital role in the meat industry by providing comprehensive inspection services, maintaining the highest standards of food safety and quality. This year, we supported the M. bovis programme through essential sampling services, ensuring livestock health and meat product integrity.

Following the successful completion of a proof of concept for innovative inspection technologies, we have moved to the next phase by allocating a dedicated resource focused on the future of meat inspection. This initiative will explore how the application of this technology can deliver greater value for our customers through enhanced efficiency and accuracy.

To improve the roles and experience of our people, a Wellbeing by Design process is underway.

Biosecurity and Field Services

The first half of FY25 has brought changes to our Biosecurity and Field Services offerings, including the transition of TB herd testing to an OSPRI in-house service model, which will take place over Q3 and Q4 of FY25.

Diagnostics

Diagnostics has made strategic investments in automation and expanded cold storage. These enhancements position the business for growth, greater efficiency, and improved responsiveness to customer demand.

With a unique capacity in the Australasian market, Diagnostics is well-equipped to capitalise on new manufacturing opportunities and drive future success.

Data and Insights

This year, we started realising the benefits which encompasses 'Process, People and Technology', enabling effective integration of our business and advanced decision support capabilities for our customers. It also serves as the hub for our AI Practice, supporting AsureQuality in safely applying the benefits of AI across the business.

By leveraging the capabilities of the new Audit Management System, we have started to deliver insightful integrated reports for our customers. We have launched our first commercial software product for quality managers across multi-site food manufacturing businesses.

Sustainability Assurance

Due to the pause in Freshwater Farm Plan regulation implementation, we have shifted our focus to enduring strategic work that will result in significant positive impact on New Zealand's environment and economy. This includes providing services to sustainable finance providers, developing new tools for our customers to unlock value, and exploring new markets such as voluntary carbon. Across these projects, we are focused on implementing scalable business models to maximise growth and opportunity.

Academy

This year, the Academy, our Category 1 status Private Tertiary Institute, has focused on redesigning the meat inspection training course portfolio to deliver greater value to the industry. We have modernised our systems and processes and are developing resources that provide senior leaders in food companies with the information they need to lead more effectively in ensuring food safety.

Condensed Consolidated Statement of Comprehensive Income for the six months ended 31 December 2024

	Note	6 months December 2024 Unaudited \$000	6 months December 2023 Unaudited \$000
Revenue	6	112,009	110,500
Employee benefit expenditure		(76,911)	(76,080)
Consumables		(7,937)	(9,474)
Contractors and subcontractors		(1,605)	(1,653)
Transportation expenses		(3,397)	(3,550)
Rental and operating lease cost		(377)	(612)
Other expenses		(13,879)	(13,592)
Operating expenses		(104,106)	(104,961)
Depreciation and amortisation		(4,083)	(4,187)
Finance costs (net)	7	(1,250)	(1,414)
Share of profit of associates and joint ventures	8	1,363	1,061
Profit before income tax		3,933	999
Income tax expense		(677)	(22)
Profit for the period		3,256	977
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Translation of foreign operations		2,028	248
Other comprehensive income net of tax		2,028	248
Total comprehensive income for the period, net of tax		5,284	1,225

The accompanying notes form part of these condensed consolidated interim financial statements

Condensed Consolidated Statement of Changes in Equity for the six months ended 31 December 2024

Note	Share capital \$000	Revaluation reserve \$000	Translation reserve \$000	Retained earnings \$000	Total equity \$000
Balance at 30 June 2023 (Audited)	22,100	26,133	2,056	49,252	99,541
Total comprehensive income for the period	-	-	248	977	1,225
Balance at 31 December 2023 (Unaudited)	22,100	26,133	2,304	50,229	100,766
Total comprehensive income for the period	-	(2,003)	1	2,868	866
Balance at 30 June 2024 (Audited)	22,100	24,130	2,305	53,097	101,632
Total comprehensive income for the period	-	-	2,028	3,256	5,284
Balance at 31 December 2024 (Unaudited)	22,100	24,130	4,333	56,353	106,916

The accompanying notes form part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position for the six months ended 31 December 2024

	Note	December 2024 Unaudited \$'000	June 2024 Audited \$'000
ASSETS			
Current assets			
Cash and cash equivalents		1,472	2,622
Trade and other receivables		26,763	30,001
Inventories		7,128	6,813
Current income tax assets		907	394
Derivative financial assets		234	595
Total current assets		36,504	40,425
Non-current assets			
Property, plant and equipment		59,412	55,953
Intangible assets		1,980	2,189
Right-of-use assets	9	10,002	10,849
Investment in associates and joint ventures	8	58,291	55,910
Trade and other receivables		4,851	4,851
Deferred income tax assets		6,016	6,586
Total non-current assets		140,552	136,338
Total assets		177,056	176,763
LIABILITIES			
Current liabilities			
Trade and other payables		37,534	40,131
Borrowings		2,600	4,350
Current lease liabilities		1,665	1,664
Total current liabilities		41,799	46,145
Non-current liabilities			
Borrowings		16,299	16,146
Non-current lease liabilities	9	9,140	9,912
Payables		2,902	2,928
Total non-current liabilities		28,341	28,986
Total liabilities		70,140	75,131
Equity			
Equity attributable to equity holders of the parent		106,916	101,632
Total equity		106,916	101,632
Total liabilities and equity		177,056	179,673

The Board of Directors of AsureQuality Limited authorised these financial statements for issue on 14 February 2025.



Peter Landon-Lane
Chair



Alison Posa
Chair Finance and Risk Committee

The accompanying notes form part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows for the six months ended 31 December 2024

Note	6 months December 2024 Unaudited \$000	6 months December 2023 Unaudited \$000
Cash flows from operating activities		
	117,983	111,777
Receipts from customers		
	(109,538)	(107,724)
Payments to suppliers and employees		
	(945)	(1,042)
Interest paid net of interest and dividends received		
	(619)	(1,034)
Income tax paid		
Net cash generated from operating activities	6,881	1,977
Cash flows from investing activities		
	(6,728)	(5,533)
Purchase of property, plant and equipment		
	(51)	(3)
Purchase of intangibles		
	657	-
Dividends received from associate		
	498	1,660
Proceeds from sale of property, plant and equipment		
Net cash used in investing activities	(5,624)	(3,876)
Cash flows from financing activities		
	(1,597)	3,915
(Repayment of)/ proceeds from borrowings		
	(815)	(835)
Lease principal payments		
Net cash from/ (used in) financing activities	(2,412)	3,080
Net (decrease)/ increase in cash	(1,155)	1,181
	2,622	1,211
Cash and cash equivalents at beginning of six month period		
	5	(3)
Exchange gains /(losses) on cash balances		
Cash and cash equivalents at the end of the period	1,472	2,389
Reconciliation of the profit for the period with cash flows from operating activities		
	3,256	977
Profit for the period		
Adjustments for:		
	4,083	4,187
Depreciation and amortisation		
	(130)	(13)
Interest capitalised in the construction of property		
	(1,363)	(1,061)
Share of profit of associates and joint ventures		
	1,222	45
Other non-cash movements		
Impact of changes in working capital		
	3,238	(2,061)
Trade and other receivables		
	(513)	(659)
Income tax		
	(2,597)	635
Trade and other payables		
	(315)	(73)
Inventories		
Net cash generated from operating activities	6,881	1,977

The accompanying notes form part of these condensed consolidated interim financial statements.

1. Reporting entity

AsureQuality Limited is a company registered under the Companies Act 1993 and is a company incorporated and domiciled in New Zealand. Condensed consolidated interim financial statements are presented, comprising AsureQuality Limited and its subsidiaries, and its investments in associates and joint ventures (the "Group"). The Group provides food quality assurance and biosecurity services and manufactures and sells animal diagnostic products.

The Group is designated as a profit-oriented entity for financial reporting purposes.

2. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with the State-Owned Enterprises Act 1986 and generally accepted accounting practice in New Zealand ("NZ GAAP") as appropriate for profit-orientated entities.

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

The condensed consolidated interim financial statements have been prepared in accordance with NZ IAS 34 and IAS 34 Interim Financial Reporting.

The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. Accordingly, these financial statements should be read in conjunction with the annual report for year ending 30 June 2024. The Condensed consolidated interim financial statements have been prepared in accordance with the accounting policies set out in the 2024 Annual Report. A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

The financial information contained in this report has not been audited by AsureQuality's auditors.

3. Accounting judgements and estimates

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The judgements and estimates used in the preparation of these interim financial statements are consistent with those used in the annual report for the year ended 30 June 2024.

4. Seasonality of operations

AsureQuality's revenues are seasonal and largely follow the primary production industry cycle.

5. Dividends

During the six months ended 31 December 2024, no dividend was paid by AsureQuality Limited to the shareholder as we will utilise cash usually paid as a final dividend, to continue to fund the re-development of the strategically important Auckland food testing facility.

6. Revenue

	6 months December 2024 Unaudited \$000	6 months December 2023 Unaudited \$000
Disaggregation of the Group's revenue from contracts with customers:		
Food Testing services	33,308	31,309
Meat services	35,777	34,219
Auditing services	17,704	17,960
Specialty services	17,614	18,760
Other	7,606	8,252
	112,009	110,500

7. Finance Costs (net)

Interest expense on borrowings	(459)	(758)
Interest expense on lease liabilities	(372)	(275)
Interest income on short-term bank deposits	16	6
Movement of derivatives held at fair value through profit or loss	(361)	(327)
Net foreign exchange gain/(loss)	(74)	(60)
	(1,250)	(1,414)

8. Investments in associates and joint ventures

Name	Country of Incorporation	Principal activities	Balance Date	Ownership and voting interest December 2024	Ownership and voting interest December 2023
Bureau Veritas AsureQuality Holdings Limited (BVAQ AU)	Australia	Independent food testing laboratories	31-December	49%	49%
BV-AQ (Singapore) Holdings Pte Ltd (BVAQ SEA)	Singapore	Independent food testing laboratories	31-December	49%	49%

	6 months December 2024 \$'000
Carrying amount of investments in associates and joint ventures	
Investment at the beginning of the period	55,910
Share of profit	1,363
Dividend received	(657)
Share of other comprehensive income of associates	1,675
Balance at 31 December 2024	58,291

9. Right-of-use assets

During the six months ended 31 December 2024, the Group had lease additions and modifications of \$55,000 (six months ended 31 December 2023 \$2,491,000). There have been no material disposals or reductions to the right of use assets (December 2023: Nil).

10. Contingent assets and liabilities

There are no material contingent assets or liabilities as at 31 December 2024 (December 2023: nil).

11. Related party transactions

The ultimate shareholder of the Company is the Crown. The Company undertakes many transactions with other State-Owned Enterprises and Government entities and departments in the normal course of business. These transactions are carried out on a commercial and arm's length basis and are exempt from related parties disclosures (under NZ IAS 24 (Revised) Related Party Disclosures). The following represents the major ongoing transaction types but should not be taken as a complete list: product and environmental testing services, animal health services, accident compensation levies, air travel services, energy products, postal and courier services, specific scientific advisory services and rental and leasing services.

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

The following transactions were carried out with related parties:

	6 months December 2024 Unaudited \$'000	6 months December 2023 Unaudited \$'000
Sales of services:		
Services provided to associates	1,733	1,955
Expenses:		
Services provided to associates	226	139

12. Significant events after interim balance date

Bureau Veritas entered into an exclusive agreement with Mérieux NutriSciences in October 2024 to sell its global food testing business, including its share in the BVAQ joint ventures. On the 31 January 2025 the sale of Bureau Veritas's shares in BV-AQ (Singapore) Holdings Pte Ltd (BVAQ SEA) to Mérieux NutriSciences was finalised. The sale of Bureau Veritas's shares in Bureau Veritas AsureQuality Holdings Limited (BVAQ AU) to Mérieux NutriSciences is expected to be completed in March 2025, subject to Australian regulatory review. AsureQuality is maintaining the current level of investment in the Australian and Southeast Asian joint ventures as they are strategically aligned, support New Zealand food exporters in key markets and provide valuable sector insights and innovation.

13. Commitments

	December 2024 Unaudited \$'000	December 2023 Unaudited \$'000
Capital Commitments		
Capital expenditure contracted for at reporting date but not provided for	10,056	3,117

Capital work in progress includes an amount of \$7,027,000 (December 2023: \$1,198,000) relating to the Group's Auckland Lab development which is currently under construction. The cost of the building will be depreciated once the property is complete and available for use. The estimated construction costs to which the Group is contractually committed at 31 December 2024 is \$9,450,000 (December 2023: Nil). The Group had also entered into contractual commitments for the acquisition of property, plant and equipment amounting \$607,000 (December 2023: \$3,117,000).

14. Derivative financial instruments

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

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

The Group holds the following instruments:

	Notional principal		Fair value		Movement of derivatives held at fair value through profit or loss	
	December 2024	June 2024	December 2024	June 2024	December 2024	December 2023
	\$000	\$000	\$000	\$000	\$000	\$000
Interest rate swaps	12,020	16,005	234	595	(361)	(327)

Comparison with performance targets including the Statement of Corporate Intent For the six months ended 31 December 2024

	6 months December 2024 Target	6 months December 2024 Actual	12 months June 2025 Target
Financial performance targets			
Revenue	\$110.8m	\$112.0m	\$232.0m
Earnings before interest and tax	\$0.8m	\$5.2m	\$6.5m
Net profit after tax	\$0.2m	\$3.3m	\$4.0m
Net cash flow from operating activities	\$2.1m	\$6.9m	\$9.2m
Operating margin ¹	4.7%	8.3%	7.0%
Non-financial performance targets			
Critical programme audit failures	Nil	Nil	Nil
Critical facility audit failures	Nil	Nil	Nil
Staff turnover rate ²	<15%	12%	<15%
Total recordable injury frequency rate (TRIFR)	<3.8	3.4	<3.8

1. Operating margin is calculated as Earnings before interest, tax, depreciation and amortisation divided by Revenue

2. Staff turnover rate is calculated as a rolling average of permanent staff (excluding redundancy) who have left the business in the last twelve months.

Helping Aotearoa shape a better food world



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