



**Interim Report
For the six months ended
31 December 2022**



www.whitestone.co.nz

Contents

Contents	1
Period in review	2
Company Ownership	3
Vision and mission	4
Services	5
Best Practice	6
Social Performance Report	7
Environmental Impact Report	8
Financial Performance Report	9
Directors Responsibility Statement	10
Statement of Comprehensive Income	11
Statement of Movements in Equity	12
Statement of Financial Position	13
Statement of Cashflows	14
Notes to the financial statements	15 – 28
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 Borrowings	
12 Financial Instruments	
13 Events after balance date	
Directors	29
Directory	30

Period in Review

Financial Performance

The company recorded a \$284,178 surplus prior to donations and tax for the six months to 31 December 2022. This compares to a profit of \$151,376 at the same time last year.

Outlook

The company's forward outlook is positive, with positive workload through 2023. The company continues to tender for projects throughout its regions of operation. The labour market has been particularly challenging, and the company is actively seeking additional staff.

Milestone

The company celebrated its 30th anniversary in July bringing the staff together to celebrate the success of the company and recognise those staff who have completed 25 years' service.

Waitaki Road Maintenance

The company was delighted to win the Waitaki Road Maintenance Contract which began in October 2022. This involved holding costs for plant and tendering and setup costs in the first six months. The contract has started successfully and we look forward to delivering positive outcomes for the community on this contract.

Projects

Work has occurred on a number of projects including: Lake McKay Subdivision Luggage, Eden and Orwell St Improvements, Hanley Farms landscaping Queenstown, Palmerston Watermain replacements, Duntroon toilets, Weston Footpaths, Oamaru Footpaths and Omarama Top 10 holiday park.

The company has a suite of Maintenance Contracts in Waitaki, Mackenzie, Central Otago and Dunedin City making up 25% of the Revenue to 31 December 2022.

Plant and Machinery

The company has invested heavily in plant and equipment to resource the Waitaki Road maintenance Contract and to catchup after a lean year on capital expenditure the prior year. The company has invested \$2.1 million in new plant, with commitments to a further \$824,000 at 31 December 2022, which includes a new street sweeper based in the Waitaki District.

Information Technology

The company is forging ahead with an IT plan with good quality infrastructure and a move to paperless online systems. An electronic app for timesheet entry is near completion.

Safety Performance

The company places high importance on both health and safety performance. The company reported no Lost time injuries during the year.

The company had no serious harm incidents during the period.

Environment

The company has continued its efforts in the environmental space with now 2 PHEV/Hybrid vehicles in the fleet and a further one on order at 31 December.

Staff Care

The company has continued to focus this year on employee wellbeing ensuring we have a well-supported staff. Examples include wellness survey; financial wellness seminars, free flu jabs and full health checks, workstation checks, a significant investment in training as well as the company being a partner with Mates in Construction with a view to ensuring our staff remain well supported in difficult times. MATES engage with workers through on-site training and providing those identified as at risk with case management support that connects them to suitable professional support. The company also has OCP Counselling services available to support the team.

Community

Our support to our community includes sponsorship of both Whitestone Contracting Stadium and the Oamaru Opera House as well as several small projects totaling \$36,097 year to date. This year we are proud to be supporting 100 swimming lessons for our Waitaki young people.



A stylized, handwritten signature in blue ink, consisting of a large loop followed by a series of smaller, connected strokes.

S Grave (Chair)



COMPANY OWNERSHIP

Waitaki District Council
(Parent Entity)

Whitestone Contracting
Limited
(CCTO)

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.

OUR VISION



VISION

- To be an excellent Tier 2 Contractor

MISSION



- Our team delivers with pride and care



VALUES

- We are respectful
- We take ownership
- Safety starts with me
- We celebrate success

SERVICES



CIVIL WORKS AND PROPERTY MAINTENANCE

Earthworks
Pavement construction
Bridge construction and maintenance
Road Realignment
Road Shape corrections
Driveways and car parks
Cattle underpasses
Culverts
Property maintenance
Cable locations
Gravel sales
Plant Hire with operator
Hydro Excavation
Guard Rail Installation.

UTILITIES

Reticulation Installation and maintenance
Intakes, Pumping stations
Treatment Plants
Service connections
Drainage systems.

LANDSCAPE SERVICES

Landscaping
Parks and Reserves maintenance
Mowing
Landscape supplies
Turf Maintenance
Garden Maintenance.

LANDFILL AND REFUSE OPERATIONS

Maintenance of landfills
Solid waste disposal facility
Refuse collection.

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 and 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.



Quality

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.



Safety

Whitestone Contracting Limited is ISO45001:2018 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.

Whitestone Contracting holds green level (highest level) Sitewise accreditation



Environmental

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.



Sustainability

The company joined the Toitū Envirocare accreditation scheme for carbon emissions and was audited in August 2022. The company has an Emissions management and reduction plan.



Construction Sector Accord

The Construction Sector Accord Network is an open collective of organisations committed to the Accord vision of a higher performing construction sector.

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. We have a wellbeing programme that encourages physical and mental wellbeing.

We are intending to further develop partnerships with regional mana whenua.

The company maintains ISO 45001 safety standard.

MEASURING OUR PERFORMANCE

Employee safety and investment

	December 2022	December 2021	June 2022
Closing Fulltime Equivalent Employees	110	96	91
Training Expenditure	\$182,372	\$98,571	\$203,594

Sponsorships and donations for the six months to December 2022

Oamaru Opera House	10,000
North Otago Rugby Union	17,500
Oamaru Christmas Parade	4,398
Oamaru Christmas Tree	1,356
Tarras Golf Club	250
Awamoa Bowling Club	500
Fairlie Golf Club	100
Dunedin BMX Club	250
Craighead School Rowing	500
Waitaki Road Safety	52
Waitaki District Council - Learn to Swim	783
Other	408
	<u>\$36,097</u>



ENVIRONMENTAL IMPACT 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 wastewater 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.

Carbon reduction programme

The company has measured its carbon output and had this confirmed by Toitū Envirocare.

The company carbon output was

2018/19 2,393 Tonne CO₂e

2019/20 2,200 Tonne CO₂e

2020/21 2,083 Tonne CO₂e

2021/22 1,495 Tonne CO₂e

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.

Over the next six months we plan to:

Continue to promote our Environmental training programme to staff.

Continue to consider the environment in all that we do.

Continue to develop and implement sustainable practices that protect the environment in which we work.

Implement the objectives in the company's emissions management and reduction plan.



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 a profit in spite of a slow start. The company was pleased to make a positive start to the Waitaki District Road Maintenance Contract in October 2022.

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 STATEMENT

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 2022 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 2022


S W Grave
Chairman
A C Wyatt
Director

20 February 2023

Statement of Comprehensive Income
For the six months ended 31 December 2022

	Note	December 2022 \$	December 2021 \$	June 2022 \$
Operating Revenue		11,694,493	10,184,508	21,132,122
Other Revenue		82,701	385,216	493,293
Total Revenue	2	11,777,194	10,569,724	21,625,415
Operating Expenses	3	(11,465,532)	(10,403,768)	(21,032,341)
		311,662	165,956	593,074
Finance Income		5,272	2,651	4,618
Finance Expense		(32,756)	(17,231)	(47,039)
		(27,484)	(14,580)	(42,421)
Operating Profit Before Donations Sponsorship and Tax		284,178	151,376	550,653
Less Sponsorships & Donations		(36,097)	(28,562)	(57,867)
Operating Profit/(Loss) Before Tax		248,081	122,814	492,786
Taxation	4	(60,702)	(20,663)	14,242
Net Profit/(Loss) After Tax		187,379	102,151	507,028
Revaluation of property		-	-	2,132,932
Deferred tax effect on revaluation		-	-	(178,959)
Other Comprehensive Income		-	-	1,953,973
Total Comprehensive Income		187,379	102,151	2,461,001

Statement of Movements in Equity

For the six months ended 31 December 2022

Notes	Retained Earnings	Share Capital	Asset Revaluation Reserve	Total Equity
	\$	\$	\$	\$
31 December 2022				
Balance 1 July 2022	6,761,886	4,600,000	5,251,325	16,613,211
Profit for the six months	187,379			187,379
Other comprehensive Income movements	-		-	-
Total Comprehensive Income for the six months	187,379		-	187,379
Dividends to shareholders	-			-
Balance 31 December 2022	<u>6,949,265</u>	<u>4,600,000</u>	<u>5,251,325</u>	<u>16,800,590</u>
31 December 2021				
Balance 1 July 2021	6,286,367	4,600,000	3,297,352	14,183,719
Profit for the six months	102,151			102,151
Other comprehensive Income movements	-		-	-
Total Comprehensive Income for the six months	102,151		-	102,151
Dividends to shareholders	-			-
Balance 31 December 2021	<u>6,388,518</u>	<u>4,600,000</u>	<u>3,297,352</u>	<u>14,285,870</u>
30 June 2022				
Balance 1 July 2021	6,286,367	4,600,000	3,297,352	14,183,719
Profit for the year	507,028			507,028
Other comprehensive Income movements	-	-	1,953,973	1,953,973
Total Comprehensive Income for the year	507,028	-	1,953,973	2,461,001
Dividends to shareholders	(31,509)	-	-	(31,509)
Balance 30 June 2022	<u>6,761,886</u>	<u>4,600,000</u>	<u>5,251,325</u>	<u>16,613,211</u>

Statement of Financial Position

As at 31 December 2022

	Note	December 2022 \$	December 2021 \$	June 2022 \$
CURRENT ASSETS				
Cash & Cash equivalents	6	459,369	612,932	1,588,401
Trade & Other Receivables		1,760,544	2,111,051	2,031,425
Doubtful Debt Provision		(9,081)	(7,511)	(2,962)
Inventories		326,892	362,486	435,057
Work in progress		1,401,562	551,180	400,649
Right-of-use - Leased Assets		91,652	52,032	62,248
Prepayments		291,738	192,923	62,836
Property held for sale		465,000	-	465,000
Total Current Assets		4,787,676	3,875,093	5,042,654
NON CURRENT ASSETS				
Plant, Property & Equipment	5	17,072,262	14,646,953	15,791,463
Advance removal of overburden		24,726	38,504	29,971
Right-of-use - Leased Assets		-	43,573	-
Mix Designs		14,670	3,561	2,544
Resource Consents		36,109	19,428	19,064
Total Non current assets		17,147,767	14,752,019	15,843,042
Total assets		21,935,443	18,627,112	20,885,696
CURRENT LIABILITIES				
Trade payables		1,548,831	759,860	1,063,352
Bank Overdraft	6 & 11	-	-	-
Borrowings	11	67,260	64,320	66,010
Provision for Goods and Services Tax		265,229	316,689	197,476
Lease Liability		80,415	60,953	46,998
Accrued expenses		55,311	64,086	84,571
Accrued Employee Benefits - Current		1,114,007	953,397	948,360
Remediation Provisions		13,933	10,000	105,000
Prepaid income		398,229	377,851	185,108
Current Tax Liability	4	(105)	153,694	-
Total current liabilities		3,543,110	2,760,850	2,696,875
NON CURRENT LIABILITIES				
Deferred tax liability	4	597,553	489,701	537,442
Term Borrowings	11	913,900	981,400	948,030
Lease Liability		46,913	78,596	54,758
Accrued Employee Benefits - Non current		33,377	30,695	35,380
Total non current liabilities		1,591,743	1,580,392	1,575,610
Total liabilities		5,134,853	4,341,242	4,272,485
Net Assets & Liabilities		16,800,590	14,285,870	16,613,211
EQUITY				
Share Capital	7	4,600,000	4,600,000	4,600,000
Asset Revaluation Reserve		5,251,325	3,297,352	5,251,325
Retained Earnings	7	6,949,265	6,388,518	6,761,886
Total Equity		16,800,590	14,285,870	16,613,211

Statement of Cashflows

For the six months ended 31 December 2022

Note	December 2022 \$	December 2021 \$	June 2022 \$
CASHFLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers	11,361,848	11,165,841	22,325,472
Receipts from other Income	82,701	385,216	163,625
Interest received	5,272	2,651	4,618
	<u>11,449,821</u>	<u>11,553,708</u>	<u>22,493,715</u>
Cash was applied to:			
Payments to suppliers & employees	(10,457,405)	(10,384,706)	(20,051,501)
Donations and Sponsorships	(36,097)	(28,562)	(57,867)
Interest paid	(32,756)	(17,231)	(47,039)
Taxation (paid)/refunded	(696)	-	-
	<u>(10,526,954)</u>	<u>(10,430,499)</u>	<u>(20,156,407)</u>
Net cashflows from operating activities	922,867	1,123,209	2,337,308
CASHFLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from sale of fixed assets	104,488	303,985	411,227
	<u>104,488</u>	<u>303,985</u>	<u>411,227</u>
Cash was applied to:			
Fixed assets purchased	(2,123,507)	(211,975)	(476,795)
Total cash applied	<u>(2,123,507)</u>	<u>(211,975)</u>	<u>(476,795)</u>
Net Cashflows to investing activities	(2,019,019)	92,010	(65,568)
CASHFLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Proceeds from borrowings	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Cash was applied to:			
Dividends Paid	-	-	(31,509)
Lease Payments	-	(45,745)	(63,608)
Repayment of borrowings	(32,880)	(31,440)	(63,120)
	<u>(32,880)</u>	<u>(77,185)</u>	<u>(158,237)</u>
Net cashflows to financing activities	(32,880)	(77,185)	(158,237)
Net increase/(decrease) in cash held	(1,129,032)	1,138,034	2,113,503
Cash Held at beginning of the period	1,588,401	(525,102)	(525,102)
Cash Held at the end of the period	<u>459,369</u>	<u>612,932</u>	<u>1,588,401</u>
<u>Made up of:</u>			
BNZ current accounts	457,425	610,829	1,586,381
ANZ current accounts	1,794	1,899	1,840
Petty cash	150	204	180
	<u>459,369</u>	<u>612,932</u>	<u>1,588,401</u>

Notes to the financial statements for the six months ended 31 December 2022

Note 1: Accounting Policies

Reporting Entity

The unaudited financial statements of Whitestone Contracting Limited are for the six months ended 31 December 2022 and were authorised for issue by Directors on 20 February 2023.

The group consists of Whitestone Contracting Limited and its non-trading subsidiaries Whitestone Quarries and Landfill Limited (100% owned) and 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 Trading 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). For the purposes of complying with NZ GAAP, the company is a for profit entity. These general purpose financial statements comply with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS (RDR)) and other applicable financial reporting standards, as appropriate for profit-oriented entities.

XRB A1 sets out which suite of accounting standards entities must follow. The company is eligible for and has elected to report in accordance with Tier 2 NZ IFRS (RDR) for the year ended 30 June 2022. The company has taken advantage of a number of disclosure concessions; however there was no recognition or measurement impact on adoption of NZ IFRS (RDR).

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 30 June 2025.

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.

Changes in Accounting Policies:

Changes to previous accounting policies

The Company has made no changes to accounting policies during the period.

Notes to the financial statements for the six months ended 31 December 2022

Specific Accounting Policies

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

- Dividends are recognised when received.

Revenue 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.

General Revenue recognition criterion

The first step for revenue recognition purposes is to identify the contracts and the performance obligations contained therein. The number of performance obligations that a contract has will depend on the type of contract.

In general the performance obligations in the contracts Whitestone Contracting Limited engages in are satisfied over time and not a specific point in time since Whitestone creates or enhances an asset that the customer controls as the asset is created or enhanced.

With respect to the method for recognising revenue over time Whitestone has established certain criteria that are consistently applied for similar performance obligations.

In this regard Whitestone's chosen method for measuring progress towards complete satisfaction of a service obligation under an Installation Construction contract is the input method.

Under this method the entity recognises revenue based the proportion that costs incurred to date bear to the total costs expected to be incurred to complete the work, taking into account the expected margins of the whole project per the latest updated budget. This method involves measuring the proportion of the costs envisaged, and recognising revenue in proportion to the total expected revenue. Under this method the proportion that the contract costs bear to the estimated total costs is used to determine the revenue to be recognized.

Also, in routine or recurring service contracts (in which the services are substantially the same) such as maintenance services which are transferred with the same pattern of consumption over time and whose remuneration consists of a recurring fixed amount over the term of the contract in such a way as the customer receives and consumes the benefits of the services as the entity provides them . The method to recognise the revenue is the output method. Under this method revenue is recognized on a straight-line basis over the term of the contract and costs are recognized on an accrual basis.

As a general rule a single performance obligation is identified for construction contracts owing to the high degree of integration and customization of the various goods and services to provide a combined output that is transferred to the customer over time.

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

Borrowing Costs

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

Notes to the financial statements for the six months ended 31 December 2022

Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined the Company uses its incremental borrowing rate.

The Company as a lessor

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee the contract is classified as a finance lease. All other leases are classified as operating leases. The Company does not have any finance leases.

Rental income from operating leases are recognised on a straight-line basis over the term of the relevant leases.

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 include 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.

Notes to the financial statements for the six months ended 31 December 2022

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 Instruments

Financial assets and liabilities are contracts that gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity.

Financial instruments comprise cash and cash equivalents, trade and other receivables, loans and borrowings, and trade and other payables. The carrying value of the financial instruments approximates fair value.

Financial Assets

Financial assets are classified and subsequently measured at amortised cost or fair value.

Financial assets at amortised cost:

These assets, mainly trade and other receivables including amount due from related parties, cash and cash equivalents, are subsequently measured at amortised costs using the effective interest rate method, which is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets at amortised cost:

The following financial assets are subject to the impairment requirements:

Trade receivables – simplified model

Simplified model impairment policy:

The Company applies the simplified approach to providing for expected credit losses prescribed by NZ IFRS9, which permits the lifetime expected loss provision for all trade receivables. The allowance for doubtful debts on trade receivables that are individually significant are determined by an evaluation of the exposures on a line by line basis. For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on number of days overdue and taking into account the historical loss experience in portfolios with a similar number of days overdue. The expected credit losses incorporate forward looking information and relevant macroeconomic factors.



Notes to the financial statements for the six months ended 31 December 2022

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	2.4% to 80.4%
Motor Vehicles	18% to 67%
Office Equipment	8% to 80%
Office Furniture & fittings	10% to 33%
Computer Software	40% to 60%
Computer hardware	30% to 67%

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 every three years 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.

Notes to the financial statements for the six months ended 31 December 2022

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.

Resource Consents

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

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.

Notes to the financial statements for the six months ended 31 December 2022

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.

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

Notes to the financial statements for the six months ended 31 December 2022

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.



Notes to the financial statements for the six months ended 31 December 2022

NOTE 2: OPERATING REVENUE

	December 2022	December 2021	June 2022
	\$	\$	\$
Includes;			
Operating Income			
Maintenance Contract Revenue	3,038,360	3,079,521	6,297,474
Installation and Construction Contract Revenue	4,650,716	4,328,073	9,421,798
Non Contract Work	3,967,642	2,747,189	5,351,799
Rental Income	37,775	29,725	61,051
	11,694,493	10,184,508	21,132,122
Other Income			
Government Subsidies	12,822	148,768	177,216
Dividends	2,120	14	14
Depreciation Recovered	67,727	219,012	281,333
Gain on Sale plant property and equipment	32	17,422	34,730
Total Other Income	82,701	385,216	493,293
Total Income	11,777,194	10,569,724	21,625,415

NOTE 3: OPERATING EXPENDITURE

	December 2022	December 2021	June 2022
	\$	\$	\$
Included in operating expenses are the following items:			
Remuneration of auditor	23,381	14,436	27,275
Depreciation	769,960	752,893	1,529,618
Loss on sale of fixed assets	5,143	2,490	5,247
Right-of-use Assets - Amortisation	34,701	3,840	70,554
Directors' fees	104,738	108,605	213,343
Donations & Sponsorships	36,097	28,562	57,867
Rental and Service agreement costs	50,693	46,089	91,920
Bad debts written off	-	-	-
Fringe Benefit Tax	68,368	65,818	126,508
Insurance Premiums	130,956	135,201	276,321
Accident Insurance	63,939	71,791	107,138
Employee Benefits	4,528,707	4,442,727	8,442,024
Changes in provision for doubtful debts	-	(277)	(4,232)
Amortised advance removal of overburden	5,245	5,438	13,971
Impairment Asphalt Mix Designs	1341	1,018	2,035
Amortisation of Resource Consents	364	364	728
Stock Obsolescence	-	-	-
Materials	812,980	842,217	1,611,826

Notes to the financial statements for the six months ended 31 December 2022

NOTE 4: TAX EXPENSE

	December 2022	December 2021	June 2022
	\$	\$	\$
Components of tax expense			
Current tax expense in respect of current year	(263,117)	(24,698)	250,007
Adjustments to current tax in respect of prior years	0	1,343	(180,856)
Tax Effect of change to tax base of buildings	0	0	0
Deferred Tax effect of tax loss	0	0	0
Deferred tax expense in respect of current year	323,819	44,018	(86,631)
Deferred tax expense other	0	0	3,238
Tax expense/(benefit)	60,702	20,663	(14,242)
Operating profit/(loss) before income tax	248,081	122,814	492,786
Tax thereon at 28%	69,463	34,388	137,980
<i>Plus/(less) taxation effect of differences:</i>			
Tax effect on non assessable income	(9,943)	(14,963)	(59,345)
Tax effect of non deductible expense	1,183	(56)	84,742
Tax effect of prior year adjustment	0	1,294	(177,619)
Tax Effect of change to tax base of buildings	0	0	0
Tax effect of tax loss			
Tax effect of Differences	(8,761)	(13,725)	(152,222)
	60,702	20,663	(14,242)
Current tax balances			
Tax refund available	105	0	0
Current tax liability		(153,694)	0
	105	(153,694)	0
Deferred tax balance			
Deferred tax asset	532,805	264,714	258,888
Deferred tax (liability)	(1,130,358)	(754,415)	(796,330)
	(597,553)	(489,701)	(537,442)

Notes to the financial statements for the six months ended 31 December 2022

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

December 2022	December 2021	June 2022
\$	\$	\$
2,123,507	211,975	476,795
41,872	70,041	100,411
(5,111)	14,932	29,483
67,727	219,012	281,333
-	-	-

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 2022	December 2021	June 2022
\$	\$	\$
459,219	612,728	1,588,221
150	204	180
459,369	612,932	1,588,401
-	-	-
459,369	612,932	1,588,401



Notes to the financial statements for the six months ended 31 December 2022

NOTE 7: CAPITAL AND RESERVES

	December 2022	December 2021	June 2022
	\$	\$	\$
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	6,761,886	6,286,367	6,286,367
Net Surplus	187,379	102,151	507,028
Dividend	-	-	(31,509)
Revaluation Reserve Realised			0
Closing Retained Earnings	6,949,265	6,388,518	6,761,886
Opening Property Revaluation Reserve	5,251,325	3,297,352	3,297,352
Movements in Revaluation Reserve	-	-	1,953,973
Deferred tax on Revaluation	-	-	-
Total Property Revaluation Reserve	5,251,325	3,297,352	5,251,325
Total Equity	16,800,590	14,285,870	16,613,211

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.

NOTE 8: COMMITMENTS

	December 2022	December 2021	June 2022
	\$	\$	\$
The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:			
One year or less	200,727	183,634	159,250
One to two years	73,095	162,870	158,132
Two to five years	10,470	59,397	-
	284,291	405,901	317,382

The company is committed to a naming rights contract with the North Otago Rugby Union for \$35,000 per annum. This contract expires 30 June 2023.

The company is committed to a naming rights contract with the the Oamaru Opera House for \$20,000 per annum. This contract expires 30 June 2023.

The company was committed to the purchase of the following items at balance date:
Plant and Equipment

\$824,495

Notes to the financial statements for the six months ended 31 December 2022

NOTE 9: CONTINGENT LIABILITIES & CONTINGENT ASSETS

	December 2022	December 2021	June 2022
	\$	\$	\$
There are performance bonds in favour of:			
Waitaki District Council	1,159,020	522,690	698,282
Mackenzie District Council	159,164	115,000	115,000
Clutha District Council	29,759	126,742	29,759
Queenstown Lake District Council	82,894	241,896	134,432
Dunedin City Council	19,006	19,006	19,006
Waka Kotahi	32,181		64,362
RCL Group	472,091	271,738	191,985
K&L Accommodation Ltd	88,959	88,959	88,959
	2,043,074	1,386,031	1,341,785

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 has no contingent assets.

NOTE 10: RELATED PARTY TRANSACTIONS

	December 2022	December 2021	June 2022
	\$	\$	\$
(a) Intergroup transactions and balances			
Services provided to			
Waitaki District Council	2,651,008	1,029,338	2,147,333
Amount receivable from			
Council	83,531	47,791	374,176
Services received from			
Waitaki District Council	90,277	30,298	58,268
Amounts owing to Council	1,380	388	1,445
Services provided to Observatory Village	-	-	135
Amount receivable from Observatory Village	-	-	-

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.

Notes to the financial statements for the six months ended 31 December 2022

NOTE 11: BORROWINGS

December 2022	December 2021	June 2022
\$	\$	\$
Bank Overdraft (Note 7)	-	0
Bank of New Zealand - Current	67,260	66,010
Bank of New Zealand - Term	913,900	948,030
Total borrowings	981,160	1,014,040

The carrying value of borrowings repayable within one year approximate their fair value.

The group bank overdraft facility totals \$1,000,000. (2022: \$1,000,000)

The current interest rate on the overdraft facility is 7.64% (2022: 3.9%)

In addition the company has an undrawn Credit Plus facility of \$2,476,748

The company has a customised average rate loan facility of \$981,160 at 7.25% (2022: 3.52%)

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, 28-30 Ree Crescent Cromwell and a Security interest in specified plant and equipment.

NOTE 12: FINANCIAL INSTRUMENTS

During the six months to 31 December 2022 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 2022.

No material events occurred after balance date.

NOTE 13: EVENTS AFTER BALANCE DATE

No material events occurred after balance date.

Directors



Steven William Grave
*B.E (Hons) Civil, NZCE
(Civil)*
(Appointed 1 January 2017)



Edward George Kelcher
(Appointed 1 January 2020)



Sina Kitlona Cotter-Tait
*CP Eng, CMEngNZ, FEngNZ
MInstD M.B.A, B.E (Hons) Civil*
(Appointed 23 November 2021)



Alistair Craig Wyatt
*Bcom, F.CA (PP), CMInstD,
FNZIM*
(Appointed 1 January 2022)



Jonathan Anthony Kay
M.E, Dip(Bus), CMInstD
(Appointed 1 January 2022)

Directory

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

Bankers Bank of New Zealand
ANZ

Solicitors 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)

EXECUTIVE MANAGERS

Chief Executive
Executive Manager Construction & Surfacing
Executive Manager Corporate Services
Executive Manager Maintenance

Paul Bisset
Julian Hardy
Tony Read
Cameron Bullin

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