



QUALITY COUNTS

# INTERIM REPORT 2010

FOR THE SIX MONTHS ENDED 31 MARCH 2010



# CONTENTS

**AsureQuality is the largest and most internationally accredited provider of food safety and biosecurity services to the food and agricultural sectors in the southern hemisphere.**

<b>CHAIR AND CEO REPORT</b>	<b>03</b>
<b>BUSINESS OVERVIEW</b>	<b>04</b>
<b>FINANCIAL STATEMENTS</b>	<b>06</b>

# CHAIR AND CEO REPORT

## RESULTS OVERVIEW

The first six months have been positive with AsureQuality posting a profit of \$3.2 million on a total revenue of \$69.6 million (\$0.2m and \$0.5 million above budget respectively). This is slightly below last year, as AsureQuality's budget reflected the ongoing effects of the economic downturn and the decrease in revenue from diagnostic kits sales as various governments reduce programmes. The higher administrative expenditure reflects a combination of restructuring costs, set up costs for the Singapore laboratory and an increase in marketing and operational support for frontline staff.

We have developed a diverse business base to help spread our risk and will need to seek to maximise every opportunity ahead to achieve our full year budget.

## SHAREHOLDER DIVIDEND

In line with the Shareholder's expectation of AsureQuality as an SOE to generate a commercial return, a dividend of \$3 million was paid to the Shareholder in December 2009 for the previous financial year. An interim dividend for the current financial year of \$1.5 million was paid in May 2010.

## PRIMARY PRODUCTION SELECT COMMITTEE

In March, we appeared before the Primary Production Select Committee in Parliament which reviewed our financial performance as an SOE over the past year and our plans for the future.

Overall the committee responded positively on our second successful year as AsureQuality, despite the economic climate, and acknowledged that key stakeholders were pleased with our results to date.

## MP BUSINESS STUDY PROGRAMME

In November 2009 MP Carol Beaumont completed a five day Business Study Programme with AsureQuality. This programme, run by the NZ Business & Parliamentary Trust, is designed to enable MPs to widen their experience in and increase their knowledge of business. Carol reported that this was a valuable experience for her. Subsequent to her Business Study Programme, Carol attended the AsureQuality Primary Production Select Committee hearing and Auckland Laboratory opening.

## BOARD CHANGES

Richard Janes retired from the Board in November 2009 after many years of dedicated service. Richard was the Chairman of ASURE for a number of years and had been Deputy Chairman of AsureQuality over the past two years. John Ashby has been appointed as the new Deputy Chair.

A new Director, Jane Lancaster was appointed in November 2009. Jane has extensive experience in the commercial application of science and technology in the agribusiness and food sectors.

Dianne Kidd has been appointed as a new Director to the AsureQuality Board from 1 May 2010. Dianne has a diverse background in New Zealand business, health and rural communities.

## KEY FOCUSES FOR 2010

As noted in our Statement of Corporate Intent, AsureQuality is pursuing strategies to grow the company during the 2010 financial year, with a focus in the following areas:

### PURSUING VALUE ENHANCING OPPORTUNITIES

#### > Laboratory Business

The establishment of a 450 square metre laboratory facility in Singapore, which will offer food chemistry, microbiology and dairy nutritional testing, and the expansion and refurbishment of the Auckland Laboratory, are two examples of value enhancing opportunities that have occurred in the first six months of the financial year.

#### > Diagnostics Business

The work with Prionics is progressing well and an increased focus on the Australian market is beginning to show opportunities to utilise further our manufacturing facility in Melbourne.

#### > Strengthening Biosecurity Capability

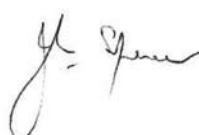
AsureQuality has made significant progress in the first six months of the year with the National Biosecurity Response Network as detailed in the Business Overview section.

Discussions also continue with various parties for both domestic and international initiatives involving a number of AsureQuality business units.

### INCREASING PERFORMANCE AND PRODUCTIVITY

AsureQuality has achieved the productivity measures set in the budget for the six months period to March. Results continue to be encouraging for recently restructured business units such as Food Auditing and Seed, Pest and Proficiency. Dairy Technical Services, which AsureQuality has a shareholding in, is also performing well after restructuring and refurbishment undertaken in 2009. For the balance of the financial year, initiatives aimed at improving efficiency and financial performance of some areas of the business will continue.

Despite the expected difficult trading conditions, the expectation is that the Company will meet its budget in the current financial year.



John Spencer  
Chair



Tony Egan  
CEO

May 2010

# BUSINESS OVERVIEW

## OPERATIONS

### MEAT INSPECTION SERVICES

AsureQuality Meat Inspectors continue to exceed the New Zealand Food Safety Authority's (NZFSA) target for compliance accuracy.

The impact of meat processing plants processing less stock during the period has resulted in reduced revenue, due to meat inspectors working 42,000 hours less than budget. This has been offset through operational savings and increased sales of higher-value non meat inspection services, such as training to the meat industry.

### FOOD AND DAIRY

The first half of the 2009/10 year has seen revenue growth of 27% when compared to the same period in 2009, this despite the challenge of training a number of new staff over that period.

Major highlights year to date have included the approval of 10 staff to additional food safety audit programmes; securing auditing contracts with several multi-site companies, and the implementation of new systems to measure financial and operational KPIs within the audit business.

### CHINA TRADE MISSION

In March this year AsureQuality joined the senior management of some of New Zealand's leading companies on the Agritech Trade Mission to China, led by the Hon David Carter, Minister of Agriculture. The mission's primary objective was to develop long-term relationships with key agencies and producers of dairy products in China. There is great potential for AsureQuality to gain market share in China's growing dairy sector, and we will work with NZTE to realise these opportunities in the coming year.

### BIOSECURITY

A capability network manager has been appointed to build contacts and relationships for the National Biosecurity Capability Network under our long-term agreement with MAFBNZ. The role will include working with Regional councils (including CEOs, civil defence and biosecurity groups), organisations and industry groups providing biosecurity services, and MAFBNZ.

Over the past six months we have continued to progress the transitional plan (to develop and maintain a fully integrated biosecurity response capability across New Zealand); participated in the review of the Biosecurity Act, and progressed to a proposal be part of the MAFBNZ Surveillance Panel of service providers.

## FIELD SERVICES

In November 2009, AsureQuality signed a license agreement with LEAF Marque Ltd enabling us to inspect and certify farms to the LEAF (Linking Environment And Farming) Marque Standard in Australia and New Zealand. AsureQuality carried out the first LEAF audit in January, making us the first company in New Zealand to provide this certification.

In March this year, AsureQuality hosted a training session on the newly released Tesco Nurture Standard. Training was delivered by the UK-based Tesco Nurture Programme managers (CMI) and was represented by New Zealand-based Certification Bodies auditing against the programme.

The Verification of Timber Properties (VTP) programme has been developed to benchmark production systems and increase consumer confidence in structurally graded timber products used within the building industry.

During the period, Field Services reached a five-year agreement with the Intellectual Property Rights Office for AsureQuality to provide Plant Variety Rights (PVR) trial work within the seed industry.

## ON-FARM SERVICES

On-Farm Services had a strong first half of the financial year with both revenue and EBIT above budget. Contributing factors included our base workload of TB Testing for the Animal Health Board, Farm Dairy Assessments and associated services, and Farm Assurance auditing programmes.

Activity increases in export testing and sample collection have improved staff productivity; and with the peak months for On-Farm Services being from March to June, we expect to see workloads and commitments remain high throughout the third quarter.

## VETERINARY SERVICES

The Veterinary team had a busy first half of the year, completing the pre-export requirements for several large shipments of livestock and many smaller shipments of horses, cattle, alpacas, sheep and goats, to a variety of overseas destinations.

## LABORATORIES AND DIAGNOSTICS

### AUCKLAND

In March, AsureQuality celebrated the completion of expansion activities at the Auckland laboratory that have resulted in the extension of its testing capacity. During the expansion services to customers was maintained at normal operating levels.

The refurbishment was necessary to meet ongoing testing demands, and focused on providing increased space to improve process flows within the laboratory. The refit included the

expansion of the chemistry laboratory by 660 square metres; an increased sample reception area for the 1.2 million samples processed each year, and a new modern cafeteria for laboratory staff. In total the floor area was increased by 819 square meters.

A new wine laboratory to cater for export wine testing and space for expansion has also been part of the new upgrade.

### **WELLINGTON**

The nature of the work carried out by the Wellington Laboratory will continue to rely heavily on discretionary project work. During the past six months the laboratory has completed a number of such projects which have contributed significant revenues over a number of years.

The current economic climate is impacting on the replacement of this project work, to some extent, as this is seen as discretionary by some customers, at least in the short term.

### **DAIRY TECHNICAL SERVICES**

AsureQuality has continued to benefit from its shareholding in Australian-based Dairy Technical Services. DTS has continued to grow and has contributed positively to our overall financial results for the first six months of the financial year.

Our shareholding in DTS works well with AsureQuality's own aspirations for growth, as it gives us a strong presence in Australia and complements our further expansion into the Asian food and dairy testing market.

### **PEST AND SEED LABORATORY**

The first six months has seen an increase in revenue for the Plant Health Laboratory at Lincoln due to an endophyte grow-out study for the seed industry.

The Fruit Pest Survey, which takes place from April to June, is expected to result in further revenue growth.

### **DIAGNOSTICS MANUFACTURE**

The current economic climate continues to affect the sale of animal diagnostics globally, and as a result this business has focused on product development and expanding its customer base for contract manufacturing in Melbourne. The expansion is being assisted by the appointment of a specialist marketing and sales manager in Australia. This is expected to result in new products coming on to the market in the future.

AsureQuality and the Swiss company Prionics, continue to work closely on the development and promotion of TB solutions under the programme "A World Free of TB". Joint synergies for the production and distribution of TB diagnostics are also being assessed.

## **SUPPORT SERVICES**

The centralised business services that support the two operating groups comprise Finance, Marketing, Procurement, Information and Communications Technology, Human Resources, Strategy and Certification and Quality Assurance.

This group continues its focus on supporting the Company's operating units and enhancing information available to business managers to ensure informed operational decisions. The benefit of upgrades and enhancements to the payroll, financial and auditing systems last year are now being seen by the business units. The past six months has focused on improving time and activity capture and reporting for the Operations Group.

## **CORPORATE SOCIAL RESPONSIBILITY**

AsureQuality continues to support the Police Managers' Guild Trust, which is currently focusing on family violence awareness, and the Maungatautari Trust with annual donations.

A number of staff took the opportunity to use the Employee Volunteer Programme to donate one day of their time to support a community organisation or charity of their choice.

## **EMPLOYEE HEALTH AND SAFETY**

A new health and safety training programme was rolled out during March, along with a new accident and investigation form aimed at preventing the reoccurrence of injuries.

A key focus of 2010 is to reduce the number of medically treated injuries (MTIs).

## **EIGHT WEEK PHYSICAL ACTIVITY PROGRAMME CHALLENGE**

This challenge was implemented throughout AsureQuality with 77 teams participating. The inaugural eight week physical activity challenge was a great success, with many inspirational stories from across the company about staff who were motivated to do some exercise as a result of the challenge.

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX MONTHS ENDED 31 MARCH 2010

	Note	6 months March 2010 \$000	6 months March 2009 \$000
Revenue	8	69,645	70,760
Cost of sales	9	(46,353)	(47,159)
<b>Gross profit</b>		<b>23,292</b>	<b>23,601</b>
Administration expenses		(8,639)	(7,996)
Sales and marketing		(212)	(245)
Other expenses		(9,641)	(9,609)
<b>Operating profit</b>		<b>4,800</b>	<b>5,751</b>
Share of associate profits		428	194
Foreign exchange gains		-	30
Finance income		8	4
Finance costs		(217)	(316)
<b>Profit before income tax</b>		<b>5,019</b>	<b>5,663</b>
Income tax expense		(1,773)	(1,660)
<b>Profit for the period</b>		<b>3,246</b>	<b>4,003</b>

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

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 MARCH 2010

	Note	6 months March 2010 \$000	6 months March 2009 \$000
<b>Other comprehensive income</b>			
Gains (losses) from:			
Translation of foreign operations		192	117
Cash flow hedges	3	11	-
Income tax relating to components of other comprehensive income		-	-
<b>Other comprehensive income for the period net of tax</b>		<b>203</b>	<b>117</b>
Profit for the period		3,246	4,003
<b>Total recognised income for the period</b>		<b>3,449</b>	<b>4,120</b>

*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 MARCH 2010

	CONSOLIDATED				
	Share capital \$000	Revaluation reserve \$000	Translation reserve \$000	Retained earnings \$000	Total equity \$000
Balance at 1 October 2008	22,100	6,128	581	1,127	29,936
Profit for the period	-	-	-	4,003	4,003
Exchange differences arising on translation of overseas operations	-	-	117	-	117
Dividend to equity holders	-	-	-	(3,000)	(3,000)
<b>Balance at 31 March 2009</b>	<b>22,100</b>	<b>6,128</b>	<b>698</b>	<b>2,130</b>	<b>31,056</b>
Profit for the period	-	-	-	883	883
Revaluation - gross	-	(170)	-	-	(170)
Deferred tax on revaluation of buildings	-	(320)	-	-	(320)
Exchange differences arising on translation of overseas operations	-	-	(343)	-	(343)
<b>Balance at 30 September 2009</b>	<b>22,100</b>	<b>5,638</b>	<b>355</b>	<b>3,013</b>	<b>31,106</b>
Profit for the period	-	-	-	3,246	3,246
Gain on cash flow hedges	-	-	11	-	11
Exchange differences arising on translation of overseas operations	-	-	192	-	192
Dividend to equity holders	-	-	-	(3,000)	(3,000)
<b>Balance at 31 March 2010</b>	<b>22,100</b>	<b>5,638</b>	<b>558</b>	<b>3,259</b>	<b>31,555</b>

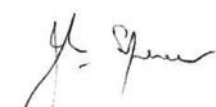
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## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### AS AT 31 MARCH 2010

	Note	March 2010 \$000	Sept 2009 \$000	March 2009 \$000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		1,631	632	1,424
Trade and other receivables		15,975	14,813	17,525
Inventories		3,897	3,874	4,195
Work in progress		337	470	348
<b>Total current assets</b>		<b>21,840</b>	<b>19,789</b>	<b>23,492</b>
<b>Non-current assets</b>				
Property, plant and equipment		29,057	27,504	26,891
Intangible assets	10	1,349	1,184	875
Investment in associate		7,830	7,402	7,580
Deferred income tax assets		1,176	1,144	2,418
<b>Total non-current assets</b>		<b>39,412</b>	<b>37,234</b>	<b>37,764</b>
<b>Total assets</b>		<b>61,252</b>	<b>57,023</b>	<b>61,256</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		7,601	7,889	7,879
Borrowings		3,750	242	2,000
Provision for employee entitlements		5,098	5,197	4,859
Derivative financial instruments		64	19	-
Current income tax liabilities		35	318	1,306
Deferred income		5,413	3,865	4,526
<b>Total current liabilities</b>		<b>21,961</b>	<b>17,530</b>	<b>20,570</b>
<b>Non-current liabilities</b>				
Borrowings		3,393	4,150	5,430
Provision for employee entitlements		4,343	4,237	4,200
<b>Total non-current liabilities</b>		<b>7,736</b>	<b>8,387</b>	<b>9,630</b>
<b>Equity</b>				
Capital		22,100	22,100	22,100
Revaluation reserves		5,638	5,638	6,128
Foreign currency translation reserve		558	355	698
Retained earnings		3,259	3,013	2,130
<b>Total equity</b>		<b>31,555</b>	<b>31,106</b>	<b>31,056</b>
<b>Total liabilities and equity</b>		<b>61,252</b>	<b>57,023</b>	<b>61,256</b>

The Board of Directors of AsureQuality Limited authorised these financial statements for issue on 17 May 2010.



John Spencer  
Chair



Joanna Perry  
Chair Audit, Risk and Compliance Committee

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

## CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 MARCH 2010

	6 months March 2010 \$000	6 months March 2009 \$000
<b>Cash flows from operating activities</b>		
Receipts from customers	71,272	69,347
Rent received	43	66
Interest received	9	4
Dividend received	4	3
Payments to suppliers and employees	(64,087)	(63,226)
Interest paid	(192)	(332)
Tax paid	(2,086)	(877)
<b>Net cash flows from operating activities</b>	<b>4,963</b>	<b>4,985</b>
<b>Cash flows used in investing activities</b>		
Property plant and equipment	(3,427)	(2,468)
Intangible assets	(185)	-
Software development	(170)	-
Investments	-	(1,550)
<b>Net cash flows used in investing activities</b>	<b>(3,782)</b>	<b>(4,018)</b>
<b>Cash flows used in financing activities</b>		
Proceeds/(payments) from/to borrowings	2,796	(2,533)
Dividend paid	(3,000)	(3,000)
<b>Net cash flows used in financing activities</b>	<b>(204)</b>	<b>(5,533)</b>
<b>Net increase (decrease) in cash</b>	<b>977</b>	<b>(4,566)</b>
Opening cash	632	6,009
Effect of foreign exchange rates	22	(19)
<b>Closing cash</b>	<b>1,631</b>	<b>1,424</b>

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

## CONSOLIDATED NOTES TO & FORMING PART OF THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH 2010

### 1. Reporting entity

AsureQuality Limited (AsureQuality) is a company registered under the Companies Act 1993. The Company is a company incorporated and domiciled in New Zealand. The Company provides food quality assurance and biosecurity services and manufactures and sells animal diagnostic products.

Condensed consolidated interim financial statements are presented, comprising AsureQuality Limited and its subsidiaries (the "Group").

### 2. Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with NZ 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 the year ended 30 September 2009. The accounting policies used in the preparation of these financial statements are consistent with those used in the annual report for the year ended 30 September 2009 [with the exception of new policies added for the introduction of hedge accounting (note 3), a change in policy for capitalisation of borrowing costs (note 5) and a new category of intangible assets (note 11)].

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

### 3. Hedge accounting

*Hedge of net investments in foreign operations.*

During the financial period the Group has designated certain hedging instruments in respect of foreign currency exchange risk as a hedge of net investments in foreign operations. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and 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.

The Group's Singapore dollar-denominated borrowing totalling SGD\$1,900,000 is designated as a hedge of the net investment in the Group's Singapore subsidiary. At current exchange rates on reporting date this translated to NZ\$1,894,000. The foreign exchange gain of NZ\$11,000 at the reporting date is recognised in other comprehensive income.

### 4. Accounting judgements and major sources of estimation uncertainty

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 September 2009.

## CONSOLIDATED NOTES TO & FORMING PART OF THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH 2010

### 5. Adoption of new and revised Standards and Interpretations

*Those with measurement impact:*

The adoption of NZ IAS 23 Borrowing Costs in the current year has impacted on these financial statements as the Group's accounting policy was previously to expense borrowing costs on qualifying assets. The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred.

This change in accounting policy has been applied to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after the effective date, of 1 October 2009.

In respect of the Group, the impact of the change in accounting policy has decreased finance costs by \$21,000 for the six months ending 31 March 2010 and increased Property, Plant and Equipment by \$21,000.

*Those with disclosure impact:*

NZ IAS 1 Presentation of Financial Statements has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of financial statements.

### 6. Seasonality of operations

AsureQuality's operations are seasonal and largely follow the primary production cycle driven by climate.

### 7. Dividends

During the six months ending 31 March 2010, a dividend of 12.61 cents (2009: 12.61 cents) per share was paid to the shareholder, relating to the 12 months ended 30 September 2009.

On 4 May 2010, the Board of Directors declared an interim dividend of \$1,500,000 for the six months ended 31 March 2010, representing 6.31 cents per share (2009: NIL). As the dividend was declared after balance date the financial effect has not been recognised in these financial statements.

	<b>6 months March 2010 \$000</b>	<b>6 months March 2009 \$000</b>
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### 8. Revenue

Revenue from operations consisted of the following items:

Revenue from the rendering of services	68,310	69,115
Revenue from the sale of goods	1,262	1,565
	<b>69,572</b>	<b>70,680</b>
Rental revenue	44	66
Other income	29	14
	<b>69,645</b>	<b>70,760</b>

### 9. Cost of sales

Labour	37,118	37,610
Consumables	4,859	4,615
Other expenses	4,376	4,934
	<b>46,353</b>	<b>47,159</b>

## CONSOLIDATED NOTES TO & FORMING PART OF THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH 2010

### 10. Intangible assets

#### *Intangible assets - accreditation costs*

Accreditation costs of \$185,000 have been recognised as an intangible asset during the period. These are initial development costs incurred by the company to obtain the accreditation of its laboratory in Singapore. This asset will be amortised on a straight line basis over 8 years, being the estimated economic life of the asset.

### 11. Contingent liabilities

There are no contingent liabilities as at 31 March 2010 (March 2009 nil).

### 12. 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. The following represents the major ongoing transaction types but should not be taken as a complete list: product and environmental testing services, biosecurity 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. These transactions are carried out on a commercial and arms length basis and while considered related party transactions are exempt from related parties disclosures.

AsureQuality made sales to and purchases from its associate, Dairy Technical Services Limited during the period. The Group has a Director on the Board of its associate, Dairy Technical Services Limited and receives director's fees for this position.

The following transactions were carried out with related parties:

	<b>6 months March 2010 \$000</b>	<b>6 months March 2009 \$000</b>
<b>Sales of services:</b>		
Services provided to associate	421	1,121
Director's fees charged to associate	6	5
<b>Expenses:</b>		
Purchase of services from associate	143	141

### 13. Significant after reporting date transactions

There were no significant after reporting date transactions which require disclosure.

## CONSOLIDATED NOTES TO & FORMING PART OF THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH 2010

	6 months March 2010 \$000	6 months March 2009 \$000
<b>14. Reconciliation of the profit for the period with cash flows from operating activities</b>		
<b>Profit for the period</b>	<b>3,246</b>	<b>4,003</b>
<b>Items not involving cash flows</b>		
Amortisation - software	238	194
Depreciation - property, plant and equipment	2,022	1,945
Property plant and equipment written-off	-	94
Loss (gain) on sales of property plant and equipment	3	(12)
Movement in deferred taxation	(32)	(176)
Movement in non-current provisions	106	166
Foreign currency exchange	(18)	47
Share of profit from associate	(428)	(194)
<b>Impact of changes in working capital</b>		
Trade and other receivables	(1,162)	(3,769)
Inventories	(23)	(457)
Work in progress	133	1,052
Current employee entitlements	(99)	(522)
Income tax	(283)	956
Accounts payable and accruals	(288)	800
Deferred income	1,548	858
<b>Net cash flows from operating activities</b>	<b>4,963</b>	<b>4,985</b>
<b>15. Commitments</b>		
<b>Capital commitments</b>		
Capital expenditure contracted for at reporting date but not provided for	543	811

## COMPARISON WITH PERFORMANCE TARGETS INCLUDING THE STATEMENT OF CORPORATE INTENT FOR THE SIX MONTHS ENDED 31 MARCH 2010

	6 months March 2010 Target	6 months March 2010 Actual	12 months Sept 2010 Target
<b>FINANCIAL PERFORMANCE TARGETS</b>			
Revenue	\$69.2m	\$69.6m	\$134.6m
Earnings before interest and tax	\$4.8m	\$5.2m	\$8.9m
Profit for the period	\$3.0m	\$3.2m	\$5.6m
Equity	\$33.0m	\$31.6m	\$34.1m
Net cash flow from operating activities	\$4.8m	\$5.0m	\$11.3m
Capital expenditure/investments	\$5.9m	\$3.8m	\$9.2m
<b>KEY RATIOS</b>			
EBIT margin	6.9%	7.5%	6.6%
Profit after tax margin	4.4%	4.7%	4.2%
Return on equity (profit after tax/shareholders' funds)	9.1%	10.3%	16.5%
EBIT/total assets	7.1%	8.5%	13.9%
Liquidity (current assets/current liabilities)	1.05	0.99	0.99
Productivity (average revenue/employee)	\$45,767	\$46,430	\$93,150
Productivity (average EBIT/employee)	\$3,175	\$3,486	\$6,072
Solvency ratio ((profit after tax + depreciation)/total liabilities)	15.8%	18.5%	35.3%
Gearing ratio	30.7%	25.8%	25.2%
<b>NON-FINANCIAL PERFORMANCE TARGETS</b>			
Critical programme audit failures	Nil	Nil	Nil
Critical facility audit failures	Nil	Nil	Nil
Staff turnover rate	<15.0%	6.6%	<15.0%
Medically Treated Injury Frequency Rate (MTIFR)	<14.0	15.9	<14.0
ACC partner status	Tertiary	Tertiary	Tertiary

### Equity

The shortfall in shareholders' equity against target reflects the decision to not recognise the Australian taxation losses at 30 September 2009 due to the uncertainty in realising these.

### Liquidity

The liquidity ratio is lower than target as at 31 March 2010 as AsureQuality had more short term debt than planned due to the lower cost of this borrowing versus longer term debt.

### Gearing Ratio

The gearing ratio is lower than target due to lower capital expenditure requiring less debt. The lower capital expenditure largely relates to timing differences.

### Medically Treated Injury Frequency Rate (MTIFR)

The medically treated injury rate is slightly above target due to an upsurge in the injury rate during the height of the meat processing season. While this is expected to reduce in the coming months, this remains a key focus.



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