WHITESTONE
CONTRACTING LIMITED

Interim Report
For the six months ended
31 December 2017

www.whitestone.co.nz

Contents

Period in Review

Financial Performance

Total revenue for the period was $12,395,468, a 12.55% increase on the previous year. The company is undertaking an increasing level of construction as opposed to maintenance work.

The company achieved a $332,978 profit pre-tax, sponsorships and subventions. Although down on the prior year's result due to a small number of projects not meeting expectations. The company has undertaken a detailed analysis of those outcomes to avoid any repetition. Given current workloads the company believes it is well positioned for the second half of the year.

Projects

The company has successfully completed a large number of projects In particular the company has been working on, Hampden Waianakarua Watermain (Waitaki District), Oamaru Watermain (Waitaki District) Hanleys Farm (Queenstown), Observatory Village (Oamaru), North Otago Recreational Turf asphalting (Oamaru) The Cairns Subdivision (Tekapo), Shotover Country (Queenstown) Waikouaiti Watermain (Waikouaiti), Subdivisions in Dunedin and Mosgiel and a number of Watermain renewal projects for local authorities, along with a large number of other local authority maintenance works.

Safety Performance

The company has continued to focus on health and safety and environmental improvements.

Best practice

The company is committed to best practice and has excellent systems is place to ensure we achieve the desired outcomes. The company maintains ISO9001, ISO14001, AS/NZS4801 and ACC tertiary accreditations.

Plant and Machinery

The company continues to invest in plant and equipment and to ensure we have a modern fleet able to perform the work to a high standard. The company has this year replaced its bitumen sprayer with a state of the art 10,000 litre sprayer.

Community

We continued to support the community through sponsorship of both Whitestone Contracting Stadium and the Oamaru Opera House during the period as well as a number of smaller projects with a grand total of $39,323 so far this year.

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

www.whitestone.co.nz

Civil works and property maintenance
Earthworks
Pavement construction
Bridge construction and maintenance
Road Realignments
Road Shape corrections
Driveways and car parks
Cattle underpasses
Culverts
Property maintenance
Cable locations
Gravel and soil sales
Plant Hire with operator

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

Landscape Services
Landscaping
Parks and Reserves maintenance
Mowing
Landscape supplies
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

Sealing
Bitumen Surfacing
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

Telarc. Registered
Quality
ISO 9001

Telarc. Registered
Environment
ISO 14001

Telarc. Registered
Health & Safety
AS/NZS 4801

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 Coordinator.

The company is ISO 9001:2008 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 14001:2004 accredited. ISO14001 accreditation confirms the company has environmental systems in place and is committed to continually improving our environmental performance.

Whitestone Contracting Limited is a member of the following organisations:

Civil Contractors New Zealand
Site Safe New Zealand
Motor Trades Association

Social Performance Report

Telarc. Registered TM

Health & Safety AS/NZS 4801

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 and ACC tertiary accreditation.

MEASURING OUR PERFORMANCE
Employee safety and investment

	December 2017	December 2016	June 2017
Closing Fulltime Equivalent Employees	119	119.5	114
Training Expenditure	80,434	99,220	181,289

Sponsorships and donations 2017

Oamaru Opera House	10,000
North Otago Rugby Union	17,500
Oamaru Xmas Parade	1,546
Victorian Heritage Parade	850
Observatory Village Memorial Garden	2,278
Football Waitaki	350
North Otago Hockey	130
Tarras Golf Club	250
Mackenzie District Parades	484
Fairlie Community Picnic Tables	5,000
Tekapo School	435
Waimate Christmas in the Square	500
Total Donations & Sponsorships	39,323

Environmental Performance Report

Telarc. Registered
Environment ISO 14001

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 year.

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.

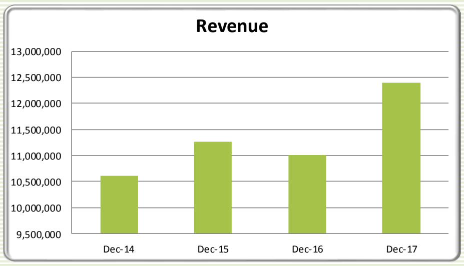
This year's environmental activities

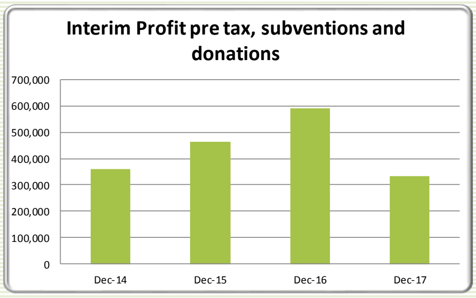
We continue to focus on maintaining our ISO 14001 accreditation and improving our focus on minimising work site environmental hazards through good job planning. A number of environmental operating procedures have been reviewed and updated during the period. All staff are inducted into the company's environmental procedures when they join the company.

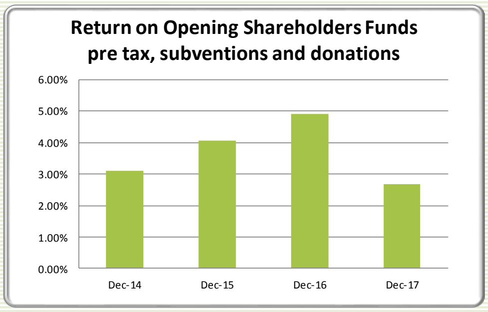
Over the next twelve months we plan to:

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 averse 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 turnover and provided a quality service and outcome for a large number of clients. The company has had some contracts that have not performed as well as desired resulting in a return for the half year less than that budgeted however the company remains focused on meeting it budgeted target.

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 2017 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 1993.

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 2017

M J de Buyzer
Chairman

R A Pickworth
Director

14 February 2018

Statement of Comprehensive Income
For the six months ended 31 December 2017

	Note	December 2017 $	December 2016 $	June 2017 $
Operating Revenue	2	12,394,673	11,001,947	22,387,367
Operating Expenses	3	(12,059,579)	(10,421,918)	(21,386,887)
		335,094	580,029	1,000,480
Finance Income		795	11,258	22,953
Finance Expense		(2,911)	(11)	(10,762)
		(2,116)	11,247	12,191
Operating Profit/(Loss) Before Subvention Payments Donations Sponsorship and Tax		***332,978***	***591,276***	***1,012,671***
Less Sponsorships & Donations		(39,323)	(30,017)	(64,222)
Subvention Receipts/(Payments)		-	-	(640,000)
Operating Profit/(Loss) Before Tax		293,655	561,259	308,449
Less Taxation Expense	4	(82,628)	(156,094)	(84,599)
Net Profit/(Loss) After Tax		211,027	405,165	223,850
Revaluation of property		0	372,142	372,142
Deferred tax effect on revaluation		0	0	(28,770)
Other Comprehensive Income		0	372,142	343,372
Total Comprehensive Income		211,027	777,307	567,222

Statement Movements in Equity
For the six months ended 31 December 2017

	Notes	Retained Earnings $	Share Capital $	Asset Revaulation Reserve $	Total Equity $
31 December 2017					
Balance 1 July 2017		5,395,814	4,600,000	2,807,798	12,803,612
Profit (Loss) 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		0			0
Balance 31 December 2017		5,606,841	4,600,000	2,807,798	13,014,639
31 December 2016					
Balance 1 July 2016		5,321,964	4,600,000	2,464,426	12,386,390
Profit (Loss) for the year		405,165			405,165
Other comprehensive Income movements		0		372,142	372,142
Total Comprehensive Income for the year		405,165		372,142	777,307
Dividends to shareholders		-			-
Balance 31 December 2016		5,727,129	4,600,000	2,836,568	13,163,697
30 June 2017					
Balance 1 July 2016		5,321,964	4,600,000	2,464,426	12,386,390
Profit (Loss) for the year		223,850			223,850
Other comprehensive Income movements		0		343,372	343,372
Total Comprehensive Income for the year		223,850	0	343,372	567,222
Dividends to shareholders		(150,000)			(150,000)
Balance 30 June 2017		5,395,814	4,600,000	2,807,798	12,803,612

Statement of Financial position
As at 31 December 2017

	Note	December 2017 $	December 2016 $	June 2017 $
CURRENT ASSETS				
Cash & Cash equivalents	6	990,313	1,778,370	379,594
Trade & Other Receivables		2,336,425	2,437,165	3,376,437
Doubtful Debt Provision		(2,973)	(6,958)	(3,705)
Inventories		723,056	740,842	807,875
Work in progress		970,223	187,100	154,909
Prepayments		158,177	141,509	85,283
Total Current Assets		5,175,221	5,278,028	4,800,393
NON CURRENT ASSETS				
Plant, Property & Equipment	5	11,364,585	10,610,625	11,212,936
Capitalised Quarry Expenses		97,995	117,252	109,131
Easements		8,295	8,295	8,295
Mix Designs		11,701	13,736	12,719
Resource Consents		21,470	22,197	21,833
Goodwill		200,000	200,000	200,000
Total Non current assets		11,704,046	10,972,105	11,564,914
Total assets		16,879,267	16,250,133	16,365,307
CURRENT LIABILITIES				
Trade payables		1,607,834	800,493	1,313,988
Provision for Goods and Services Tax		300,539	346,203	89,687
Accrued expenses		164,291	74,517	294,401
Accrued Employee Benefits - Current		1,123,784	1,098,198	1,128,222
Accrued Restoration costs		16,002	13,670	10,946
Prepaid income		70,650	104,043	130,989
Current Tax Liability	4	(200,997)	65,847	(68,491)
Total current liabilites		3,082,103	2,502,971	2,899,742
NON CURRENT LIABILITIES				
Deferred tax liability	4	764,694	557,357	643,690
Accrued Employee Benefits - Non current		17,831	26,108	18,263
Total non current liablities		782,525	583,465	661,953
Total liabilities		3,864,628	3,086,436	3,561,695
Net Assets & Liabilities		13,014,639	13,163,697	12,803,612
EQUITY				
Share Capital	7	4,600,000	4,600,000	4,600,000
Asset Revaluation Reserve		2,807,798	2,836,568	2,807,798
Retained Earnings	7	5,606,841	5,727,129	5,395,814
Total Equity		13,014,639	13,163,697	12,803,612

Statement of Cashflows
For the six months ended 31 December 2017

	Note	December 2017 $	December 2016 $	June 2017 $
CASHFLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from customers		12,432,554	11,295,500	21,758,646
Interest received		795	11,258	22,953
		12,433,349	11,306,758	21,781,599
Cash was applied to:				
Payments to suppliers & employees		(10,989,163)	(10,327,773)	(20,139,807)
Donations and Sponsorships		(39,323)	(30,017)	(64,222)
Interest paid		(2,911)	(11)	(10,762)
Subvention payments made		0	0	(640,000)
Taxation (paid)/refunded		(94,130)	(277,650)	(282,931)
		(11,125,527)	(10,635,451)	(21,137,722)
Net cashflows from operating activities		1,307,822	671,307	643,877
CASHFLOWS FROM INVESTING ACTIVITIES				
Cash was provided from:				
Proceeds from sale of fixed assets		56,864	189,352	252,168
		56,864	189,352	252,168
Cash was applied to:				
Fixed assets purchased		(753,967)	(577,422)	(1,861,584)
Total cash applied		(753,967)	(577,422)	(1,861,584)
Net Cashflows to investing activities		(697,103)	(388,070)	(1,609,416)
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	(150,000)
Repayment of borrowings		0	0	0
		0	0	(150,000)
Net cashflows to financing activities		0	0	(150,000)
Net increase/(decrease) in cash held		610,719	283,237	(1,115,539)
Cash Held at beginning of the period		379,594	1,495,133	1,495,133
Cash Held at the end of the period		990,313	1,778,370	379,594
Made up of:				
BNZ current accounts		975,482	1,764,558	364,747
ANZ current accounts		14,671	13,652	14,687
Petty cash		160	160	160
		990,313	1,778,370	379,594

Notes to the financial statements for the six months ended 31 December 2017

Note 1: Accounting Policies

Reporting Entity

The unaudited financial statements of Whitestone Contracting Limited are for the six months ended 31 December 2017 and were authorised for issue by Directors on 14 February 2018.

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 1993, 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.

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.

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.

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.

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:

Asset Category	Depreciation Method Diminishing Value
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.

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 assets 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.

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 2017

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 2017

NOTE 2: OPERATING REVENUE

	December 2017	December 2016	June 2017
	$	$	$
Includes;			
Other Revenue	6,256,602	6,949,949	12,805,488
Construction Contract Revenue	6,068,075	3,895,004	9,357,779
Rental Income	27,450	27,066	55,606
Dividends	24	24	24
Depreciation Recovered	42,292	124,503	158,900
Gain on Sale of fixed assets	230	5,401	9,570
	12,394,673	11,001,947	22,387,367

NOTE 3: OPERATING EXPENDITURE

	December 2017	December 2016	June 2017
Included in operating expenses are the following items:	$	$	$
Remuneration of auditor			
- audit fees	12,436	12,036	23,372
- taxation compliance services	5,215	4,195	7,385
Depreciation	585,498	576,120	1,224,756
Loss on sale of fixed assets	2,478	5,098	14,063
Directors' fees	98,000	82,500	165,000
Directors Travel Expenses	8,388	7,988	17,036
Donations & Sponsorships	39,323	30,017	64,222
Rental and operating lease costs	61,677	67,713	140,963
Bad debts written off	0	62,227	106,561
Bad Debts Recovered	0	0	0
Fringe Benefit Tax	37,102	38,547	162,851
Insurance Premiums	100,704	95,597	199,367
Accident Insurance	63,205	65,845	115,159
Employee Benefits	4,246,552	4,546,264	8,738,164
Changes in provision for doubtful debts	(637)	(99,457)	(139,785)
Amortised advance removal of overburden	11,136	11,130	19,251
Amortised quarry development	0	65,845	0
Stock obsolecence provision	0	0	15,000
Impairment Asphalt Mix Designs	1018	1,018	728
Impairment of plant and machinery	0	11,882	11,882
Impairment of Goodwill	0	0	0
Amortisation of Resource Consents	363	364	2,035
Materials	2,538,342	1,428,663	2,414,944

Notes to the financial statements for the six months ended 31 December 2017

NOTE 4: TAX EXPENSE

	December 2017	December 2016	June 2017
	$	$	$
Components of tax expense			
Current tax expense in respect of current year	(38,376)	178,332	228,483
Adjustments to current tax in respect of prior years	0	0	(179,209)
Deferred tax expense in respect of current year	121,004	(22,238)	35,325
Deferred tax expense other	0	0	0
Tax expense	82,628	156,094	84,599
Operating profit before income tax	293,655	561,259	308,449
Tax thereon at 28%	82,223	157,153	86,366
Plus/(less) taxation effect of differences:			
Tax effect on non assessable income	(4)	(4)	(3,268)
Tax effect of non deductible expense	409	(1,054)	1,501
Tax effect of Differences	405	(1,058)	(1,767)
	82,628	156,094	84,599
Current tax balances			
Tax refund available	0	0	68,491
Current tax liability	200,997	(65,847)	0
	200,997	(65,847)	68,491
Deferred tax balance			
Deferred tax asset	224,393	281,553	261,266
Deferred tax (liability)	(989,087)	(838,910)	(904,956)
	(764,694)	(557,357)	(643,690)

Imputation Credit Account			
Balance at beginning of the year	2,101,176	1,876,581	1,876,581
Income tax payments	94,130	277,650	282,929
Credits attached to dividends paid	0	0	(58,334)
Credits attached to dividends received	0	0	0
Refunds and Transfers	0	0	0
	2,195,306	2,154,231	2,101,176

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 2017

NOTE 5: PROPERTY PLANT AND EQUIPMENT

	December 2017	December 2016	June 2017
During the period the company:			
acquired assets with a cost of	753,967	577,422	1,861,584
disposed of assets with a carrying value of	16,821	64,545	97,761
This resulted in a net (loss)/gain on sale for the period of	(2,249)	303	(4,493)
and depreciation recovered of	42,292	124,503	158,900
Net gain on revaluation of Land and Buildings	0	372,142	0
The company also wrote off impaired assets of	0	11,882	11,882

NOTE 6: CASH AND CASH EQUIVALENTS

	December 2017	December 2016	June 2017
	$	$	$
Cash at Bank	990,153	1,778,210	379,434
Petty Cash	160	160	160
Short term deposits maturing three months or less from date of acquisition	0	0	0
Total cash and equivalents	990,313	1,778,370	379,594
Bank overdrafts	0	0	0
Net cash equivalents and bank overdrafts for the purposes of the statement of cashflows	990,313	1,778,370	379,594

The group bank overdraft facility totals $1,000,000. (2016: $1,000,000)
The current interest rate on the overdraft facility is 5.00% (2016 4.95%)
In addittion the company has an undrawn Credit Plus facilty of 1,206,545

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 2017

NOTE 7: CAPITAL AND RESERVES

	December 2017	December 2016	June 2017
	$	$	$
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	5,395,814	5,321,964	5,321,964
Net Surplus	211,027	405,165	223,850
Dividend	0	0	(150,000)
Closing Retained Earnings	5,606,841	5,727,129	5,395,814
Opening Property Revaluation Reserve	2,807,798	2,836,568	2,464,426
Revaluation			343,372
Disposal of Revalued Plant, Property and Equipment			0
Total Property Revaluation Reserve	2,807,798	2,836,568	2,807,798
Total Equity	13,014,639	13,163,697	12,803,612

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 buidings. When revalued land and buildings are sold, the protion 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 2017

NOTE 9: CONTINGENT LIABILITIES & CONTINGENT ASSETS

There are performance bonds in favour of:	December 2017 $	December 2016 $	June 2017 $
Waitaki District Council	335,122	148,657	213,341
New Zealand Transport Agency	0	0	0
Mackenzie District Council	248,272	232,736	248,272
Timaru District Council	105,794	105,794	105,794
Clutha District Council	0	22,486	22,486
Waimate District Council	150,000	150,000	150,000
Dunedin City Council	73,579	10,155	73,579
Radius Healthcare/Elloughton Grange	200,725	200,725	200,725
Central Otago District Council	100,000	100,000	100,000
Alliance Group Limited	28,387	28,387	28,387
Kim Taylor of AKGO Limited	54,642	62,838	54,642
Roading Company Limited Hanley Downs	189,677	0	0
	1,486,198	1,061,779	1,197,226

Bonds are held guaranteeing fulfilment of obligations under particular contracts.

NOTE 9: CONTINGENT LIABILITIES & CONTINGENT ASSETS

There are performance bonds in favour of:	December 2017 $	December 2016 $	June 2017 $
Waitaki District Council	335,122	148,657	213,341
New Zealand Transport Agency	0	0	0
Mackenzie District Council	248,272	232,736	248,272
Timaru District Council	105,794	105,794	105,794
Clutha District Council	0	22,486	22,486
Waimate District Council	150,000	150,000	150,000
Dunedin City Council	73,579	10,155	73,579
Radius Healthcare/Elloughton Grange	200,725	200,725	200,725
Central Otago District Council	100,000	100,000	100,000
Alliance Group Limited	28,387	28,387	28,387
Kim Taylor of AKGO Limited	54,642	62,838	54,642
Roading Company Limited Hanley Downs	189,677	0	0
	1,486,198	1,061,779	1,197,226

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. (2016 $nil)

Notes to the financial statements for the six months ended 31 December 2017

NOTE 10: RELATED PARTY TRANSACTIONS

	December 2017	December 2016	June 2017
	$	$	$
(a) Intergroup transactions and balances			
Services provided to Waitaki District Council	2,487,145	2,149,383	3,604,744
Amount receivable from Council	229,113	179,941	604,209
Services received from Waitaki District Council	10,315	21,339	50,793
Amounts owing to Council	455	1,344	1,170
Services provided to Waitaki District Health Services	6,425	6,425	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	0	15,157	13,508
Services received from Tourism Waitaki	0	0	0
Amounts owing to Tourism Waitaki	0	0	0
Amount receivable from Tourism Waitaki	0	4,632	0

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 2017 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 2017.

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	P Sinclair, 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