



Your people, your solution, you're sorted.

EHARA TAKU TOA I TE TOA TAKITAHU, ENGARI HE TOA TAKITINI



# Annual Report

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for the year ended  
30 June 2022

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# Directory

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## Directors

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Guy Gaddum (chair)  
Tony Gray  
David Proctor  
Fenton Wilson

## Auditor

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David Borrie of EY on behalf  
of the Office of the Auditor  
General

## Registered Office

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 Kaimoana Road  
Wairoa

## Bankers

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Westpac  
Level 1, 101 Queen Street East, Hastings

## Postal Address

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 PO Box 83  
Wairoa  
 (06) 838 9030

## Solicitors

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Chapman Tripp  
Level 34/15 Customs St West  
Auckland

# Statutory Information

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## Directors

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The following persons held office as directors during the year.

Guy Gaddum (Chair)  
Tony Gray  
David Proctor  
Fenton Wilson

## Directors' interests and transactions

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### 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**

Ngati Pukenga Investments Ltd	Director, Chair
Civic Financial Services Ltd	Director
Civic Property Pool	Director
Mutual Fund Trustees Ltd	Trustee
Artemis Nominess Ltd	Director
Tatau Tatau o Te Wairoa Commercial Ltd	Chair
Te Turapa Wai Ariki Limited	Chair
Centralines Limited	Director
EA Networks Limited	Director
Nga Hua O Ngati Pukenga Limited	Director
Tatau Tatau Horticulture GP Limited	Director
Foodeast GP Ltd	Director
Tatau Tatau Housing GP Limited	Director

**David Proctor**

Davell Investments Ltd	Director, shareholder
Axell Consultants Ltd	Director
DS Property Development Ltd	Director, shareholder
DSM 2022 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, chair
Oruru Land Company Limited	Director, beneficial shareholder

Jeremy Harker, chief executive of QRS, serves as a Wairoa District Councillor (2015-present).



### Share dealings with directors

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

### Loans to directors

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No loans have been made to directors.

### Directors remuneration

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The following amounts of remuneration were paid:-

GE Gaddum	\$42,445
AT Gray	\$34,275
DG Proctor	\$25,991
FD Wilson	\$26,658

### Directors indemnity and insurance

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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

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

One employee	\$240,001 and \$250,000
One employee	\$170,001 and \$180,000
Two employees	\$140,001 and \$150,000
One employee	\$130,001 and \$140,000
One employee	\$110,001 and \$120,000

### **Donations and sponsorship**

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Donations and sponsorship during the year was \$119,289. Recipients of over \$1,000 were:

- Athletic Sports Club
- Donations for families in need
- Life Education Trust
- Wairoa Boxing Club
- Wairoa College tertiary scholarships
- Wairoa Community Centre
  - Wairoa Museum
  - Wairoa Ross Shield
  - Wairoa JAB Rugby

### **Auditors remuneration**

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During the year the following amount was paid to EY on behalf of the Auditor General

For audit work including disbursements	\$78,785
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### **Description of the business**

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Quality Roading 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.

# Chair's Report

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## *Kia ora koutou*

On behalf of the board of directors I'm pleased to present our Annual Report for the financial year 2022. It was a year of success for Quality Roding and Services as we continued our vision of being a strong and successful company growing the Wairoa community. Like the rest of the world we continued to face challenges in an uncertain operating environment but QRS and its people have performed exceptionally well.

Jeremy Harker became chief executive in July 2021 and was immediately confronted with a Covid-19 level 4 lockdown. Under his leadership the company continued to support employees and critical local infrastructure. Already a Wairoa District Councillor, Jeremy has handled his employment responsibilities

to both organisations with integrity and professionalism.

The senior leadership team made up of Anthony O'Sullivan, Siobhan Storey, Peter Wairau, Michelle Hedley, and Mike Wilson is a powerful asset for our organisation. I thank them for the support they provide to Jeremy and the board, as well as their staff leadership.

We are reporting total revenue of \$18.34m, a decrease of 23 percent on the previous year (\$23.73m). However, we close out the year with a healthy balance sheet and the ability to better withstand the uncertainty that the business faces. QRS has performed well above budget and forecast during the year. This continued success has been underpinned by the efforts of all staff but especially our project and contract managers who helped set the company's business plans, goals, and budgets.

The relationship with our sole shareholder Wairoa District Council (WDC) is advantageous to each party and QRS directors and staff have a good working relationship with their relevant WDC counterparts. Open communication has been the key. With that two-way flow of information, constructive debate, and a shared commitment to each organisation's visions and values, we have a



sound strategic direction. QRS is proud to have made \$119,289 available in sponsorship and in-kind this year.

Looking to the future QRS has set the audacious strategic goal of becoming New Zealand's preferred construction company by 2035 along with growing our communities.

For now, as we round out FY 2022, I wish to thank all QRS staff. They have shown dedication and commitment to deliver enhanced performance for the company ensuring that the regional economy continues to thrive. At times the challenges of the global pandemic and dramatic weather events have made this difficult and uncomfortable. But throughout these situations they have taken great pride in the work they do to keep Wairoa moving and protect the health and wellbeing of our community.



**Guy Gaddum**

*Quality Rooding and Services  
Board Chair  
July 2022*

# CEO Report

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## *Kia ora koutou*

It's been an active year for myself and the company and there has never been a better time to be part of Quality Roading and Services.

In the financial year ending June 2022, QRS generated over \$18 million in revenue. We made a profit of \$1.38 million, and gave \$250,000 to our shareholder, Wairoa District Council (WDC). Our net profit margin (before tax) was 8 percent (7 percent in 2021).

Despite the challenges of Covid-19, supply chain issues, and dramatic weather events, this past year has demonstrated what makes QRS unique: the strength of our people, our relationship with stakeholders, and our agility.

Highlights include the creation of a new traffic management division for hire, and the way we responded to flood damage that caused more devastation than Cyclone Bola. This year we also

contributed \$119,000 to the Wairoa community through grants and sponsorship.

The importance of our local owner and the community we serve has never been more paramount. We are guided by WDC's vision and seek to integrate our business objectives with council's desire to create a thriving economy, desirable lifestyles, treasured environments, and connected communities. None of QRS's objectives would be possible without council's leadership and trust. Those two things support our social licence to operate. It is judged by others and is essential for our long-term future.

This past year we have taken more responsibility to meet the community's evolving expectations of modern business. We have started choosing vehicles that are better for the environment, monitoring fuel consumption and plant utilisation, and very soon we will be undertaking a carbon footprint audit to learn more about where we can make a change.

Empowering staff continues to be a focus. We're proud to offer programmes and resources that support our staff including professional development and personal growth opportunities, train-as-you-work options, and leadership courses.

Safety is at the core of how we operate. Nothing matters more than the safety and wellbeing of our staff, contractors, and the public, and I'm pleased that we can report no lost time injuries over the past 12 months. We fundamentally believe that all incidents and injuries are preventable. Being able

to go home to one's whānau at the end of the day should be a given, not an achievement.

This past year I am proud to have overseen an expanded company-wide leadership programme focused on developing our next-level leaders to be the best versions of themselves. Unlocking the full potential of our employees will help foster a high performance that will be critical to achieving the exciting business objectives and strategy we have set for the next five years. QRS has an eye toward identifying new business opportunities and accelerating the execution of an updated People and Capability plan, and a Social Impact Plan.

Thank you for the opportunity to lead QRS. I am honoured to surround myself with directors, a leadership team, and staff that elevate QRS and deliver results that propel this company, and by association this community, forward.



**Jeremy Harker**

*Quality Rooding and Services*

*Chief Executive*

July 2022



Ehara taku toa i te toa takitahi, engari he toa takitini.  
My strength is not mine alone, it is the strength of many.

**EQUALITY**  
**PRIDE**  
**RESPECT**

# STRATEGIC PLAN 2021-2024

**KEY FOCUS AREAS      STRATEGIC OBJECTIVES      CRITICAL SUCCESS FACTORS      KEY PERFORMANCE INDICATORS**

**SHAREHOLDER RELATIONSHIP**



Assist Wairoa District Council to achieve their strategic goals

Achieve Statement of Corporate Intent targets

- Quarterly governance interaction with Wairoa District Council
- 100 employees
- \$30,000 community support annually
- Minimum annual pre-tax distribution of \$250,000
- Ratio of shareholder funds to total assets of not less than 45%

**STAKEHOLDER RELATIONSHIP**



Creating opportunities through building new relationships and enhancing existing relationships

Having relationships that add value to all parties

- \$5m revenue cumulative by 2026 from new business relationships
- Stakeholder community survey every two years
- Zero breaches of QRS staff living the protocols of the Collaboration Policy
- \$4m per annum of unsolicited work

**PEOPLE & CAPABILITY**



- Growing capability
- Embracing change

Great people living our values

- Succession plans reviewed quarterly
- Achievement of performance and development targets
- Staff satisfaction survey results trend positively
- All sub-contractors are pre qualified

**FINANCIAL PERFORMANCE & POSITION**



Grow financial performance

Achieve Statement of Corporate Intent financial targets

- Annual pre-tax shareholder distribution of \$250,000
- Target revenue \$19m
- Pre-tax target profit \$928,000
- Return on opening shareholder funds (\$9m) of 6% (\$540,000)
- Secure 100% of budget for the following three months

**SAFETY & WELLBEING**



Safety and wellbeing is embedded in company culture

- Our people drive safety and wellbeing
- Everyone gets home safe and well

- LTIFR (lost time injury frequency rate)=0
- MTIFR (medical treatment injury frequency rate)=0
- TRIFR (total recordable injury frequency rate)=0
- Zero operator damage
- All audits score over 80%
- All incidents reported within 24 hours as per the CCMS
- 100% drug and alcohol free
- Well being survey results trend positively
- Zero unexplained absence
- 100% staff health checks

**QUALITY & ENVIRONMENT**



QRS earns a good reputation for achieving a high level of quality and environmental performance

QRS meets it's ISO standards

- Zero shareholder or stakeholder complaints via office@qrs.co.nz
- Zero contractual non-compliance or non-conformance notices
- Zero abatement notices
- Retain all existing ISO accreditations
- All environmental audit scores are above 80%
- All PACE scores (performance assessment by coordinated evaluation) to be 60% or higher



Mower operator Shaun Hadcroft has developed his skills and career at QRS thanks to great teachers and a keenness to learn. Shaun started work as a labourer in 2021. He refreshed his Class 2 training and qualified in Wheels, Tracks and Rollers. He then used those skills driving the pilot vehicle for the long-reach mowing team and then, by the beginning of the New Year, trained to drive the over-sized mowing machinery himself. "Building on those skills means you can do a variety of work and I really enjoy having those options," he says. "It makes you more flexible and I like to help out where I can." Shaun is now working towards his Class 4 (heavy vehicle) licence.



# Our Shareholder

# 100%

owned by Wairoa District Council  
staffed by Wairoa people  
committed to Wairoa

## Statement of Corporate Intent Targets Annual progress

	Jun 2022		Jun 2021		Jun 2020	
	Target	Actual	Target	Actual	Target	Actual
Net profit pre-tax as a percentage of opening shareholder funds	6%	17.30%	6%	18.90%	6%	11.50%
Net profit after tax as a percentage of revenue	3%	5.40%	3%	4%	3%	1.64%
Distributions to Shareholder	\$250,000	\$250,000	\$250,000	\$520,000	\$250,000	\$250,000
Ratio of shareholder funds to total assets - not less than.	45%	68.40%	45%	65.10%	45%	54.60%

*The distribution to shareholder above relates to the declared dividend for the financial year.*





## **Kōrero from our shareholder**

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***Wairoa's Quality Roding and Services (QRS) is literally working from the ground up to connect and grow our communities.***

The award-winning civil contracting, construction, infrastructure, and roading company is competitive on a regional scale and a significant employer locally, all the while recognising that its strength is in its people.

For our district to continue to grow in population and skill base we need a shared vision to work towards - and QRS is leading the charge. The company's key strategies for the future include investment in staff and a People and Capability Plan which will help attract, develop, and retain staff.

Council is the sole owner of QRS on behalf of the entire Wairoa community. It is therefore encouraging to see the company's values aligned with Wairoa's District Council's own vision of desirable lifestyles, thriving economy, treasured environments, and connected communities.

I would like to acknowledge QRS's board of directors who are supported by elected member appointees Melissa Kaimoana and Danika Goldsack, and the work they do to protect and grow our community's assets. I would also like to acknowledge QRS's leadership, which is constantly looking for opportunities locally, and further afield, to grow the business while positively impacting our own community.

We are proud of the achievements QRS continues to make and the emphasis it places on nurturing and supporting our communities to thrive.

**Wairoa Mayor Craig Little**

# Supporting our Community

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**\$119,289**  
on sponsorship including

**\$40,000 Wairoa Museum \$40,000 Wairoa Community Centre**  
**\$9,000 Wairoa College \$5,750 Athletic Rugby Club**  
**\$4,000 Wairoa Boxing Club \$2,311 Wairoa Ross Shield**  
**\$2,300 Jammies for June \$1,287 Life Education Trust**  
**\$1,000 Mahia Water Safety \$761.27 Wairoa Community Garden**  
**\$622.36 Whakaki Marae \$265.50 Te Kura o Waikaremoana**  
**\$600 Hawke's Bay Rescue Helicopter Trust**  
**\$330 Autism New Zealand \$300 Te Rakato Kohanga Reo Mahia**



## Wairoa College Scholarships

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***Wairoa College 2021 leavers June Doyle, Aaron Stafford, and Hirini McIlroy each received a \$3,000 scholarship from QRS.***

June Doyle is studying a Bachelor of Science in statistics and computing. The scholarship has been a huge help. "It's been a bit of a culture shock moving from Wairoa to Wellington, but I'm happy I now have another place to call home."

Aaron is studying a Bachelor of Science with a double major in computer science, and electrical and computer systems. He used his scholarship to help pay for course materials, transport, and accommodation. "It makes life here a little bit less stressful."

Hirini is completing a Bachelor of Engineering (honours), majoring in software engineering. "The scholarship has helped me with my monthly accommodation payments as they are pretty hefty."



## Sparring drills and life skills

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***Boxing training can change a youngster's life for the better and that's why QRS is pleased to have helped financially support Wairoa Boxing Club this year.***

In May five boxers: Devorn Taofitau, Anaru Keefe, Hemi Keefe, Teneille Brady, and Teruihi Keefe (pictured) represented Wairoa Boxing Club at the New Zealand Amateur Boxing Tournament in Palmerston North. With two wins, two losses, and one no-fight, the boxers gained enormous life and boxing experience over the weekend.

QRS chief executive Jeremy Harker says classes for rangatahi are free, but families must fundraise to help with the costs of travel and participation.

"The coaching staff are teaching kids how to succeed in life, how to communicate with adults, from shaking hands to eye contact and even teaching kids to learn from a loss. These are lessons that can be applied in real life and the main reason QRS is pleased to have been able to help."

*QRS staff gather at the Kaimoana Rd depot from 6am most mornings.*



# Upskilling our Team

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1

**Civil Engineering  
Diploma**

8

**Class 1  
restricted licenses**

## Certificates

**Chainsaw 19 people Bitumen sprayer, tanker and plant operator 2  
Bitumen safety 4 Locates 9**

## Courses

**Construct Safe 31 Telehandlers 1 Materials course 2  
Logbook and load security 28 Understanding conditions of contract 3**

## Qualifications

**Harness safety at height 4 Height safety and fall arrest 3  
Mobile elevated work platform 9 Executive ready program 1**

## Degrees

**Bachelor of Business 1**

## Assessments

**Competency 47**





# 4

## Wairoa Young Achievers Trust Leadership Course

### Waka Kotahi NZTA qualifications

Temporary traffic management planner 2  
Temporary traffic management worker 21  
Traffic management operative 11  
Site traffic management specialist 3  
Temporary traffic management mentor 2

### Endorsements

Occupational Safety and Health, and Forklift 8  
Wheels, Tracks and Rollers 13  
Dangerous goods 8

### Licenses

Class 1 learners 2 Class 1 restricted 8 Class 1 full 7  
Class 2 learners 2 Class 2 full 19  
Class 4 learners 9 Class 4 full 1





## The driving edge

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***After 17 years in Australia Waa ‘Toots’ Rowlands has immersed himself in Māoritanga, life at the lake, and upskilling at QRS.***

Toots, *Ngāti Kahungunu*, arrived in New Zealand in 2018, and he and his Tūhoe partner and two teens are happily settled in Tuai.

In Perth, Toots, 42, worked in roading for the local government, was a meat works slaughterman, and a brick mason.

At QRS he started as a labourer. A keen observer of everything around him, he began to “watch and learn”. He’s seized training opportunities and earned his Wheels, Tracks and Rollers license and a variety of road construction tickets.

Toots moved up to supervising and then trained for the job he really wanted - grader operator. He’s “living the dream” carving the roads into shape for locals.

“I saw those opportunities and thought ‘why not get involved?’. I gladly wake up knowing I’m going to work today on grading. I like to do it as though it was my own back yard. People see your work and you get good comments.”

Toots’ next course is likely to focus on his paper and pen skills. “It’s a challenge but I’m not going to back down.”



## The Storey so far

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***Chief financial officer Siobhan Storey, Ngāti Kahungunu and Ngāti Pāhauwera, earned her third degree this year when she completed a Bachelor of Business Accounting with help from QRS.***

The mother of one says she's always enjoyed learning. She also has a Bachelor of Arts in Māori resource management and a Bachelor of Law.

Chief executive Jeremy Harker described Ms Storey as highly capable with outstanding knowledge and skills in her profession. "She's a great leader, strategic thinker, and a passionate advocate for QRS and Wairoa."

Siobhan is treasurer of Te Hōnonga o Ngā Awa. She is a Wairoa Boxing Club coach and committee member, a Ngāti Pāhauwera trustee, and a Tairāwhiti REAP board member.

She's proud to be working in her hometown and alongside "valued colleagues."

"When I was young I didn't like living in Wairoa." That's changed. "It's important to me to be able to live at home close to family, do the iwi and community mahi that's important to me, and to have this job."

Siobhan encouraged Wairoa's rangatahi to think positively about becoming the town's future builders, business owners, tech experts, or "anything they want!"

# Our People

**98**  
employees

**91**  
full time

**7**  
casual

**6**  
summer students





## Engineering their own success

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***Two staff studying a Diploma in (Civil) Engineering are determined to work hard for the next couple of years to earn the respected qualification.***

"It's definitely full-on!" says project supervisor Quintin Baty. "I come home after a full day and have to study for a couple of hours, four to five nights a week, but it will be worth it."

Project engineer Chris McGregor, and Quintin, are doing their diplomas through the New Zealand Institute of Highway Technology. The diploma is a level 6, 240 credit qualification. It includes 12 compulsory courses and four elective courses. If someone studied full time it would take two years.

QRS is supporting Chris and Quintin to study part-time while continuing to work full-time. People and capability manager Peter Wairau says it takes an organised and committed person to be able to balance study with work. "Chris and Quintin have that commitment in spades and that's why we're supporting them."



## **Courtney Ribbon making gains with CostCon**

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***Most weekends Courtney Ribbon, Ngāti Kahungunu, Rangiahua, will be stalking deer, chasing pigs, hunting ducks, or fishing from boat or beach . . . all pursuits that require patience and attention to detail.***

And those are skills she uses during the week, too, in her role as finance officer.

Courtney started this year and during a typical week will work on anything from sorting out insurance and helping finalise monthly financial results to processing end-of-month payments.

When she first started, she upskilled with the payroll system. All of this happened just as the company introduced new CostCon software.

“CostCon is a good tool as it allows us to become paperless,” she says. “It also saves time and makes all our processes more efficient, so there were lots of gains to be made.”





## Storming into a career

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***Wairoa College graduate Kalaney Ruwhiu had a stormy start to QRS when Cyclone Fifi wreaked devastation across the region.***

The young labourer was thrown into the frontline in May manning roadblocks and helping clear slips throughout the period of torrential rain and gale-force winds.

Despite the chaos of the event Kalaney says the community pulled together and was supportive. "I remember at one stage when working near Pakowhai we were joined by a group of public. We stood together in a circle, someone had brought food, and it had a nice community feel."

Kalaney joined the company from Wairoa College eager to earn qualifications while getting paid to work. He is already Wheels, Tracks, and Rollers endorsed and will soon start his New Zealand Certificate in Infrastructure Works. "There are many options and you can get so many qualifications and use them in your future."



## Cemented back home

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***Builders and landowners are sourcing concrete closer to home now that Wairoa's newest concrete batching plant is operating at QRS.***

"Concrete can now be made closer to where it needs to be discharged - a convenience that hasn't been available to the local construction sector for a long time," says QRS construction manager Mike Wilson.

"We're passionate about Wairoa and proud to have this service back in town."

Mike says by having the concrete plant close to worksites "we no longer have to compete with Gisborne contractors who are all trying to source concrete from suppliers who have a limited number of trucks."

Importantly, batching at the Kaimoana Rd depot "means locals aren't having to pay large travel costs involved with getting concrete from Gisborne and Napier."

Concrete technician Daniel Tukaki took over operating the new plant in September. Concrete can be ordered by the cubic meter on (06) 838 6161.

*Old Portland Island Lighthouse, Wairoa.*



# Health and Wellbeing

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**Drug and alcohol tests**  
136 tests 94% pass rate

**Competency tests**  
47 tests 93% pass rate

**Reports**  
298 incident reports 291 received on time No lost time injuries  
41 near miss reports

**Audits**  
67 Traffic management 58 Environmental management  
61 Health, safety and compliance 24 Worksite quality reviews  
All audits achieved scores of 80 percent or more thereby exceeding contractual requirements.



## Front footing safety

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***QRS is ensuring the wellbeing of staff and the community by front footing the issue of drug and alcohol impairment in the workplace.***

The company carries out pre-employment and random employee breath testing for alcohol impairment, and urine testing for other drug use including cannabis and marijuana.

In 2020 hair follicle testing was added as a random test for existing staff, and to QRS's pre-employment screening programme, to identify any users before they join the company.

Health and safety manager Paul Eaglesome says QRS's drug policy supports a zero tolerance to staff displaying poor decision-making or making judgement errors because of substance abuse.

"If our workers are impaired through any sort of drugs or alcohol use there is an increased danger of occupational injuries or fatalities."

"It's about getting people home safe and maintaining our company values of equality, pride, and respect, and passing those values on into the community."



# Our Achievements

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## Civil Contractors New Zealand Connexis Training Award

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***QRS was a finalist in this year's CCNZ Connexis Training Award recognising employers that have demonstrated a strong commitment to training and development of staff.***

People and capability manager Peter Wairau says QRS's People and Capability Plan is the roadmap used to attract, develop, and retain staff. The company hires on attitude first then skill, and currently, a third of staff are working towards apprenticeships.

Staff meet with managers six-monthly to set new goals and discuss progress on their previous ones. QRS offers competitive pay and overtime rates, and staff are paid a minimum of 45 hours a week. The company aims for a staff turnover rate of just 10 percent.

Paramount to working at QRS is a desire to share in the company's vision which is 'connecting and growing our communities'.





## Emergency response

***The devastating flood events of March this year triggered an all-staff emergency response and brought out the best of QRS.***

The relentless rain was destructive and led to significant damage to farm infrastructure, roads, and bridges. Many rural residents were stuck behind slips, and power and phone lines were out in some areas. For a few hours, Wairoa was cut off in all directions due to flooding.

QRS staff were quick and eager to respond, says routine maintenance division manager Michelle Hedley. "Everyone just pitched in, pulled together for this extraordinary event. Our team can be very proud of what they achieved."

Michelle, who has 25 years roading experience, says the weeks of wet weather leading up to the extreme March event left rural Wairoa in a worse condition than when Cyclone Bola came through in 1988.

The two state highways into Wairoa had no through access. Awamate, Mangapoike, Tiniroto, Ruapapa, Kotare, Hereheretau, and Papuni Roads, were badly hit and inaccessible. Te Reinga Bridge was closed to road users which put pressure on Ohuka Rd.

QRS's immediate response was to help open the state highways and push slips off rural roads to get them open. Crews worked day and night shifts in miserable conditions. Sometimes they had to wait until water levels dropped before they could get into an area or source the machinery they needed. Tuai-based staff did what they could from beyond the slips. At least one road was given priority for opening because there was a resident who was pregnant.

"There was plenty of adrenalin coursing through and we had so much to do," says Michelle.

"In our initial response, we had everyone out manning areas and working to shift material at major dropouts and road closures." Some staff were deployed with sandbags to urban areas experiencing flooding. She says one staff member was recalled when his own home came under threat of rising water.

"It was busy but we have good processes and systems and managed the event well."





Michelle paid credit to resilient land owners and the community during the emergency. "Local farmers were helping out where they could and we contracted others like Pryde Contracting to help. We even recruited retired truck drivers during this busy time."

Mangapoike Rd was one of the last roads opened. As the QRS diggers pushed through, power company vehicles followed them into the valley desperate to deliver generators to locals who'd been without power for over a week. "In that moment we felt we had really succeeded."

Given QRS's staff shortages that month due to Covid-19, Michelle says it was a huge achievement to get Wairoa moving as quickly as they did. "Our staff were amazing, the team gelled, they stepped up where it was required, and this community can be very proud of them."





## Pooling our expertise

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***Kiwi ingenuity from QRS and WSP engineers helped ensure Te Reinga Bridge was safe to open to light vehicles this year.***

Two empty swimming pools sitting on the bridge deck were incrementally filled with water in May to see if the bridge could hold the engineers' recommended weight for light vehicles to move across it.

During the test, information from a variety of sensors was electronically fed back to engineers who were monitoring the test from the road.

The water used to fill the swimming pools was pumped in from two trucks parked at the edge of the bridge. The pumps were timed to flow rates so that one thousand litres (1 tonne) could be added at a time.

Fifteen tonnes of water were added to the pools over six hours. After engineers verified the data Te Reinga Bridge was opened to light traffic.





## Operations hub build

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### ***QRS staff have completed early underground work for the company's new operations hub.***

The 700 m<sup>2</sup> office building will enable staff currently housed in several buildings to work more effectively and closer together.

Demolition 1 removed an old machinery shed off the site earlier this year. QRS staff then diverted drainage, built fences, and installed new sewer lines. The next step is pouring the concrete foundation.

Project manager Mike Wilson says despite building sector uncertainties the build is progressing well. Initial challenges have included cost increases for some construction-related materials however some of this has been offset by pre-purchasing structural steel and the good relationship with lead construction company Stead Construction.

Stead Construction was awarded the building contract in January and has now moved its Wairoa-based operations from New World Wairoa to QRS.

It's expected up to 30 local and out-of-town sub-contracting staff will be involved with the build.

# **Introducing our Senior Leadership Team**

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**QRS's leadership team are individual experts in their own field. They balance an entrepreneurial mindset alongside a commitment to their staff and the wider community.**



*“QRS stands out from its competitors because although we’re primarily a business, one of our strategic focuses is the Wairoa community”.*

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### **Operations manager Anthony O’Sullivan**

Anthony O’Sullivan oversees the running of all the divisions with an emphasis on the temporary traffic management (TTM) division, quarries, plant utilisation, workshop, and the yard. He’s proud to have helped create the new TTM division while also taking on quarry management and getting to know relevant landowners. Anthony has a diverse team of 14 staff. Outside of work one of Anthony’s team is a search and rescue volunteer.

*“This company truly cares about our people and community.”*

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### **Chief financial officer Siobhan Storey**

Siobhan Storey manages six staff as well as the company finances. This year she’s overseen the introduction of management software CostCon. Outside of work Siobhan is treasurer of Te Hōnonga o Ngā Awa, a Ngāti Pāhauwera trustee, a Tairāwhiti REAP board member, and a Wairoa Boxing Club coach and committee member. One of Siobhan’s staff is a Wairoa Community Patrol volunteer. Siobhan is proud QRS makes access to training so easy.



*“Results like these are because we all live and work to QRS’s values: equality, pride, and respect.”*

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### ***People and capabilities manager Peter Wairau***

Peter Wairau manages the health and safety team. Peter is a kohanga reo board trustee, a Ngai Te Rakato marae trustee, and an appointed tangata kaitiaki/tiaki officer helping manage customary fishing regulations. At work Peter drives new and better ways to upskill staff and manages their health and wellbeing. He’s proud of the downward trend in lost time injury, medical treatment, and total recordable injury frequency rates.



*“We’re local and proud of it and that’s reflected in the huge array of local people we employ.”*

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### ***Routine maintenance manager Michelle Hedley***

Michelle Hedley and her team maintain the district’s roading network. A former school board trustee, Michelle oversees 44 staff. Michelle enjoys being part of a team that keeps Wairoa moving and was particularly proud of how QRS managed its emergency response to the March 2022 storms. Outside of work Michelle’s staff are involved in a number of community groups. One is a volunteer firefighter, another is a club treasurer, and one person is a sports coach.

*“We all want Wairoa to be even more desirable and awesome than it already is!”*

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### ***Capital manager Mike Wilson***

Mike Wilson looks after the 29-strong construction team. Mike was proud of his team's work to reopen Te Reinga Bridge for the Ruakituri community this year. Mike is a Wairoa Cactus coach and holds leadership roles at Wairoa RSA and Mahia Boating and Fishing Club. His staff are also giving back to the community. One person is a rugby league coach, three are school board trustees, and two staff volunteer with their iwi.

# Financial Statements

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**\$18.3m** (\$23.7m last year)  
Revenue in the year to June 2022

## In the years to June 2022

**\$1.38m pre-tax profit** (\$1.62m last year)

**\$6.8m staff wages** (\$6.3m last year)

**\$119k community sponsorship** (\$40k last year)

**\$193k training spend** (\$290k last year)

# Statement of Comprehensive Income

for the year ended 30 June 2022

	Notes	2022 \$	2021 \$
Revenue	15	18,339,416	23,727,549
Cost of sales		(7,784,941)	(12,779,235)
<b>Gross profit</b>		<b>10,554,475</b>	<b>10,948,314</b>
Personnel expenses	2	6,942,331	6,487,060
Depreciation expense	3, 11	1,073,868	1,148,817
Administrative expenses		951,430	1,706,281
Other operating expenses	1	194,312	(61,993)
		<b>9,161,941</b>	<b>9,280,165</b>
<b>Operating profit/(deficit) before net financing costs</b>		<b>1,392,534</b>	<b>1,668,149</b>
Financing income		5,902	1,034
Financing expenses		(14,668)	(53,456)
<b>Net financing costs</b>		<b>(8,766)</b>	<b>(52,422)</b>
<b>Profit before subvention payment and income tax</b>		<b>1,383,768</b>	<b>1,615,727</b>
<b>Subvention payment - Wairoa District Council</b>		<b>-</b>	<b>(286,904)</b>
<b>Profit before income tax</b>		<b>1,383,768</b>	<b>1,328,823</b>
Income tax (expense)	10	(387,571)	(379,770)
<b>Profit for the year</b>		<b>996,197</b>	<b>949,053</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>996,197</b>	<b>949,053</b>

# Statement of Changes in Equity

for the year ended 30 June 2022

	Notes	2022 \$	2021 \$
<b>EQUITY AT BEGINNING OF THE YEAR</b>		<b>7,991,404</b>	<b>7,042,351</b>
Profit/(deficit) for the year		996,197	949,053
<b>Total recognised revenues and expenses for the year</b>		<b>996,197</b>	<b>949,053</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>
Transactions with owners in their capacity as owners:			
Dividends paid	9	(383,096)	-
<b>EQUITY AT THE END OF THE YEAR</b>		<b>8,604,505</b>	<b>7,991,404</b>



# Statement of Financial Position

as at 30 June 2022

	Notes	2022 \$	2021 \$
<b>ASSETS:</b>			
<b>Current assets</b>			
Bank		1,432,947	1,706,947
Trade and other receivables	5	3,352,350	3,571,344
Inventories	4	703,152	895,536
Contract assets		627,892	233,069
<b>Total current assets</b>		<b>6,116,341</b>	<b>6,406,896</b>
<b>Non current assets</b>			
Deferred tax	10	555,321	719,255
Intangible assets	12	88,588	78,729
Property, plant, and equipment	11	5,790,504	5,061,899
Right of use assets	3	20,645	12,433
<b>Total non current assets</b>		<b>6,455,058</b>	<b>5,872,316</b>
<b>TOTAL ASSETS</b>		<b>12,571,399</b>	<b>12,279,212</b>
<b>EQUITY:</b>			
Share capital	9	1,250,000	1,250,000
Retained earnings	9	7,354,505	6,741,404
<b>TOTAL EQUITY</b>		<b>8,604,505</b>	<b>7,991,404</b>
<b>LIABILITIES:</b>			
<b>Current liabilities</b>			
Gst payable		157,763	171,411
Trade and other payables	6	2,035,986	1,801,982
Employee benefits	7	698,946	641,038

	Notes	2022 \$	2021 \$
Interest-bearing loans and borrowings	8	83,679	81,623
Lease liability	3	20,330	8,199
Taxation payable		30,373	86,205
Contract liabilities		521,493	811,504
Wairoa District Council - subvention payment		-	186,904
<b>Total current liabilities</b>		<b>3,548,570</b>	<b>3,788,866</b>
<b>Non current liabilities</b>			
Employee benefits	7	56,451	53,757
Quarry aftercare provision	14	172,236	167,896
Interest-bearing loans and borrowings	8	188,604	272,284
Lease liability	3	1,033	5,005
<b>Total non current liabilities</b>		<b>418,324</b>	<b>498,942</b>
<b>TOTAL LIABILITIES</b>		<b>3,966,894</b>	<b>4,287,808</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>12,571,399</b>	<b>12,279,212</b>

For and on behalf of the Board, who authorised the issue of these financial statements on 22 September 2022.



Director



Director

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

# Statement of Cash Flow

for the year ended 30 June 2022

	Notes	2022 \$	2021 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Receipts from customers		18,163,587	24,222,472
Financing income		5,902	1,034
		<b>18,169,489</b>	<b>24,223,506</b>
<b>Cash was disbursed to:</b>			
Payments to suppliers		8,898,266	16,136,021
Payments to employees		6,801,100	6,300,349
Payment of subvention		186,904	300,000
Taxes paid		279,469	565,460
Financing expense		14,668	53,456
		<b>16,180,407</b>	<b>23,355,286</b>
Net cash inflow from operating activities		1,989,082	868,220
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Proceeds from sale of property, plant, and equipment		185,337	646,906
		<b>185,337</b>	<b>646,906</b>
<b>Cash was applied to:</b>			
Purchase of property, plant, and equipment		1,875,280	1,563,156
Purchase of intangibles		26,032	-
		<b>1,901,312</b>	<b>1,563,156</b>
Net cash (outflow) from investing activities		(1,715,975)	(916,250)

	Notes	2022 \$	2021 \$
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Proceeds from loans and borrowings		464,815	489,951
		<b>464,815</b>	<b>489,951</b>
<b>Cash was applied to:</b>			
Payment of dividends		383,097	-
Repayment of loans and borrowings		546,438	997,701
Lease payments		82,387	47,402
		<b>1,011,922</b>	<b>1,045,103</b>
Net cash (outflow) from financing activities		(547,107)	(555,152)
<b>Net increase/(decrease) in cash held</b>		<b>(274,000)</b>	<b>(603,181)</b>
Add opening cash and cash equivalents		<b>1,706,947</b>	<b>2,310,128</b>
<b>Closing cash and cash equivalents</b>		<b>1,432,947</b>	<b>1,706,947</b>
<b>Cash balances in the Statement of Financial Position</b>			
Cash		1,432,947	1,706,947
<b>CLOSING CASH AND CASH EQUIVALENTS</b>		<b>1,432,947</b>	<b>1,706,947</b>

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

# Statement of Performance Measures

for the year ended 30 June 2022

	2022 \$	2021 \$
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Specific measures of performance stated and defined within the Statement of Intent are:

	Target	Actual	Target	Actual
Net profit pre-tax as a percentage of opening shareholder funds	6.0%	17.3%	6.0%	18.9%
Net profit after tax as a percentage of revenue	3.0%	5.4%	3.0%	4.0%
Distributions to shareholder	\$250,000	\$250,000	\$250,000	\$520,000
Ratio of shareholder funds to total assets - not less than.	45.0%	68.4%	45.0%	65.1%

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

*The distribution to shareholder above relates to the declared dividend for the financial year.*

# Statement of Accounting Policies

for the year ended 30 June 2022

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## Reporting Entity

Quality Roding and Services (Wairoa) Limited ('QRS' or 'the Company') is incorporated and domiciled in New Zealand and is wholly owned by 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, quarrying, heavy transport, traffic management, and civil construction 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 NZ GAAP. They comply with New Zealand equivalents to international financial reporting standards (IFRSs) and other applicable financial reporting standards, as appropriate for profit-oriented entities in Tier 2 (NZ IFRS reduced disclosure regimen). 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.

### a) Revenue

#### *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 client's 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.

#### *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.

#### *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.

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 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 weighted average method, 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:

1. land
2. quarries
3. buildings
4. plant and machinery
5. fixtures, fittings, and equipment
6. 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:

1. quarries	(3.3 % straight line)
2. buildings	(3.3% straight line)
3. plant and machinery	(20% diminishing value)
4. fixtures, fittings, and equipment	(20% diminishing value)
5. computer hardware	(48% diminishing value)
6. 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 percent 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 considering 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.

**p) Joint arrangements**

The Company exited its joint arrangement with Wi Pere Trust at the Tangihanga Quarry on 24 June 2021.

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.

**q) Significant accounting judgements, estimates, and assumptions**

*Quarry aftercare*

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.

**r) 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.

**s) 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 the entities to engage in subvention payments.

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

**t) 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.

# Notes to the Financial Statements

for the year ended 30 June 2022

	2022 \$	2021 \$
<b>1   OTHER OPERATING EXPENSES</b>		
Auditors remuneration including disbursements	75,985	84,650
Directors fees	129,369	139,646
Impairment of trade receivables (bad and doubtful debts)	(972)	4,990
Loss on disposal of property plant and equipment	68,399	134,176
Gain on disposal of property plant and equipment	(98,481)	(464,861)
Loss on disposal of intangibles	111	-
Amortisation of intangibles	16,063	20,431
Lease payments - rental costs	3,838	18,975
	<b>194,312</b>	<b>(61,993)</b>
<b>2   PERSONNEL EXPENSES</b>		
Wages and salaries	6,801,100	6,300,439
Covid-19 Wage Subsidy	(139,740)	(13,700)
MSD Apprenticeship Boost Funding	(150,410)	(179,036)
Long-service leave	5,922	22,461
Sick leave	219,106	180,135
Gratuities	4,357	(1,062)
Contribution to defined contribution plans	201,996	177,822
	<b>6,942,331</b>	<b>6,487,060</b>

In August 2021, the New Zealand Government enforced a level four lockdown in response to the Covid-19 Delta variant being detected in New Zealand. To ensure job security and business viability, the Government, through the Ministry of Social Development (MSD), provided wage subsidies for businesses throughout the lockdown as well as for persons testing positive for Covid-19 during the year.

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 \$1,000 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.



	2022			2021		
	\$			\$		
	Right of use-office equip	Right of use-vehicles	Total	Right of use-office equip	Right of use-vehicles	Total

### 3 | RIGHT OF USE ASSETS

#### Cost

Balance at 1 July	19,240	154,455	173,695	15,991	191,434	207,425
Increases	-	90,547	90,547	4,152	5,063	9,214
Decreases	-	-	-	(903)	(42,042)	(42,945)
<b>Balance at 30 June</b>	<b>19,240</b>	<b>245,002</b>	<b>264,242</b>	<b>19,240</b>	<b>154,455</b>	<b>173,694</b>

#### Depreciation

Balance at 1 July	11,002	150,259	161,261	7,342	107,558	114,900
Depreciation for the year	3,660	78,676	82,336	3,660	42,701	46,361
<b>Balance at 30 June</b>	<b>14,662</b>	<b>228,935</b>	<b>243,597</b>	<b>11,002</b>	<b>150,259</b>	<b>161,261</b>

#### Carrying amounts

At 1 July	8,237	4,196	12,433	8,649	83,876	92,525
<b>At 30 June</b>	<b>4,578</b>	<b>16,067</b>	<b>20,645</b>	<b>8,237</b>	<b>4,196</b>	<b>12,433</b>

#### LEASE LIABILITY

Balance at 1 July	13,204	95,384
Lease payments	(86,116)	(49,364)
Interest applied to leases	3,728	1,962
Lease modification	90,547	(34,778)
<b>Balance at 30 June</b>	<b>21,363</b>	<b>13,204</b>

#### Made up of:

Current	20,330	8,199
Non-current	1,033	5,005
	<b>21,363</b>	<b>13,204</b>

### 4 | INVENTORIES

Metal stocks	600,279	818,235
Other supplies	101,783	77,301
Work in progress	1,091	-
	<b>703,152</b>	<b>895,536</b>

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

	2022 \$	2021 \$
<b>5   TRADE AND OTHER RECEIVABLES</b>		
Trade debtors	1,625,774	943,157
Wairoa District Council	1,457,008	2,148,859
Provision for doubtful debts	-	(4,990)
Retentions	252,316	455,300
Prepayments	17,252	29,018
	<b>3,352,350</b>	<b>3,571,344</b>
<b>6   TRADE AND OTHER PAYABLES</b>		
Trade creditors	1,962,260	1,082,487
Other	73,726	719,495
	<b>2,035,986</b>	<b>1,801,982</b>
<b>7   EMPLOYEE BENEFITS</b>		
Long-service leave	56,451	54,818
Annual leave	396,724	368,106
Sick leave	31,176	22,890
Gratuities	23,849	50,015
Time in lieu	141,575	138,527
Accrued pay	105,623	60,439
	<b>755,397</b>	<b>694,795</b>
<b>Made up of:-</b>		
Current	698,946	641,038
Non-current	56,451	53,757
	<b>755,397</b>	<b>694,795</b>
<b>8   INTEREST BEARING LOANS AND BORROWINGS</b>		
CAT finance	272,283	353,907
Less current portion	(83,679)	(81,623)
	<b>188,604</b>	<b>272,284</b>
<b>Contractual interest rate</b>	<b>2.49%</b>	<b>2.49%</b>

	2022 \$	2021 \$
<b>Made up of:-</b>		
Current	83,679	81,623
Non-current	188,604	272,284
	<b>272,283</b>	<b>353,907</b>

## 9 | EQUITY

### (a) Share capital

Opening balance	1,250,000	1,250,000
<b>Closing balance</b>	<b>1,250,000</b>	<b>1,250,000</b>

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	6,741,404	5,792,351
Net operating surplus	996,197	949,053
Interim dividend	(50,000)	-
Final dividend	(333,096)	-
<b>Retained earnings at 30 June</b>	<b>7,354,505</b>	<b>6,741,404</b>

## 10 | TAXATION

<b>Profit before taxation</b>	<b>1,383,768</b>	<b>1,328,823</b>
Prima facie taxation/benefit at 28% (2020: 28%)	387,455	372,071
Plus taxation effect of permanent differences		
- Non deductible expenses	116	7,700
	<b>387,571</b>	<b>379,770</b>

### Income tax expense

Major components of taxation expense are:

Current taxation	223,929	515,792
Deferred taxation		
Origination and reversal of temporary differences	163,642	(136,002)
	<b>387,571</b>	<b>379,770</b>

	Balance Sheet		Income Statement	
	2022	2021	2022	2021
<b>Deferred income tax at 30 June relates to the following deferred tax liabilities</b>				
Contract retentions	70,648	127,484	56,836	1,872
Future amortisation	15,943	18,918	2,974	2,682
Right of use assets	5,781	3,481	-	
<b>Gross deferred tax liabilities</b>	<b>92,373</b>	<b>149,883</b>	<b>59,810</b>	<b>4,554</b>
<b>Deferred tax assets</b>				
Subcontractor retentions	1,867	23,844	(21,977)	(60,867)
Provisions				
Annual leave	97,951	85,015	12,936	(5,902)
Staff gratuities	6,677	14,004	(7,327)	(297)
Sick leave	8,729	6,409	2,320	(3,300)
Time in lieu	35,306	29,227	6,080	9,241
Long-service leave	15,806	15,349	457	5,544
Aftercare	48,226	47,011	1,215	(3,419)
Lease asset depreciation	-	-	10,073	12,981
Operating lease payments	-	-	(10,291)	(13,822)
Lease interest	-	-	494	549
ACC premiums	-	-	-	(4,567)
Maintenance accruals	-	2,800	(2,800)	2,800
Corporate accruals	2,469	154,549	(152,080)	125,149
Contract liabilities	146,018	227,221	(81,203)	146,794
Future depreciation	278,662	260,012	18,650	(79,416)
Lease liability	5,982	3,697	-	-
<b>Deferred tax assets</b>	<b>647,694</b>	<b>869,138</b>	<b>(223,451)</b>	<b>131,468</b>
<b>Net deferred tax assets</b>	<b>555,321</b>	<b>719,255</b>		
<b>Deferred tax income/(expense)</b>			<b>(163,642)</b>	<b>136,022</b>

	Land	Quarries	Buildings	Property, plant, equipment	Fixtures, fittings, equipment	Computer hardware	Total
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## 11 | PROPERTY, PLANT AND EQUIPMENT

### 2022

Balance at 1 July	29,433	494,288	912,512	13,599,387	229,186	209,456	15,474,262
Additions	-	-	850,349	1,006,298	18,634	-	1,875,280
Disposals	-	-	-	(1,226,172)	-	-	(1,226,172)
<b>Balance at 30 June</b>	<b>29,433</b>	<b>494,288</b>	<b>1,762,861</b>	<b>13,379,513</b>	<b>247,820</b>	<b>209,456</b>	<b>16,123,370</b>

### Depreciation and impairment losses

Balance at 1 July	-	492,957	467,060	9,157,359	126,100	168,886	10,412,362
Depreciation for the year	-	404	33,374	916,982	22,993	17,779	991,532
Disposals	-	-	-	(1,071,027)	-	-	(1,071,027)
<b>Balance at 30 June</b>	<b>-</b>	<b>493,361</b>	<b>500,434</b>	<b>9,003,313</b>	<b>149,093</b>	<b>186,665</b>	<b>10,332,867</b>

### Carrying amounts

At 1 July	29,433	1,331	445,452	4,442,026	103,086	40,570	5,061,898
<b>At 30 June</b>	<b>29,433</b>	<b>927</b>	<b>1,262,426</b>	<b>4,376,200</b>	<b>98,727</b>	<b>22,791</b>	<b>5,790,504</b>

### 2021

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)
<b>Balance at 30 June</b>	<b>29,433</b>	<b>494,288</b>	<b>912,512</b>	<b>13,599,387</b>	<b>229,186</b>	<b>209,456</b>	<b>15,474,263</b>

### Depreciation and impairment losses

Balance at 1 July	-	492,553	430,397	9,806,896	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)
<b>Balance at 30 June</b>	<b>-</b>	<b>492,957</b>	<b>467,060</b>	<b>9,157,271</b>	<b>126,100</b>	<b>168,886</b>	<b>10,412,364</b>

### Carrying amounts

At 1 July	29,433	1,735	302,807	4,229,463	286,792	67,190	4,917,420
<b>At 30 June</b>	<b>29,433</b>	<b>1,331</b>	<b>445,452</b>	<b>4,442,026</b>	<b>103,086</b>	<b>40,570</b>	<b>5,061,899</b>

	2022 \$	2021 \$
<b>12   INTANGIBLE ASSETS</b>		
<b>Cost</b>		
Balance at 1 July	293,391	293,391
Additions	26,033	-
Disposals	(12,407)	-
<b>Balance at 30 June</b>	<b>307,016</b>	<b>293,391</b>
<b>Amortisation and impairment losses</b>		
Balance at 1 July	214,662	194,231
Amortisation for the year	16,063	20,431
Disposals	(12,297)	-
<b>Balance at 30 June</b>	<b>218,428</b>	<b>214,662</b>
<b>Carrying amounts</b>		
At 1 July	78,729	99,160
<b>At 30 June</b>	<b>88,588</b>	<b>78,729</b>

### 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 \$665,093 (gst exclusive) for a concrete batching plant and bitumen distributor (2021: \$607,076 (gst exclusive) for a Hino truck and bitumen distributor).

At balance date, QRS had commitments of \$3,077,845 (gst exclusive) (2021: nil) relating to the construction of the QRS Operations Hub. Subsequent to year end, the contract was amended, leading to an increased commitment of \$3,851,852 (gst exclusive).

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

Reported net operating profit after taxation	996,197	949,053
Subvention provision	-	286,904
Add back non-cash items:		
Depreciation	1,073,868	1,148,817
Amortisation	16,062	20,431
Impairment	-	-
Loss relating to lease modifications	-	(1,049)
(Increase)/decrease in deferred taxation	163,934	(135,726)
Increase/(decrease) in employee benefits	2,694	18,738
Increase/(decrease) in quarry aftercare provision	4,340	(12,210)
	<b>2,257,095</b>	<b>2,274,958</b>



	2022 \$	2021 \$
<b>Add back items classified as investment activities</b>		
Net loss on sale of property, plant, and equipment	68,399	134,176
Gain on sale of property, plant, and equipment	(98,481)	(464,861)
	<b>(30,082)</b>	<b>(330,685)</b>
<b>Movements in working capital</b>		
(Increase)/decrease in trade and other receivables	(175,828)	494,922
(Increase)/decrease in inventories	192,384	(290,822)
Increase/(decrease) in trade and other payables and gst	(256,562)	(1,183,563)
Increase/(decrease) in employee benefits	57,908	(46,626)
Increase/(decrease) in tax payable/receivable	(55,833)	(49,964)
	<b>(237,931)</b>	<b>(1,076,053)</b>
<b>Net cash inflow/(outflow) from operating activities</b>	<b>1,989,082</b>	<b>868,220</b>

## 14 | OTHER PROVISIONS

### QUARRY AFTERCARE PROVISION

Balance at beginning of the year	167,896	180,105
Provided for during the year	4,340	3,453
Utilised during the year	-	(15,662)
<b>Balance at the end of the year</b>	<b>172,236</b>	<b>167,896</b>

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 percent will be incurred within one year of the balance sheet date. An inflationary factor equivalent to the annual CPI is included in this provision.

## 15 | REVENUE FROM CONTRACTS

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

Maintenance/roading contracts	9,381,227	8,324,742
Capital construction contracts	8,708,313	13,922,679
Other	249,876	1,480,128
	<b>18,339,416</b>	<b>23,727,549</b>

## 16 | 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 (2021: \$500,000). The current interest rate is 7.40% (2021: 5.65%).

Performance guarantees were given to the Wairoa District Council for \$682,000, Wi Pere Trust \$105,000 and Waka Kotahi New Zealand Transport Agency, \$734,664 to the total value of \$1,521,664 (2021:\$1,521,664) by Westpac Bank, on behalf of Quality Roding and Services (Wairoa) Limited.

	2022	2021
	\$	\$

## 17 | TRANSACTIONS WITH RELATED PARTIES

### PARENT

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

Purchases (trading)	32,433	141,969
Sales	12,028,060	17,610,602

Liabilities outstanding at year end were \$1,083 (2021: \$5,151) which is payable on normal trading terms.

The amount outstanding at year end was \$1,457,008 (2021: \$2,577,731), which is receivable on normal trading terms except for \$237,298 (2021: \$428,872) contract retentions receivable at closure to defects liability period. The sales to Wairoa District Council account for 57% (2021: 65%) of total sales by the company.

### DIRECTORS & EXECUTIVE RELATED PARTIES

Remuneration		
Total remuneration is included in 'personnel costs' (see note 2)		
Total executive officers remuneration	1,065,768	1,191,398
	<b>1,065,768</b>	<b>1,191,398</b>

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

2022	Business Transacted	Balance Owing
Total sales transacted	5,779	-

2021	Business Transacted	Balance Owing
Total sales transacted	39,787	383

GE Gaddum, a director/owner of Gaddum Construction Limited purchased services from QRS to the value of \$57,500 in 2022 (2021: \$75).

	2022 \$	2021 \$
<b>18   CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES</b>		
Loans and receivables		
Cash and cash equivalents	1,432,947	1,706,947
Trade and receivables (note 5)	3,352,350	3,571,344
<b>Total loans and receivables</b>	<b>4,785,297</b>	<b>5,278,291</b>
Financial liabilities measured at amortised cost		
Trade and other payables (note 6)	2,035,986	1,801,982
Loans (note 8)	272,283	353,907
<b>Total creditors and loans</b>	<b>2,308,269</b>	<b>2,155,889</b>

### 19 | QUALITY ROADING AND SERVICES - SUBSEQUENT EVENTS

On 22 September 2022, the Directors approved the payment of a dividend of \$200,000. The final dividend will be paid on 30 September.

# Auditor's Report

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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 2022

The Auditor-General is the auditor of Quality Roving and Services (Wairoa) Limited (the company). The Auditor-General has appointed me, David Borrie, 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 43 to 48 and 50 to 65, that comprise the statement of financial position as at 30 June 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year ended on that date the statement of accounting policies and the notes to and forming part of the financial statements that include other explanatory information; and
- the performance information of the company on page 49.

In our opinion:

- the financial statements of the company on pages 43 to 48 and 50 to 65:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2022; 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 49 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 2022.



Our audit was completed on 22 September 2022. 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, 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 42, 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.

A handwritten signature in black ink, appearing to read 'D. Borrie', with a horizontal line underneath.

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





Site supervisor Jared Spence and labourer George O'Connor round the ends of Reidbars. The Reidbars have been attached to the Te Reinga Bridge and piers to form part of the steel bracing system used to restrain the structure.





