



WHITESTONE
CONTRACTING LIMITED

Interim Report
For the six months ended
31 December 2018

www.whitestone.co.nz

Contents

Contents	1
Period in review	2
Company Ownership	3
Services	4
Best Practice	5
Social Performance Report	6
Environmental Performance Report	7
Financial Performance Report	8
Directors Responsibility Statement	9
Statement of Comprehensive Income	10
Statement of Movements in Equity	11
Statement of Financial Position	12
Statement of Cashflows	13
Notes to the financial statements	14 – 27
1 Accounting Policies	
2 Operating Revenue	
3 Operating Expenditure	
4 Tax Expense	
5 Property Plant & Equipment	
6 Cash and Cash Equivalents	
7 Capital and Reserves	
8 Commitments	
9 Contingent Liabilities & Contingent Assets	
10 Related Party Transactions	
11 Financial Instruments	
12 Events after balance date	
Directory	28

Period in Review

Financial Performance

The company has started the year positively. Although total revenue for the period was \$11,782,209 (a decrease on the previous year's \$12,394,673) the company has achieved a \$590,557 profit pre-tax, sponsorships and subventions. This is \$257,579 ahead on the same time last year.

During this period the company has had higher fuel costs and increased depreciation investment incurred as a result of upgrading its fleet over the last couple of years, in particular.

Projects

Work has occurred on a large number of projects – including Hampden Waianakarua Watermain (Waitaki District), Oamaru Watermain Stage 2 (Waitaki District), Hanleys Farm (Queenstown), Observatory Village (Oamaru), The Riverside Subdivision (Tekapo), Kawerau Bridge Landscaping (Queenstown), along with successfully delivering on a number of local authority maintenance contracts.

Current and future contracted work is on a level to previous years.

Safety Performance

Our focus on health and safety and environmental improvements continues. We have maintained a positive health and safety record for the period.

Best Practice

The company is committed to best practice and regularly reviews/enhances its various operating systems. The company maintains ISO9001, ISO4001, AS/NZS4801 accreditations.

Plant and Machinery

Investment in plant and equipment and to ensure a modern fleet, able to perform the work to a high standard is ongoing. The company has committed to the purchase of a Hydrovac Truck and guardrail installer to further expand the company's service offering.

Community

We continue to support the community through sponsorship of both Whitestone Contracting Stadium and the Oamaru Opera House during the period and a number of smaller projects. Donations/sponsorships total \$33,426 year to date.




M J de Buyzer
Chairman

Company Ownership

Whitestone Contracting Limited is a Council Controlled Trading Organisation (CCTO) being 100% owned by the Waitaki District Council. Whitestone Contracting Limited is controlled by directors appointed by its shareholder the Waitaki District Council.

The company retains three non-trading subsidiaries
Whitestone Quarries & Landfill Limited (company number 2075953)
Dunstan Sprayers Limited (company number 3932218)
Dunstan Contracting Limited (company number 5081881)

Waitaki District Council (Parent Entity)

Whitestone Contracting Limited (CCTO)



Vision

- To be a reputable and trusted contractor

Mission

- To maximise shareholder returns whilst supporting the local community.

Services



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Civil works and property maintenance

- Earthworks
- Road corridor maintenance contracts
- Pavement construction
- Bridge construction and maintenance
- Road Realignments
- Road Shape corrections
- Driveways and car parks
- Cattle underpasses
- Culverts
- Property maintenance
- Underground service locations
- Gravel sales
- Plant Hire with operator
- Guardrail/barrier installation

Utilities

- Reticulation installation and maintenance
- Intakes, Pumping stations
- Treatment Plants
- Service connections
- Drainage systems
- Camera Inspection

Landscape Services

- Landscaping
- Parks and Reserves maintenance
- Mowing
- Turf Maintenance
- Garden Maintenance
- Branch Chipper

Landfill and refuse operations

- Maintenance of landfills
- Solid waste disposal facilities
- Refuse collection
- Solid fill disposal site

Quarries

- Gravel sales
- Bulk sales of all gravel products

Surfacing

- Chip sealing
- Asphalt supply and lay

Spraying

- Agricultural spraying
- Vegetation and Weed control

Other Services

- Mechanics workshop
- Traffic Management Plans & Signs
- Project Management
- Pavement Design

Best Practice



Whitestone Contracting Limited prides itself on being the best it can be. The company is focused on continual improvement of systems and processes to improve the way we operate.

Whitestone Contracting Limited holds ACC tertiary accreditation and is AS/NZS4801:2001 accredited. This means the company has safety systems in place of a very high standard. The company employs a full time Health, Safety and Environmental Manager.

The company is ISO 9001:2015 accredited. The company has a management system in place which meets good practice and the company is audited every twelve months to verify compliance with the system.

Whitestone Contracting Limited is ISO 14001:2015 accredited. ISO14001 accreditation confirms the company has environmental systems in place and is committed to continually improving our environmental performance.

Whitestone Contracting is sitewise accredited.

Whitestone Contracting Limited is a member of the following organisations:

Civil Contractors New Zealand
Site Safe New Zealand
Motor Trades Association



Social Performance Report



We are committed to:

Attracting and retaining the best people for our organisation.
 Maintaining a high level of transparent and effective communication with our shareholder.
 Being an asset to the community through returns to the Shareholder, Waitaki District Council.
 Being an asset to the community by supporting local community initiatives.
 Providing employment in the district and ensuring the community receives competitive prices for work done.

Our people and communities:

We utilise a wide range of training schemes via the industry training organisation's to continuously extend the skills of our staff, and ensure that they are up to date with professional and technical current practice.
 Performance reviews are undertaken for all management and permanent staff on an annual basis.
 We are committed to work together to ensure safe and sustainable working conditions for our employees.
 An employee assistance programme is in place to support our employees.

The company maintains AS/NZS4801 safety standard.

MEASURING OUR PERFORMANCE

Employee safety and investment

	December 2018	December 2017	June 2018
Closing Fulltime Equivalent Employees	112	119	115
Training Expenditure	113,081	80,434	163,238

Sponsorships and donations 2018

Oamaru Opera House	10,000
North Otago Rugby Union	17,500
Oamaru Xmas Parade	4,110
South Canterbury Hockey	130
Tekapo School	500
Tarras Golf Club	250
Mackenzie District Parades	148
Football South Canterbury	200
Kakanui School	88
Waimate Christmas in the Square	500
Total Donations & Sponsorships	33,426

Environmental Performance Report



We are committed to:

- Enhancing environmental management systems.
- Ensuring the company's impact on the environment is consistent with the company's environmental policy.

Positive Impacts on the Environment

Whitestone Contracting Limited provides a range of services which provide environmental benefits to the community. We provide tree care and landscaping services as well as vegetation and weed control services. We maintained parks and reserves for some Council clients as well as water and waste water networks during the period.

The company is committed to economically sustainable waste minimisation initiatives.

The company has had no breaches of consents or environmental breaches during the period.

Areas of Negative Effects Include

The company uses significant quantities of gravel and ensures it has the necessary approvals from the Regional Council before extraction.

The company operates a modern asphalt plant which is consented and meets emission standards.

Waste Material Produced includes Green Waste, Hardfill, and Cover Material.

The company generates clean fill which is used to rehabilitate previously excavated land, or deposited at our clean fill site in Beach Road Oamaru.

The Company operates chippers to reuse material from tree removal activities.

This year's environmental activities

We continue to focus on maintaining our ISO 14001 accreditation and improving our focus on minimising work site environmental hazards through good job planning.

All staff are inducted into the company's environmental procedures when they join the company.

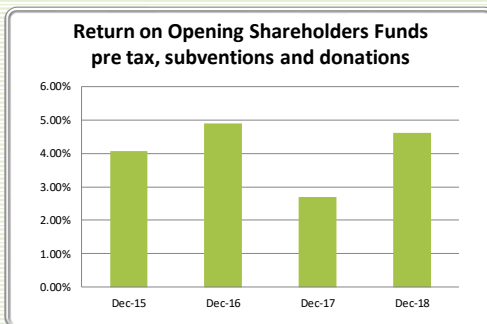
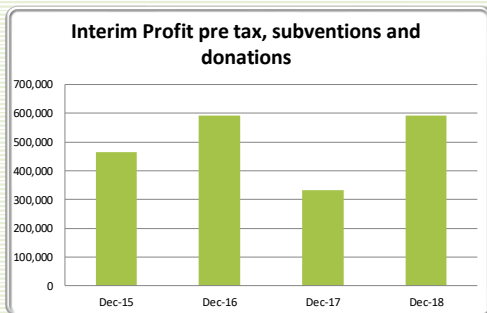
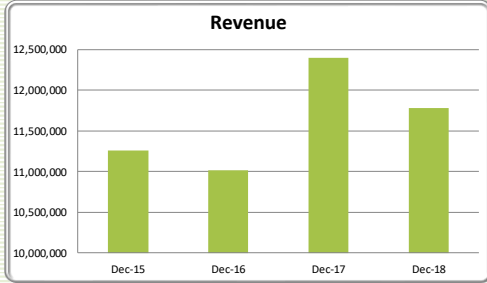
Over the next twelve months we plan to:

Continue to promote our Environmental training programme to staff.

Continue to consider the environment in all that we do.



Financial Performance Report



We are committed to:

Increasing shareholder returns through both distributions and capital growth.
Maintaining the company with a risk based management approach while targeting sustainable long term growth.
Meeting the targeted return on opening shareholder funds.

Our Finance and Risk Management Processes

To ensure reliable and timely financial information, the company has an effective management information system in place and an organisational structure that provides an appropriate division of responsibility and an efficient reporting framework. Enhancement of this system is continuous to ensure we meet or exceed market requirements. The company's Audit and Risk Committee provides the Board with additional assurance regarding the accuracy of reported financial information, and is responsible for ensuring the Company has an effective internal control system in place. More information on policies and procedures the company has in place can be found in the Statement of Intent.

Highlights for the first six months

The company has achieved an increased profit and provided a quality service and outcome for a large number of clients.

Measuring our performance:

The company is profitable and making progress towards its stated target for the year of 8% return on opening shareholders funds. Further information on the financial results of the company are contained in the financial statements.

Over the next six months we plan to:

Increase turnover and earnings per share by continuing positive contract performance and ensuring effective cost control measures.
Continue to maintain a diversified portfolio of work and clients to ensure continuity of returns to the shareholder.
Continue developing staff to achieve ongoing positive performance.

Directors Responsibility

Directors are responsible for preparing the financial statements and ensuring that they comply with generally accepted accounting practice and give a true and fair view of the financial position of the company as at 31 December 2018 and the results of the operations and cash flows for the six months ended on that date.

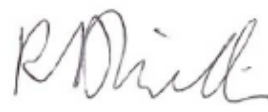
The Directors consider the financial statements of the company have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the company and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The Directors consider they have taken adequate steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities. Internal control procedures are also considered reasonable assurance as to the integrity and reliability of the financial statements.

The Directors are pleased to present the interim financial statements of Whitestone Contracting Limited for the six months to 31 December 2018


M J de Buyzer
Chairman


R A Pickworth
Director

18 February 2019



Statement of Comprehensive Income

For the six months ended 31 December 2018

	Note	December 2018 \$	December 2017 \$	June 2018 \$
Operating Revenue	2	11,782,209	12,394,673	26,651,567
Operating Expenses	3	(11,186,899)	(12,059,579)	(25,288,580)
		595,310	335,094	1,362,987
Finance Income		879	795	10,563
Finance Expense		(5,633)	(2,911)	(8,187)
		(4,754)	(2,116)	2,376
Operating Profit Before Subvention Payments Donations Sponsorship and Tax		590,557	332,978	1,365,363
Less Sponsorships & Donations		(33,426)	(39,323)	(74,187)
Subvention Receipts/(Payments)		-	-	(36,795)
Operating Profit Before Tax		557,130	293,655	1,254,381
Less Taxation Expense	4	(155,890)	(82,628)	(291,442)
Net Profit After Tax		401,240	211,027	962,939
Revaluation of property		0	0	0
Deferred tax effect on revaluation		0	0	-
Other Comprehensive Income		0	0	0
Total Comprehensive Income		401,240	211,027	962,939

Statement of Movements in Equity

For the six months ended 31 December 2018

Notes	Retained Earnings	Share Capital	Asset Revaluation Reserve	Total Equity
	\$	\$	\$	\$
31 December 2018				
Balance 1 July 2018	5,855,204	4,600,000	2,807,798	13,263,002
Profit for the year	401,240			401,240
Other comprehensive Income movements	0		0	0
Total Comprehensive Income for the year	401,240		0	401,240
Dividends to shareholders	0			0
Balance 31 December 2018	<u>6,256,444</u>	<u>4,600,000</u>	<u>2,807,798</u>	<u>13,664,242</u>
31 December 2017				
Balance 1 July 2017	5,395,814	4,600,000	2,807,798	12,803,612
Profit for the year	211,027			211,027
Other comprehensive Income movements	0		0	0
Total Comprehensive Income for the year	211,027		0	211,027
Dividends to shareholders	-			-
Balance 31 December 2017	<u>5,606,841</u>	<u>4,600,000</u>	<u>2,807,798</u>	<u>13,014,639</u>
30 June 2018				
Balance 1 July 2017	5,395,814	4,600,000	2,807,798	12,803,612
Profit for the year	962,939			962,939
Other comprehensive Income movements	0	0	0	0
Total Comprehensive Income for the year	962,939	0	0	962,939
Dividends to shareholders	(503,549)	-	-	(503,549)
Balance 30 June 2018	<u>5,855,204</u>	<u>4,600,000</u>	<u>2,807,798</u>	<u>13,263,002</u>

Statement of Financial Position

As at 31 December 2018

	December	December	June	
Note	2018	2017	2018	
	\$	\$	\$	
CURRENT ASSETS				
Cash & Cash equivalents	6	415,493	990,313	489,047
Trade & Other Receivables		2,403,015	2,336,425	3,439,459
Doubtful Debt Provision		(2,799)	(2,973)	(11,373)
Inventories		766,043	723,056	654,529
Work in progress		770,222	970,223	292,608
Prepayments		175,924	158,177	50,840
Total Current Assets		4,527,898	5,175,221	4,915,110
NON CURRENT ASSETS				
Plant, Property & Equipment	5	12,515,819	11,364,585	11,879,071
Capitalised Quarry Expenses		77,146	97,995	86,784
Easements		8,295	8,295	8,295
Mix Designs		9,666	11,701	10,684
Resource Consents		21,611	21,470	21,975
Goodwill		200,000	200,000	200,000
Total Non current assets		12,832,537	11,704,046	12,206,809
Total assets		17,360,435	16,879,267	17,121,919
CURRENT LIABILITIES				
Trade payables		1,190,062	1,607,834	1,219,763
Provision for Goods and Services Tax		409,836	300,539	239,144
Accrued expenses		126,097	164,291	183,632
Accrued Employee Benefits - Current		1,142,924	1,123,784	1,131,867
Accrued Restoration costs		17,002	16,002	17,002
Prepaid income		203,762	70,650	336,615
Current Tax Liability	4	(78,423)	(200,997)	165,869
Total current liabilities		3,011,260	3,082,103	3,293,892
NON CURRENT LIABILITIES				
Deferred tax liability	4	655,944	764,694	536,029
Accrued Employee Benefits - Non current		28,989	17,831	28,996
Total non current liabilities		684,933	782,525	565,025
Total liabilities		3,696,193	3,864,628	3,858,917
Net Assets & Liabilities		13,664,242	13,014,639	13,263,002
EQUITY				
Share Capital	7	4,600,000	4,600,000	4,600,000
Asset Revaluation Reserve		2,807,798	2,807,798	2,807,798
Retained Earnings	7	6,256,444	5,606,841	5,855,204
Total Equity		13,664,242	13,014,639	13,263,002

Statement of Cashflows

For the six months ended 31 December 2018

Note	December 2018 \$	December 2017 \$	June 2018 \$
CASHFLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers	12,002,220	12,432,554	26,564,040
Interest received	879	795	10,563
	12,003,099	12,433,349	26,574,603
Cash was applied to:			
Payments to suppliers & employees	(10,500,355)	(10,989,163)	(23,902,771)
Donations and Sponsorships	(33,426)	(39,323)	(74,187)
Interest paid	(5,633)	(2,911)	(8,187)
Subvention payments made	0	0	(36,795)
Taxation (paid)/refunded	(280,267)	(94,130)	(164,743)
	(10,819,681)	(11,125,527)	(24,186,683)
Net cashflows from operating activities	1,183,418	1,307,822	2,387,920
CASHFLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from sale of fixed assets	146,494	56,864	296,047
	146,494	56,864	296,047
Cash was applied to:			
Fixed assets purchased	(1,403,466)	(753,967)	(2,070,965)
Total cash applied	(1,403,466)	(753,967)	(2,070,965)
Net Cashflows to investing activities	(1,256,972)	(697,103)	(1,774,918)
CASHFLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Proceeds from borrowings	0	0	0
	0	0	0
Cash was applied to:			
Dividends Paid	0	0	(503,549)
Repayment of borrowings	0	0	0
	0	0	(503,549)
Net cashflows to financing activities	0	0	(503,549)
Net increase/(decrease) in cash held	(73,554)	610,719	109,453
Cash Held at beginning of the period	489,047	379,594	379,594
Cash Held at the end of the period	415,493	990,313	489,047
<u>Made up of:</u>			
BNZ current accounts	400,525	975,482	474,065
ANZ current accounts	14,708	14,671	14,722
Petty cash	260	160	260
	415,493	990,313	489,047

Notes to the financial statements for the six months ended 31 December 2018

Note 1: Accounting Policies

Reporting Entity

The unaudited financial statements of Whitestone Contracting Limited are for the six months ended 31 December 2018 and were authorised for issue by Directors on 18 February 2019.

The group consists of Whitestone Contracting Limited and its non-trading subsidiaries Whitestone Quarries and Landfill Limited (100% owned), Dunstan Sprayers Limited (100% owned), Dunstan Contracting Limited (100% owned).

The parent company is itself a wholly-owned subsidiary of the Waitaki District Council and they have been informed about, and do not object to, the parent not presenting consolidated financial statements;

The financial statements comply with the Financial Reporting Act 2013, the Companies Act 1993, the Local Government Act 2002 and comprise statements of the following:

- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Financial Position
- Statement of Cash flows
- Significant accounting policies
- Notes to the financial statements in this annual report.

Basis of Preparation

Whitestone Contracting Limited is a Council Controlled Organisation (as defined in Section 5 of the Local Government Act 2002) incorporated in New Zealand and is registered under the provisions of the Companies Act 1993. The company is wholly owned by the Waitaki District Council.

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

These general purpose financial statements comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards, as appropriate for profit-oriented entities.

The financial statements have been prepared on an historical cost basis except for land and buildings which are revalued every three years. Next review is due 1 July 2019.

The financial statements are presented in New Zealand dollars, which is the company's functional currency.

The financial statements are prepared based on the reliance that the company is a going concern.

Specific Accounting Policies

The following specific accounting policies that significantly affect the measurement of operating results, cash flows and financial position have been applied:

Income Recognition

- Operating revenues represent the gross revenue from commercial operations in the ordinary course of business and are recognised when earned.
- Interest income is recognised using the effective interest method.
- Dividends are recognised when received.

Notes to the financial statements for the six months ended 31 December 2018

Construction Contracts

Profits on contracts are recognised progressively over the period of each contract. The amount included in the Statement of Comprehensive Income and the value of contract work in progress are established by assessment of individual contracts taking into account the proportion of work completed, cost analysis and estimated final results. Foreseeable losses on a contract are recognised immediately. The method used to determine the proportion of work completed is the proportion of the contract cost incurred for work performed to date in relation to the estimated total contract costs.

If payments received from customers exceed the income recognised, then the difference is presented as prepaid income in the Statement of Financial Position.

Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Leases

Finance Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee whether or not the title is eventually transferred. The leased assets and corresponding liabilities are recognised, and the leased assets are depreciated over the period benefit is expected from their use.

Operating Leases

Operating leases are all other leases. These are charged on a straight-line basis over the term of the lease.

Goods and Services Tax

These financial statements have been prepared on a GST exclusive basis and any net GST due or owing at balance date is included in debtors or creditors (as appropriate). Accounts receivable and accounts payable are stated inclusive of GST. Where GST is not recoverable as an input tax then it is recognised as part of the related asset and expensed.

Income Tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantially enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantially enacted by balance date.

Current tax and deferred tax is charged or credited to the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

Notes to the financial statements for the six months ended 31 December 2018

Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Trade and Other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

Bad debts are written off against the provision for doubtful debts in the period in which it is determined that the debts are uncollectible. If those debts are subsequently collected a gain is recognised in the Statement of Comprehensive Income.

Inventories

Inventories, comprising materials and work-in-progress, are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis.

The write down from cost to net realisable value is recognised in the Statement of Comprehensive Income.

Work in progress

Work-in-progress includes materials and labour accumulated against jobs, but not invoiced as at balance date.

Financial Assets

The company classified its financial assets into the following four categories described below. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the Statement of Comprehensive Income.

Purchases and sales of assets are recognised on trade-date, the date on which the company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

The fair value of financial instruments traded in active markets is based on quoted market prices at the Statement of Financial Position date. The quoted market price used is the current bid price. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

The four categories of financial assets are:

- Financial assets at fair value through profit or loss.
This category has two sub-categories; financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the Statement of Financial Position date. After initial recognition they are measured at their fair values. Gains or losses on re-measurement are recognised in the statement of financial performance.

Currently the company does not hold any financial assets in this category.

- Loans and receivables.

Notes to the financial statements for the six months ended 31 December 2018

These are financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the Statement of Comprehensive Income. Loans and receivables are classified as 'trade and other receivables' in the Statement of Financial Position.

- **Held to maturity investments.**
Held to maturity investments are assets with fixed or determinable payments and fixed maturities that the company has the positive intention and ability to hold to maturity. After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the Statement of Comprehensive Income.

Currently, the company does not hold any financial assets in this category.

- **Financial assets available for sale**
Financial assets which are available for sale are those that are designated as fair value through equity or are not classified in any of the other categories above.

This category encompasses:

- investments that the company intends to hold long-term but which may be realised before maturity; and
- shareholdings that the company holds for strategic purposes. The company's investments in its subsidiary and associate companies are not included in this category as they are held at cost (as allowed by NZ IAS 27 Consolidated and Separate Financial Statements and NZ IAS 28 Investments in Associates) whereas this category is to be measured at fair value.

After initial recognition these investments are measured at their fair value.

Gains and losses are recognised directly in equity except for impairment losses, which are recognised in the statement of financial performance. In the event of impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in the Statement of Comprehensive Income even though the asset has not been derecognised.

On de-recognition the cumulative gain or loss previously recognised in equity is recognised in the Statement of Comprehensive Income.

Impairment of Financial Assets

At each Statement of Financial Position date the company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the Statement of Comprehensive Income.

Non-current Assets held for Sale

Non-current assets held for sale are separately recognised as a current asset when the sale of an asset is highly probable and management are committed to a plan to sell the asset, which is expected to occur within one year. Non-current assets held for sale are valued at lower of the carrying value and the fair value less disposal costs.

Property, Plant and Equipment

Property, plant and equipment are shown at cost, less accumulated depreciation and impairment losses. With the exception of land and buildings which is carried at fair value as detailed below.

Additions:

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the company and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Notes to the financial statements for the six months ended 31 December 2018

Disposals:

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Statement of Comprehensive Income.

Subsequent costs:

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the company and the cost of the item can be measured reliably.

Depreciation

General

Unless otherwise stated, all fixed assets are depreciated on a diminishing value basis at rates that will write-off their cost or valuation, less any estimated residual value, over their expected useful lives.

Land

Land is not depreciated.

Buildings

Buildings are depreciated at rates from 2% to 100% dependent on the method of construction.

Other Assets

Small tools and equipment are not depreciated but replacements are expensed. All other assets are depreciated over their expected useful lives:

<u>Asset Category</u>	<u>Depreciation Method Diminishing Value</u>
Plant & Equipment	2.40% - 80.40%
Motor vehicles	12.00% - 36.00%
Office equipment	11.40% - 67.00%
Office furniture and fittings	11.40% - 80.40%
Computer software	40.00% - 60.00%
Computer Hardware	31.20% - 50.00%

The Asphalt plant is depreciated on a straight line basis at 5% per annum

The residual value and useful life of an asset is reviewed and adjusted if applicable at each financial year end.

Revaluations

Land and buildings are revalued to fair value with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

After recognition as an asset, an item of property, assets subject to revaluation whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a willing buyer and a willing seller in an arms length transaction as at the valuation date.

Any revaluation surplus is recognised in other comprehensive income and credited to the asset revaluation reserve in equity, unless the increase relates to a revaluation decrease of the same asset previously recognised in the profit and loss.

Any revaluation deficit is recognised in other comprehensive income and credited to the asset revaluation reserve in equity to the extent of the revaluation reserve balance accumulated from previous year gains. When no revaluation reserve balance is available to offset a revaluation loss the revaluation deficit is reported within profit or loss for that year.

Revaluations are completed on an asset basis and movements are evaluated on an asset class basis. Upon disposal, any revaluation reserve relating to the particular asset being sold is reclassified to retained earnings.

Notes to the financial statements for the six months ended 31 December 2018

Advance removal of overburden and waste rock unsold

Advance removal of overburden and waste rock is amortised over the current year and succeeding income years in line with the expected benefit provided by the removal.

Capitalised quarry development expenditure

Quarry development expenditure is amortised at a rate of 20% per annum.

Intangible Assets

Software

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring into use. Costs associated with maintaining computer software are recognised as an expense when incurred. The useful life of software is amortised on a diminishing value basis at a rate of 40-60%.

Costs associated with the development and maintenance of the company's website are recognised as an expense when incurred.

Goodwill

Goodwill that arises as part of a business combination is recognised as an intangible asset. Goodwill is recognised on acquisition date as:

- The fair value of consideration transferred; less
- The fair value of assets acquired and liabilities assumed.

Goodwill is subsequently measured at cost less accumulated impairment losses.

Goodwill is tested for impairment annually

Resource Consents

Resource consents acquired by the company have finite lives and are measured at cost less accumulated amortisation and accumulated impairment losses.

Easements

Easements acquired by the company are regarded as having infinite lives. They are not amortised but tested annually for impairment.

Asphalt Mix Designs

Asphalt Mix designs developed by the company are regarded as having infinite lives. They are not amortised but tested annually for impairment.

Impairment of Non-financial Assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service.

The value in use for cash-generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For re-valued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the Statement of Comprehensive Income.

For assets not carried at a re-valued amount, the total impairment loss is recognised in the Statement of Comprehensive Income.

Notes to the financial statements for the six months ended 31 December 2018

The reversal of an impairment loss on a re-valued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the Statement of Comprehensive Income, a reversal of the impairment loss is also recognised in the Statement of Comprehensive Income.

For assets not carried at a re-valued amount (other than goodwill) the reversal of an impairment loss is recognised in the Statement of Comprehensive Income.

Employee Entitlements

Short-term benefits

Employee benefits that the company expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and long service leave entitlements expected to be settled within 12 months, and sick leave.

The company recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the company anticipates it will be used by staff to cover those future absences.

The company recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Long service leave

Entitlements that are payable beyond 12 months, such as long service leave; have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements and;
- the present value of the estimated future cash flows. The discount rate is based on the weighted average of Government interest rates for stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is applied on the expected long term increase in remuneration for employees.

Superannuation schemes:

Defined contribution schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the Statement of Comprehensive Income in periods during which the services are rendered by employees.

Provisions

The company recognises a provision for future expenditure of uncertain amount of timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance expense.

Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Financial Instruments

The Group is party to financial instrument arrangements as part of everyday operations. These financial instruments include bank overdraft facilities and draw-down facilities, short-term deposits, investments, accounts receivable and accounts payable.

Notes to the financial statements for the six months ended 31 December 2018

All financial instruments are recognised in the Statement of Financial Position. Income and expenditures in relation to all financial instruments are recognised in the Statement of Comprehensive Income. Except for loans, which are recorded at cost, and those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

Equity

Equity is the Shareholders interest in the Company as measured by total assets less total liabilities.

The components of equity are:

- Share Capital.
- Retained Earnings
- Revaluation Reserve

Critical Accounting Estimates and Assumptions

In preparing these financial statements the company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Construction work in progress

Construction work in progress is the significant area where estimates have been made. This has been calculated in accordance with the construction work in progress policy.

Revaluation of property, plant and equipment

The Company carries its land and buildings (classified as property, plant and equipment) at revalued amounts.

Land and buildings were valued by reference to market based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of property.

Estimated Impairment of goodwill

Goodwill is tested annually for impairment, in accordance with accounting policies disclosed. The recoverable amount of cash generating units have been determined based on value in use calculations, the inputs to these includes a fair value amount of estimation and judgement.

Notes to the financial statements for the six months ended 31 December 2018

NOTE 2: OPERATING REVENUE

	December 2018	December 2017	June 2018
	\$	\$	\$
Includes;			
Other Revenue	6,566,426	6,256,602	13,058,311
Construction Contract Revenue	5,101,242	6,068,075	13,357,851
Rental Income	37,992	27,450	64,167
Dividends	24	24	24
Depreciation Recovered	76,147	42,292	169,028
Gain on Sale of fixed assets	378	230	2,186
	11,782,209	12,394,673	26,651,567

NOTE 3: OPERATING EXPENDITURE

	December 2018	December 2017	June 2018
	\$	\$	\$
Included in operating expenses are the following items:			
Remuneration of auditor			
- audit fees	13,013	12,436	23,790
- taxation compliance services	0	5,215	6,572
Depreciation	694,353	585,498	1,271,941
Loss on sale of fixed assets	2,397	2,478	7,186
Directors' fees	98,000	98,000	196,000
Directors Travel Expenses	8,551	8,388	16,164
Donations & Sponsorships	33,426	39,323	74,187
Rental and operating lease costs	65,393	61,677	125,170
Bad debts written off	286	0	881
Bad Debts Recovered	0	0	0
Fringe Benefit Tax	65,279	37,102	87,174
Insurance Premiums	115,040	100,704	213,799
Accident Insurance	43,725	63,205	119,865
Employee Benefits	4,225,768	4,246,552	8,550,502
Changes in provision for doubtful debts	(7,456)	(637)	7,549
Amortised advance removal of overburden	9,638	11,136	22,347
Amortised quarry development	0	0	0
Stock obsolescence provision	0	0	(45,000)
Impairment Asphalt Mix Designs	1018	1,018	2,035
Impairment of plant and machinery	0	0	0
Impairment of Goodwill	0	0	0
Amortisation of Resource Consents	364	363	728
Materials	1,188,186	2,538,342	3,949,364

Notes to the financial statements for the six months ended 31 December 2018

NOTE 4: TAX EXPENSE

December 2018	December 2017	June 2018
\$	\$	\$

Components of tax expense

Current tax expense in respect of current year	35,975	(38,376)	354,129
Adjustments to current tax in respect of prior years	0	0	44,975
<i>Deferred tax expense in respect of current year</i>	119,915	121,004	7,546
Deferred tax expense other	0	0	(115,208)
Tax expense	155,890	82,628	291,442

Operating profit before income tax	557,131	293,655	1,254,381
Tax thereon at 28%	155,997	82,223	351,227
<i>Plus/(less) taxation effect of differences:</i>			
Tax effect on non assessable income	0	(4)	(612)
Tax effect of non deductible expense	(107)	409	757
Tax effect of prior year adjustment			(33,438)
Tax effect of subvention payment			(26,492)
Tax effect of Differences	(107)	405	(59,785)
	155,890	82,628	291,442

Current tax balances

Tax refund available	0	0	0
Current tax liability	78,423	200,997	(165,869)
	78,423	200,997	(165,869)

Deferred tax balance

Deferred tax asset	286,845	224,393	281,204
Deferred tax (liability)	(942,788)	(989,087)	(817,233)
	(655,944)	(764,694)	(536,029)

Imputation Credit Account

Balance at beginning of the year	2,070,100	2,101,176	2,101,176
Income tax payments	280,269	94,130	189,998
Credits attached to dividends paid	0	0	(195,826)
Credits attached to dividends received	0	0	0
Refunds and Transfers	0	0	(25,248)
	2,350,369	2,195,306	2,070,100

The balance of the imputation account is not recorded in the financial statements

Notes to the financial statements for the six months ended 31 December 2018

NOTE 5: PROPERTY PLANT AND EQUIPMENT

During the period the company:

acquired assets with a cost of

disposed of assets with a carrying value of

This resulted in a net (loss)/gain on sale for the period of

and depreciation recovered of

Net gain on revaluation of Land and Buildings

The company also wrote off impaired assets of

December 2018	December 2017	June 2018
1,403,466	753,967	2,070,965
72,365	16,821	296,047
(2,019)	(2,249)	(5,000)
76,147	42,292	169,028
0	0	0
0	0	0

NOTE 6: CASH AND CASH EQUIVALENTS

Cash at Bank

Petty Cash

Total cash and equivalents

Bank overdrafts

Net cash equivalents and bank overdrafts for the purposes of the statement of cashflows

December 2018	December 2017	June 2018
\$	\$	\$
415,233	990,153	488,787
260	160	260
415,493	990,313	489,047
0	0	0
415,493	990,313	489,047

The group bank overdraft facility totals \$1,000,000. (2017: \$1,000,000)

The current interest rate on the overdraft facility is 5.06% (2017 5.00%)

In addition the company has an undrawn Credit Plus facility of \$1,500,000

Security

Loans from the Bank of New Zealand are secured by debenture over the company assets and undertakings including a registered first mortgage against the Deborah Depot, the Allandale Road Depot, Camerons Pit, 460 Palmerston Dunback Road and a Security interest in specified plant and equipment.

Notes to the financial statements for the six months ended 31 December 2018

NOTE 7: CAPITAL AND RESERVES

December 2018	December 2017	June 2018
\$	\$	\$

Share capital	4,600,000	4,600,000	4,600,000
Closing Share Capital	4,600,000	4,600,000	4,600,000
Retained earnings			
Opening Balance	5,855,204	5,395,814	5,395,814
Net Surplus	401,240	211,027	962,939
Dividend	0	0	(503,549)
Closing Retained Earnings	6,256,444	5,606,841	5,855,204
Opening Property Revaluation Reserve	2,807,798	2,807,798	2,807,798
Total Property Revaluation Reserve	2,807,798	2,807,798	2,807,798
Total Equity	13,664,242	13,014,639	13,263,002

The company has 4,600,000 shares issued. All shares carry equal voting rights in any surplus on winding up of the company. None of the shares carry fixed dividend rights nor have any par value.

The property revaluation reserve arises in the revaluation of land and buildings. When revalued land and buildings are sold, the proportion of the properties revaluation reserve that relates to that asset is transferred directly to retained earnings. Items of other comprehensive income included in the properties revaluation reserve will not be reclassified subsequently to the profit and loss.



Notes to the financial statements for the six months ended 31 December 2018

NOTE 8: COMMITMENTS

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

One year or less
One to two years
Two to five years

December 2018	December 2017	June 2018
\$	\$	\$
171,219	67,780	136,355
145,837	82,579	189,061
0	10,618	0
317,056	160,977	325,416

The company also has a photocopier contract for a remaining 980,640 copies. This is expected to be completed in 2020 at an estimated remaining cost of \$31,054

The company is committed to a naming rights contract with the North Otago Rugby Union for \$35,000 per annum. This contract expires 30/6/2019

The company is committed to a naming rights contract with the the Oamaru Opera House for \$20,000 per annum.

Prior to 31 December 2018 the company has entered in to a contracts to purchase an Excavator a Ute, Hydrovac and a Telehandler. The outstanding unpaid commitment on these capital items is \$748,743.

NOTE 9: CONTINGENT LIABILITIES & CONTINGENT ASSETS

There are performance bonds in favour of:

Waitaki District Council
Mackenzie District Council
Timaru District Council
Clutha District Council
Waimate District Council
Dunedin City Council
Radius Healthcare/Elboughton Grange
Central Otago District Council
Alliance Group Limited
Kim Taylor of AKGO Limited
Roading Company Limited Hanley Downs
Homestead Bay Peak Development
Lake Tekapo Enterprises

December 2018	December 2017	June 2018
\$	\$	\$
545,964	383,175	383,157
195,000	262,262	195,000
0	105,794	0
0	0	18,038
100,000	157,500	157,500
72,938	84,615	72,938
53,826	213,516	213,514
115,000	115,000	115,000
0	32,646	0
0	62,838	62,838
218,128	218,128	218,128
63,404	0	63,404
123,653	0	0
1,487,913	1,635,474	1,499,517

Bonds are held guaranteeing fulfilment of obligations under particular contracts.

The company is released from the obligations when the performance under the contract is met.

The company and group has no contingent assets. (2017 \$nil)

Notes to the financial statements for the six months ended 31 December 2018

NOTE 10: RELATED PARTY TRANSACTIONS

	December 2018	December 2017	June 2018
	\$	\$	\$
(a) Intergroup transactions and balances			
Services provided to			
Waitaki District Council	1,956,903	2,487,145	5,502,908
Amount receivable from			
Council	208,073	229,113	712,595
Services received from			
Waitaki District Council	18,474	10,315	89,289
Amounts owing to Council	0	455	43,781
Services provided to Waitaki District Health Services	5,587	5,587	11,174
Services received from Waitaki District Health Services	0	0	0
Amounts owing to Waitaki District Health Services	0	0	0
Amount receivable from Waitaki District Health Services	1,071	1,071	1,071
Services provided to Tourism Waitaki	1,067	0	4,496
Services received from Tourism Waitaki	0	0	0
Amounts owing to Tourism Waitaki	0	0	0
Amount receivable from Tourism Waitaki	0	0	614

The company provides civil construction and maintenance services to the Waitaki District Council.

The amounts included in this note exclude goods and services tax.

All services were provided on commercial terms.

No related party debts have been written off during the period.

The company provides civil construction and maintenance services to the Waitaki District Council.

The amounts included in this note exclude goods and services tax.

All services were provided on commercial terms.

No related party debts have been written off during the period.

NOTE 11: FINANCIAL INSTRUMENTS

During the six months to 31 December 2018 no changes were made to the groups financial risk management policies. Our policies and objectives are consistent with our consolidated financial statements to the year ended 30 June 2018.

NOTE 12: EVENTS AFTER BALANCE DATE

No material events occurred after balance date.

Directory

Directors

Michael John de Buyzer

LLB Notary Public (Appointed 1 July 2008)

Peter John Rowell

(Appointed 7 September 2012)

Stephen Richard Thompson

Bcom, F.C.A (PP), CFInstD (Appointed 11 December 2012)

Ross Anthony Pickworth

M.B.A, B.Eng (Electrical), NZCE (Electrical)
(Appointed 1 January 2016)

Steven William Grave

B.E(Hons)Civil, NZCE (Civil)
(Appointed 1 January 2017)



Postal Address

P O Box 108, Oamaru
Phone (03) 433 0240
Fax (03) 434 1270

Auditors

M Lee, Crowe Horwath New Zealand Audit Partnership
On behalf of the Controller and Auditor
General Wellington



Bankers

Bank of New Zealand
ANZ

Solicitors

Hope & Associates, Oamaru
Berry & Co, Oamaru



Authorised Capital

4,600,000 Ordinary Shares

Company Number

DN 549270

Country of Incorporation

New Zealand

Registered Office

State Highway One, Deborah, Oamaru

Insurer

Marsh Ltd (Brokers)

Managers

Chief Executive	Glenn Campbell
Operations Manager	Julian Hardy
Corporate Services Manager	Tony Read
Business Development Manager	Linton Clarke



Web address

www.whitestone.co.nz