Annual Report 2020

QUALITY ROADING AND SERVICES (WAIROA) LIMITED

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QUALITY ROADING AND SERVICES (WAIROA) LIMITED

DIRECTORY

Directors

Guy Gaddum (Chairman)
Tony Gray
David Proctor
Fenton Wilson (Appointed 01/08/2019)

Registered Office

Kaimoana Road
Wairoa

Postal Address

P O Box 83
Wairoa

Phone:	(06) 838 9030
Fax:	(06) 838 9049

Auditor

Stuart Mutch of Ernst & Young on behalf of the Office of the Auditor General

Bankers

Westpac
Wairoa

Solicitors

Mr I R McDonald
Wairoa

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
CHAIRMAN'S ANNUAL REPORT TO 30 JUNE 2020

INTRODUCTION

QRS Board Chairman Guy Gaddum.

It is my pleasure to present to our stakeholders the QRS Annual Report for 2020. This is my fourth report as Chair of Quality Roading and Services. This year we have continued to deliver strong results in a difficult trading environment and developed some ideas for future development that strike a good balance between the company's economic role and our social responsibilities. I am pleased to report our total revenue for the year was $26.2 million with a consolidated pre-tax profit of $600,865. This year we have made a provision in our end of year accounts for a subvention payment to our shareholder of $200,000 which has impacted on our reported consolidated pre-tax profit.

PRINCIPLE ACTIVITIES

Quality Roading and Services' (QRS) speciality is civil construction and roading infrastructure. We offer a full range of civil engineering, skills, experience, and equipment. QRS was incorporated in 1994 and is wholly owned by Wairoa District Council. The company is a Council Controlled Trading Organisation of the Local Government Act 2002 and operates under the Companies Act 1993 as defined in Section 6 of the Local Government Act 2002.

OVERVIEW

QRS navigated the onset of Covid-19 with a strong balance sheet and has finished strongly despite the upheavals the global pandemic continues to cause. The profit growth experienced in recent years was driven by diversification of the company's customer base. Below is a report against our key strategic focus areas.

People

QRS employed 87 staff as of June 2020 with all of them on fulltime employment contracts. We continued to invest in our biggest and most strategic asset, our staff, with $225,000 direct spend on training and personnel development.

We continued our drive towards a drug and alcohol-free worksite by carrying out 139 tests and reporting a less than one percent failure rate.

In March 2020 we farewelled chief financial officer Karen Burger after almost 20 years of loyal and diligent service. Karen stepped in many times to help the company and was acting chief executive during a demanding time in the company's history in 2017. On behalf of my fellow directors and the shareholder I formally acknowledge Karen's contribution to the company then, and in these more recent transformative and successful years. Karen's legacy lives on in the appointment of Siobhan Storey to the role of financial controller who continues to build on Karen's good work.

This year just over $7 million was invested in the salaries and wages of QRS staff, all of whom live locally thereby ensuring their salaries and wages are making a significant contribution to the Wairoa economy. During the Covid-19 lockdown QRS accessed $600,000 of wage subsidies offered by the Government and continued to pay all staff 80 percent of their normal income during this time.

Relationships

In the financial year 2020 our relationship with our major shareholder Wairoa District Council (WDC) was, and continues to be, recognised as the most critical to the company's success. We enjoyed a strong and mutually beneficial relationship with WDC as evidenced by the Mahia East Coast Rd collaborative contract and WDC's endorsement of Provincial Growth Fund monies for our operations hub.

Our relationship with other stakeholders such as our key clients continues to strengthen as demonstrated by our higher levels of pre-qualification with Waka Kotahi NZ Transport Agency (NZTA) thereby giving QRS the chance to tender for a wider range of infrastructure projects.

QRS continues to align itself with-stakeholders that share our values: equality, pride, and respect, and to those who assist us in achieving our goals.

Health and safety

The company continues to strengthen its culture around zero harm in the workplace. There was a strong focus on lead indicators, indicators of performance that might predict future success, such as minimising plant damage, rework costs, and the number of competency assessments. The measure of our success was our lag indicators (measures of past performance) which revealed that despite an increase in turnover and our growing work complexity and geographic reach, our injury and incident rates are mostly trending down as seen in the table below.

Measure	2020	2019	2018
Lost time injury frequency rate	0.91	1.3	1.8
Medical treatment injury rate	4.54	3.2	5.3
Total recordable injury frequency rate	5.6	5.9	5.8
Lost time injury	1	3	4

Financial performance and position

Total revenue for the year ended June 2020 including interest and other operating income was $26,227,000 ($24,284,000 last year).

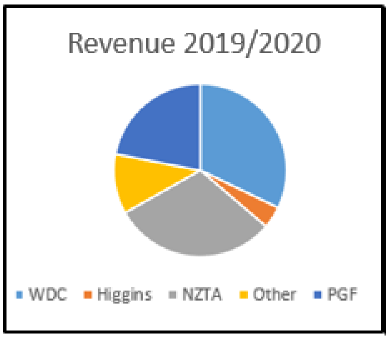
Costs were $25,327,000 ($22,710,000) last year.

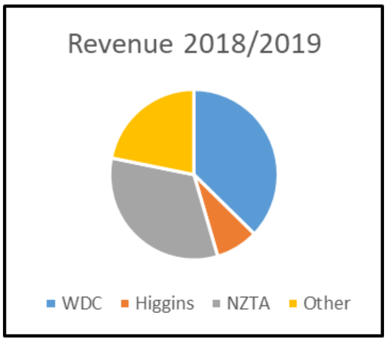
Our operating profit before tax was $600,865 ($1.5 million last year). That profit has been affected by an impairment and the subvention payment.

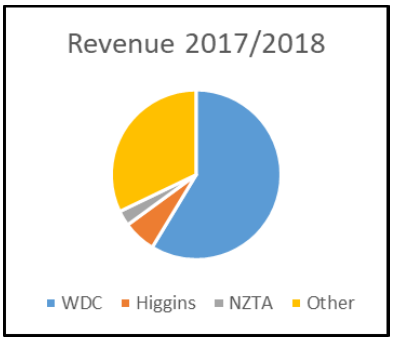
There was an impairment to the asset book value of Tangihanga Quarry. An impairment test identified ongoing concerns such as low market demand, an inability to meet market pricing, environmental factors, and production restrictions. It was decided that QRS would impair the asset in full with a book write down of its quarry investment by $358,446.

In February, QRS paid an interim dividend of $50,000 to WDC. In lieu of a final dividend payment for this year, we have made provision for a subvention payment to our shareholder of $200,000. This is a reasonably common payment between entities that are in the same group of companies. It involves the purchase of tax losses from WDC leading to an ultimate greater cash benefit to the Wairoa district.

The pie graphs below show the significant income streams for the past three years. The four largest revenue streams were Wairoa District Council (WDC) $13 million; Waka Kotahi NZTA $7 million; Rocket Lab $1.9 million; and Higgins $1 million. It must be noted that although WDC expenditure through QRS has increased, a large portion of this, was money funded by the Provincial Growth Fund for the Mahia East Coast Rd to the Rocket Lab site.







A table showing shareholder's funds as at 30 June 2020 compared with the previous two financial years is below.

	2020	2019	2018
Current assets	7,214,000	7,246,000	4,866,000
Less current liabilities	(5,076,000)	(4,774,000)	(3,315,000)
	2,138,000	2,472,000	1,551,000
Plus non-current assets	5,692,000	5,527,000	5,555,000
Less term liabilities	(788,000)	(1,037,000)	(1,164,000)
Total shareholder's funds	$7,042,000	$6,962,000	$5,942,000

QRS is pleased to report that as shown in the table below we have achieved all our Statement of Corporate Intent targets agreed on with our shareholder Wairoa District Council.

	2020		2019		2018	
	Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**
Return on equity (pre-tax)	6.0%	8.6%	6.0%	22.6%	6.0%	6.4%
Equity ratio (shareholders' funds % of total assets)	>45%	54.6%	>45%	64.4%	>45%	57.0%
Positive working capital ratio at year end	>1	1.4	>1	1.6	>1	1.5
Cost of debt servicing/revenue	<20%	0.3%	<20%	-0.5%	<20%	0.7%
Dividend/subvention payment	$250k	$250k	$100k	$350k	$100k	$110k

We also continued our strong support of Wairoa community this year via $43,600 worth of sponsorship and support in kind to local events, teams, schools, and marae.

Looking forward

We continue to believe that there is no better risk management tool for uncertain times than a strong balance sheet, and QRS continues to take a prudent and cautious approach to capital and operational cash management.

QRS is benefitting from the money being spent on local roading infrastructure improvements as a result of the Government's Covid-19 stimulus package. Meanwhile the directors and I have challenged the leadership team to grow revenue in areas where the company has natural competencies and the ability to manage the associated risk.

With this in mind, and the role we play in the local community, QRS is now building a fit-for-purpose operations hub to unleash business efficiency and potential. The proposed new 750 square metre hub will provide a modern connected space for an additional 30 staff with central meeting and briefing rooms, human resource and finance workspaces offering privacy, and a storeroom. The new building has been budgeted to cost $4 million.

The bold vision and sound associated business case supported by WDC meant the project attracted a $2 million low interest loan from the Government's Provincial Growth Fund. QRS can now invest in its own people, ensuring their workspace is energetic and team-spirited, warm, inviting, and something we can all be proud of.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There are no significant changes in company affairs since balance date.

DIRECTORS

In August 2019 Fenton Wilson was appointed as a director. On behalf of my fellow directors we welcome Fenton and thank him for his already significant contribution at the board table. His knowledge, networks and commercial acumen have greatly benefited the company.

I would also like to take this opportunity to thank the other two board directors Tony Gray and David Proctor, the leadership team, all our staff, and finally our shareholder, for what has been an excellent result during such an extraordinary year. Ehara taku toa i te toa takitahi, engari he toa takitini. My strength is not mine alone, it is the strength of many.

Quality Roading and Services continues to build on the transformational changes made several years ago and is in a strong position heading in to 2021.

Guy Gaddum
Quality Roading and Services board chairman.
24 September 2020

Directors

The following persons held office as directors during the year.

Guy Gaddum (Chairman)
Tony Gray
David Proctor
Fenton Wilson (Appointed 01/08/2019)

Directors Interests and Transactions

Guy Gaddum

Anchorage Contractors (2007) Ltd	Director / Shareholder
Spinergy Properties Ltd	Director / Shareholder
Gaddum Construction Ltd	Director / Shareholder
FICA (Forestry Industry Contractors Association)	Board Member, Deputy Chair
Partridge Heavy Haulage Ltd	Owner / Shareholder

Tony Gray

Hastings District Council	Executive Project Advisor (part time)
Ngati Pukenga Investments Ltd	Director, Chair
Eastland Group Ltd	Director, Chair - Audit & Finance Committee
Eastland Port Ltd	Director
Gisborne Airport Ltd	Director
Eastland Network Ltd	Director
Civic Financial Services Ltd	Director, Risk & Audit Committee Member
Maungaharuru Tangitu Ltd	Director, Audit & Risk Committee Member
Mutual Fund Trustees Ltd	Trustee
Artemis Nominess Ltd	Director
Esk Forest Ltd	Director
Kaiwaka Unicoporated JV	Director
Tatau Tatau o Te Wairoa Commercial Ltd	Chairman
Establishment Board of Hawkes Bay Food and Innovation Hub	Chairman

David Proctor

GHD NZ Limited	Director
Davell Investments Ltd	Director, Shareholder
Axell Consultants Ltd	Director

Fenton Wilson

OSPRI Limited	Director
TB Free New Zealand Limited	Director
National Animal Identification and Traceability (NAIT) Limited	Director
Centralines Limited	Director
Predator Free New Zealand Trust	Trustee/Chairman
Wairoa Community Development Trust	Trustee/Chairman
Oruru Land Company Limited	Director/Beneficial Shareholder

Share dealings with Directors

No director has sold or acquired shares in the company during the year.

Loans to Directors

No loans have been made to directors.

Directors Remuneration

The following amounts of Remuneration were paid:-

G E Gaddum	$51,697	
A T Gray	$29,532	
D G Proctor	$21,665	
F D Wilson	$25,782	(Appointed 01/08/19)

Directors Indemnity and Insurance

The company has insured all its directors against liabilities to other parties that may arise from their position as directors. The insurance does not cover liabilites arising from criminal actions.

Employees' Remuneration

During the year, the following number of employees received total remuneration and other benefits between:

One Employee	$250,001 and $270,000
Two Employees	$150,001 and $160,000
One Employee	$130,001 and $140,000
One Employee	$120,001 and $130,000

Donations / Sponsorship

Donations/sponsorship made during the year was $43,601. Recipients of over $1,000 were:

- Wairoa Ross Shield
- Wairoa A&P Show
- Wairoa Race Course
- Wairoa JAB Rugby
- Wairoa District Council Scrapyard Clean Up
- Kaiuku Marae
- EPro8 Science Competition
- Hawkes Bay Regional Council Driver Licensing Programme

Auditors Remuneration

During the year the following amount was paid to Ernst & Young on behalf of the Auditor General

For Audit work including disbursements	$79,880

Description of the Business

Quality Roading and Services (Wairoa) Limited is a Council Controlled Trading Organisation principally involved in civil construction and road maintenance activities. Other work includes reserves maintenance, waste collection and disposal, and a variety of private sector civil works.

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INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF QUALITY ROADING AND SERVICES (WAIROA) LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2020

The Auditor-General is the auditor of Quality Roading and Services (Wairoa) Limited (the company). The Auditor-General has appointed me, Stuart Mutch, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements and performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 13 to 16 and 18 to 30, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on page 17.

In our opinion:

- the financial statements of the company on pages 13 to 16 and 18 to 30:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2020; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the company on page 17 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2020.

Our audit was completed on 28 September 2020. 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 and the performance information, 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.

Emphasis of matter – Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Company as set out in the 'Impact of Covid-19' section of page 18 of the financial statements.

Responsibilities of the Board of Directors for the financial statements and the performance information

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

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

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

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, 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 and the performance information.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

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 and the performance information, 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 company'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 evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- 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

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exists related to events or conditions that may cast significant doubt on the company'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 and the performance information 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 company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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 3 to 10, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information 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 and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information 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 company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

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

Stuart Mutch
Ernst and Young
Chartered Accountants
On behalf of the Auditor-General
Wellington, New Zealand

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $	2019 $
Revenue	16	26,227,082	24,283,632
Cost of Sales		15,929,553	13,020,058
Gross Profit		10,297,529	11,263,574
Personnel Expenses	2	6,371,234	6,991,410
Depreciation Expense	3, 11	1,206,045	1,075,478
Administrative Expenses		1,372,507	1,097,042
Other Operating Expenses	1	475,271	408,112
		9,425,058	9,572,042
Operating Profit/(Deficit) Before Net Financing Costs		872,471	1,691,532
Financing Income		5,759	815
Financing Expenses		77,365	118,804
Net Financing Costs		(71,606)	(117,989)
Subvention Payment - Wairoa District Council		(200,000)	-
Profit Before Income Tax		600,865	1,573,543
Income Tax (Expense)	10	(170,174)	(443,924)
Profit For The Year		430,691	1,129,619
Other Comprehensive Income		-	-
Total Comprehensive Income for the Year		430,691	1,129,619

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

EY

	Notes	2020 $	2019 $
EQUITY AT BEGINNING OF THE YEAR		6,961,660	5,942,041
Profit/(Deficit) for the year		430,691	1,129,619
Total recognised revenues and expenses for the year		430,691	1,129,619
Other comprehensive income		-	-
Total comprehensive income for the period		-	-
Transactions with owners in their capacity as owners:			
Dividends Paid	9	(350,000)	(110,000)
EQUITY AT THE END OF THE YEAR		7,042,351	6,961,660

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

EY

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Notes	2020 $	2019 $
ASSETS:			
Current Assets			
Bank		2,310,129	1,898,147
Trade and Other Receivables	5	3,849,746	4,487,239
Inventories	4	604,714	789,162
Contract Assets		449,591	71,008
Total Current Assets		7,214,180	7,245,556
Non Current Assets			
Deferred Tax	10	583,529	506,203
Intangible Assets	12	99,160	125,390
Property, Plant and Equipment	11	4,917,421	4,895,042
Right of Use Assets	3	92,524	-
Total Non Current Assets		5,692,634	5,526,635
TOTAL ASSETS		12,906,814	12,772,191
EQUITY:			
Share Capital	9	1,250,000	1,250,000
Retained Earnings	9	5,792,351	5,711,660
TOTAL EQUITY		7,042,351	6,961,660
LIABILITIES:			
Current Liabilities			
GST Payable		195,177	401,512
Trade and Other Payables	6	3,186,046	2,497,078
Employee Benefits	7	687,664	714,110
Interest-Bearing Loans and Borrowings	8	294,428	463,382
Lease Liability	3	89,168	-
Taxation Payable		136,169	464,036
Contract Liabilities		287,241	233,501
Wairoa District Council - Subvention Payment		200,000	-
Total Current Liabilities		5,075,893	4,773,619
Non Current Liabilities			
Employee Benefits	7	35,019	34,973
Quarry Aftercare Provision	15	180,105	162,930
Interest-Bearing Loans and Borrowings	8	567,229	839,009
Lease Liability	3	6,216	-
Total Non Current Liabilities		788,569	1,036,912
TOTAL LIABILITIES		5,864,462	5,810,531
TOTAL EQUITY AND LIABILITIES		12,906,814	12,772,191

For and on behalf of the Board, who authorised the issue of these financial statements on 24 September 2020

Director ____________________ Director ____________________

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

EY

	Notes	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from Customers		26,485,991	22,060,242
Financing Income		5,760	815
		26,491,751	22,061,057
Cash was disbursed to:			
Payments to Suppliers		16,586,541	13,197,915
Payments to Employees		6,586,483	6,701,240
Taxes Paid		575,366	159,347
Financing Expense		77,365	118,804
		23,825,755	20,177,306
Net Cash Inflow from Operating Activities	13	2,665,996	1,883,751
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from Sale of Property, Plant and Equipment		196,444	518,387
		196,444	518,387
Cash was applied to:			
Purchase of Property, Plant and Equipment		1,547,684	1,454,286
Purchase of Intangibles		-	7,830
		1,547,684	1,462,116
Net Cash (Outflow) from Investing Activities		(1,351,240)	(943,729)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Proceeds from Loans and Borrowings		1,480,728	513,700
		1,480,728	513,700
Cash was applied to:			
Payment of Dividends		350,000	110,000
Repayment of Loans and Borrowings		1,921,463	1,162,061
Lease Payments		112,040	-
		2,383,503	1,272,061
Net Cash (Outflow) from Financing Activities		(902,775)	(758,361)
Net Increase in Cash Held		411,981	181,661
Add Opening Cash and Cash Equivalents		1,898,147	1,716,486
Closing Cash and Cash Equivalents		2,310,128	1,898,147
Cash Balances in the Statement of Financial Position			
Cash		2,310,128	1,898,147
CLOSING CASH AND CASH EQUIVALENTS		2,310,128	1,898,147

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

Specific measures of performance stated and defined within the Statement of Intent are:

	2020		2019	
	Target	**Actual**	**Target**	**Actual**
Return on Equity (Pre Tax)	**6.0%**	**8.6%**	6.0%	22.6%
Equity Ratio (shareholders funds as % of total assets)	**>45%**	**54.6%**	>45%	64.4%
Positive working capital ratio at year end	**>1**	**1.4**	>1	1.6
Cost of Debt Servicing/Revenue	**<20%**	**0.3%**	<20%	-0.5%

A positive working capital ratio has been maintained throughout the year.

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Reporting Entity

Quality Roading and Services (Wairoa) Limited ("QRS" or "the Company") is incorporated and domiciled in NZ and is wholly owned by the Wairoa District Council. The Company is a Council Controlled Trading Organisation as defined in Section 6 of the Local Government Act 2002.

The principal activities for the company are Roading Maintenance and Construction, Reserves Maintenance, Quarrying, Heavy Transport, Civil Construction, Lime Production and Utility Services within the Wairoa District and wider East Coast Region.

Basis of preparation

The financial statements have been prepared in acccordance with generally accepted accounting practice in New Zealand (NZ GAAP) and the requirements of the Companies Act 1993 , Financial Reporting Act 2013 and the Local Government Act 2002. The financial statements have also been prepared on a historical cost basis except where specifically provided for within these accounting policies. The financial statements are presented in New Zealand dollars.

Statement of compliance

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to IFRSs and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities in Tier 2 (NZ IFRS RDR).

The company is eligible to report in accordance with Tier 2 for profit accounting standards on the basis that it does not have public accountability and is not a large for profit public sector entity.

Impact of COVID-19

On 11 March 2020 the World Health Organisation declared the outbreak of COVID-19, a pandemic. Following this, on 25 March 2020, the New Zealand Government enforced a lockdown of the country as a result of the COVID-19 pandemic. Only businesses that were classified as essential were allowed to continue to operate during the level 4 lockdown period. The Company was classified as an essential service, in respect of some aspects of its operations, and therefore continued to operate an emergency response team during this period. The New Zealand Government through the Ministry of Social Development made a wage subsidy available for businesses who could demonstrate a 30% decline in revenue due to the pandemic. QRS experienced this decline and applied for and received a total wage subsidy of $621,346 on behalf of 90 employees. This was used to sustain employment during the different COVID-19 alert levels.

Management and the Directors have considered the impact COVID-19 has had on the business and note the following:

The Company has considered the impact of lower trading results for the lockdown period and on the financial results for the year and does not consider this to have a long term impact on the recoverable amount of assets.

The Company has considered the realisation of accounts receivable balances and inventory balances, and has not noted any impairment indicators that would require these balances to be written down lower than their carrying amounts.

There is no material uncertainty over the Company's ability to continue as a going concern as a result of the ongoing trading results achieved due to the status of being classified as an essential business and generating profitable activities.

Changes in Accounting Policies

All accounting policies are consistent with prior year apart from the following. The Company has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2019:

NZ IFRS 16 'Leases' was adopted on 1 July 2019. The Company applied the modified retrospective transition method and thus prior comparatives were not restated. The Company has elected to present right-of-use assets and lease liabilities separately in the statement of financial position. Depreciation of right-of-use assets is included in depreciation in the statement of comprehensive income. The cash outflows related to the principal portion of the lease liability and the related interest are presented separately within the financing activities in the statement of cashflows.

Impact of adoption of NZ IFRS 16 on the Company's financial statements

As indicated above, the Company has adopted NZ IFRS 16 from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the transitional provisions in the standard. The reclassificiations and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. The new accounting policies are disclosed in note 3.

i) Practical expedients applied

In applying NZ IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

a) applying a single discount rate to a portfolio of leases with reasonably similar characteristics.

b) accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases.

c) accounting for operating leases with a total future cashflows of less than $8,000 as at 1 July 2019 as low value leases.

The Company also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered before the transition date the Company relied on its assessment made applying NZ IAS 17 and NZ IFRIC 4 Determining whether an arrangement contains a Lease.

ii) Measurement of lease liabilities

The weighted average incremental borrowing rate applied to lease liabilities on 1 July 2019 was 6.2%.

The lease liability recognised in the statement of financial position at 1 July 2019 and the Company's operating lease commitment as at 30 June 2019 can be reconciled as follows:

	1-Jul-19
	$
Operating lease commitments disclosed as at 30 June 2019	341,598
Discounted using the lessee's incremental annual borrowing rate of 6.2% at the date of initial application	318,187
(Less): short-term leases not recognised as a liability	(225,907)
(Less): low-value leases not recognised as a liability	-
Lease liability recognised as at 1 July 2019	92,280
Of which are:	
Current lease liabilities	84,210
Non-current lease liabilities	8,070
	92,280

iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

iv) Lessor accounting

The Company did not need to make any adjustments to the accounting for asset held as lessor under operating leases as a result of the adoption of NZ IFRS 16.

Accounting Policies

The following particular accounting policies which materially affect the measurement of results and financial position have been applied.

a1) Revenue Recognition

QRS is in the business of providing road maintenance and construction and sale of aggregate. Revenue from contracts with customers is recognised when control of the physical work completed on the clients asset or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

a2) Sale of Aggregate

Revenue from sale of aggregate is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the aggregate. The normal credit term is 30 to 60 days upon delivery.

a3) Variable consideration

QRS does not enter into variable consideration arrangements nor provide any volume rebates. In addition there are no financing components or warranty obligations beyond normal retentions held by the customer for road construction projects.

b) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

c) Goods and Services Tax

The Financial Statements have been prepared exclusive of goods and services tax (GST) with the exception of receivables and payables which are stated with GST included. Where GST is irrecoverable as an input tax, it is recognised as part of the related asset or expense.

d) Employee Benefits

Provision is made in respect of the Company's liability for annual leave, sick leave, long service leave and retirement gratuities.
The provision for sick leave is based on the additional amount that the company expects to pay as a result of the unused entitlement that has accumulated at balance date.
The provision for gratuities is based on the number of weeks the employee will be paid at retirement, the expected pay rate along with the probability of the employee still being employed by QRS at retirement age.
The provision for long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods.
Expected future payments for gratuities and long service leave are discounted using market yields at the reporting date.
Defined Contribution Pension Plan obligations are recognised as an expense in the Statement of Comprehensive Income as incurred.

d1) Government Subisidy

Government subisdies which compensate the Company for expenses incurred are recognised in the Statement of Comprehensive Income. Subsidies are recognised when they have been used to compensate expenses in a period.

e) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

While discounting is used, the increase in the provision due to the passage of time is recognised as a financing cost.

f) Taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except when the deferred income tax asset relating to the deductible temporary difference arised from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

g) Accounts Receivable

Accounts receivable are recognised initially at fair value and subsequently at amortised cost less an allowance for any uncollectable amounts. The Company assesses impairment losses by estimating the expected credit loss that may exist within its portfolio of accounts receivable based on its historical experience of credit loss arising from accounts receivable.

h) Cash and Cash Equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

i) Inventories

Inventories are valued on the basis of the lower of cost, determined on a first-in, first-out basis, and net realisable value.

EY

j) Property, Plant and Equipment

Property, Plant and Equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the property plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred. There are six classes of Property, Plant and Equipment:

a.) Land
b.) Quarries
c.) Buildings
d.) Plant and Machinery
e.) Fixtures, Fittings and Equipment
f.) Computer Hardware

The quarry asset class includes all development costs in relation to the Tangihanga Joint arrangement, accounted for by QRS in accordance with accounting policy(s).

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised in the Statement of Comprehensive Income in administration expenses.

k) Depreciation

Depreciation is calculated to allocate the cost less estimated residual value of property, plant and equipment over their estimated useful lives.

Depreciation is provided on a straight line basis on Buildings and Quarries. Land is not depreciated.

Plant and Machinery, Fixtures, Fittings and Equipment, and Computer Hardware are depreciated using the diminishing value method

The rates for major classes of assets have been estimated as follows:

a.) Quarries	(3.3 % Straight Line)
b.) Buildings	(3.3 % Straight Line)
c.) Plant and Machinery	(20 % Diminishing Value)
d.) Fixtures, Fittings and Equipment	(20 % Diminishing Value)
e.) Computer Hardware	(48 % Diminishing Value)
f.) Right of Use Asset	(6.2% Diminishing Value)

Depreciation is calculated on a monthly basis from the date of acquisition. The assets useful lives, residual values and depreciation method are reviewed at least every financial year.

l) Intangible Assets

Intangible assets acquired separately are capitalised at cost. Following initial recognition, the cost model is applied to all classes of intangible assets.

EY

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Comprehensive Income when the asset is derecognised. The amortisation of the software class of intangible assets has been estimated at 20%-48% diminishing value, depending on the nature of the software.

m) Statement of Cash Flows

Operating activities include cash received from all income sources of the Company and records the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt capital structure of the Company.

n) Interest-Bearing Loans and Borrowings

All loans and borrowings are initially recognised at fair value net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

o) Trade and Other Payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the end of the financial year that are unpaid and arise when QRS becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

q1) Joint Arrangements

QRS have a joint arrangement with Wi Pere Trust at the Tangihanga Quarry. A joint arrangement is an arrangment over which two parties or more have joint control. Joint control is the contractually agreed sharing of control over an arrangment which exists only when the decisions about the relevant activities (being those that signicantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. QRS's joint arrangement is a joint operation.

A joint operation is a type of joint arrangement in which the parties with joint control of the arrangement have the rights to the assets and obligations for the liabilities relating to the arrangment.

In relation to its interest in the joint operation, the financial statement for QRS includes:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

All such amounts are measured in accordance with the terms of each arrangement which are in proportion to QRS's interest in the joint operation.

EY

q2) Tangihanga Joint Arrangement Impairment Test

In 2019 QRS recognised an impairment to it's share of the development costs of the Tangihanga joint arragnement based on assessment of the expected future cash flows of the joint arrangement. A further impairment test performed in 2020 has led QRS to impair its share of the Quarry development costs in its entirety, at a total value of $358,446.
Several factors have led to this decision being made in the 2020 financial year including:

- Low market demand
- Unable to meet market pricing
- Environmental factors
- Production restrictions

The impairment test included the use of a discounted cashflow over 5 years with a terminal value and growth rate of 2%. Given the NPV calculated and the current environmental and market restrictions faced by the quarry, it was decided that QRS would impair the asset in full.

r) Significant Accounting Judgements, Estimates and Assumptions
Quarry Aftercare Make good provisions

A provision has been made for the present value of anticipated costs of future restoration of quarry sites. The provision includes future cost estimates associated with quarry aftercare. The calculation of this provision requires assumptions such as application of environmental legislation and life of metal extraction from each quarry site. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting both the expense or asset (if applicable) and provision.

s) Contract Assets and Contract Liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the company performs, under a contract, by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

A trade receivable represents the company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due)

A contract liability is the obligation to transfer goods or services to a customer for which the company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when company performs under the contract.

t) Subvention Payments

A subvention payment is where an organisation with a taxable profit makes a cash payment to an organisation that has tax losses in exchange for those tax losses. The organisations must have some commonality of ownership. QRS is wholly owned by the Wairoa District Council which enables entities to engage in subvention payments.

The provision for a subvention payment has been recognised in the Statement of Comprehensive Income as an expense.

		2020	2019
1	**OTHER OPERATING EXPENSES**	$	$
	Auditors remuneration including disbursements	69,680	61,266
	Directors fees	128,676	119,277
	Impairment of trade receivables (bad and doubtful debts)	-	(2,514)
	Loss on disposal of property plant and equipment	17,112	61,460
	Gain on disposal of property plant and equipment	(137,843)	(193,046)
	Impairment of property, plant and equipment	358,446	100,008
	Loss on disposal of intangibles	-	39,567
	Amortisation of intangibles	26,230	43,678
	Lease payments - operating lease	-	160,216
	- rental costs	12,971	18,200
		475,271	408,112
2	**PERSONNEL EXPENSES**		
	Wages and salaries	6,586,483	6,591,384
	COVID-19 Wage Subsidy	(600,951)	-
	Long-service leave	647	10,501
	Sick leave	218,767	203,839
	Gratuities	5,094	4,353
	Contribution to defined contribution plans	161,194	181,333
		6,371,234	6,991,410

In March 2020, the New Zealand Government enforced a lockdown in response to Covid-19. Non-essential businesses were required to cease operations until the lockdown was lifted. To ensure job security and business viability, the New Zealand Government through the Ministry of Social Development provided wage subsidies for a 12-week period for businesses who could demonstrate a 30% decline in revenue due to the pandemic. The wage subsidy was recognised within the Company's labour expenses as an offset to underlying labour cost.

		2020	2019
3	**RIGHT OF USE ASSETS AND LEASE LIABILITIES**		
	Right of Use Assets as at 1 July 2019		
	Office equipment	15,991	-
	Vehicles	191,434	-
		207,425	-
	Depreciation		
	Office equipment	7,342	-
	Vehicles	107,558	-
		114,900	-
	Right of Use Assets - Current Liability		
	Office equipment	8,649	-
	Vehicles	83,875	-
		92,524	-
	Lease Liability as at 1 July 2019		
	Office equipment	15,991	-
	Vehicles	191,434	-
		207,425	-
	Operating Expenses - Leases		
	Office equipment	7,872	-
	Vehicles	113,880	-
		121,752	-
	Interest related to leases		
	Interest	9,712	-
		9,712	-
	Lease Liabilities related to leases are split between current and non-current		
	Current	89,168	-
	Non-current	6,216	-
		95,384	-

EY

			2020	2019
4	**INVENTORIES**			
	Metal Stocks		502,482	674,776
	Other Supplies		101,969	102,237
	Work in Progress		263	12,149
			604,714	789,162

Some inventories are subject to retention of title clauses. Work in progress is held at cost.

			$	$
5	**TRADE AND OTHER RECEIVABLES**			
	Trade Debtors		920,592	2,621,033
	Wairoa District Council	18	2,420,900	1,593,375
	Provision for Doubtful Debts		-	-
	Retentions		461,986	244,077
	Prepayments		46,268	28,754
			3,849,746	4,487,239
6	**TRADE AND OTHER PAYABLES**			
	Trade Creditors		2,710,977	2,026,316
	Other		475,069	470,762
			3,186,046	2,497,078
7	**EMPLOYEE BENEFITS**			
	Long-service Leave		35,019	34,972
	Annual Leave		379,953	383,810
	Sick Leave		34,674	29,235
	Gratuities		51,077	45,983
	Time In Lieu		89,803	145,204
	Accrued Pay		132,157	109,879
			722,683	749,083
	Made up of:-			
	Current		687,664	714,110
	Non-current		35,019	34,973
			722,683	749,083
8	**INTEREST BEARING LOANS AND BORROWINGS**			
	UDC Term Loan		861,657	505,108
	Less Current portion		(294,428)	(182,528)
			567,229	322,580
	Interest Rate		5.05%	6.20%
	UDC Current Account		-	696,430
	Less Current portion		-	(180,000)
			-	516,430
				6.20%
	Porter Finance Limited		-	100,854
	Less Current portion		-	(100,854)
			-	-
	Made up of:			
	Current		294,428	463,382
	Non-Current		567,229	839,010
			861,657	1,302,392

EY

	2020 $	2019 $
9 EQUITY		
(a) Share Capital		
Opening balance	1,250,000	1,250,000
Closing Balance	1,250,000	1,250,000

At 30 June the company had issued 1,250,000 shares which are fully paid. All shares carry equal voting rights and the right to share in any surplus on winding up the company. None of the shares carry fixed dividend rights. The shares do not have a par value.

	2020 $	2019 $
(b) Retained Earnings		
Retained earnings at 1 July	5,711,660	4,692,041
Net operating surplus	430,691	1,129,619
Interim Dividend	(50,000)	(50,000)
Final Dividend	(300,000)	(60,000)
Retained earnings at 30 June	5,792,351	5,711,660
10 TAXATION		
Profit before taxation	600,865	1,573,543
Prima facie taxation / benefit @ 28% (2018: 28%)	168,242	440,593
Plus taxation effect of permanent differences:		
- Non deductible expenses	1,931	3,331
	170,173	443,924
Income tax expense		
Major components of taxation expense are:		
Current taxation	247,497	506,826
Deferred taxation		
Origination and reversal of temporary differences	(77,324)	(62,902)
Utilisation of tax losses	-	-
	170,173	443,924

Deferred Income Tax at 30 June relates to the following	Balance Sheet		Income Statement	
	2020	2019	2020	2019
Deferred tax liabilities				
Contract retentions	129,356	68,341	(61,014)	(36,327)
Future Amortisation	21,599	22,888	1,288	414
Right of Use Assets	25,906			
Gross Deferred Tax Liabilities	176,861	91,229	(59,726)	(35,913)
Deferred tax assets				
Subcontractor Retentions	84,710	92,287	(7,577)	92,287
Provisions				
Annual leave	90,917	92,354	(1,437)	(5,883)
Staff gratuities	14,301	12,875	1,426	1,219
Sick Leave	9,709	8,186	1,523	4,905
Time in lieu	19,986	31,975	(11,989)	(14,290)
Long service leave	9,805	9,624	181	1,900
Aftercare	50,429	45,621	4,809	1,973
Lease Asset Depreciation	-	-	32,172	-
Operating Lease Payments	-	-	(34,091)	-
Lease Interest	-	-	2,719	-
ACC premiums	4,567	7,861	(3,293)	(2,067)
Maintenance Accruals	-	2,800	(2,800)	(560)
Construction Accruals	-	-	-	(3,500)
Corporate Accruals	29,400	9,800	19,600	9,800
Contract Liabilities	80,427	65,380	15,047	65,380
Future depreciation	339,430	218,669	120,760	39,938
Lease Liability	26,708	-	-	-
Deferred Tax Assets	760,389	597,432	137,050	191,102
Net deferred tax assets	583,528	506,203		
Deferred tax income/(expense)			77,324	155,189

EY

11 PROPERTY, PLANT AND EQUIPMENT

2020

Cost	Land	Quarries	Buildings	Plant & Machinery	Fixtures, fittings & equipment	Computer Hardware	Total
Balance at 1 July	29,433	494,288	714,956	13,587,170	637,574	209,816	15,673,237
Additions	-	-	18,248	1,432,071	45,387	51,977	1,547,683
Disposals	-	-	-	(982,792)	-	(57,170)	(1,039,962)
Balance at 30 June	29,433	494,288	733,204	14,036,449	682,961	204,623	16,180,958
Depreciation and Impairment Losses							
Balance at 1 July	-	126,062	388,774	9,759,959	330,013	173,387	10,778,194
Depreciation for the year	-	8,045	41,623	957,483	66,156	17,838	1,091,145
Impairment	-	358,446	-	-	-	-	358,446
Disposals	-	-	-	(910,456)	-	(53,792)	(964,248)
Balance at 30 June	-	492,553	430,397	9,806,986	396,169	137,433	11,263,537
Carrying Amounts							
At 1 July	29,433	368,226	326,182	3,827,211	307,561	36,429	4,895,042
At 30 June	29,433	1,735	302,807	4,229,463	286,792	67,190	4,917,421

2019

Cost	Land	Quarries	Buildings	Plant & Machinery	Fixtures, fittings & equipment	Computer Hardware	Total
Balance at 1 July	29,433	494,288	620,335	14,187,864	706,462	443,373	16,481,755
Additions	-	-	98,022	1,300,515	42,518	13,230	1,454,285
Disposals	-	-	(3,401)	(1,901,209)	(111,406)	(246,787)	(2,362,811)
Balance at 30 June	29,433	494,288	714,956	13,587,170	637,574	209,816	15,573,229
Depreciation and Impairment Losses							
Balance at 1 July	-	22,010	345,777	10,346,627	367,181	397,114	11,478,709
Depreciation for the year	-	10,044	44,272	928,389	70,393	22,380	1,075,478
Impairment	-	100,008	0	0	0	0	
Disposals	-	(6,000)	(1,275)	(1,515,057)	(107,561)	(246,107)	(1,876,001)
Balance at 30 June	-	126,062	388,774	9,759,959	330,013	173,387	10,678,186
Carrying Amounts							
At 1 July	29,433	472,278	274,558	3,841,237	339,281	46,259	5,003,046
At 30 June	29,433	368,226	326,182	3,827,211	307,561	36,429	4,895,042

12 INTANGIBLE ASSETS

Cost	2020	2019
Balance at 1 July	293,391	668,833
Additions	-	7,830
Disposals	-	(383,272)
Balance at 30 June	293,391	293,391
Amortisation and Impairment Losses		
Balance at 1 July	168,001	468,027
Amortisation for the year	26,230	43,679
Disposals	-	(343,705)
Balance at 30 June	194,231	168,001
Carrying Amounts		
At 1 July	125,390	200,806
At 30 June	99,160	125,390

EY

Security
UDC term loans are secured over various plant items financed through the loan facility to the value of $861,657 (2019: $1,444,400).

Capital Commitments
At balance date, the company had a capital commitment of $15,325 for a plate compactor. (2019:$817,878)

13 RECONCILIATION OF NET OPERATING PROFIT AFTER TAXATION WITH CASH INFLOW FROM OPERATING ACTIVITIES

	2020 $	2019 $
Reported net operating profit after taxation	430,691	1,129,619
Subvention Provision	200,000	-
Add back non-cash items:		
Depreciation	1,206,045	1,075,478
Amortisation	26,230	43,678
Impairment	358,446	-
(Increase)/Decrease in Deferred Taxation	(77,326)	(62,901)
Increase/(Decrease) in Employee Benefits	46	(9,532)
Increase/(Decrease) in Quarry Aftercare Provision	17,176	7,045
	2,161,308	2,183,387
Add back items classified as investment activities:		
Net loss on sale of Property, Plant and Equipment	17,112	161,468
Gain on sale of Property, Plant and Equipment	(137,843)	(193,045)
Net loss on sale of Intangibles	-	39,567
	(120,731)	7,990
Movements in Working Capital:		
(Increase)/Decrease in Trade and Other Receivables	258,910	(2,223,390)
(Increase)/Decrease in Inventories	184,448	26,203
Increase/(Decrease) in Trade and Other Payables and GST	536,371	1,570,274
Increase/(Decrease) in Employee Benefits	(26,446)	(28,194)
Increase/(Decrease) in Tax Payable/Receivable	(327,865)	347,481
	625,418	(307,626)
Net Cash inflow/(outflow) from Operating Activities	2,665,996	1,883,751

15 OTHER PROVISIONS

QUARRY AFTERCARE PROVISION	2020 $	2019 $
Balance at beginning of the year	162,930	155,886
Provided for during the year	17,175	7,045
Utilised during the year	-	-
Balance at the end of the year	180,105	162,930

A provision is recognised for expected Quarry reinstatement costs based on past experience of the level of metal extraction. It is expected that most of these costs will not be incurred in the next financial year but 12% will be incurred within two years of the balance sheet date. An inflationary factor equivalent to the annual CPI is included in this provision.

16 REVENUE FROM CONTRACTS

Set out below is the disaggregation of the Company's revenue from contracts with customers

	2020 $	2019 $
Maintenance / Roading Contracts	6,203,522	8,274,012
Capital Construction Contracts	18,062,191	11,207,919
Other	1,961,369	4,801,700
	26,227,082	24,283,632

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17 BANK FACILITY

A bank facility is available at Westpac Bank, and is secured by a general security agreement over the company's assets. The facility available totals $500,000 (2019: $500,000). The current interest rate is 5.60% (2019: 7.65%).

Performance guarantees were given to the Wairoa District Council for $482,000, Wi Pere Trust $105,000 and New Zealand Transport Agency, $460,000 to the total value of $1,047,000 (2019:$205,000) by Westpac Bank, on behalf of Quality Roading and Services (Wairoa) Limited.

UDC provide an approved facility up to $2,000,000 at 5.40% interest. (2019: $1,000,000 at 6.10% interest).

18 TRANSACTIONS WITH RELATED PARTIES

PARENT

The company's purchases and sales from Wairoa District Council were as follows:

	2020	2019
	$	$
Purchases (trading) :	31,459	23,946
Sales :	13,154,373	10,073,582

Liabilities outstanding at year end were $6,728 (2019: $625) which is payable on normal trading terms.

The amount outstanding at year end was $2,420,900 (2019: $1,593,375), which is receivable on normal trading terms except for $345,454 (2019: $244,076) contract retentions receivable at closure to defects liability period. The sales to Wairoa District Council account for 51% (2019: 36%) of total sales by the company.

DIRECTORS & EXECUTIVE RELATED PARTIES

Remuneration	2020	2019
Total remuneration is included in 'personnel costs' (see note 2)	$	$
Total Executive Officers remuneration	843,089	712,191
	843,089	712,191

Sales transacted during the year payable on normal trading terms were as follows:

	Business Transacted	Balance Owing
2020		
Total sales transacted	3,551	383
2019		
Total sales transacted	36,227	-

G E Gaddum, a Director/Owner of Gaddum Construction Limited has not purchased any services from QRS in 2020. (2019: $27,633).

19 CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

Loans and Receivables	2020	2019
	$	$
Cash and cash equivalents	2,310,129	1,898,147
Trade and receivables (note 5)	3,849,746	4,487,239
Total loans and receivables	6,159,875	6,385,386
Financial liabilities measured at amortised cost		
Trade and other payables (note 6)	3,849,746	2,497,078
Loans (note 8)	861,657	1,302,392
Total creditors and loans	4,711,403	3,799,470

20 CONTINGENT LIABILITIES

As at 30 June, QRS has a contingent liability relating to a claim brought forward by a subcontractor regarding a contractual dispute. The value of the claim has not yet been determined due to a lack of verifiability in relation to the claimants proclaimed losses. The claim is disputed and the Company will look to resolve the matter within twelve months of balance date.

21 Quality Roading and Services - Subsequent Events

The Directors are not aware of any matter or circumstance since the end of the financial year that has significantly or may significantly affect the operations of the Company.

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