



Annual Report

for the year ended
30 June 2021



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

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

Chapman Tripp
Auckland



QUALITY ROADING AND SERVICES (WAIROA) LIMITED CHAIRMAN'S ANNUAL REPORT TO 30 JUNE 2021

INTRODUCTION

It is my pleasure to present to our shareholder the Quality Roading and Services Annual Report for 2021.

Despite another year with Covid-19 affecting New Zealand and the world, QRS has weathered the storm and delivered on its 2021 strategy. I am pleased to report our total revenue for the year was \$23.7 million with a consolidated profit before subvention and tax of \$1.615 million - the biggest **in the company's history**. Importantly, the company has delivered strong results across all six of its Strategic Plan key focus areas: shareholder relationship, stakeholder relationship, people and capability, financial performance and position, safety and wellbeing, and quality and environment.



QRS Board Chairman Guy Gaddum.

PRINCIPLE ACTIVITIES

QRS's speciality is civil infrastructure construction and roading infrastructure maintenance. 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 (WDC). The company is a Council Controlled Trading Organisation (CCTO) 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

Despite upheaval and uncertainty in the wider economic and social context, QRS has had one of its best years as a business. Increased efficiency has meant the company posted a record-breaking \$1.615m profit. Another highlight saw the company awarded 2020 Supreme Business of the Year Award at the Pan Pac Hawkes Bay Business Awards. Earlier in the evening QRS also won the Outstanding Community Contribution Award recognising the role the company plays supporting the wider Wairoa community.

PEOPLE

In June 2021 we farewelled Nigel Pollock as our chief executive. Nigel spent four years with QRS and

in that time championed significant changes within the business. On behalf of the shareholder, board, management, and staff, I wish to thank Nigel for his dedication to QRS and the Wairoa district.

QRS employed 92 staff as of June 2021 (84 fulltime, 1 fixed term, 7 casual). In total, \$6.3 million was paid in salaries and wages to QRS staff all of whom live locally, thereby ensuring their salaries and wages are making a significant contribution to the Wairoa economy. A total of \$290,000 was spent directly on training and personnel development.

RELATIONSHIPS

The relationships that QRS has with other stakeholders underpins our success. This was demonstrated best this year when QRS teamed up with Fulton Hogan to deliver the Mahia East Coast Road project for WDC on behalf of the Ministry of Business, Innovation and Enterprise through Provincial Growth Fund funding.

QRS continues to derive a significant portion of its income from its shareholder WDC. The relationship between both parties has a healthy combination of commercial tension and a Wairoa Inc focus. The key to this success is a clear delineation in people and process between operations and governance.

QRS continues to strengthen its relationships with other key clients such as AFFCO New Zealand, Rocket Lab, and Waka Kotahi NZTA, as we continue to secure and deliver projects to a high standard.

HEALTH, SAFETY, ENVIRONMENT

Zero harm is the overarching goal QRS goal when it comes to Health, Safety, and the Environment. Over time it has become embedded in company culture and this past 12 months we have seen a reduction in the number of medical treated injuries and a drop in the total recorded injury frequency rate. Our staff put in more effort, have a higher quality work product, go out of their way to assist others, and are willing to provide feedback and suggestions on ways to increase efficiencies and improve the work environment. I wish to personally congratulate our staff on this significant improvement.

Measure	2021	2020	2019
Lost time injury frequency rate (LTIFR)	0.90	0.91	1.3
Environmental incident - (notifiable incidents)	0	1	0
Medical treatment injury rate (MTIR)	0.97	4.54	3.2
Total recordable injury frequency rate (TRIFR)	1.75	5.6	5.9
Lost time injury	1	1	3

FINANCIAL PERFORMANCE AND POSITION

Total revenue for the financial year ended June 2021 including interest and other operating income was \$23,727,000, (\$26,227,000 last year). The reduced revenue is directly related to the mix and type of contracts that QRS has engaged in this year.

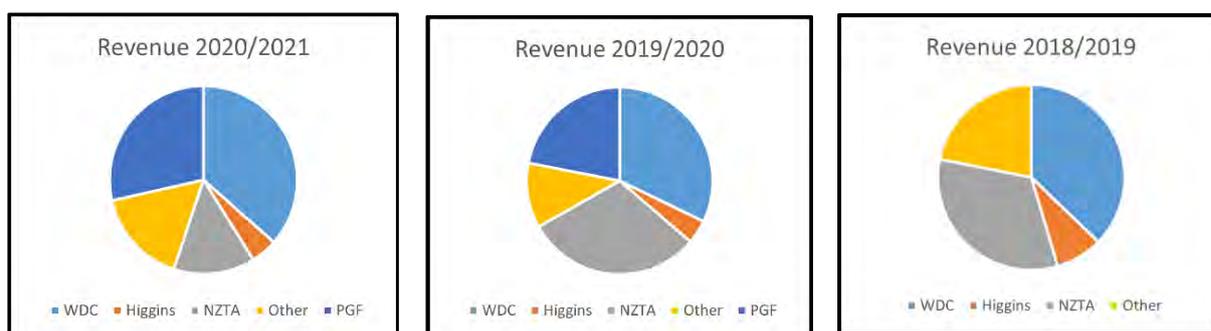
Costs were \$22,399,000 (\$25,427,000 last year).

Profit before distributions to our shareholder and tax was \$1.615 million. Profit after distributions and tax was \$949,000 (\$431,000 last year).

Total distributions to our shareholder WDC amounted to \$620,000. This was made up of an interim subvention payment of \$100,000, subvention payable of \$186,000 and dividends declared subsequent to balance date amounting to \$333,000 for the six months to 30 June 2021.

The pie graphs below show the significant income streams for the past three financial years. The four largest revenue streams were WDC \$15.3 million; Waka Kotahi NZTA \$3.3 million; AFFCO \$1.9 million; and Higgins \$1.1 million.

It should be noted that although WDC expenditure through QRS has increased, a large portion of this (\$6.8 million) was funded by the Provincial Growth Fund for the Mahia East Coast Rd, Rangatahi Drop-Out, Nuhaka River Road, and bridge strengthening work.



Revenue by Customer	FY 2021	FY 2020	FY 2019
	\$'000	\$'000	\$'000
Wairoa District Council	8,681	8,412	8,760
Provincial Growth Fund	6,783	5,741	-
Waka Kotahi NZTA	3,340	8,004	7,695
Higgins	1,089	1,074	1,922
Other	3,879	2,996	5,906
Total	23,772	26,227	24,283

The following table captures the **shareholder's funds** as at 30 June 2021, compared with the previous two financial years:

	FY 2021	FY 2020	FY 2019
Current assets	6,407,000	7,214,000	7,246,000
Less current liabilities	(3,789,000)	(5,076,000)	(4,774,000)
Total current assets	2,618,000	2,138,000	2,472,000
Plus non-current assets	5,872,000	5,692,000	5,527,000
Less term liabilities	(499,000)	(788,000)	(1,037,000)
Total shareholder's funds	7,991,000	\$7,042,000	\$6,962,000

QRS is pleased to report that as shown in the table below we have achieved all our Statement of Corporate Intent (SCI) targets agreed on with our shareholder, WDC.

	FY 2021		FY 2020		FY 2019	
	Target	Actual	Target	Actual	Target	Actual
Return on equity (pre-tax)	6.0%	18.9%	6.0%	8.5%	6.0%	22.6%
Equity ratio (shareholders' funds % of total assets)	>45%	65.1%	>45%	54.6%	>45%	64.4%
Positive working capital ratio at year end	>1	1.7	>1	1.4	>1	1.6
Cost of debt servicing/revenue	<20%	0.2%	<20%	0.3%	<20%	-0.5%
Shareholder Distribution payment	\$250K	\$620K	\$250k	\$250k	\$100k	\$350k

We have continued our strong support of the Wairoa community this year with \$40,400 of sponsorship and support- in-kind for local events, teams, schools, and marae.

Looking forward

Despite global and national challenges, QRS maintains a cautiously optimistic outlook for the coming year. Our operations hub build is underway but facing delays in the supply of raw materials as well as building resources. These challenges are replicated across New Zealand as a result of the global Covid-19 pandemic. Cognisant of the risks around delivery, timeframes, and cost, the board and management team are working alongside contract and project managers as well as suppliers to ensure that we deliver the hub at a cost the company can afford and that meets the ongoing needs of the business as it grows.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

DIRECTORS

I wish to thank the board of directors consisting of Tony Gray, David Proctor, and Fenton Wilson as well as the management team, staff, and our shareholder, for what has been an excellent result during another challenging year on the back of the Covid-19 pandemic.

Ehara taku toa i te toa takitahi, engari he toa takitini.

My strength is not mine alone, it is the strength of many.

A handwritten signature in black ink, appearing to read 'Guy Gaddum', with a stylized flourish at the end.

Guy Gaddum

Quality Roding and Services board chairman.

23 September 2021



Directors

The following persons held office as directors during the year.

Guy Gaddum (Chairman)
Tony Gray
David Proctor
Fenton Wilson

Directors Interests and Transactions

Guy Gaddum

Anchorage Contractors (2007) Ltd	Director / Shareholder
Spinergy Properties Ltd	Director / Shareholder
Gaddum Construction Ltd	Director / Shareholder
Partridge Heavy Haulage Ltd	Owner / Shareholder

Tony Gray

Hastings District Council	Executive Project Advisor (part time)
Ngati Pukenga Investments Ltd	Director, Chair
Civic Financial Services Ltd	Director
Civic Property Pool	Risk & Audit Committee Member
Mutual Fund Trustees Ltd	Trustee
Artemis Nominess Ltd	Director
Tatau Tatau o Te Wairoa Commercial Ltd	Chairman
Establishment Board of Hawkes Bay Food and Innovation Hub	Chairman
Te Turapa Wai Ariki Limited	Chairman
Centralines Limited	Director
EA Networks Limited	Director
Nga Hua O Ngati Pukenga Limited	Director
Tatau Tatau Horticulture GP Limited	Director

David Proctor

Davell Investments Ltd	Director, Shareholder
Axell Consultants Ltd	Director
DS Property Development Ltd	Director, Shareholder

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
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	\$49,346
A T Gray	\$32,767
D G Proctor	\$24,767
F D Wilson	\$32,767

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 liabilities arising from criminal actions.

Employees' Remuneration

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

One Employee	\$300,001 and \$310,000
Two Employees	\$150,001 and \$160,000
One Employee	\$140,001 and \$150,000
One Employee	\$130,001 and \$140,000
One Employee	\$120,001 and \$130,000

Donations / Sponsorship

Donations/sponsorship made during the year was \$40,353. Recipients of over \$1,000 were:

- Athletic Sports Club
- EPro8 Science Competition
- Kaylah Reynolds
- North Clyde Kindergarten
- Perston Whanau
- Wairoa A&P Show
- Wairoa Boxing Club
- Wairoa College Services Academy
- Wairoa District Council Community Barbeque
- Wairoa District Kapa Haka Festival
- Wairoa Fire Brigade
- Wairoa JAB Rugby

Auditors Remuneration

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

For Audit work including disbursements \$84,650

Description of the Business

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

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 2021

The Auditor-General is the auditor of Quality Roding 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 29, that comprise the statement of financial position as at 30 June 2021, 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 29:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2021; 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 2021.

Our audit was completed on 27 September 2021. 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.

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



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working world**

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 and the audit of the special purpose financial statements of the Tangihanga Quarry Joint Operation for the year ended 30 June 2021 we have no relationship with, or interests in, the company.

A handwritten signature in blue ink, appearing to read 'Stuart Mutch', with a long horizontal stroke extending to the right.

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

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
 STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 30 JUNE 2021



	Notes	2021 \$	2020 \$
Revenue	16	23,727,549	26,227,082
Cost of Sales		12,779,235	15,929,553
Gross Profit		10,948,314	10,297,529
Personnel Expenses	2	6,487,060	6,371,234
Depreciation Expense	3, 11	1,148,817	1,206,045
Administrative Expenses		1,706,281	1,372,507
Other Operating Expenses	1	(61,993)	475,271
		9,280,165	9,425,058
Operating Profit/(Deficit) Before Net Financing Costs		1,668,149	872,471
Financing Income		1,034	5,759
Financing Expenses		53,456	77,365
Net Financing Costs		(52,422)	(71,606)
Profit Before Subvention Payment and Income Tax		1,615,727	800,865
Subvention Payment - Wairoa District Council		(286,904)	(200,000)
Profit Before Income Tax		1,328,823	600,865
Income Tax (Expense)	10	(379,770)	(170,174)
Profit For The Year		949,053	430,691
Other Comprehensive Income		-	-
Total Comprehensive Income for the Year		949,053	430,691

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

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
 STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 30 JUNE 2021



	Notes	<u>2021</u> \$	<u>2020</u> \$
EQUITY AT BEGINNING OF THE YEAR		7,042,351	6,961,660
Profit/(Deficit) for the year		949,053	430,691
Total recognised revenues and expenses for the year		<u>949,053</u>	<u>430,691</u>
Other comprehensive income		-	-
Total comprehensive income for the period		<u>-</u>	<u>-</u>
Transactions with owners in their capacity as owners:			
Dividends Paid	9	-	(350,000)
EQUITY AT THE END OF THE YEAR		<u>7,991,404</u>	<u>7,042,351</u>

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

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021



	Notes	2021 \$	2020 \$
ASSETS:			
Current Assets			
Bank		1,706,947	2,310,129
Trade and Other Receivables	5	3,571,344	3,849,746
Inventories	4	895,536	604,714
Contract Assets		233,069	449,591
Total Current Assets		6,406,896	7,214,180
Non Current Assets			
Deferred Tax	10	719,255	583,529
Intangible Assets	12	78,729	99,160
Property, Plant and Equipment	11	5,061,899	4,917,421
Right of Use Assets	3	12,433	92,524
Total Non Current Assets		5,872,316	5,692,634
TOTAL ASSETS		12,279,212	12,906,814
EQUITY:			
Share Capital	9	1,250,000	1,250,000
Retained Earnings	9	6,741,404	5,792,351
TOTAL EQUITY		7,991,404	7,042,351
LIABILITIES:			
Current Liabilities			
GST Payable		171,411	195,177
Trade and Other Payables	6	1,801,982	3,186,046
Employee Benefits	7	641,038	687,664
Interest-Bearing Loans and Borrowings	8	81,623	294,428
Lease Liability	3	8,199	89,168
Taxation Payable		86,205	136,169
Contract Liabilities		811,504	287,241
Wairoa District Council - Subvention Payment		186,904	200,000
Total Current Liabilities		3,788,866	5,075,893
Non Current Liabilities			
Employee Benefits	7	53,757	35,019
Quarry Aftercare Provision	15	167,896	180,105
Interest-Bearing Loans and Borrowings	8	272,284	567,229
Lease Liability	3	5,005	6,216
Total Non Current Liabilities		498,942	788,569
TOTAL LIABILITIES		4,287,808	5,864,462
TOTAL EQUITY AND LIABILITIES		12,279,212	12,906,814

For and on behalf of the Board, who authorised the issue of these financial statements on 23 September 2021

Director  Director 

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

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2021



	Notes	2021 \$	2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from Customers		24,222,472	26,485,991
Financing Income		1,034	5,760
		<u>24,223,506</u>	<u>26,491,751</u>
Cash was disbursed to:			
Payments to Suppliers		16,136,021	16,586,541
Payments to Employees		6,300,349	6,586,483
Payment of Subvention		300,000	-
Taxes Paid		565,460	575,366
Financing Expense		53,456	77,365
		<u>23,355,286</u>	<u>23,825,755</u>
Net Cash Inflow from Operating Activities	13	<u>868,220</u>	<u>2,665,996</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from Sale of Property, Plant and Equipment		646,906	196,444
		<u>646,906</u>	<u>196,444</u>
Cash was applied to:			
Purchase of Property, Plant and Equipment		1,563,156	1,547,684
		<u>1,563,156</u>	<u>1,547,684</u>
Net Cash (Outflow) from Investing Activities		<u>(916,250)</u>	<u>(1,351,240)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Proceeds from Loans and Borrowings		489,951	1,480,728
		<u>489,951</u>	<u>1,480,728</u>
Cash was applied to:			
Payment of Dividends		-	350,000
Repayment of Loans and Borrowings		997,701	1,921,463
Lease Payments		47,402	112,040
		<u>1,045,103</u>	<u>2,383,503</u>
Net Cash (Outflow) from Financing Activities		<u>(555,152)</u>	<u>(902,775)</u>
Net Increase in Cash Held		(603,181)	411,981
Add Opening Cash and Cash Equivalents		2,310,128	1,898,147
Closing Cash and Cash Equivalents		<u>1,706,947</u>	<u>2,310,128</u>
Cash Balances in the Statement of Financial Position			
Cash		1,706,947	2,310,128
CLOSING CASH AND CASH EQUIVALENTS		<u>1,706,947</u>	<u>2,310,128</u>

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

**QUALITY ROADING AND SERVICES (WAIROA) LIMITED
STATEMENT OF PERFORMANCE MEASURES
FOR THE YEAR ENDED 30 JUNE 2021**



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

	2021		2020	
	Target	Actual	Target	Actual
Return on Equity (Pre Tax)	6.0%	18.9%	6.0%	8.5%
Equity Ratio (shareholders funds as % of total assets)	>45%	65.1%	>45%	54.6%
Positive working capital ratio at year end	>1	1.7	>1	1.4
Cost of Debt Servicing/Revenue	<20%	0.2%	<20%	0.3%

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



Reporting Entity

Quality Roding 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 Roding 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 accordance 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

Management and the Directors have considered the impact COVID-19 has had on the business. The overall effect on the Company is not material

Changes in Accounting Policies

All accounting policies are consistent with prior year.



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 Subsidy

Government subsidies 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 arises 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.

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)

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.



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 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 other operating 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 | (Straight Line over the term of the underlying asset) |

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.



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.

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

The Company exited their joint arrangement with Wi Pere Trust at the Tangihanga Quarry on 24 June 2021. At the date of the exit, all outstanding assets and liabilities of the Joint Operation vest with Wi Pere Holdings Limited except a half share of the cash at bank which is payable to the Company.

The Company is obliged to maintain the resource consent conditions until the earlier of 30 June 2024 or the date on which the area and operations as covered by the consents are used or occupied by any person other than QRS.

As a result of the exit from the joint operation, these financial statements for QRS include the FY21 financial result in the statement of comprehensive income and the half share of cash at bank. No other assets or liabilities associated with the joint operator are recognised in these accounts.



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 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.

u) Right of Use Assets and Lease Liabilities

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Right-of-use assets and lease liabilities are presented 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 within the statement of cashflows.

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021



	2021	2020
	\$	\$
1 OTHER OPERATING EXPENSES		
Auditors remuneration including disbursements	84,650	69,680
Directors fees	139,646	128,676
Impairment of trade receivables (bad and doubtful debts)	4,990	-
Loss on disposal of property plant and equipment	134,176	17,112
Gain on disposal of property plant and equipment	(464,861)	(137,843)
Impairment of property, plant and equipment	-	358,446
Amortisation of intangibles	20,431	26,230
Lease payments - rental costs	18,975	12,971
	(61,993)	475,272
2 PERSONNEL EXPENSES		
Wages and salaries	6,300,439	6,586,483
COVID-19 Wage Subsidy	(13,700)	(600,951)
MSD Apprenticeship Boost Funding	(179,036)	-
Long-service leave	22,461	647
Sick leave	180,135	218,767
Gratuities	(1,062)	5,094
Contribution to defined contribution plans	177,822	161,194
	6,487,060	6,371,234

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.

MSD Apprenticeship Boost Funding is a payment to enable employers to keep and take on new apprentices so they can work towards their qualifications as the economy recovers from the impact of COVID-19. The payment is available for 24 months and is paid at \$1000 per month for each first year apprentice and \$500 per month for each second year apprentice. QRS applies for the payment monthly based on the number of apprentices we have at the time.

3 RIGHT OF USE ASSETS

2021

	Right- of Use Office Equip	Right-of-Use Vehicles	Total
Cost			
Balance at 1 July	15,991	191,434	207,425
Increases	4,152	5,063	9,214
Decreases	(903)	(42,042)	- 42,945
Balance at 30 June	19,240	154,455	173,694
Depreciation			
Balance at 1 July	7,342	107,558	114,900
Depreciation for the year	3,660	42,701	46,361
Balance at 30 June	11,002	150,259	161,261
Carrying Amounts			
At 1 July	8,649	83,876	92,525
At 30 June	8,237	4,196	12,433

2020

	Right- of Use Office Equip	Right-of-Use Vehicles	Total
Balance at 1 July	15,991	191,434	207,425
Increases	-	-	-
Decreases	-	-	-
Balance at 30 June	15,991	191,434	207,425
Balance at 1 July	-	-	-
Depreciation for the year	7,342	107,558	114,900
Balance at 30 June	7,342	107,558	114,900
At 1 July	15,991	191,434	207,425
At 30 June	8,649	83,876	92,525

LEASE LIABILITY

	2021	2020
	\$	\$
Balance at 1 July	95,384	207,425
Lease Payments	(49,364)	(121,752)
Interest applied to leases	1,962	9,712
Lease Modification	(34,778)	-
Balance at 30 June	13,204	95,384
Made up of:		
Current	8,199	89,168
Non-Current	5,005	6,216
	13,204	95,384

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS continued
 FOR THE YEAR ENDED 30 JUNE 2021



	2021	2020
4 INVENTORIES		
Metal Stocks	818,235	502,482
Other Supplies	77,301	101,969
Work in Progress	-	263
	895,536	604,714
Some inventories are subject to retention of title clauses. Work in progress is held at cost.		
5 TRADE AND OTHER RECEIVABLES	\$	\$
Trade Debtors	943,157	920,592
Wairoa District Council	2,148,859	2,420,900
Provision for Doubtful Debts	(4,990)	-
Retentions	455,300	461,986
Prepayments	29,018	46,268
	3,571,344	3,849,746
6 TRADE AND OTHER PAYABLES		
Trade Creditors	1,082,487	2,710,977
Other	719,495	475,069
	1,801,982	3,186,046
7 EMPLOYEE BENEFITS		
Long-service Leave	54,818	35,019
Annual Leave	368,106	379,953
Sick Leave	22,890	34,674
Gratuities	50,015	51,077
Time In Lieu	138,527	89,803
Accrued Pay	60,439	132,157
	694,795	722,683
Made up of:-		
Current	641,038	687,664
Non-current	53,757	35,019
	694,795	722,683
8 INTEREST BEARING LOANS AND BORROWINGS		
UDC Term Loan	-	861,657
Less Current portion	-	(294,428)
	-	567,229
Interest Rate		5.05%
CAT Finance	353,907	-
Less Current portion	(81,623)	-
	272,284	-
	2.49%	
Made up of:		
Current	81,623	294,428
Non-Current	272,284	567,229
	353,907	861,657

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021



	<u>2021</u>	<u>2020</u>
	\$	\$
9 EQUITY		
(a) Share Capital		
Opening balance	1,250,000	1,250,000
Closing Balance	<u>1,250,000</u>	<u>1,250,000</u>
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.		
(b) Retained Earnings		
Retained earnings at 1 July	5,792,351	5,711,660
Net operating surplus	949,053	430,691
Interim Dividend	-	(50,000)
Final Dividend	-	(300,000)
Retained earnings at 30 June	<u>6,741,404</u>	<u>5,792,351</u>
10 TAXATION		
Profit before taxation	1,328,823	600,685
Prima facie taxation / benefit @ 28% (2020: 28%)	372,071	168,242
Plus taxation effect of permanent differences:		
- Non deductible expenses	7,700	1,931
	<u>379,770</u>	<u>170,173</u>
Income tax expense		
Major components of taxation expense are:		
Current taxation	515,792	247,497
Deferred taxation		
Origination and reversal of temporary differences	(136,022)	(77,324)
	<u>379,770</u>	<u>170,173</u>

Deferred Income Tax at 30 June relates to the following

	Balance Sheet		Income Statement	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Deferred tax liabilities				
Contract retentions	127,484	129,356	1,872	(61,014)
Future Amortisation	18,918	21,599	2,682	1,288
Right of Use Assets	3,481	25,906		
Gross Deferred Tax Liabilities	<u>149,883</u>	<u>176,861</u>	<u>4,554</u>	<u>(59,726)</u>
Deferred tax assets				
Subcontractor Retentions	23,844	84,710	(60,867)	(7,577)
Provisions				
Annual leave	85,015	90,917	(5,902)	(1,437)
Staff gratuities	14,004	14,301	(297)	1,426
Sick Leave	6,409	9,709	(3,300)	1,523
Time in lieu	29,227	19,986	9,241	(11,989)
Long service leave	15,349	9,805	5,544	181
Aftercare	47,011	50,429	(3,419)	4,809
Lease Asset Depreciation	-	-	12,981	32,172
Operating Lease Payments	-	-	(13,822)	(34,091)
Lease Interest	-	-	549	2,719
ACC premiums	-	4,567	(4,567)	(3,293)
Maintenance Accruals	2,800	0	2,800	(2,800)
Corporate Accruals	154,549	29,400	125,149	19,600
Contract Liabilities	227,221	80,427	146,794	15,047
Future depreciation	260,012	339,430	(79,416)	120,760
Lease Liability	3,697	26,708	-	-
Deferred Tax Assets	<u>869,138</u>	<u>760,389</u>	<u>131,468</u>	<u>137,050</u>
Net deferred tax assets	<u>719,255</u>	<u>583,528</u>		
Deferred tax income/(expense)			<u>136,022</u>	<u>77,324</u>



11 PROPERTY, PLANT AND EQUIPMENT

2021

Cost	Land	Quarries	Buildings	Plant & Machinery	Fixtures, fittings & equipment	Computer Hardware	Total
Balance at 1 July	29,433	494,288	733,204	14,036,449	682,961	204,623	16,180,958
Additions	-	-	179,308	1,364,601	14,413	4,833	1,563,156
Disposals	-	-	-	(1,801,663)	(468,188)	-	(2,269,851)
Balance at 30 June	29,433	494,288	912,512	13,599,387	229,186	209,456	15,474,263
Depreciation and Impairment Losses							
Balance at 1 July	-	492,553	430,397	9,806,986	396,169	137,433	11,263,537
Depreciation for the year	-	404	36,663	980,495	53,440	31,453	1,102,456
Disposals	-	-	-	(1,630,120)	(323,509)	-	(1,953,629)
Balance at 30 June	-	492,957	467,060	9,157,361	126,100	168,886	10,412,364
Carrying Amounts							
At 1 July	29,433	1,735	302,807	4,229,463	286,792	67,190	4,917,420
At 30 June	29,433	1,331	445,452	4,442,026	103,086	40,570	5,061,899

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	10,678,186
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	4,917,420

12 INTANGIBLE ASSETS

Cost	2021	2020
Balance at 1 July	293,391	293,391
Additions	-	-
Disposals	-	-
Balance at 30 June	293,391	293,391
Amortisation and Impairment Losses		
Balance at 1 July	194,231	168,001
Amortisation for the year	20,431	26,230
Disposals	-	-
Balance at 30 June	214,662	194,231
Carrying Amounts		
At 1 July	99,160	125,390
At 30 June	78,729	99,160



Security

The Company provides first ranking security through a general security agreement (GSA) to Westpac New Zealand and second ranking security through a GSA to The Ministry of Business, Innovation and Employment - Provincial Growth Fund. CAT Finance hold a specific security interest over a 2020 Caterpillar Motor Grader.

Capital Commitments

At balance date, the company had a capital commitment of \$607,076 for a Hino truck and bitumen distributor. (2020:\$15,325)

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

	<u>2021</u>	<u>2020</u>
	\$	\$
Reported net operating profit after taxation	949,053	430,691
Subvention Provision	286,904	200,000
Add back non-cash items:		
Depreciation	1,148,817	1,206,045
Amortisation	20,431	26,230
Impairment	-	358,446
Loss relating to Lease Modifications	(1,049)	-
(Increase)/Decrease in Deferred Taxation	(135,726)	(77,326)
Increase/(Decrease) in Employee Benefits	18,738	46
Increase/(Decrease) in Quarry Aftercare Provision	(12,210)	17,176
	<u>2,274,958</u>	<u>2,161,308</u>
Add back items classified as investment activities:		
Net loss on sale of Property, Plant and Equipment	134,176	17,112
Gain on sale of Property, Plant and Equipment	(464,861)	(137,843)
	<u>(330,685)</u>	<u>(120,731)</u>
Movements in Working Capital:		
(Increase)/Decrease in Trade and Other Receivables	494,922	258,910
(Increase)/Decrease in Inventories	(290,822)	184,448
Increase/(Decrease) in Trade and Other Payables and GST	(1,183,563)	536,371
Increase/(Decrease) in Employee Benefits	(46,626)	(26,446)
Increase/(Decrease) in Tax Payable/Receivable	(49,964)	(327,865)
	<u>(1,076,053)</u>	<u>625,418</u>
Net Cash inflow/(outflow) from Operating Activities	<u>868,220</u>	<u>2,665,996</u>

15 OTHER PROVISIONS

QUARRY AFTERCARE PROVISION

	<u>2021</u>	<u>2020</u>
	\$	\$
Balance at beginning of the year	180,105	162,930
Provided for during the year	3,453	17,175
Utilised during the year	(15,662)	-
Balance at the end of the year	<u>167,896</u>	<u>180,105</u>

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 30% 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

	<u>2021</u>	<u>2020</u>
	\$	\$
Maintenance / Roading Contracts	8,324,742	6,203,522
Capital Construction Contracts	13,922,679	18,062,191
Other	1,480,128	1,961,369
	<u>23,727,549</u>	<u>26,227,082</u>

