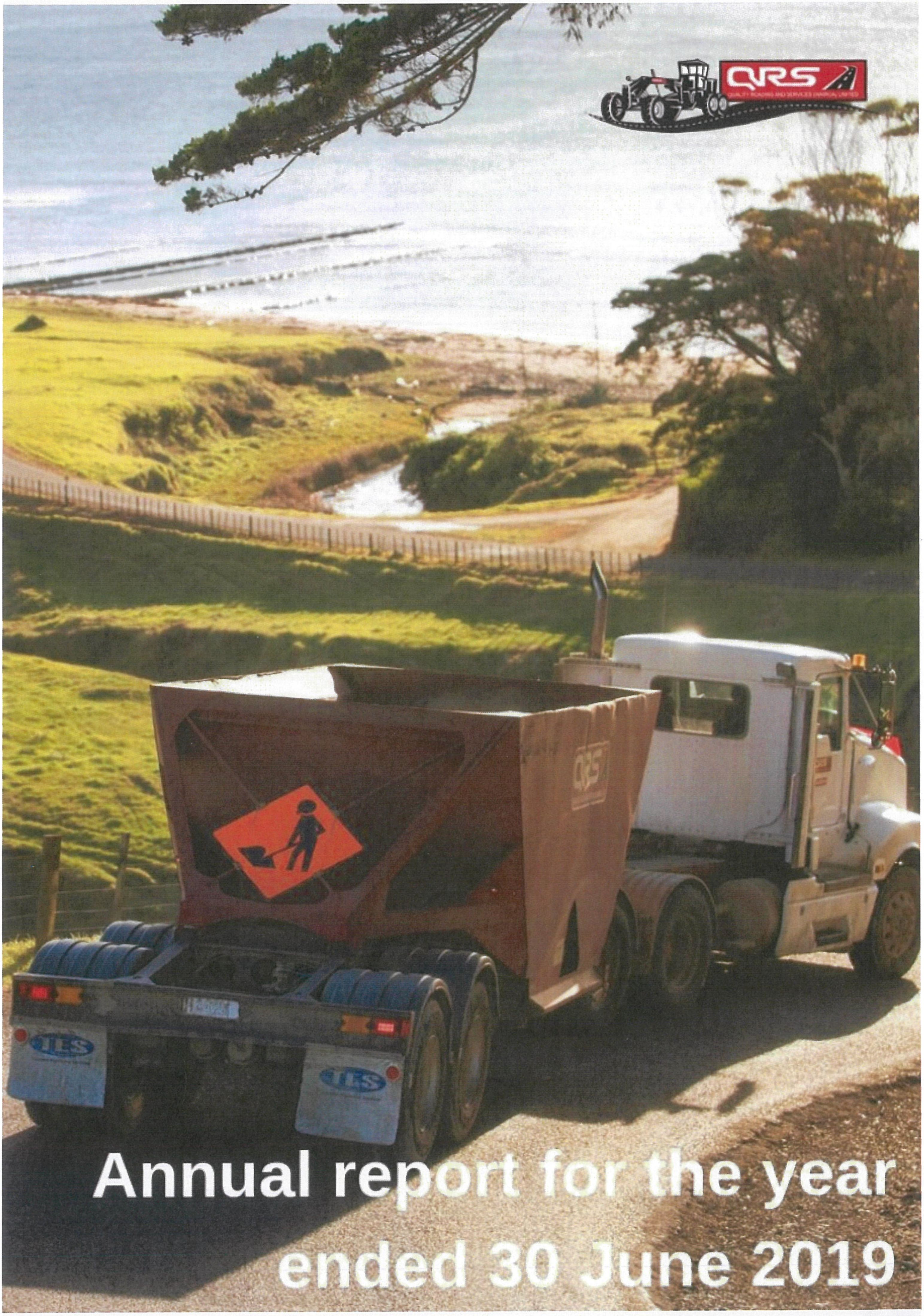


Annual report for the year ended 30 June 2019

QUALITY ROADING AND SERVICES (WAIROA) LIMITED

CONTENTS

QUALITY ROADING AND SERVICES (WAIROA) LIMITED

DIRECTORY

Directors

Guy Gaddum (Chairman)
Wendie Harvey (Retired 28/02/2019)
Ian Redshaw (Retired 30/6/19)
Tony Gray
David Proctor (Appointed 01/06/19)

Registered Office

Kaimoana Road
Wairoa

Postal Address

P O Box 83
Wairoa

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

Auditor

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

Bankers

ANZ Banking Group
Gisborne

Solicitors

Mr I R McDonald
Wairoa

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
CHAIRMAN'S ANNUAL REPORT TO 30 JUNE 2019

INTRODUCTION

The Directors of QRS are pleased to report an after-tax profit of $1,129,619 for the year ended 30 June 2019. This represents a significant increase in profitability from 2018 where after tax profit of $263,000 was reported.

This increase in profitability has been driven in the main part by a significant boost in income of $9 million (2019 Gross Revenue $24.3m vs 2018 Gross Revenue $15.8m) as QRS continued to deliver on its Saferoads and Boost Contracts with NZTA.

PRINCIPAL ACTIVITIES

Quality Roading and Services (Wairoa) Limited, incorporated in 1994, is wholly owned by the Wairoa District Council. The Company is a Council Controlled Trading Organisation of the Local Government Act 2002 and operates under the Companies Act 1993, as defined in Section 6 of the Local Government Act 2002.

The principal activities for the company are civil construction and road maintenance activities. Other work includes reserves maintenance, waste collection and disposal, quarrying and a variety of private sector civil works.

OVERVIEW

The 2019 financial year has further demonstrated that the significant, and in some cases painful changes made following the maiden after tax loss of ($152,000) in 2017 were in the company's best long term interests.

A strategic planning session held in 2018 reviewed the companies operating environment, its current structures and abilities, as well as its risk appetite. Following this review, the company continued with the turnaround plan made following the 2017 loss.

This plan had the following Key Focus Areas:

People.

QRS is only as good as the people it employs. QRS employed 94 staff as of June 2019 with the majority of them being on full time employment contracts. The company, like many businesses in New Zealand, is challenged in finding good people, which makes investment in growing our skills and capability from within the company so important. To this end QRS has personal development plans for all staff in place and these are monitored for milestones throughout the year.

A revamp of the company's website and social media pages has allowed staff, families, and other stakeholders with an interest in QRS to connect easier and see the positive culture that is getting stronger within the company.

A company wide staff survey held in July, although showing a high level of staff satisfaction within QRS, also provided some valuable insights into areas where the company could improve. QRS Board and Management have taken the stronger themes and used these as the basis for the new annual plan around our all important People Key Focus Area.

$6.7 million was spent on wages and salaries of QRS staff in the 2019 year with 100% of these people living locally and making a significant contribution to the Wairoa economy. QRS continues to invest in training and personal development with over $260k of training purchased externally.

Relationships.
Along with our staff, the relationships we have with our community, our shareholder, and our clients is of vital importance to the continued success of the company. It was made a measure in this year's strategic plan that interactions both good and bad with all stakeholders would be recorded. This measure has focused all QRS staff on trying to create a positive experience when dealing with QRS, from the shareholder, to the people passing through our operational sites. The strength of these relationships has allowed the company to continue winning and executing contracts for a growing variety of clients.

The company continues to seek out feedback both good and bad from all stakeholders and this feedback is used to help the company in refining its delivery and service levels.

Our relationship with our shareholder grows stronger following a robust planning session leading to the development of the company's annual Statement of Corporate Intent. This is our guiding document in terms of what the company is expected to achieve for the year by its shareholder and drives our strategic planning process.

Health and Safety.
Zero Harm is still the companies overarching Health and Safety goal. This means Zero Harm to its people, its plant, the environment, or outside stakeholders. To assist the company in achieving this goal, two new systems were adopted over the year.

The first, **Quantate**, allows the company to better identify and measure risk. Following the identification process, risk owners are able to develop suitable controls to reduce the likelihood and consequence of a certain outcome. Operating currently at a strategic level for company-wide strategic risks, this is slowly being applied to tactical and operational risk where appropriate.

The second system, **Vault** is an overarching Health and Safety system that improves connectivity between operational staff and management, acts as a repository for all companywide incidents, and allows trend analysis and monitoring as the company learns from its mistakes to reduce incident frequency and severity.

Overall company statistics around Total Recordable Incident Frequency Rate, Medical Treatment Injury, and Lost Time Injuries are shown in the table below.

Measure	**2019**	**2018**	**2017**
Lost Time Injury Frequency Rate	1.3	1.8	2.3
Medical Treatment Injury Rate	3.2	5.3	4.7
Total Recordable Injury Frequency Rate	5.9	5.8	5.6
LTI's	3	4	5

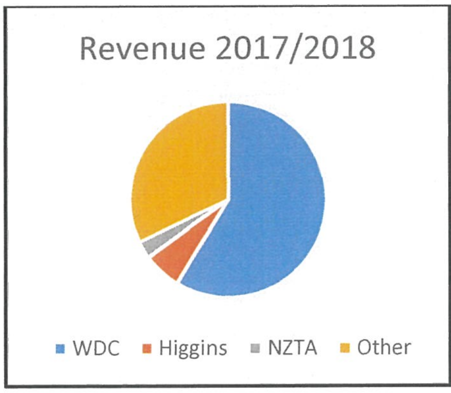
Financial Performance and Position.
As mentioned in the introduction, the company has had a record result for FY2019.

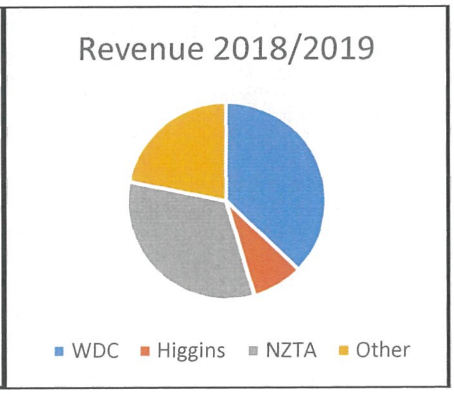
Total revenue (including interest and other operating income) was $24,284,000 ($15,823,000 – last year) and costs were $22,710,000 ($15,455,000 – last year) producing an operating profit after net financing costs and before tax of $1,574,000 ($368,000 – last year).

The nearly $9 million lift in company revenue coupled with robust cost management has been the significant driver in achieving the companies record profit. Improvements in the companies project and risk management expertise have allowed the company to confidently bid and deliver on a wider variety of contracts which has seen it operating from SH2 in the Waioeka Gorge, through to SH5 on the Napier Taupo Rd.

On a less than positive note, the company has made a write down in carrying value of its Tangihanga Quarry Investment by $100k. This has been made in light of slower than planned sales as well as higher than budgeted development costs. We continue to enjoy a good relationship with our 50/50 joint partner Wi Pere trust while we work through getting this investment to where it needs to be.

Company income split is shown in the piegraph below and shows a significant drop in income from its parent shareholder the Wairoa District Council, in relation to other revenue.





The dividend payable to our Shareholder, the Wairoa District Council for the 12 months ending 30 June 2019, is declared at $350,000 ($110,000 – last year).

A table showing shareholder's funds of the Company at 30 June 2019 compared with the previous 2 FY's is shown below:

	2019	2018	2017
Current Assets	7,246,000	4,866,000	4,302,000
Less Current Liabilities	(4,774,000)	(3,315,000)	(3,003,000)
	2,472,000	1,551,000	1,299,000
Plus Non Current Assets	5,527,000	5,555,000	5,588,000
Less Term Liabilities	(1,037,000)	(1,164,000)	(1,158,000)
Total Shareholder's Funds	$6,962,000	$5,942,000	$5,729,000

Pleasingly, and as shown in the attached table, the company has achieved all of its targets as outlined in the Statement of Corporate Intent agreed with our shareholder the Wairoa District Council.

	2019		2018		2017	
	Target	Actual	Target	Actual	Target	Actual
Return on Equity (Pre Tax)	6.0%	26.5%	6.0%	6.4%	8.9%	-3.5%
Equity Ratio (shareholders funds % of total assets	>45%	54.5%	>45%	57.0%	>45%	57.9%
Positive working capital ratio at year end	>1	1.5	>1	1.5	>1	1.4
Cost of Debt Servicing/Revenue	<20%	-0.5%	<20%	0.7%	<20%	0.9%

QRS continued its strong support of the local community through $28,000 worth of sponsorship to such things as local events, schools and Maraes.

Looking Forward.
QRS continues to operate in a high risk and low margin environment. The Directors and Management have a lower expectation around future year's financial performance due to the following macro level factors:

1. A signaled reduction in Central Government expenditure specifically around NZTA work in QRS's core business activities of road maintenance.
2. Increasing pressure on local authorities to focus their own spending on underground infrastructure due to increasing legislative compliance requirements. This will drag discretionary expenditure away from QRS's core roading activities into areas where it does not traditionally have a strong presence.

These two factors will increase competition as industry players bid with lower to non-existent margins to maintain work flows.

The QRS Board and Management are therefore, as a result of this macro environment, signaling that this year's record profit is not likely to be repeated next year and we will be happy if we can maintain a modest profit for the 2020 financial year.

Given the challenges caused by possible declining revenue opportunities, the QRS board and Management are however looking at all options to secure profitable revenue in order to maintain shareholder returns and to build on the success of the 2019 Financial Year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

DIRECTORS

At a governance level, 2019 saw the retirement of directors Wendie Harvey and Ian Redshaw. I want to sincerely thank them both for their active engagement around the board table in working to the best interests of the company and the shareholder.

Wendy was a director at QRS for 7 years and QRS will miss her direct, enquiring mind. Ian served a 3 year term and living locally was valued for his local knowledge and insights.

With the departure of Wendie and Ian, David Proctor has been appointed as a director and started his term on the 1st of June 2019. David is an engineering and governance professional with strong networks and significant experience across all of New Zealand and a broad range of multi disciplinary engineering projects.

Finally I wish to thank our staff for what has been a stellar and record year for the company across all key operating areas. Your continued support and dedication to the company and your community is noted and appreciated.

Ngā mihi maioha

Guy Gaddum
QRS Chairman
24 September 2019

Directors

The following persons held office as directors during the year.

Guy Gaddum (Chairman)
Wendie Harvey
Ian Redshaw
Tony Gray

Directors Interests and Transactions

Guy Gaddum	
Anchorage Contractors (2007) Ltd	Director / Shareholder
Spinergy Properties Ltd	Director / Shareholder
Gaddum Construction Ltd	Director / Shareholder
FICA (Forestry Industry Contractors Association)	Board Member, Deputy Chair
Partridge Heavy Haulage Ltd	Owner / Shareholder
Wendie Harvey	
EBS Ltd	Director
Brickell Family Trust	Trustee
Centralines Ltd	Director
Port of Napier Ltd	Director
Hawkes Bay Airport Ltd	Director
Electrical Training Co Ltd	Director
NZ Gambling Commission	Commissioner
EIT	Council Member
F.E.N.Z	Director
Aurora	Director
Ian Redshaw	
Red Circle Wholesale Ltd	Director
Tony Gray	
Hastings District Council	Executive Project Advisor (part time)
Ngati Pukenga Investments Ltd	Director, Chair
Eastland Group Ltd	Director, Chair - Audit & Finance Committee
Eastland Port Ltd	Director
Gisborne Airport Ltd	Director
Eastland Network Ltd	Director
Civic Financial Services Ltd	Director, Risk & Audit Committee Member
Maungaharuru Tangitu Ltd	Director, Audit & Risk Committee Member
Mutual Fund Trustees Ltd	Trustee
Artemis Nominess Ltd	Director
Nga Wariki Ngati Apa Developments Ltd	Director, Audit & Risk Committee Member
Esk Forest Ltd	Director
Kaiwaka Unicoporated JV	Director
Tatau Tatau o Te Wairoa Commercial Ltd	Chairman
David Proctor	
GHD NZ Limited	Director
Davell Investments Ltd	Director, Shareholder

Share dealings with Directors

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

Loans to Directors

No loans have been made to directors.

Directors Remuneration

The following amounts of Remuneration were paid:-

G E Gaddum	$50,860	
W N Harvey	$16,667	(Retired 28/02/19)
I C Redshaw	$26,333	(Retired 30/6/19)
A T Gray	$23,666	
D G Proctor	$1,750	(Appointed 01/06/19)

Directors Indemnity and Insurance

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

Employees' Remuneration

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

One Employee	$250,001 and $260,000
Two Employees	$160,001 and $170,000
One Employee	$130,001 and $140,000
One Employee	$120,001 and $130,000

Donations / Sponsorship

Donations/sponsorship made during the year was $28,475. Recipients of over $1,000 were:

- Wairoa Ross Shield
- Wairoa A&P Show
- Wairoa Racing Club
- EPro8 Science Competition
- Raupunga Water Supply

Auditors Remuneration

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

For Audit work including disbursements	$61,266

Description of the Business

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

EY

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INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF QUALITY ROADING AND SERVICES (WAIROA) LIMITED'$ FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2019

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

Opinion

We have audited:

- the financial statements of the company on pages 13 to 16 and 18 to 29 that comprise the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and

- the performance information of the company on page 17. In our opinion:
- the financial statements of the company on pages 13 to 16 and 18 to 29:
- present fairly, in all material respects:
- its financial position as at 30 June 2019; and
- its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the company on page 17 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2019.

Our audit was completed on 24 September 2019. This is the date at which our opinion is expressed. The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are consideredmaterial 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.

Building a better working world

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

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor- General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1(Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

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

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 $	2018 $
Revenue	16	24,283,632	15,822,762
Cost of Sales		13,020,058	6,647,909
Gross Profit		11,263,574	9,174,853
Personnel Expenses	2	6,991,410	6,523,125
Depreciation Expense	11	1,075,478	981,979
Administrative Expenses		1,097,042	754,703
Other Operating Expenses	1	408,112	429,019
		9,572,042	8,688,826
Operating Profit/(Deficit) Before Net Financing Costs		1,691,532	486,027
Financing Income		815	572
Financing Expenses		118,804	118,522
Net Financing Costs		(117,989)	(117,950)
Profit/(Deficit) Before Income Tax		1,573,543	368,077
Income Tax (Expense) / Benefit	10	(443,924)	(105,121)
Profit/(Deficit) For The Year		1,129,619	262,956
Other Comprehensive Income		-	-
Total Comprehensive Income/(Deficit) for the Year		1,129,619	262,956

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

	Notes	2019 $	2018 $
EQUITY AT BEGINNING OF THE YEAR		5,942,041	5,729,085
Profit/(Deficit) for the year		1,129,619	262,956
Total recognised revenues and expenses for the year		1,129,619	262,956
Other comprehensive income		-	-
Total comprehensive income for the period		-	-
Transactions with owners in their capacity as owners:			
Dividends Paid	9	(110,000)	(50,000)
EQUITY AT THE END OF THE YEAR		6,961,660	5,942,041

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

	Notes	2019 $	2018 $
ASSETS:			
Current Assets			
Bank		1,898,147	1,716,486
Trade and Other Receivables	5	4,487,239	2,334,857
Inventories	4	789,162	815,365
Contract Assets		71,008	-
Total Current Assets		7,245,556	4,866,708
Non Current Assets			
Deferred Tax	10	506,203	351,014
Intangible Assets	12	125,390	200,806
Property, Plant and Equipment	11	4,895,042	5,003,046
Total Non Current Assets		5,526,635	5,554,866
TOTAL ASSETS		12,772,191	10,421,574
EQUITY:			
Share Capital	9	1,250,000	1,250,000
Retained Earnings	9	5,711,660	4,692,042
TOTAL EQUITY		6,961,660	5,942,042
LIABILITIES:			
Current Liabilities			
GST Payable		401,512	211,604
Trade and Other Payables	6	2,497,078	975,520
Employee Benefits	7	714,110	742,302
Interest-Bearing Loans and Borrowings	8	463,382	986,663
Taxation Payable		464,036	24,270
Contract Liabilities		233,501	374,693
Total Current Liabilities		4,773,619	3,315,052
Non Current Liabilities			
Employee Benefits	7	34,973	44,505
Quarry Aftercare Provision	15	162,930	155,886
Interest-Bearing Loans and Borrowings	8	839,009	964,089
Total Non Current Liabilities		1,036,912	1,164,480
TOTAL LIABILITIES		5,810,531	4,479,532
TOTAL EQUITY AND LIABILITIES		12,772,191	10,421,574

For and on behalf of the Board, who authorised the issue of these financial statements on 24 September 2019

Director

Director

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

	Notes	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from Customers		22,060,242	16,501,149
Financing Income		815	572
		22,061,057	16,501,721
Cash was disbursed to:			
Payments to Suppliers		13,197,915	7,942,238
Payments to Employees		6,701,240	6,203,054
Taxes Paid		159,347	40,172
Financing Expense		118,804	118,522
		20,177,306	14,303,986
Net Cash Inflow/(Outflow) from Operating Activities	13	1,883,751	2,197,735
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from Sale of Property, Plant and Equipment		518,387	64,152
		518,387	64,152
Cash was applied to:			
Purchase of Property, Plant and Equipment		1,454,286	1,069,494
Purchase of Intangibles		7,830	-
		1,462,116	1,069,494
Net cash (Outflow)/Inflow from Investing Activities		(943,729)	(1,005,342)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Loans and Borrowings		513,700	673,307
		513,700	673,307
Cash was applied to:			
Payment of Dividends		110,000	50,000
Loans and Borrowings		1,162,061	711,447
		1,272,061	761,447
Net Cash (Outflow)/Inflow from Financing Activities		(758,361)	(88,140)
Net Increase / (Decrease) in Cash Held		181,661	1,104,253
Add Opening Cash and Cash Equivalents		1,716,486	612,233
Closing Cash and Cash Equivalents		1,898,147	1,716,486
Cash Balances in the Statement of Financial Position			
Cash / (Overdraft)		1,898,147	1,716,486
CLOSING CASH AND CASH EQUIVALENTS		1,898,147	1,716,486

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

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

	2019		2018	
	Target	Actual	Target	Actual
Return on Equity (Pre Tax)	6.0%	26.5%	6.0%	6.4%
Equity Ratio (shareholders funds as % of total assets)	>45%	54.5%	>45%	57.0%
Positive working capital ratio at year end	>1	1.5	>1	1.5
Cost of Debt Servicing/Revenue	<20%	-0.5%	<20%	0.7%

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

Reporting Entity

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

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

Basis of preparation

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

Statement of compliance

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

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

Changes in Accounting Policies

NZ IFRS 15 supercedes NZ IAS 11 *Construction Contracts,* NZ IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. NZ IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

NZ IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted NZ IFRS 15 using the full retrospective method of adoption. There has been no impact of the transition on the current period other than the re-classification to use the terms contract assets and contract liabilities.

The adoption of NZ IFRS 9 Financial Instruments replaces NZ IAS 39 Financial Instrument: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The adoption of NZ IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing NZ IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. NZ IFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at a fair value through profit or loss and contract assets.

Accounting Policies

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

a1) Revenue Recognition

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

a2) Sale of Aggregate

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

a3) Variable consideration

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

b) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

c) Goods and Services Tax

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

d) Employee Benefits

Provision is made in respect of the Company's liability for annual leave, sick leave, long service leave and retirement gratuities.

The provision for sick leave is based on the additional amount that the company expects to pay as a result of the unused entitlement that has accumulated at balance date.

The provision for gratuities is based on the number of weeks the employee will be paid at retirement, the expected pay rate along with the probability of the employee still being employed by QRS at retirement age.

The provision for long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Expected future payments for gratuities and long service leave are discounted using market yields at the reporting date.

Defined Contribution Pension Plan obligations are recognised as an expense in the Statement of Comprehensive Income as incurred.

e) Provisions

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

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

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

f) Taxation

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

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

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

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

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

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

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

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

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

g) Accounts Receivable

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

h) Cash and Cash Equivalents

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

i) Inventories

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

j) Property, Plant and Equipment

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

a.) Freehold Land
b.) Quarries
c.) Freehold Buildings
d.) Plant, Equipment and Motor Vehicles
e.) Office Equipment and Furniture
f.) Computer Hardware

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

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

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

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

k) Depreciation

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

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

Plant, Equipment and Motor Vehicles, Office Equipment and Furniture, and Computer Hardware are depreciated using the diminishing value method

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

a.) Quarries	(3.3 % Straight Line)
b.) Freehold Buildings	(3.3 % Straight Line)
c.) Plant, Equipment & Motor Vehicles	(20 % Diminishing Value)
d.) Office Equipment and Furniture	(20 % Diminishing Value)
e.) Computer Hardware	(48 % Diminishing Value)

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

l) Intangible Assets

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

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 income statement when the asset is derecognised.
The amortisation of the software class of intangible assets has been estimated at 20%-48% diminishing value, depending on the nature of the software.

m) Statement of Cash Flows

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

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

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

n) Interest-Bearing Loans and Borrowings

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

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

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

o) Trade and Other Payables

Trade payables 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) Leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating surplus in equal instalments over the lease term.

q1) Joint Arrangements

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

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

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

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

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

q2) Tangihanga Joint Arrangement Impairment Test

QRS recognise $366,087 as it's share of development costs of the Tangihanga joint arrangement as at 30 June 2019.
As a separate cash generating unit this has been impairment tested giving assurance to the board's expectations around the following key areas:

- Revenue
- Costs
- Timing

The assumptions are based on known production capacity, market demand on published forestry information and market pricing based on current rates achieved by competitors in the market which ranged from $21-$49.
Production costs are based upon a current model for a fully owned quarry site by QRS.
Discounted cashflow over 5 years with a terminal value and growth rate of 2% has been completed.

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

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

s) Contract Assets and Contract Liabilities

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

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

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

		2019 $	2018 $
1 OTHER OPERATING EXPENSES			
Auditors remuneration including disbursements		61,266	60,391
Directors fees		119,277	121,860
Impairment of trade receivables (bad and doubtful debts)		(2,514)	(2,627)
Loss on disposal of property plant and equipment		161,468	17,813
Gain on disposal of property plant and equipment		(193,046)	(17,560)
Loss on disposal of intangibles		39,567	-
Amortisation of intangibles		43,678	55,543
Lease payments - operating lease		160,216	177,939
- rental costs		18,200	15,661
		408,112	429,019
2 PERSONNEL EXPENSES			
Wages and salaries		6,591,384	6,220,850
Long-service leave		10,501	(929)
Sick leave		203,839	123,834
Gratuities		4,353	4,299
Contribution to defined contribution plans		181,333	175,071
		6,991,410	6,523,125
3 OPERATING LEASES			
Leases as lessee			
Non-cancellable operating lease rentals are payable as follows:			
Not later than one year		150,209	107,352
Later than one year and not later than five years		191,389	47,468
		341,598	154,820
4 INVENTORIES			
Metal Stocks		674,776	535,548
Other Supplies		102,237	117,312
Work in Progress		12,149	162,505
		789,162	815,365
Some inventories are subject to retention of title clauses. Work in progress is held at cost.			
5 TRADE AND OTHER RECEIVABLES			
Trade Debtors		2,621,033	1,024,163
Wairoa District Council	17	1,593,375	1,181,382
Provision for Doubtful Debts		-	(3,798)
Retentions		244,077	114,338
Prepayments		28,754	18,772
		4,487,239	2,334,857
6 TRADE AND OTHER PAYABLES			
Trade Creditors		2,026,316	891,599
Other		470,762	83,921
		2,497,078	975,520

	2019 $	2018 $
7 EMPLOYEE BENEFITS		
Long-service Leave	34,972	27,587
Annual Leave	383,810	411,801
Sick Leave	29,235	11,716
Gratuities	45,983	41,630
Time In Lieu	145,204	179,674
Accrued Pay	109,879	114,399
	749,083	786,807
Made up of:-		
Current	714,110	742,302
Non-current	34,973	44,505
	749,083	786,807

	2019 $	2018 $
8 INTEREST BEARING LOANS AND BORROWINGS		
UDC Term Loan	505,108	1,170,392
Less Current portion	(182,528)	(451,893)
	322,580	718,499
Interest Rate	6.20%	6.00%
UDC Current Account	696,430	317,730
Less Current portion	(180,000)	(317,730)
	516,430	-
	6.20%	6.00%
Porter Finance Limited	100,854	135,250
Less Current portion	(100,854)	(34,396)
	-	100,854
Interest Rate		11.00%
ANZ Term Loan	-	45,502
Less Current portion	-	(45,502)
	-	-
Interest Rate		6.47%
ANZ Term Loan	-	212,659
Less Current portion	-	(109,819)
	-	102,840
Interest Rate		6.25%
Mills Tui	-	69,219
Less Current portion	-	(27,323)
	-	41,896
Interest Rate		12.00%
Made up of:		
Current	463,382	986,663
Non-Current	839,010	964,089
	1,302,392	1,950,752

	2019	2018
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

	2019	2018
(b) Retained Earnings		
Retained earnings at 1 July	4,692,041	4,479,086
Net operating surplus	1,129,619	262,955
Interim Dividend	(50,000)	(50,000)
Final Dividend	(60,000)	-
Retained earnings at 30 June	5,711,660	4,692,041

10 TAXATION

	2019	2018
Profit before taxation	1,573,543	368,077
Prima facie taxation / benefit @ 28% (2018: 28%)	440,593	103,061
Plus taxation effect of permanent differences:		
- Non deductible expenses	3,331	2,060
	443,924	105,121
Income tax expense		
Major components of taxation expense are:		
Current taxation	506,826	104,635
Deferred taxation		
Origination and reversal of temporary differences	(62,902)	(24,100)
Utilisation of tax losses	-	24,586
	443,924	105,121

Deferred Income Tax at 30 June relates to the following	Balance Sheet		Income Statement	
	2019	2018	2019	2018
Deferred tax liabilities				
Contract retentions	68,341	32,014	(36,327)	54,256
Future Amortisation	22,888	23,301	414	(8,983)
Gross Deferred Tax Liabilities	91,229	55,315	(35,913)	45,273
Deferred tax assets				
Doubtful debts	-		-	(2,020)
Subcontractor Retentions	92,287		92,287	-
Provisions				
Annual leave	92,354	98,238	(5,883)	414
Staff gratuities	12,875	11,656	1,219	1,204
Sick Leave	8,186	3,280	4,905	(1,109)
Time in lieu	31,975	46,265	(14,290)	12,100
Long service leave	9,624	7,724	1,900	(664)
Aftercare	45,621	43,648	1,973	3,486
ACC premiums	7,861	9,928	(2,067)	2,273
Recognised tax losses	-	-	-	(24,586)
Maintenance Accruals	2,800	3,360	(560)	(65,574)
Construction Accruals	-	3,500	(3,500)	(9,599)
Corporate Accruals	9,800	-	9,800	-
Contract Liabilities	65,380	-	65,380	-
Future depreciation	218,669	178,730	39,938	38,316
Deferred Tax Assets	597,432	406,329	191,102	(45,759)
Net deferred tax assets	506,203	351,014		
Deferred tax income/(expense)			155,189	(486)

11 PROPERTY, PLANT AND EQUIPMENT

2019

Cost	Land	Quarries	Buildings	Plant & Machinery	Fixtures, fittings & equipment	Computer Hardware	Total
Balance at 1 July	29,433	494,288	620,335	14,187,864	706,462	443,373	16,481,755
Additions	-	-	98,022	1,300,515	42,518	13,230	1,454,285
Disposals	-	(100,008)	(3,401)	(1,901,209)	(111,406)	(246,787)	(2,362,811)
Balance at 30 June	29,433	394,280	714,956	13,587,170	637,574	209,816	15,573,229
Depreciation and Impairment Losses							
Balance at 1 July	-	22,010	345,777	10,346,627	367,181	397,114	11,478,709
Depreciation for the year	-	10,044	44,272	928,389	70,393	22,380	1,075,478
Disposals	-	(6,000)	(1,275)	(1,515,057)	(107,561)	(246,107)	(1,876,001)
Balance at 30 June	-	26,054	388,774	9,759,959	330,013	173,387	10,678,186
Carrying Amounts							
At 1 July	29,433	472,278	274,558	3,841,237	339,281	46,259	5,003,046
At 30 June	29,433	368,226	326,182	3,827,211	307,561	36,429	4,895,042

2018

Cost	Land	Quarries	Buildings	Plant & Machinery	Fixtures, fittings & equipment	Computer Hardware	Total
Balance at 1 July	29,433	371,151	525,400	13,776,814	597,150	429,281	15,729,229
Additions	-	123,137	94,935	728,017	109,312	14,092	1,069,494
Disposals	-	-	-	(316,967)	-	-	(316,967)
Balance at 30 June	29,433	494,288	620,335	14,187,864	706,462	443,373	16,481,756
Depreciation and Impairment Losses							
Balance at 1 July	-	14,428	320,206	9,770,321	278,406	365,932	10,749,293
Depreciation for the year	-	7,582	25,571	828,868	88,775	31,182	981,979
Disposals	-	-	-	(252,562)	-	-	(252,562)
Balance at 30 June	-	22,010	345,777	10,346,627	367,181	397,114	11,478,710
Carrying Amounts							
At 1 July	29,433	356,723	205,194	4,006,492	318,744	63,349	4,979,935
At 30 June	29,433	472,278	274,558	3,841,237	339,281	46,259	5,003,046

12 INTANGIBLE ASSETS

Cost	2019	2018
Balance at 1 July	668,833	668,833
Additions	7,830	-
Disposals	(383,272)	-
Balance at 30 June	293,391	668,833
Amortisation and Impairment Losses		
Balance at 1 July	468,027	412,484
Amortisation for the year	43,679	55,543
Disposals	(343,705)	-
Balance at 30 June	168,001	468,027
Carrying Amounts		
At 1 July	200,806	256,349
At 30 June	125,390	200,806

Security
UDC term loans are secured over various plant items financed through the loan facility to the value of $1,444,400 (2018 $1,739,187).

Capital Commitments
At balance date, the company had a capital commitment of $817,878 for a 4 light trucks and 2 heavy trucks (2018:$443,746)

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

	2019 $	2018 $
Reported net operating profit after taxation	1,129,619	262,956
Add back non-cash items:		
Depreciation	1,075,478	981,979
Amortisation	43,678	55,544
(Increase)/Decrease in Deferred Taxation	-	486
Increase/(Decrease) in Employee Benefits	(9,532)	(1,905)
Increase/(Decrease) in Quarry Aftercare Provision	7,045	12,449
	2,246,288	1,311,509
Add back items classified as investment activities:		
Net loss on sale of Property, Plant and Equipment	161,468	17,813
Gain on sale of Property, Plant and Equipment	(193,045)	(17,560)
Net loss on sale of Intangibles	39,567	-
	7,990	253
Movements in Working Capital:		
(Increase)/Decrease in Receivables & Prepayments	(2,223,390)	678,387
(Increase)/Decrease in Inventories	26,203	(179,332)
Increase/(Decrease) in Trade and Other Payables and GST	1,570,274	264,639
Increase/(Decrease) in Employee Benefits	(28,194)	57,816
Increase/(Decrease) in Tax Payable/Receivable	284,580	64,463
	(370,527)	885,973
Net Cash inflow/(outflow) from Operating Activities	1,883,751	2,197,735

15 OTHER PROVISIONS

QUARRY AFTERCARE PROVISION	2019 $	2018 $
Balance at beginning of the year	155,886	143,437
Provided for during the year	7,045	20,009
Utilised during the year	-	(7,560)
Balance at the end of the year	162,930	155,886

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 15% will be incurred within two years of the balance sheet date. An inflationary factor equivalent to the annual CPI is included in this provision.

16 REVENUE FROM CONTRACTS

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

	2019 $	2018 $
Maintenance / Roading Contracts	8,274,012	8,974,879
Capital Construction Contracts	11,207,919	1,973,577
Other	4,801,700	4,874,306
	24,283,632	15,822,762

17 BANK FACILITY

A bank facility is available at the ANZ Bank, and is secured by a fixed floating charge over the company's assets. The facility available totals $500,000 (2018: $500,000). The current interest rate is 7.65% (2018: 7.65%).

Performance guarantees were given to the Wairoa District Council for $100,000 and Wi Pere Trust, $105,000 to the total value of $205,000 (2018: $869,460) by the ANZ Bank, on behalf of Quality Roading and Services (Wairoa) Limited.

UDC provide a Assetlink Current Account facility up to $1,000,000 at 6.10% interest.

18 TRANSACTIONS WITH RELATED PARTIES

PARENT

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

	2019	2018
	$	$
Purchases (trading) :	23,946	10,535
Sales :	10,073,582	10,918,280

Liabilities outstanding at year end were $625 (2018: $745) which is payable on normal trading terms.

The amount outstanding at year end was$1,593,375 (2018: $1,212,680), which is receivable on normal trading terms except for $244,076 (2018: $81,819) contract retentions receivable at closure to defects liability period. The sales to Wairoa District Council account for 36% (2018: 69%) of total sales by the company.

DIRECTORS & EXECUTIVE RELATED PARTIES

Remuneration	2019	2018
Total remuneration is included in 'personnel costs' (see note 2)	$	$
Total Executive Officers remuneration	712,191	653,723
	712,191	653,723

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

2019	Business Transacted	Balance Owing
Total sales transacted	36,227	-
2018		
Total sales transacted	12,821	-

G E Gaddum, a Director/Owner of Gaddum Construction Limited has purchased services from QRS on normal trading terms to the value of $27,633 (2018: $71,056).

19 CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

Loans and Receivables	2019	2018
	$	$
Cash and cash equivalents	1,898,147	1,716,486
Trade and receivables (note 5)	4,487,239	2,334,857
Total loans and receivables	6,385,386	4,051,343
Financial liabilities measured at amortised cost		
Trade and other payables (note 6)	2,497,078	975,520
Loans (note 8)	1,302,392	1,950,752
Total creditors and loans	3,799,470	2,926,272

20 Quality Roading and Services - Annual Report for year ended 30 June 2019

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