

Your people, your solution, you're sorted.



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

Annual Report

for the period ending
30 June 2023



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Directory

Directors

Guy Gaddum (chair)
Tony Gray
David Proctor (resigned
September 2022)
Fenton Wilson

Registered Office

📍 Kaimoana Road
Wairoa

Postal Address

✉ PO Box 83
Wairoa
☎ (06) 838 9030

Auditor

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

Bankers

Westpac
Level 1, 101 Queen Street East, Hastings

Solicitors

Chapman Tripp
Level 34/15 Customs St West
Auckland



Statutory Information

Directors

The following persons held office as directors during the year

Guy Gaddum (Chair)
Tony Gray
David Proctor (resigned September 2022)
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
TEL2023	Owner, shareholder

Tony Gray

Ngati Pukenga Investments Ltd	Director, Chair
Artemis Nominess Ltd	Director
Te Turapa Wai Ariki Limited	Chair
Centralines Limited	Director, Chair of Audit and Finance Committee
EA Networks Limited	Director
Ngā Hua o Ngāti Pūkenga Limited	Director
Foodeast GP Ltd	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 NZ Trust	Trustee, Chair
Oruru Land Company Limited	Director, beneficial shareholder
Property Brokers	Property Brokers Licensee

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:

GE Gaddum	\$43,211
AT Gray	\$35,450
DG Proctor	\$ 6,721
FD Wilson	\$26,882

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:

\$300,000 and \$310,000	one employee
\$210,001 and \$220,000	one employee
\$190,001 and \$200,000	one employee
\$160,001 and \$170,000	two employees
\$130,001 and \$140,000	one employee

Donations and sponsorship

Donations and sponsorship made during the year was \$138,103. Recipients of over \$1,000 were:

Wairoa Athletic Sports Club	Wairoa Christmas Parade
EPro8 Challenge	Wairoa College (scholarships)
Mahia Recreational Playground	Wairoa College Services Academy
Wairoa Mayoral Relief Fund	Wairoa JAB Rugby
Tapuae Sports Club – women's rugby	Wairoa Kindergarten
Te Kura Kaupapa Māori o Ngāti Kahungunu o Te Wairoa	Wairoa Netball Association
Tommy Watts	Wairoa Ross Shield
Wairoa A&P Show	Wairoa Wakely Shield

Auditor's remuneration

During the year the following amount was paid to EY on behalf of the Auditor General for audit work including disbursements: \$96,710.

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.

Chair's Report



Kia ora koutou

On behalf of Quality Roading and Service's board of directors, I present this year's annual report.

It's been a difficult year for our region. In the six months since Cyclone Gabrielle, I have nothing but admiration for the determination of QRS staff and management to get things cleaned up and opened up for the community. Our ability to respond to February's disaster was borne out of two things: the natural desire of staff to help, and our owner's trust in us to do it.

QRS has earned that trust by regularly delivering on our agreed performance areas. In 2022 we said we'd update our People and Capability Plan and invest in staff to attract, develop, and retain more people. QRS remains the second biggest employer in the region but, more importantly, it is an employer of choice. In the past 12 months staff numbers have risen from 90 to 110. Many who start as

labourers go on to become skilled operators, and site and project supervisors, thanks to our emphasis on training and promotion within.

Our desire to explore complementary economic opportunities has also come to fruition. We have invested in four areas of the business, each complementary to the work of repairing and building roads. Wairoa's only concrete batching plant is now on our Kaimoana Rd site offering locals and contractors flexibility around their concreting needs and savings on transportation. We also invested in a paving and sealing division thereby rounding out the full range of services on offer to clients.

In line with a new era of how road worksites are managed, QRS's traffic management division has grown from five to 15 staff. Guidelines have driven a culture change to improve safety for road workers and road users over the past few years and at QRS the division has become a valuable jumping-off platform for new staff. Many young people are joining the company, earning entry-level qualifications, and deciding where in the company they might like to work in the future. There's no reason why someone who starts in traffic management can't one day become chief executive.

Despite the weather challenges, our operations hub has continued to develop under the steady hand of the Stead construction crew from Hawke's Bay. Once completed, this open-plan building will be the new nerve centre and professional frontage of QRS. We look forward to moving in this October.

As always, at QRS we strive to make a difference to people and the planet as well as make a profit. Our zero-tolerance policy on drugs is a perfect example. New staff must pass a drug test when they start work, and there is random drug testing of staff year-round. We make no apologies for our approach. If people work for us, they need to know the person next to them is safe. We hold our drug-free values dear and hope staff take them back home into family life.

Our commitment to the community extends in other directions. Thanks to central Government emergency roading funding after Cyclone Gabrielle, we were able to fully utilise our workforce while working on high value contracts. This meant we were able to make our largest-ever distribution payment to the council of \$1.05 million, well over the \$250,000 agreed to with our owner in our Statement of Intent. The return to council will help it mitigate the rates burden on locals. It was one of the only good things to come out of the havoc and devastation caused by Cyclone Gabrielle. This year we also donated just over \$138,000 in sponsorship.

I acknowledge my fellow board members' contribution and vision that have enabled QRS to adapt and evolve. Of note, I want to thank retired director David Proctor who brought invaluable experience and a common-sense perspective to the board.

Thank you also to QRS staff who this year have borne so much of the brunt of the region's recovery work. You were flung into an extraordinary situation where the community needed your help. Under the excellent guidance of chief executive Jeremy Harker you just sorted it out. Without your selfless dedication, Wairoa would not have made the progress it has.



Guy Gaddum

Chair, July 2023

Chief Executive's Report



Kia ora koutou

When Cyclone Gabrielle activated this country's only ever third national state of emergency, we found ourselves in the eye of the storm, and I am very proud of how we reacted.

Our staff hit the ground running making good early decisions based on what aid and assistance we could provide to our community. Our initial instinct was to punch through closed roads and help people, and later, we focussed on silt removal and coordinating our own staff and sub-contractors to respond to broken infrastructure. The staff commitment was impressive given that some of our employees were managing severe damage to their own homes.

The support from Wairoa District Council during this time was invaluable. Operations staff from both organisations worked well together in the complex dynamic environment. Before outside help arrived, we'd built a picture

of the effects of the cyclone and where to concentrate our resources.

QRS itself was badly impacted. When flood waters rose to 700mm through our depot and buildings, we lost 10 utility vehicles, two tipper trucks, small plant such as chainsaws, and anything that had been resting below the flood mark. We also lost a digger out in the field. I'm very grateful to staff at the depot who pitched in during this time.

In the past few weeks, much-needed financial boosts for repairing our local roading infrastructure have been announced. Central Government funding channelled through the company is helping us rebuild the region, buy new equipment, and importantly, invest in our staff. There is a local multiplier effect whereby the money we invest is then re-spent around Wairoa improving prosperity for everyone during these difficult times. The impact of that external support is acutely apparent by way of our \$1.05 million contribution to Wairoa District Council. The distribution back to our owner will help offset rates and contribute to the social and economic sustainability of the region.

Outside of our weather response, I am proud of the company's achievements over the past 12 months. Our concrete plant is now producing over 200 cubic metres a month ensuring locals are no longer having to pay large travel costs involved with getting concrete from out of town. The traffic management division created in 2022 has grown from five

to 15 staff and been a positive acquisition that integrates well with the business. We are also honoured to have been able to donate just over \$138,000 in sponsorship to schools, marae, health initiatives, and sports teams. These are some of the most satisfying decisions we make on behalf of the community every year.

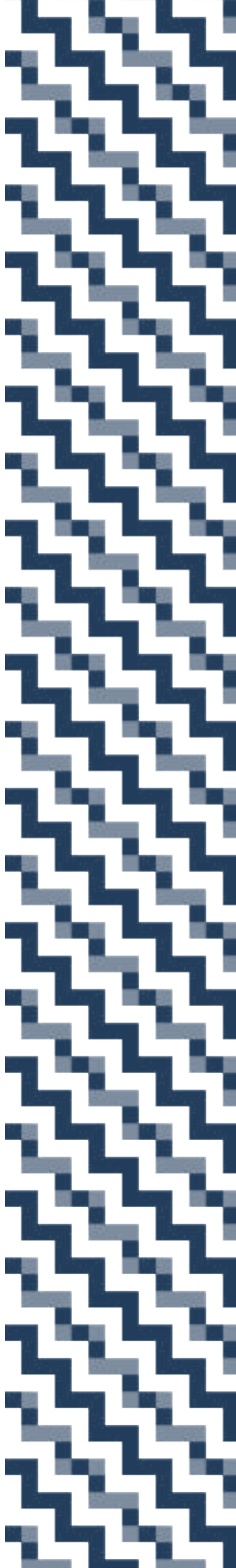
I am particularly proud of the growth and development of staff. Growing young people into positions of responsibility is very important to us. Watching young employees such as Nadia White, D'Magio Karangaroa, and Keanu Lackner develop and thrive into leadership roles confirms that training and promoting staff from within goes a long way toward motivation and retention.

Now, as we round out the 2023 financial year, I am acutely aware this cyclone has left impacts that will be felt for years. We are all still experiencing varying degrees of distress. I wish to convey my personal thanks to all staff and their whānau for your commitment, as well as gratitude to the company's directors, who helped elevate us during the tough times. There is a long road ahead for Wairoa and at QRS we're here for the community.



Jeremy Harker

Chief Executive, July 2023



By 2035 QRS is New Zealand's preferred construction company connecting our people and our communities.



Vision

Connecting and growing our communities



Values

EQUALITY. PRIDE. RESPECT



Brand promise

Your people, your solution, you're sorted.

Strategic Plan 2023-2035

By June 2024 we'll have

- Retain owner's trust**
- Invest in staff**
- Diversify our services**
- Expand beyond Wairoa**

- Development of new divisions**
concrete, sealing and traffic management to deliver combined revenue of \$3m
- Initiated and progressed strategic relationship with local iwi**
- Progressed strategic relationship with Waka Kotahi**
- Grow our capabilities and capacity**
deliver on outcomes to support Wairoa Inc.

Measuring progress



Your daily work and annual appraisal goals are the stepping-stones to achieving your division's goals.
Your division's goals are the stepping-stones to achieving QRS's vision.

2023-2024 Business Plan



Focus areas	Strategic objective	Critical success factors	Key performance indicators
Shareholder relationship	Assist with Wairoa District Councils' (WDC) goals	Achieve Statement of Corporate Intent targets	<ul style="list-style-type: none"> Quarterly governance interaction with WDC 105 staff \$50,000 community sponsorship Minimum pre-tax distribution \$250,000 Ratio of shareholder funds to total assets >45% NPS >70 0 complaints
Stakeholder relationship	Create opportunities through new relationships & enhancing existing ones	Relationships that add value to everyone	<ul style="list-style-type: none"> 5% revenue outside Wairoa 0 complaints 0 contractual non-compliance or non-conformance notices NPS +30
People & capability	Grow capability Embrace change	Great people living our values	<ul style="list-style-type: none"> Succession plans reviewed quarterly Achieve performance & development targets Staff engagement via Q12 survey >26% Sub-contractors pre-qualified =100% 0 Collaboration Policy breaches Quarterly staff turnover <15%

Focus areas	Strategic objective	Critical success factors	Key performance indicators
Financial performance & position	Grow financial performance	Achieve Statement of Corporate Intent financial targets	<ul style="list-style-type: none"> Revenue \$22m Pre-tax profit \$1.8m Shareholder return on opening equity 7% Secure 100% budget for following 3 months Overheads 15% of revenue
Safety & wellbeing	Safety & wellbeing is embedded in company culture	Our people drive safety & wellbeing Everyone gets home safe & well	<ul style="list-style-type: none"> Lost time injury frequency rate =0 Medical treatment injury frequency rate =0 Total recordable injury frequency rate =0 0 operator damage Health & safety audits scores >80% Incidents reported within 24 hours 100% drug and alcohol free 0 unexplained staff absences 100% staff receive health check
Quality & environment	Achieve high level of quality & environmental performance	Retain existing ISO accreditations Reduce carbon footprint	<ul style="list-style-type: none"> 0 abatement notices Environmental audit scores >80% Quality audit scores >80% PACE scores >80% Carbon footprint audit completed

Wallace 'Chum' Ranginui reckons QRS is a good place to work, and he should know...he's been employed by the local award-winning company twice! Chum, Tūhoe, joined QRS straight after school. Lured by forestry opportunities he then spent twenty years breaking out and operating a loader in the Bay of Plenty and Gisborne. Since re-joining QRS Chum has earned his Class 4, Class 2, and Wheels, Tracks, and Rollers licences as well as temporary traffic management qualifications and more. QRS moves fast to upskill staff. "It took only three to four weeks after arriving here before they started moving me forward with qualifications."



Our Shareholder

100%
owned by Wairoa District Council
staffed by Wairoa people
committed to Wairoa

Statement of Corporate Intent Annual Progress on Targets

	June 2023		June 2022		June 2021	
	Target	Actual	Target	Actual	Target	Actual
Net profit pre-tax as a percentage of opening shareholder funds	6%	27.3%	6%	17.3%	6%	18.9%
Net profit after tax as a percentage of revenue	3%	5.1%	3%	5.4%	3%	4%
Distributions to shareholder	\$250,000	\$1,050,000	\$250,000	\$250,000	\$250,000	\$520,000
Ratio of shareholder funds to total assets - not less than	45%	46.5%	45%	68.4%	45%	65.1%

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



Kōrero from our shareholder

This year Wairoa's Quality Roading and Services (QRS) proved how critically important it is to our community.

When Cyclone Gabrielle struck, we saw the benefits of having a locally owned contracting company with infrastructure and specialised staff on the ground in Wairoa. We were totally isolated in all directions, and QRS was quite literally our saviour, opening roads and responding to our community's immediate emergency needs.

QRS has had a massive workload based on the 2022 weather events and Cyclone Gabrielle. This resulted in an increased distribution which Council, as the sole owner of QRS, has been able to use to offset continuing cost escalations to bring Wairoa's average rates increase down by around a third.

The high workload has also provided secure employment and training opportunities for local people and seen the company supporting local organisations with sponsorship and donations.

QRS is an integral foundation in our community and has clearly demonstrated that Wairoa comes first. This commitment to our district is a credit to the QRS board, management, and staff, and shows that QRS is in synch with our community.

I speak on behalf of the community when I acknowledge the position Wairoa is in, where we can benefit from and partner with a company of QRS's calibre and professionalism.

Wairoa District Council looks forward to the continuation of this vital relationship.

Craig Little, Wairoa Mayor, August 2023

Supporting our Community

\$138,103
on sponsorship including

\$50,000 Mayoral Flood Relief Fund **\$3,591** EPRo8 Challenge
\$1,000 Gumboot Friday **\$380** Wairoa Fire Station concrete
\$626 Wairoa Primary School pavers **\$307** Ngahere Nursery sprinkler
\$1,000 Autism New Zealand **\$5,000** Athletic Sports Club football team
\$1,126 Wairoa Kindergarten **\$730** Kaiuku Marae driveway repairs
\$200 Ohuka School **\$1,000** Waipapa a Iwi Marae
\$2,000 Wairoa Netball team uniforms **\$9,000** Wairoa College scholarship
\$3,000 Te Kura Kaupapa Māori o Ngāti Kahungunu o Te Wairoa scholarship
\$364 Mahia Water Safety Seminar



Sponsored athlete Tommy Watts

Wairoa motocross rider Tommy Watts is ripping into a new year of competition.

The ambitious 21-year-old Wairoa rider is the son of Graeme and Bronnie Watts and has been racing motocross since he could sit on a bike.

In 2022 he was first in the New Zealand XC2 Cross Country Nationals and 2nd in the Overall Cross Country Nationals. In his overseas debut the same year, Watts competed in America's premier off-road racing series, GNCC Racing, with a best finish of seventh. In June 2023 he finished on the podium of the New Zealand Enduro Championships.

Watts' training includes gym workouts, swimming, and mountain biking and he's mentored younger riders here and overseas. "It's what older riders have done for me in the past and so it's nice to be able to give back."

Watts' commitment to the sport has interested and always impressed staff at QRS, many of whom enjoy motorsports. Chief executive Jeremy Harker says, "despite coming from a small town, Tommy has rolled up his sleeves and thrown all his time and energy into many areas of his sport earning national recognition along the way. He's Wairoa-proud like we are and so we're thrilled to be able to partner with him this way."



Rugby fit with QRS

Working at Quality Roading and Services helps labourer Harleigh Marsh stay rugby fit.

“The work complements the rugby. It makes a difference and I love it.”

The 32-year-old Ngāti Kahungunu mother of four, plays wing for Tapuae Sports Club women’s team. She says women’s rugby is becoming more popular and hopes others will join the code.

QRS has fallen in behind Wairoa’s passion for rugby this year sponsoring Tapuae women’s rugby \$2,000 for its uniforms. QRS also supported the Wakely Shield team, Wairoa JAB Rugby’s running costs, Nuhaka Rugby Club, Wairoa Athletic Sports Club, and the Wairoa Ross Shield team.

Wairoa-based contractors have been the champions of the local clean-up and its a privilege to be working alongside them.



Upskilling our Team

2

working towards
**Civil Engineering
Diploma**

8

**Class 4
full licences**

Certificates

Level 4 New Zealand Certificate in Heavy Automotive Engineering (road transport) 1 Level 3 New Zealand Certificate in Infrastructure Works 4 Successful Project Management through the New Zealand Institute of Highway Technology 6 GrowSafe Standard 5 Bitumen Basic Safety 2

Courses

First Aid 52 Construct Safe 16 Chainsaw 9 Bridge inspection and maintenance procedures 2 Concrete New Zealand Concrete Technicians Course 1 Bridge Engineering Self Supervision 3 Time management with Business Training New Zealand 3 Forklift, and occupational safety and health 7 Pivot and Pace 3-Day Operational Leaders Programme 1

Qualifications

NZQA urine drug testing and screening 2



4

Wairoa Young Achiever's Trust Leadership Course

Assessments

Competency to operate on trucks **8** Competency to
operate on machinery **18**

Waka Kotahi NZTA qualifications

Temporary traffic management worker **15**

Traffic management operative **9**

Site traffic management specialist for category
A and B roads **5**

Temporary traffic management assessor **1**

Endorsements

Working at heights **3**

Wheels, Tracks, and Rollers **12**

Licences

Class 1 restricted **4** Class 1 full **9** Class 2 learners **12**

Class 2 full **9** Class 4 learners **1** Class 5 learners **1**





Engineering cadetship for Wairoa College graduate

Our engineer cadet programme is combining on-the-job experience with formal study for Wairoa College graduate D'Magio Karangaroa, Ngāti Kahungunu, Rongomaiwahine, Ngāti Rakaipaaka.

"Being a cadet gives a young person an unparalleled range of experiences while studying at a tertiary level and making money," says manager of routine maintenance, Michelle Hedley. "It's a way of sparking someone's passion for a civil infrastructure career and that's good for our company long term."

D'Magio will study 16, level six block courses before earning a New Zealand Diploma in Engineering.

Courses are held nationwide and D'Magio has been to the South Island three times this year. "The courses can be intense," he says. "You have to pace yourself."



Training officer in training

While training and competency officer Nadia White organises education and training for fellow staff, she's also been on her own journey of career development.

"I really enjoy coming to work, I look forward to it," says the Rongomaiwahine, Ngāti Porou, 22-year-old.

Nadia joined QRS in 2022 looking for stimulating work that would allow her to work outdoors and earn a good wage. She started with the routine maintenance team on Mangapoike Road. Nadia earned Construct Safe, first aid, and traffic management qualifications, before looking for something more.

Manager of routine maintenance Michelle Hedley asked her to help with invoice claims once a week. She was impressed with her speed and organisational skills and suggested Nadia apply for Jacob Paku's old job as training and competency officer. Nadia got the job in June 2023 and is a valuable addition to the people and capability division led by Peter Wairau.

Our People

110
employees

99
full time

11
casual





Rookie to respected team member

Keeanu Lackner has gone from rookie to respected team member thanks to his determination and Quality Roding and Services' education and promotion from within.

"I've gone in this direction and achieved a lot through QRS," says the Tūhoe father of one.

Since arriving in 2020, Keeanu has taken every training opportunity offered to him. He has his Wheels, Tracks, and Rollers, dangerous goods, and forklift endorsements, and his traffic management, bitumen safety, bitumen sprayer operator, and bitumen tanker qualifications. He's earned his Class 2 and Class 4 licences. In recognition of his potential, Keeanu was also selected for the Wairoa Young Achiever's Leadership course.

Keeanu is currently site supervisor of a digger crew. Managing his colleagues' safety is always top of mind. "You're always thinking about doing everything the safest way and getting yourself and them home to family," he says.



Still pulling things apart

After years spent pulling apart old home appliances, Tyne Reedy is now putting his curiosity to good use as an apprentice auto electrician.

"I have always liked tinkering with stuff," says Tyne, Ngāti Porou. "I used to take my old man's stuff apart, like a weed eater for example, and I would forget to put it back together, which never went down well!" he laughs.

Tyne has been with QRS for two years and is enjoying the work environment and the chance to learn again. A good student at Wairoa College, Tyne was at Massey University for six months studying for a science degree before he came back to Wairoa to start a family.

Tyne is supported by QRS as he earns his New Zealand Certificate in Automotive Electrical Engineering through the industry training organisation MITO. As well as studying in the evenings and at work, he attends a monthly study hub in Wairoa with apprentices from other trades. He also travels around the North Island to attend block courses. "I have always wanted to do some sort of apprenticeship, so this is great. QRS is a happy place to work and I'm learning, which is what I like."



Working her way up

Caitlin Thornton is working her way up starting in traffic management.

"This is definitely where I feel most comfortable," says Caitlin, Ngāti Pāhauwera. "I've been around Wairoa all my life."

Growing up in the region, Caitlin started work with jobs in the hospitality and meat industries, before signing on as a labourer with QRS in 2022. "I saw the job advertised and thought it could be something different for me, something totally new, so I applied," she says. "I thought this could be my place to learn and grow."

After joining the company Caitlin learned how to use a chainsaw and earned her full driver's licence. Since then, she has catapulted herself into an exciting career in civil construction and traffic management quickly earning endorsements to operate heavy machinery as well as becoming qualified in temporary traffic management operations and supervising. "The people at QRS have always been so supportive and welcoming."

Pre-qualifications

QRS has the relevant Waka Kotahi NZTA and North Island worksite pre-qualifications ensuring we're an appropriately skilled and experienced company to work with.

**Tier 1A, 2A, 3A and 4A Waka Kotahi NZ Transport Agency
Gold SiteWise Hawke's Bay
SHE Pre-Qual Tairāwhiti Gisborne and Bay of Plenty
5-star rating +IMPAC PREQUAL
Supplier Listing Certificate Tōtika**

Our concrete plant is now producing over 200 cubic metres a month ensuring locals are no longer having to pay large travel costs involved with getting concrete from out of town. When he's not surfcasting, concrete truck driver Rangi 'Buck' Hurinui enjoys working in and around the region including here on McLean St.



Health and Wellbeing

Scheduled compliance audits

101 health, safety, and compliance **65** temporary traffic management
57 environmental management **37** worksite quality reviews

Safety

135 drug tests with pass rate **96.3%**
1 lost time injury **221** incident reports **39** near misses
9 incidents reported late

Worksite engagement visits

70 senior leadership team
106 safety observation



Switched On!

QRS has asked its staff to ‘Switch On!’ so everyone can go home safe every day.

The Switched On! campaign was developed with staff late last year and has three principles.

‘Have you switched on today?’ is the first principle. It’s a way of reminding staff to take a moment each morning to get into the right frame of mind to work. Health and safety manager Paul Eaglesome says the question is a good springboard for staff to get their head in the game. “It prompts staff to take a personal inventory, or take note of others in the team, and start the day in the right frame of mind to stay safe.”

The second principle asks staff to consider their ‘top three’, or the three main reasons they want to stay safe at work. Staff invariably prioritise whānau and financial security when they answer. Thinking about your top three is a powerful motivation for considering your own health and safety, and that of your colleagues.

‘Are you above or below the line?’ is the third principle. Using this language gives staff a way into conversations to help stamp out risky behaviour or, on the flip side, acknowledge positive behaviour. “Telling someone their behaviour is above or below the line is a non-confrontational way to speak and helps us all to go home safely at the end of the day.”



Manaaki for our staff

The safety and wellbeing of staff was a priority for the senior leadership team in the wake of Cyclone Gabrielle, says people and capabilities manager Peter Wairau.

“It’s what you do in a time like that. At first everyone was operating on adrenalin but as it went on, we made sure to be there and check in.”

Large numbers of staff reported for work on Tuesday 14 February but issues at home and closed roads meant many couldn’t. There was no expectation for anyone to be at work and staff were assured they remained on full pay.

Over the next three weeks QRS was open and operating nonstop. Crews worked long hours to remove silt from people’s homes and open roads. Staff trapped behind closed roads at Lake Waikaremoana used their own initiative to start clearing access from their end.

Peter says chief executive Jeremy Harker visited or called as many staff as possible making sure they knew they were supported. “Providing for the welfare of our own staff is a fundamental part of what we stand for. We were conscious of staff burn out. It was a marathon we were facing, not a sprint.”

One morning, QRS staff and their whānau were afforded a 6am entry into New World to stock up on supplies quickly and easily before heading into another long day of emergency work. Staff received a voucher from the company to put towards their groceries which was hugely appreciated, says Peter. Comments from members of the public outside the supermarket that morning reinforced the community’s appreciation of QRS’s efforts.

Care for staff overflowed into the company's acts of kindness for the 40 or so sub-contractors that worked alongside crews in the early days. A cooked breakfast greeted subbies each morning. Then, at the end of the first three weeks of clean-up, everyone, including staff, subbies, the Mayor, and council staff, was treated to a barbecue in the Operations Hub.

"There was a real culture of collaboration and care in February. I guess at a high level it was about managing stress and maintaining a positive mindset, but most of all, it was just the right thing to do."



"...the get-togethers gave us a chance to stop, reflect, and check in." Peter Wairau.





Construction award

QRS picked up a Civil Construction New Zealand Hawke's Bay East Coast Award for its efforts to brace and reopen Te Reinga Bridge.

The bridge suffered severe damage after heavy rains and flooding in March 2022. Its closure had a massive impact on nearby rural communities as families had to drive a 90-minute alternative route just to travel what otherwise would normally be a few hundred metres.

While QRS's routine division made sure the Ohuka Rd detour stayed open, QRS's capital division worked alongside Wairoa District Council, WSP, Fulton Hogan, and Lattey Group to help open the bridge to light traffic as soon as practically possible.

The ingenious bridge repair involved a dinghy and two second-hand swimming pools and ensured the bridge was passable for nine months before Cyclone Gabrielle caused irrevocable damage.

Receiving the award on behalf of the company in December 2022 are Aaron Munro, Chris McGregor, Thomas Perston, Arnold Smith, and Jeremy Harker. Front row: Melissa Stanaway, Dason Haapu and Mike Wilson.



October opening for Operations Hub

The Operations Hub is currently under construction at the front of our Kaimoana Rd depot.

“The Stead crew have been great to work with and they really understand what we are trying to achieve”, says construction manager Mike Wilson, referring to the building team that’s been on site for nearly a year.

When complete, the building will enable QRS staff currently housed in several old buildings, to work more effectively and closer together. An ablution block and a vehicle parking bay have also been developed.

Up to 30 local and out-of-town sub-contracting staff are involved in the build which suffered a two-month setback after Cyclone Gabrielle. Mike says after the cyclone, the Stead crew had to shovel and waterblast silt from the site for weeks. A flood protection plan is being developed for around the site.

The Operations Hub is being built by QRS with support from a \$2 million loan from the Provincial Growth Fund and a \$1.025 million New Zealand Local Government Funding Agency loan through Wairoa District Council.

Mike (centre) from QRS is pictured in May with Ken Hemara and Bill Gardner from Stead Construction in the Operations Hub cafeteria.

Cyclone Gabrielle

Cyclone Gabrielle was described by Wairoa District Council as the most catastrophic weather event Wairoa has experienced in living history. Between February 12 and 14, parts of the region recorded rainfall amounts of more than 500 millimetres and wind gusts of 130-140 kilometres per hour. Wairoa River burst its seams with the water and dirt creating a thick sludgy mud that barrelled down public streets and took out homes.

The cyclone left us cut off from the rest of the North Island with limited access to fuel, water, communications, and food. Many were left homeless with a mammoth clean up ahead. Forced to fend for ourselves we rallied together to cope with the crisis. Personal circumstances didn't stop neighbours helping neighbours and, despite the horrors of the flood damage, the community remains in incredible spirits.

As it's happening

State of emergency declared at 8.53am Tuesday 14 February 2023

SH2 and SH38 blocked

8,600 people isolated

18 local roads closed

2 homes red-stickered

131 homes yellow-stickered

38 commercial buildings yellow-stickered

140 homes white-stickered

42 commercial buildings white-stickered

3 bridges closed and others reduced to restricted access

40 subcontractors swoop in with 34 diggers and 21 tip trucks

30,000 litres of diesel issued in two weeks

600 tonnes of rubbish and 1,500 tonnes of silt removed to landfill every day

2 weeks of cooked breakfasts including 1,000 sausages and 25kg of bacon

45 days after the cyclone 500 people treated to 17 exhibition fights at the Fight For Life community fundraiser. 4 QRS boxers in the ring.







Widespread disruption to Wairoa's roading network

Highways and local roads in and around Wairoa suffered unseen levels of destruction following the heavy rains and flooding experienced in 2022 and 2023. But from a purely weather event-related incident, Cyclone Gabrielle in February 2023, was the most significant.

State Highway 2 from Gisborne to Wairoa was opened within a few days albeit with speed restricted areas. The state highway south of Wairoa remained closed for three months. It reopened in May 2023 with speed restricted areas as roading crews, including staff from QRS, work tirelessly to rebuild it.

Our region took a step forward recently with the creation of the Transport Recovery East Coast Alliance to lead the design and delivery of physical works on the state highways and rail networks over the coming years. Locally owned and operated contractors like QRS are being prioritised for the work. In line with a model used successfully in Kaikoura and Christchurch, companies will be contracted directly to the Alliance rather than being subcontracted to bigger roading companies.

Reopening and repairing Wairoa's local roading network remains an enormous task and a Wairoa District Council (WDC) priority. The council looks after 875km of roads along with 175 bridges and culverts. After Cyclone Gabrielle 18 roads were closed, or under caution or other restrictions, and three bridges were impassable. By June 2023, seven roads were still closed, three had caution status, and three bridges remained impassable.

Straight after the cyclone \$16m of funding from Waka Kotahi NZ Transport Agency came through WDC for repairs to local roads. Since then, the Government has announced funding packages for the next financial year to support road and bridge repairs and flood mitigation. The focus is on rebuilding infrastructure that is more climate resilient.

QRS looks forward to being part of the local solution.



The focus in the early days of QRS's response was reconnecting communities. Getting people moving and goods in and out was the priority. Removing silt and rubbish from damaged homes also took place.





Local contractors getting the job done

Wairoa-based contractors have been the champions of the local clean-up and it's a privilege to be working alongside them.

Capital division contract administrator Melissa Stanaway says after Cyclone Gabrielle the call went out for anyone that could help "and at different times we've had around 40 contractors turn up."

Their smaller diggers and bobcats are perfect for clearing sections. Melissa says it is gruelling work and everyone involved is commended for their effort. "Crews are clearing silt from under houses and it's a hard job, but they are in there and getting it done."

Melissa says like QRS staff, contractors are driven by their community passion. "They are invested in our community just like we are, and it ensures that the funding coming in for this type of work stays in our community."



Bridging the huge divide

The gaping divide over the river at Te Reinga is a stark reminder of Mother Nature's power.

It's been a year and a half since the bridge first developed problems after Wairoa district bore the brunt of a wet winter and sodden summer.

In March 2022 the 100m bridge was closed due to structural damage while we worked with engineers to analyse its safety. Testing and repairs involved a dingy and two second-hand swimming pools, and following bracing work, we reopened the bridge to light traffic.

All that changed when nine months later in February 2023 Cyclone Gabrielle caused irrevocable damage and the 47-year-old bridge was closed for good. By June, broken Te Reinga Bridge, had been set down in the river and dragged up and out of the water. It was the fourth bridge since 1910.

We managed the complex project overseeing specialist dive teams, demolition experts, piling and bridging contractors, and crane and tow truck operators. Wairoa District Council directed the project with guidance from WSP engineers.

Plans are underway for a Bailey bridge to be installed between two staging areas. This will act as a temporary bridge while a new one is designed and constructed.

Reconnecting the communities over the bridge with the rest of the district is motivation for the crews, says construction manager Mike Wilson. "We're all committed to build a solution as safely and quickly as we can."



TEMPORARY

LIGHT VEHICLE
BRIDGE LIMITS
3000 kg

ONE
VEHICLE AT
A TIME

TE REINGA
BRIDGE

Te Reinga Bridge's centre pier disappeared into the swollen river during Cyclone Gabrielle causing the bridge to sag alarmingly.





Flood-damaged Te Reinga Bridge was dropped into the river in June 2023 and then winched up out of the water. Specialist operators believe it was heaviest pull that has ever been done in New Zealand.



Companies involved include QRS, Wairoa District Council, WSP, Lattey Group, Ward Demolition, Bay Underwater Services, Gisborne Hiabs, Rowe Motors, IBA Engineering, and Ace Heavy Haulage.





Flooding at QRS

Quality Roding and Services was badly impacted by Cyclone Gabrielle.

When flood waters rose to 700mm through our depot and buildings we lost 10 utility vehicles, two tipper trucks, small plant such as chainsaws, and anything that had been resting below the flood mark. We also lost a digger out in the field.

The Operations Hub under construction suffered a two-month setback after Cyclone Gabrielle. Construction manager Mike Wilson says the crew from Stead building contractors had to shovel and waterblast silt from the site for weeks. "They also helped us clear out around the yard, in the store, and workshop area."

In total, QRS had an estimated \$880,000 worth of damage. We're now working with our insurer.





Financial Statements

\$33m (\$18.3m last year)
Revenue in the year to June 2023

- \$3.4m pre-tax profit** (\$1.38m last year)
- \$8.6m staff wages** (\$6.6m last year)
- \$138k community sponsorship** (\$119k last year)
- \$237k training spend** (\$193k last year)

Statement of Comprehensive Income

for the year ended 30 June 2023

	Notes	2023 \$	2022 \$
Revenue	15	33,006,010	18,339,416
Cost of sales		(17,762,552)	(7,784,941)
Gross profit		15,243,458	10,554,475
Personnel expenses	2	8,634,525	6,613,163
Depreciation expense	3, 11	1,228,142	1,073,868
Administrative expenses		1,989,739	1,280,597
Other operating expenses	1	282,034	194,312
		12,134,441	9,161,941
Operating profit before net financing costs		3,109,017	1,392,534
Financing income		32,189	5,902
Financing expenses		(38,059)	(14,668)
Net financing costs		(6,067)	(8,766)
Proceeds from insurance		243,763	-
Net proceeds from insurance		243,763	-
Profit before subvention payment and income tax		3,346,910	1,383,768
Subvention payment - Wairoa District Council		(1,000,000)	-
Profit before income tax		2,346,910	1,383,768
Income tax (expense)	10	(665,961)	(387,571)
Profit for the year		1,680,949	996,197
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,680,949	996,197

Statement of Changes in Equity

for the year ended 30 June 2023

	Notes	2023 \$	2022 \$
EQUITY AT BEGINNING OF THE YEAR		8,604,505	7,991,404
Profit for the year		1,680,949	996,197
Total recognised revenues and expenses for the year		1,680,949	996,197
Other comprehensive income		-	-
Total comprehensive income for the period		-	-
Transactions with owners in their capacity as owners:			
Distributions paid	9	(200,000)	(383,096)
EQUITY AT THE END OF THE YEAR		10,085,454	8,604,505

Statement of Financial Position

as at 30 June 2023

	Notes	2023 \$	2022 \$
ASSETS:			
Current assets			
Bank		1,177,959	1,432,947
Trade and other receivables	5	7,572,922	3,352,350
Inventories	4	678,869	703,152
Contract assets		999,662	627,892
Total current assets		10,429,413	6,116,341
Non current assets			
Deferred tax	10	415,514	555,321
Intangible assets	12	70,585	88,588
Property, plant, and equipment	11	10,417,525	5,790,504
Right of use assets	3	369,637	20,645
Total non current assets		11,273,262	6,455,058
TOTAL ASSETS		21,702,674	12,571,399
EQUITY:			
Share capital	9	1,250,000	1,250,000
Retained earnings	9	8,835,454	7,354,505
TOTAL EQUITY		10,085,454	8,604,505
LIABILITIES:			
Current liabilities			
GST payable		325,317	157,763
Trade and other payables	6	4,600,410	2,035,986
Employee benefits	7	842,222	698,946

	Notes	2023 \$	2022 \$
Interest-bearing loans and borrowings	8	465,786	83,679
Lease liability	3	117,104	20,330
Taxation payable		277,196	30,373
Contract liabilities		488,114	521,493
Wairoa District Council - subvention payable		950,000	-
Total current liabilities		8,066,149	3,548,570
Non current liabilities			
Employee benefits	7	59,735	56,451
Quarry aftercare provision	14	86,620	172,236
Interest-bearing loans and borrowings	8	3,142,719	188,604
Lease liability	3	262,005	1,033
Total non current liabilities		3,551,079	418,324
TOTAL LIABILITIES		11,617,228	3,966,894
TOTAL EQUITY AND LIABILITIES		21,702,676	12,571,399

For and on behalf of the Board, who authorised the issue of these financial statements on 22 September 2023.



Director



Director

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

Statement of Cash Flow

for the year ended 30 June 2023

	Notes	2023 \$	2022 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		28,413,668	18,163,587
Financing income		31,992	5,902
Proceeds from insurance		243,763	-
		28,689,423	18,169,489
Cash was disbursed to:			
Payments to suppliers		17,622,214	9,227,434
Payments to employees		8,216,647	6,471,933
Payment of subvention		50,000	186,904
Taxes paid		281,038	279,469
Financing expense		38,059	14,668
		26,207,958	16,180,407
Net cash inflow from operating activities	13	2,481,465	1,989,082
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from sale of property, plant, and equipment		107,894	185,337
		107,894	185,337
Cash was applied to:			
Purchase of property, plant, and equipment		5,844,123	1,875,280
Purchase of intangibles		-	26,032
		5,844,123	1,901,312
Net cash outflow from investing activities		(5,736,229)	(1,715,975)

	Notes	2023 \$	2022 \$
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Proceeds from loans and borrowings		8,597,669	464,815
		8,597,669	464,815
Cash was applied to:			
Payment of distributions		200,000	383,097
Repayment of loans and borrowings		5,261,450	546,438
Lease payments		136,443	82,387
		5,597,893	1,011,922
Net cash (outflow) from financing activities		2,999,776	(547,107)
Net decrease in cash held		(254,988)	(274,000)
Add opening cash and cash equivalents		1,432,947	1,706,947
Closing cash and cash equivalents		1,177,959	1,432,947
Cash		1,177,959	1,432,947
CASH BALANCES IN THE STATEMENT OF FINANCIAL POSITION		1,177,959	1,432,947

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

Statement of Performance Measures

for the year ended 30 June 2023

	2023 \$		2022 \$	
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%	27.3%	6%	17.3%
Net profit after tax as a percentage of revenue	3%	5.1%	3%	5.4%
Distributions to shareholder	\$250,000	\$1,050,000*	\$250,000	\$250,000
Ratio of shareholder funds to total assets - not less than	45%	46.5%	45%	68.4%

* Distributions to the shareholder consists of the following:

- \$50,000 subvention, declared and paid in February 2023
- \$950,000 subvention declared in June 2023 and expected to be paid in September 2023
- \$50,000 dividend declared in June 2023 and expected to be paid in September 2023.

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

Statement of Accounting Policies

for the year ended 30 June 2023

Reporting Entity

Quality Roothing 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.

Where necessary, certain comparative information has been reclassified to conform to changes in presentation in the current period.

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 regime). 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 (GST)

The financial statements have been prepared exclusive of goods and services tax 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 (ie 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 the 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 2023

	2023 \$	2022 \$
1 OTHER OPERATING EXPENSES		
Auditors remuneration including disbursements	96,710	75,985
Directors' fees	112,264	129,369
Impairment of trade receivables (bad and doubtful debts)	17,082	(972)
Loss on disposal of property, plant, and equipment	111,237	68,399
Gain on disposal of property, plant, and equipment	(84,285)	(98,481)
Loss on disposal of intangibles	-	111
Amortisation of intangibles	17,596	16,063
Lease payments - rental costs	11,431	3,838
	282,034	194,312
2 PERSONNEL EXPENSES		
Wages and salaries	8,216,647	6,471,933
Covid-19 Wage Subsidy	(21,685)	(139,740)
MSD Apprenticeship Boost Funding	(22,500)	(150,410)
Long-service leave	14,372	5,922
Sick leave	222,380	219,106
Gratuities	841	4,357
Contribution to defined contribution plans	224,470	201,996
	8,634,525	6,613,163

	2023			2022		
	\$			\$		
	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	245,002	264,242	19,240	154,455	173,695
Increases	8,612	485,577	494,189	-	90,547	90,547
Decreases	(1,061)	-	(1,061)	-	-	-
Balance at 30 June	26,791	730,579	757,370	19,240	245,002	264,242

Depreciation

Balance at 1 July	14,662	228,935	243,597	11,002	150,259	161,261
Depreciation for the year	3,766	140,370	144,136	3,660	78,676	82,336
Balance at 30 June	18,428	369,305	387,733	14,662	228,935	243,597

Carrying amounts

At 1 July	4,577	16,067	20,644	8,237	4,196	12,433
At 30 June	8,363	361,274	369,637	4,578	16,067	20,645

LEASE LIABILITY

Balance at 1 July	21,363	13,204
Lease payments	(161,009)	(86,116)
Interest applied to leases	24,566	3,728
Lease modification	494,189	90,547
Balance at 30 June	379,109	21,363

Made up of

Current	117,104	20,330
Non current	262,005	1,033
	379,109	21,363

4 | INVENTORIES

Metal stocks	490,259	600,279
Other supplies	187,481	101,783
Work in progress	1,130	1,091
	678,870	703,152

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

	Notes	2023 \$	2022 \$
5 TRADE AND OTHER RECEIVABLES			
Trade debtors		1,694,912	1,625,774
Wairoa District Council	18	4,966,900	1,457,008
Provision for doubtful debts		(22,338)	-
Retentions		914,020	252,316
Prepayments		19,427	17,252
		7,572,922	3,352,350

6 TRADE AND OTHER PAYABLES			
Trade creditors		4,411,076	1,962,260
Other		189,334	73,726
		4,600,410	2,035,986

7 EMPLOYEE BENEFITS			
Long-service leave		59,735	56,451
Annual leave		445,673	396,724
Sick leave		27,655	31,176
Gratuities		24,690	23,849
Time in lieu		190,703	141,575
Accrued pay		153,502	105,623
		901,957	755,397

Made up of			
Current		842,222	698,946
Non current		59,735	56,451
		901,957	755,397

8 INTEREST BEARING LOANS AND BORROWINGS			
CAT finance		188,605	272,283
Less current portion		(85,786)	(83,679)
		102,819	188,604
		2.49%	2.49%
Westpac FlexEquip		380,000	-
Less current portion		(380,000)	-
		-	-
		10.65%	

	2023 \$	2022 \$
Provincial Growth Fund loan	2,003,673	-
Less current portion	-	-
	2,003,673	-
	1.09%	
Wairoa District Council/Local Government Funding Agency loan	1,036,228	-
Less current portion	(10,587)	-
	1,025,641	-
	5.719%	
Made up of		
Current	465,786	83,679
Non current	3,142,719	188,604
	3,608,505	272,283

9 | EQUITY

(a) Share capital

Opening balance	1,250,000	1,250,000
Closing balance	1,250,000	1,250,000

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

(b) Retained earnings

Retained earnings at 1 July	7,354,505	6,741,404
Net operating surplus	1,680,949	996,197
Interim dividend	-	(50,000)
Final dividend	(200,000)	(333,096)
Retained earnings at 30 June	8,835,454	7,354,505

10 | TAXATION

Profit before taxation	2,346,910	1,383,768
Prima facie taxation/benefit at 28%	657,135	387,455
Plus taxation effect of permanent differences		
- Non-deductible expenses	8,826	116
	665,961	387,571

	2023 \$	2022 \$
Income tax expense		
Major components of taxation expense are:		
Current taxation	526,154	223,929
Deferred taxation		
- Origination and reversal of temporary differences	139,807	163,642
	665,961	387,571

	Balance sheet		Income statement	
	2023	2022	2023	2022
Deferred income tax at 30 June relates to the following				
Contract retentions	255,926	70,648	(185,277)	56,836
Future amortisation	15,306	15,943	524	2,974
Right of use assets	103,498	5,781	-	-
Gross deferred tax liabilities	374,729	92,373	(184,753)	59,810

Deferred tax assets				
Subcontractor retentions	30,262	1,867	28,395	(21,977)
Provisions				
Annual leave	110,352	97,951	12,401	12,936
Staff gratuities	6,913	6,677	236	(7,327)
Sick leave	7,743	8,729	(986)	2,320
Time in lieu	51,644	35,306	16,338	6,080
Long-service leave	16,726	15,806	919	457
Aftercare	25,027	48,226	(23,199)	1,215
Doubtful debts	6,255	-	6,255	-
Lease asset depreciation	-	-	17,304	10,073
Operating lease payments	-	-	(20,970)	(10,291)
Lease interest	-	-	5,835	494
ACC premiums	-	-	-	-
Maintenance accruals	-	-	-	(2,800)
Corporate accruals	19,519	2,469	17,049	(152,080)
Contract liabilities	136,672	146,018	(9,346)	(81,203)
Future depreciation	272,688	278,662	(5,285)	18,650
Lease liability	106,443	5,982	-	-
Deferred tax assets	790,244	647,694	44,946	(223,451)
Net deferred tax assets	415,514	555,321	-	-
Deferred tax income/(expense)	-	-	(139,807)	(163,642)

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

2023

Balance at 1 July	29,433	494,288	1,762,861	13,379,513	247,820	209,456	16,123,370
Transfers	-	-	-	5,964	(5,964)	-	-
Additions	-	-	3,020,423	2,767,616	30,881	25,203	5,844,123
Disposals	-	-	-	(942,848)	(8,650)	-	(951,498)
Balance at 30 June	29,433	494,288	4,783,284	15,210,246	264,087	234,659	21,015,996

Depreciation and impairment losses

Balance at 1 July	-	493,361	500,434	9,003,401	149,093	186,665	10,332,955
Other	-	(52)	829	(78)	(413)	145	431
Depreciation for the year	-	39	40,202	1,014,717	18,642	10,406	1,084,006
Disposals	-	-	-	(814,771)	(4,148)	-	(818,919)
Balance at 30 June	-	493,348	541,465	9,203,270	163,174	197,216	10,598,474

Carrying amounts

At 1 July	29,433	927	1,262,426	4,376,200	98,727	22,791	5,790,504
At 30 June	29,433	940	4,241,818	6,006,976	100,913	37,442	10,417,525

Capital work-in-progress is contained within the above classes and has a book value of \$3,697,665 (2022: \$850,349).

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)
Balance at 30 June	29,433	494,288	1,762,861	13,379,513	247,820	209,456	16,123,370

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)
Balance at 30 June	-	493,361	500,434	9,003,313	149,093	186,665	10,332,867

Carrying amounts

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

	2023 \$	2022 \$
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12 | INTANGIBLE ASSETS

Cost

Balance at 1 July	307,016	293,391
Additions	-	26,033
Disposals	-	(12,407)
Balance at 30 June	307,016	307,016

Amortisation and impairment losses

Balance at 1 July	218,428	214,662
Other	407	-
Amortisation for the year	17,596	16,063
Disposals	-	(12,297)
Balance at 30 June	236,431	218,428

Carrying amounts

At 1 July	88,588	78,729
At 30 June	70,585	88,588

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 \$117,392 for a grader. (2022: \$665,093 for a concrete batching plant and bitumen distributor).

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

Reported net operating profit after taxation	1,680,949	996,197
Subvention provision	950,000	-
Add back non-cash items:		
Depreciation	1,228,142	1,073,868
Amortisation	17,596	16,062
Impairment	-	-
Loss relating to lease modifications	-	-
(Increase)/decrease in deferred taxation	139,808	163,934
Increase/(decrease) in employee benefits	3,284	2,694
Increase/(decrease) in quarry aftercare provision	(85,616)	4,340
	3,934,164	2,257,095

	2023 \$	2022 \$
Add back items classified as investment activities		
Net loss on sale of property, plant, and equipment	110,835	68,399
Gain on sale of property, plant, and equipment	(84,163)	(98,481)
	26,671	(30,082)
Movements in working capital		
(Increase)/decrease in trade and other receivables	(4,592,342)	(175,828)
(Increase)/decrease in inventories	24,282	192,384
Increase/(decrease) in trade and other payables and GST	2,698,592	(256,562)
Increase/(decrease) in employee benefits	143,275	57,908
Increase/(decrease) in tax payable/receivable	246,823	(55,833)
	(1,479,370)	(237,931)
Net cash inflow/(outflow) from operating activities	2,481,465	1,989,082

14 | OTHER PROVISIONS

QUARRY AFTERCARE PROVISION

Balance at beginning of the year	172,236	167,896
Provided for during the year	4,137	4,340
Utilised during the year	(89,754)	-
Balance at the end of the year	86,619	172,236

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 two years of the balance sheet date. An inflationary factor equivalent to the annual Consumer Price Index 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	17,278,499	9,381,227
Capital construction contracts	13,228,757	8,708,313
Other	2,498,754	249,876
	33,006,010	18,339,416

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 (2022: \$500,000). The current interest rate is 10.7% (2022: 7.4%).

Performance guarantees were given to 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 (2022:\$1,521,664) by Westpac Bank, on behalf of Quality Roding and Services (Wairoa) Limited.

	2023	2022
	\$	\$

17 | TRANSACTIONS WITH RELATED PARTIES

PARENT

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

Purchases (trading)	87,852	32,433
Sales	25,465,379	12,028,060

Liabilities outstanding at year end were \$2,760 (2022: \$1,083) which is payable on normal trading terms.

The receivable outstanding at year end was \$4,966,900 (2022: \$1,457,008), which is receivable on normal trading terms except for \$848,885 (2022: \$237,298) of contract retentions receivable at closure to defects liability period. The sales to Wairoa District Council account for 69% (2022: 57%) 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	1,192,448	1,065,768
	1,192,448	1,065,768

Sales transacted with directors and executive-related parties during the year payable on normal trading terms were as follows:

2023	Business transacted	Balance owing
Total sales transacted	83,813	163

2022	Business transacted	Balance owing
Total sales transacted	5,779	-

GE Gaddum, a director/owner of Gaddum Construction Limited purchased services from QRS to the value of \$114 in 2023. (2022: \$57,500).

Chief executive J Harker is a director of 3 Bears 2020 Ltd which purchased services from QRS to the value of \$79,628 (2022: \$248) and is included in the total sales transacted above. J Harker has also served as Councillor of Wairoa District Council since 2015.

	2023	2022
	\$	\$

18 | CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

Loans and receivables

Cash and cash equivalents	1,177,959	1,432,947
Trade and other receivables (note 5)	7,572,922	3,352,350
Total loans and receivables	8,750,881	4,785,297

Financial liabilities measured at amortised cost

Trade and other payables (note 6)	4,600,410	2,035,986
Loans (note 8)	3,608,505	272,283
Total creditors and loans	8,208,915	2,308,269

19 | QUALITY ROADING AND SERVICES - SUBSEQUENT EVENTS

On 22 September 2023, the directors approved the payment of a dividend of \$50,000. The final dividend will be paid on 30 September 2023.

Auditor's Report



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 2023

The Auditor-General is the auditor of Quality Roading 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 51 to 56 and 58 to 73, that comprise the statement of financial position as at 30 June 2023, 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 57.

In our opinion:

- the financial statements of the company on pages 51 to 56 and 58 to 73:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2023; 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 57 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 2023.



Our audit was completed on 22 September 2023. 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 3 to 50, 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 (including International Independence Standards) (New Zealand) (PES 1)* 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 long horizontal stroke extending to the right.

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



