WHITESTONE
CONTRACTING LIMITED

Interim Report
For the six months ended
31 December 2016

www.whitestone.co.nz

Contents

Period in Review

Financial Performance

Total sales revenue for the period was $11 million compared to $11.2 million at the same time last year.

The company achieved a $591,276 profit pre-tax and subventions. This is a $127,203 or 27.41% improvement on the previous years $464,073 pre-tax and subventions result.

Projects

The company has completed a large number of projects. In particular the company has been working on
Waitaki District Council Bike Park
Waitaki District Council Footpaths
Alliance Group Bridge replacement Timaru
Big Fruit Cromwell
Portacom Invercargill
Waimate District Mill Road Sewer Extension
Radius Healthcare Timaru
Waimate Events Centre
Mackenzie District Council Twizel Watermains
Mackenzie District Council Kimbell Watermain

Quality/Safety Performance

The company has a strong focus on health and safety and environmental improvements. In the year to date there has been 1 lost time injury.

The company continues to maintain AS/NZS4801, ISO9001, ISO14001 and ACC tertiary safety standard accreditations during the period.

Plant and Machinery

The company closely monitors its assets rationalising plant and machinery and reinvesting in new plant to ensure it's fleet is well maintained and meets the needs of expected future work streams.

Outlook

Whitestone Contracting has a positive outlook and is tendering for a number of projects throughout the South Island of New Zealand. The company recently secured the $1.3 million South Hill Watermain upgrade from the Waitaki District Council.

Community

We directly support our community through sponsorship of both Whitestone Contracting Stadium and the Oamaru Opera House, both contracts being renewed this period.

Board

I would like to thank my fellow directors for their dedication and commitment to the Company and to also express the boards gratitude to Glenn and his team for their efforts during what has been a challenging but rewarding six months.

On behalf of the Board I wish to pay tribute to the chairmanship of John Walker who retired in December after 14 years service, the last 10 as Chair. John's wise counsel and inclusive manner will be missed. John worked tirelessly and made a substantial contribution to the company during a period of significant change.

M J de Beyzer
Chairman

21 February 2017

Company Ownership

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

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

Waitaki District Council (Parent Entity)

Whitestone Contracting Limited (CCTO)

Vision

- To be a reputable and trusted contractor

Mission

- To maximise shareholder returns whilst supporting the local community.

Services

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Civil works and property maintenance
Earthworks
Driveways and car parks
Grading of driveways and tracks
Street and car park sweeping
Vegetation and weed control
Property maintenance
Vegetation Mulching
Pavement construction
Bridge construction and maintenance
Road Realignments
Road Shape corrections
Culverts
Cattle underpasses
Cowlanes
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
Rose pruning
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
White gravel sales
Bulk sales of all gravel products

Sealing
Bitumen Sealing
Asphalt supply

Other Services
Mechanics workshop
Traffic Management Plans & Signs
Project Management

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 and Safety Coordinator and the company takes health and safety of its employees and the public very seriously.

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 we have environmental systems in place and we are 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 Impact Report

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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 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 2016	December 2015	June 2016
Closing Fulltime Equivalent Employees	119.5	139.3	131
Training Expenditure	99,220	78,147	143,780
Sponsorships and donations			
Oamaru Opera House	10,000	10,000	20,000
North Otago Rugby Union	17,500	17,209	34,419
Wataki Boys High School	0	150	400
Oamaru Rowing Club	0	200	200
Oamaru Xmas Parade	1,195	2,208	2,208
Victorian Heritage Parade	677	1,000	1,588
Anzac/WW1 Commemorations	0	0	177
Tarras Golf Club	250	250	250
Tarras Collie Club	0	0	150
Relay for Life	0	0	87
North Otago Toy Library	0	0	312
Oamaru Rowing Club	0	0	200
Timaru Girls High School	0	0	150
Oamaru on Fire	0	0	194
Lochaburn Bull Sale	0	0	100
Totara Estate Open Day	0	0	423
Pulse Fitness - Community defribulator	200	0	0
Other	195	0	0
Total Donations & Sponsorships	30,017	31,017	60,858

Environmental Impact Report

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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.

<u>Positive Impacts on the Environment</u>

Whitestone Contracting Limited provides a range of services which provide environmental benefits to the community such as:
Parks and Reserves maintenance
Water and waste water services
Waste management services

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

<u>Areas of Negative Effects Include</u>

Diesel Use

The company uses over 600,000 litres of Diesel and petrol a year

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

Waste Material Produced includes Green Waste, Hardfill, 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.

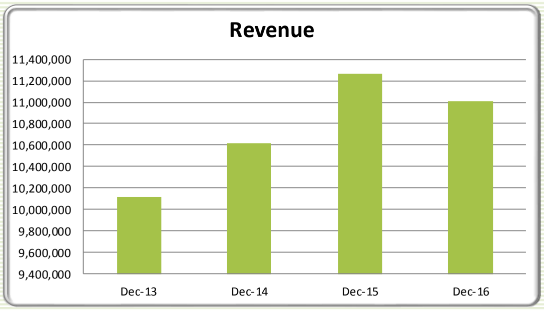
Breaches of resource consents

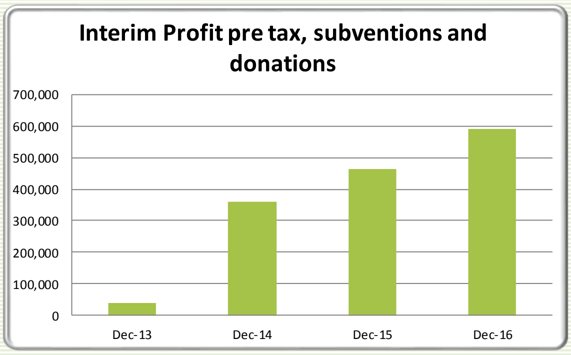
Number of breaches 0

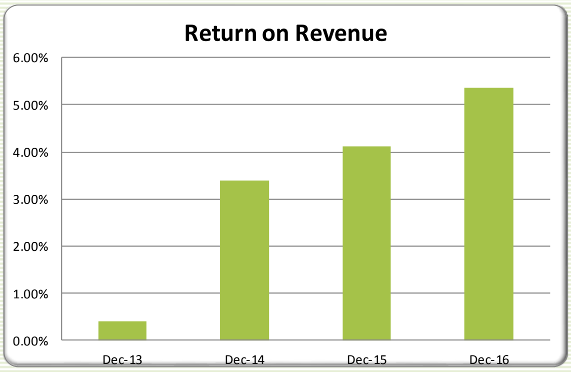
Over the next six months we plan to:

Continue to promote our Environmental training programme to staff.
Continue to consider the environment in all that we do.

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 performed profitably achieving its best ever half year performance.

Measuring our performance:

The company is making good 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 2016 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 2016

M J de Buyzer
Chairman

R A Pickworth
Director

21 February 2017

Statement of Comprehensive Income
For the six months ended 31 December 2016

	Note	**December 2016** $	**December 2015** $	**June 2016** $
Operating Revenue	2	11,013,205	11,247,102	24,398,368
Operating Expenses	3	(10,421,918)	(10,795,545)	(23,190,066)
		591,287	451,557	1,208,302
Finance Income		11,258	13,755	24,649
Finance Expense		(11)	(1,239)	(1,244)
		11,247	12,516	23,405
Operating Profit/(Loss) Before Subvention Payments Donations Sponsorship and Tax		***591,276***	***464,073***	***1,231,707***
Less Sponsorships & Donations		(30,017)	(31,017)	(60,858)
Subvention Receipts/(Payments)		-	-	(273,833)
Operating Profit/(Loss) Before Tax		561,259	433,056	897,016
Less Taxation Expense	4	(156,094)	(150,969)	(304,401)
Net Profit/(Loss) After Tax		405,165	282,087	592,615
Revaluation of property		372,142	0	0
Other Comprehensive Income		372,142	0	0
Total Comprehensive Income		777,307	282,087	592,615

Statement Movements in Equity
For the six months ended 31 December 2016

	Notes	Retained Earnings	Share Capital	Asset Revaulation Reserve	Total Equity
		$	$	$	$
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				372,142	372,142
Total Comprehensive Income for the year		405,165		372,142	777,307
Dividends to shareholders		0			0
Balance 31 December 2016		5,727,129	4,600,000	2,836,568	13,163,697
31 December 2015					
Balance 1 July 2015		5,001,349	4,600,000	2,464,426	12,065,775
Profit (Loss) for the year		282,087			282,087
Other comprehensive Income movements		0			0
Total Comprehensive Income for the year		282,087			282,087
Dividends to shareholders		(272,000)			(272,000)
Balance 31 December 2015		5,011,436	4,600,000	2,464,426	12,075,862

Radius Care Subdivision - Timaru

Statement of Financial position
As at 31 December 2016

	Note	December 2016 $	December 2015 $	June 2016 $
CURRENT ASSETS				
Cash & Cash equivalents		1,778,370	1,439,499	1,495,133
Trade & Other Receivables		2,437,165	3,307,769	3,201,374
Doubtful Debt Provision		(6,958)	(114,922)	(121,333)
Inventories		740,842	671,128	655,388
Work in progress		187,100	168,772	89,830
Prepayments		141,509	164,501	46,280
Total Current Assets		5,278,028	5,636,747	5,366,672
NON CURRENT ASSETS				
Plant, Property & Equipment	5	10,610,625	9,685,038	10,313,608
Capitalised Quarry Expenses		117,252	142,111	128,382
Easements		8,295	8,295	8,295
Mix Designs		13,736	15,771	14,754
Resource Consents		22,197	22,925	22,561
Goodwill		200,000	300,000	200,000
Total Non current assets		10,972,105	10,174,140	10,687,600
Total assets		16,250,133	15,810,887	16,054,272
CURRENT LIABILITIES				
Trade payables		800,493	1,223,336	995,318
Provision for Goods and Services Tax		346,203	293,993	158,278
Accrued expenses		74,517	64,495	97,506
Accrued Employee Benefits - Current		1,098,198	1,172,840	1,276,238
Accrued Restoration costs		13,670	19,000	19,000
Prepaid income		104,043	283,065	350,213
Current Tax Liability	4	65,847	33,639	165,165
Borrowings		0	0	0
Total current liabilites		2,502,971	3,090,368	3,061,718
NON CURRENT LIABILITIES				
Deferred tax liability	4	557,357	615,241	579,595
Accrued Employee Benefits - Non current		26,108	29,416	26,569
Total non current liablities		583,465	644,657	606,164
Total liabilities		3,086,436	3,735,025	3,667,882
Net Assets & Liabilities		13,163,697	12,075,862	12,386,390
EQUITY				
Share Capital	7	4,600,000	4,600,000	4,600,000
Asset Revaluation Reserve		2,836,568	2,464,426	2,464,426
Retained Earnings	7	5,727,129	5,011,436	5,321,964
Total Equity		13,163,697	12,075,862	12,386,390

Statement of Cashflows
For the six months ended 31 December 2016

	Note	December 2016 $	December 2015 $	June 2016 $
CASHFLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from customers		11,295,500	11,633,978	24,867,669
Interest received		11,258	13,755	24,649
		11,306,758	11,647,733	24,892,318
Cash was applied to:				
Payments to suppliers & employees		(10,327,773)	(10,429,423)	(22,059,681)
Donations and Sponsorships		(30,017)	(31,017)	(60,858)
Interest paid		(11)	(1,239)	(1,244)
Subvention payments made		0	0	(273,833)
Taxation (paid)/refunded		(277,650)	(8,108)	(65,660)
		(10,635,451)	(10,469,787)	(22,461,276)
Net cashflows from operating activities	8	671,307	1,177,946	2,431,042
CASHFLOWS FROM INVESTING ACTIVITIES				
Cash was provided from:				
Proceeds from sale of fixed assets		189,352	110,913	257,235
		189,352	110,913	257,235
Cash was applied to:				
Fixed assets purchased		(577,422)	(403,573)	(1,747,357)
Easements		0	0	0
Total cash applied		(577,422)	(403,573)	(1,747,357)
Net Cashflows to investing activities		(388,070)	(292,660)	(1,490,122)
CASHFLOWS FROM FINANCING ACTIVITIES				
Cash was provided from:				
Proceeds from borrowings		0	0	0
		0	0	0
Cash was applied to:				
Dividends Paid		0	(272,000)	(272,000)
Repayment of borrowings		0	0	0
		0	(272,000)	(272,000)
Net cashflows to financing activities		0	(272,000)	(272,000)
Net increase/(decrease) in cash held		283,237	613,286	668,920
Cash Held at beginning of the period		1,495,133	826,213	826,213
Cash Held at the end of the period		1,778,370	1,439,499	1,495,133
Made up of:				
BNZ current accounts		1,764,558	1,439,214	738,231
ANZ current accounts		13,652	0	756,652
Petty cash		160	285	250
		1,778,370	1,439,499	1,495,133

Notes to the financial statements for the six months ended 31 December 2016

Note 1: Accounting Policies

Reporting Entity

The unaudited financial statements of Whitestone Contracting Limited are for the six months ended 31 December 2016 and were authorised for issue by Directors on 21 February 2017.

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.

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.

NEW FINANCIAL REPORTING STANDARDS EFFECTIVE IN THE REPORTING PERIOD

The accounting policies adopted are consistent with those of the previous financial year.

There are no new, revised or amended accounting standards issued that are mandatory for application by the company for the year beginning 1 July 2016 that are expected to materially impact the company’s financial statements.

Notes to the financial statements for the six months ended 31 December 2016

NOTE 2: OPERATING REVENUE

	December 2016	December 2015	June 2016
	$	$	$
Includes;			
Other Revenue	6,961,207	6,850,758	12,300,886
Construction Contract Revenue	3,895,004	4,316,213	11,891,152
Rental Income	27,066	26,607	54,881
Dividends	24	0	24
Depreciation Recovered	124,503	51,152	149,053
Gain on Sale of fixed assets	5,401	2,372	2,372
	11,013,205	11,247,102	24,398,368

NOTE 3: OPERATING EXPENDITURE

	December 2016	December 2015	June 2016
	$	$	$
Remuneration of auditor			
- audit fees	12,036	12,049	22,690
- other services	4,195	9,704	11,569
Depreciation	576,120	518,152	1,139,205
Directors' fees	82,500	67,500	150,000
Directors Travel Expenses	7,988	4,163	11,842
Donations and Sponsorships	30,017	31,017	60,858
Rental and operating lease costs	67,713	79,945	154,836
Employee Benefits	4,546,264	4,408,504	9,216,410
Bad debts written off	62,227	3,281	3,452
Bad debts recovered	0	0	0
Changes in provision for doubtful debts	(99,457)	32,564	41,591
Fringe Benefit Tax	38,547	29,520	50,932
Insurance Premiums	95,597	101,752	214,423
Accident Insurance	65,845	73,357	97,945
Amortised quarry development	11,130	17,588	31,317
Impairment Asphalt mix designs	1,018	1,382	728
Impairment of Goodwill	0	0	100,000
Amortisation Resource Consents	364	364	2,035
Impairment loss	11,882	6,541	31,620
Loss on sale of fixed assets	5,098	2,746	23,407
Materials	1,428,663	765,177	2,207,525

NOTE 4: TAX EXPENSE

	December 2016	December 2015	June 2016
	$	$	$
Components of tax expense			
Current tax expense in respect of current year	178,332	121,256	435,947
Adjustments to current tax in respect of prior years	0	48,738	(77,539)
Deferred tax expense in respect of current year	(22,238)	(18,361)	(54,007)
Deferred tax expense other	0	(664)	0
Tax expense	156,094	150,969	304,401
Operating profit before income tax	561,259	433,056	897,016
Tax thereon at 28%	157,153	121,256	251,164
Plus/(less) taxation effect of differences:			
Tax effect on non assessable income	(4)	(664)	(664)
Tax effect of non deductible expense	(1,054)	30,377	(22,772)
Tax effect of prior year subvention			76,673
Tax effect of Differences	(1,058)	29,713	53,237
	156,094	150,969	304,401
Current tax balances			
Tax refund available	0	0	(165,165)
Current tax liability	(65,847)	(33,639)	0
	(65,847)	(33,639)	(165,165)
Deferred tax balance			
Deferred tax asset	281,553	633,602	290,078
Deferred tax (liability)	(838,910)	(18,361)	(869,673)
	(557,357)	615,241	(579,595)

Imputation Credit Account			
Balance at beginning of the year	1,876,581	1,917,829	1,917,829
Income tax payments	277,650	0	65,660
Credits attached to dividends paid	0	(105,778)	(105,779)
Credits attached to dividends received	0	0	0
Refunds and Transfers	0	8,109	(1,129)
	2,154,231	1,820,160	1,876,581

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 2016

NOTE 5: PROPERTY PLANT AND EQUIPMENT

	December 2016	December 2015	June 2016
During the period the company:			
acquired assets with a cost of	577,422	403,573	1,747,357
disposed of assets with a carrying value of	64,545	60,135	129,217
This resulted in a net (loss)/gain on sale for the period of	303	(374)	(21,035)
and depreciation recovered of	124,503	51,152	149,053
Quarry development	0	0	0
Net gain on revaluation of Land and Buildings	372,142	0	0
Disposal of revalued plant property and equipment	0	0	0
The company also wrote off impaired assets of	11,882	6,541	31,620

NOTE 6: BORROWINGS

	December 2016	December 2015	June 2016
	$	$	$
Bank Overdraft	0	0	0
Bank of New Zealand - Current	0	0	0
Bank of New Zealand - Term	0	0	0
Total borrowings	0	0	0

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

The group bank overdraft facility totals $1,000,000
The current interest rate on the overdraft facility is 4.94% (2015 5.33%)

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 the Asphalt Plant.

Notes to the financial statements for the six months ended 31 December 2016

NOTE 7: CAPITAL AND RESERVES

	December 2016	December 2015	June 2016
	$	$	$
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	5,321,964	5,001,349	5,001,349
Net Surplus	405,165	282,087	592,615
Dividend	0	(272,000)	(272,000)
Closing Retained Earnings	5,727,129	5,011,436	5,321,964
Property Revaluation Reserve	2,836,568	2,464,426	2,464,426
Total Property Revaluation Reserve	2,836,568	2,464,426	2,464,426
Total Equity	13,163,697	12,075,862	12,386,390

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.

NOTE 8: RECONCILIATION OF NET SURPLUS/(DEFICIT) AFTER TAXATION WITH NET CASH FLOW FROM OPERATING ACTIVITIES

	December 2016	December 2015	June 2016
	$	$	$
Net surplus/(deficit) after Tax	405,165	282,087	592,615
Add/(less) non-cash items:			
Depreciation	576,120	518,152	1,139,205
Amortisation	12,512	18,970	34,080
Impairments	11,882	6,541	31,620
Decrease in provision for goodwill			100,000
Increase/(decrease) in			
Provision for doubtful debts	(114,375)	37,449	43,860
Increase/(decrease) in deferred			
Taxation	(22,238)	(18,361)	(54,007)
Total non cash	463,900	562,751	1,294,758
Depreciation recovered	(124,503)	(51,152)	(149,053)
Fixed assets loss/(gain)	(303)	374	21,035
	(124,806)	(50,778)	(128,018)
Add/(less) movements in			
Working capital items:			
(Increase)/decrease in taxation	(99,318)	161,222	292,748
(Increase)/decrease in receivables and prepayments	668,980	67,213	291,829
(Increase)/decrease in Subvention Payments	0	0	0
Increase/Decrease in inventories	(85,454)	(36,560)	(20,820)
Increase/Decrease in Restoration Costs	(5,330)	0	0
Increase/Decrease in Payables	(194,825)	(145,826)	(373,844)
Increase/(decrease) Accruals	(201,490)	94,318	227,880
(Increase)/decrease Prepaid Income	(246,170)	153,894	221,042
(Increase)/decrease in work in progress	(97,270)	(47,561)	31,381
Increase/(decrease) in GST	187,925	137,186	1,471
Working capital movement - net	(72,952)	383,886	671,687
Net cash (outflow)/inflow			
From operating activities	671,307	1,177,946	2,431,042

NOTE 9: COMMITMENTS

	December 2016	December 2015	June 2016
The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:	$	$	$
One year or less	97,873	144,688	124,981
One to two years	141,316	90,575	198,714
Two to five years	0	62,220	1,221
	239,189	297,483	324,916

The company also has a photocopier contract for a remaining 1,758,000 copies. This is expected to be completed in 2020 at an estimated remaining cost of $69,572.

The company is committed to a namings rights contract with the North Otago Rugby Union for $35,000 per annum. This contract expires 30/6/2017

The company is committed to a namings rights contract with the the Oamaru Opera House for $20,000 per annum. This contract expires 30/6/2017

Prior to 31 December 2016 the company has entered in to a contract to purchase two excavators valued at $394,250. Delivery is expected March 2017.

NOTE 10: CONTINGENT LIABILITIES & CONTINGENT ASSETS

	December 2016	December 2015	June 2016
There are performance bonds in favour of:	$	$	$
Waitaki District Council	148,657	132,992	148,657
New Zealand Transport Agency	0	106,860	45,015
Mackenzie District Council	232,736	277,438	288,470
Timaru District Council	105,794	405,793	105,794
Clutha District Council	22,486	22,487	22,486
Waimate District Council	150,000	153,472	100,000
Dunedin City Council	10,155	35,585	45,739
Radius Healthcare/Elloughton Grange	200,725	200,722	200,725
Central Otago District Council	100,000	0	0
Alliance Group Limited	28,387	0	0
Kim Taylor of AKGO Limited	62,838	0	0
Oamaru Land Developments	0	222,889	222,888
	1,061,779	1,558,238	1,179,774

The company and group has no contingent assets. (2015 $nil)

Notes to the financial statements for the six months ended 31 December 2016

NOTE 11: RELATED PARTY TRANSACTIONS

	December 2016	December 2015	June 2016
	$	$	$
(a) Intergroup transactions and balances			
Services provided to Waitaki District Council	2,149,383	2,434,327	5,851,472
Amount receivable from Council	179,941	442,685	533,140
Services received from Waitaki District Council	21,339	15,179	89,389
Amounts owing to Council	1,344	1,458	45,054
Services provided to Waitaki District Health Services	6,425	5,587	11,174
Services received from Waitaki District Health Services	0	0	0
Amounts owing to Waitaki District Health Services	0	0	0
Amount receivable from Waitaki District Health Services	1,071	1,071	1,071
Services provided to Tourism Waitaki	15,157	23,161	69,033
Services received from Tourism Waitaki	0	0	0
Amounts owing to Tourism Waitaki	0	0	0
Amount receivable from Tourism Waitaki	4,632	9,060	1,610

All services supplied were on normal credit terms.

NOTE 12: FINANCIAL INSTRUMENTS

During the six months to 31 December 2016 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 2016.

NOTE 13: 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), CFIinstD (Appointed 11 December 2012)

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

John David Walker CFInstD (Chairman)
Retired from the board 31 December 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