



2019  
ANNUAL  
REPORT



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# The year in review

## Financial Performance

The company achieved a \$1,803,695 profit pre-tax donations and subventions up 32% from the previous year. This is the best profit performance the company has achieved since its inception and resulted in an 13.60% return on investment for the shareholder pre-tax, donations and subventions.

Total revenue for the year at \$25.8m was down 2.89% on the previous year.

Over the last 5 years the average company profit pre-tax subventions and donations per annum has exceeded \$1.2 million.

## Projects

The company successfully completed a large number of projects during the period, in particular

- Hampden to Waianakarua Water Upgrade (North Otago)
- Oamaru Watermain Upgrade (Oamaru)
- Lake Tekapo Enterprises Subdivision (Tekapo)
- Hanleys Farm Subdivision Landscaping (Queenstown)
- Tenby St Seal Widening (Moeraki)

The company continues to deliver on the Central Otago Roding Network contract in partnership with Fulton Hogan. This contract has 4 years to run.

The company holds a number of local authority maintenance contracts with the Mackenzie and Waimate District Council.

The company completed a number of surfacing projects including Footpath renewals for several local authority clients this year and can pass on the benefit from owning a Terex asphalt plant capable of producing 80 tonnes of asphalt an hour.

The company was delighted to receive the Hynds Construction Award in category C of the Otago construction awards for projects valued between \$1m to \$5m for the Hampden to Waianakarua Water Upgrade.

## Plant and Machinery

The company's commitment to investment in plant and equipment to ensure we have a modern fleet resulted in an investment over \$2.17m in new capital during the financial year. This included the purchase of a Hydrovac truck and a guardrail machine.

## Property

The company purchased land at 28-30 Ree Crescent Cromwell in May 2019. This site is to be developed as the Central Otago depot for our operations, as we look to expand further in this market.

## Safety Performance/Environment

The company places high importance on both health and safety and environmental performance.

The company has implemented a working group to look at environmental initiatives with a long term goal of becoming carbon neutral.

The company achieved a zero lost time injury rate and zero serious harm incidents during the last 12 months. This is a credit to all the team members.

## Staff Care

The company has focused this year on employee wellbeing and implemented a number of initiatives to ensure we have a well-supported staff. Examples include wellness survey; financial wellness seminar, free flu jabs and full health check as well as providing an occupational counselling service.

## 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 \$73,598.

The company paid a dividend of \$671,856 during the last year and is proud to have delivered such significant benefits back to the community.

Over \$4.1m in benefits have been provided back to the shareholder and our community in the last 10 years.

## Board

I would like to thank my fellow directors for their dedication and commitment to the Company and to also express the Board's gratitude to Glenn and his team for their efforts during what was a rewarding year.



  
M J de Buyzer

# Company Ownership and Vision

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

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

Waitaki District Council (Parent Entity)

Whitestone Contracting Limited (CCTO)



## Vision

- To be a reputable and trusted contractor

## Mission

- To maximise shareholder returns whilst supporting the local community.

# Services



[www.whitestone.co.nz](http://www.whitestone.co.nz)

## Civil works and property maintenance

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

## Utilities

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

## Landscape Services

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

## Landfill and refuse operations

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

## Quarries

- Gravel sales
- Bulk sales of all gravel products

## Sealing

- Bitumen Surfacing
- Asphalt supply and lay

## Spraying

- Agricultural spraying
- Vegetation and Weed control

## Other Services

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

# Best Practice



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

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

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

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

Whitestone Contracting holds Green level (highest level) Sitewise accreditation.

Whitestone Contracting Limited is a member of the following organisations:

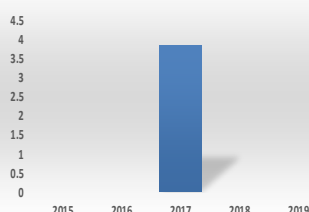
Civil Contractors New Zealand  
Site Safe New Zealand  
Motor Trades Association



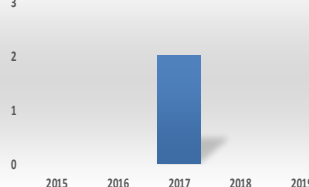


# Social performance report

Lost Time Days Per 100,000 Hours



Lost Time Injuries



## 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.  
 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.  
 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.  
 We have embarked on an employee wellness program that encourages physical and mental wellbeing.

## MEASURING OUR PERFORMANCE

### Employee safety and investment

	2019	2018
Number of full day time off workplace incidents	0	0
Number of Days lost	0	0

Training Expenditure	230,989	163,238
Number of Fulltime Equivalent Employees at 30 June	117	115

### Sponsorships and donations

Oamaru Opera House Charitable Trust	20,000	20,000
North Otago Rugby Union	35,000	35,000
Oamaru Xmas Parade	3,146	2,241
Anzac/War Commemorations	3,604	0
Tarras Golf Club	250	250
Tarras Collie Club	150	150
Mackenzie District Parades	896	1,291
Central Otago Fodder Beet Competition	0	436
Observatory Village Memorial Garden	0	2,395
Football Waitaki	0	350
Tekapo School	500	435
Hockey South Canterbury	130	130
Waimate Christmas in the Square	500	500
South Canterbury Football	200	0
Roncalli College	300	300
Fire And Steam	0	5,000
Oamaru on Fire	5,915	0
North Otago indoor Bowls	1,500	0
Victorian Heritage Parade	749	154
Waimate Anzac Commemorations	362	555
Fairlie Community Board	0	5,000
Totara School	88	0
Cancer Society	100	0
Other Sponsorships	208	0
Total Donations & Sponsorships	73,598	74,187

# 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.

## **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 through good job planning.

## **Over the next twelve months we plan to:**

Continue to promote our Environmental training programme to staff.

Continue to consider the environment in all that we do.

Develop and implement sustainable practices that protect the environment in which we work.



# 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.  
Exceed 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 2019

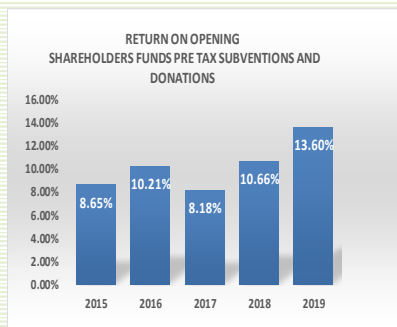
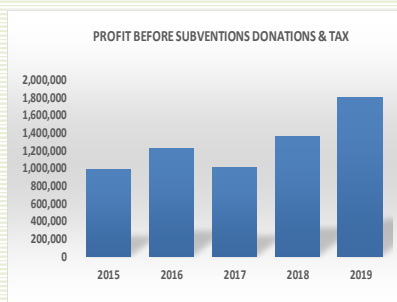
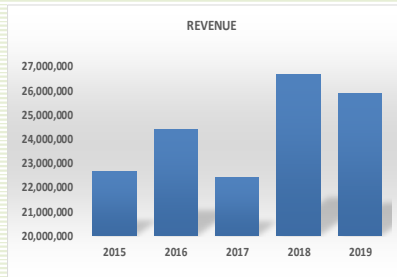
In overall terms, 2019 has been a very successful year. The company has delivered successfully on a number of significant projects for a wide variety of clients. The company has posted its best ever pretax profit.

## Measuring our performance:

The trend statement on page 9 shows key indicators highlighting the company's performance. Further information on the financial results of the company are contained in the financial statements.

## Over the next 12 months we plan to:

Target increased turnover to in turn increase earnings per share by continuing to improve 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 contract outcomes.



# Financial performance report (continued)

	2019 \$	2018 \$	2017	2016	2015 \$
<b>Financial Performance</b>					
Revenue	25,884,599	26,662,130	22,410,320	24,423,017	22,629,004
<b>Surplus before income tax &amp; subvention payments &amp; donations</b>	<b>1,803,695</b>	<b>1,365,363</b>	<b>1,012,671</b>	<b>1,231,707</b>	<b>986,484</b>
Donations & Sponsorships	(73,598)	(74,187)	(64,222)	(60,858)	(394,468)
Subvention Payments	0	(36,795)	(640,000)	(273,833)	0
Surplus/(Deficit) before income tax	1,730,097	1,254,381	308,449	897,016	592,016
Income tax	(396,520)	(291,442)	(84,599)	(304,401)	72,160
Net Surplus/(Deficit)	1,333,577	962,939	223,850	592,615	664,176
<b>Financial Position</b>					
Total Current Assets	5,043,751	4,915,110	4,800,393	5,366,672	5,044,002
Total Non-Current Assets	14,125,379	12,206,809	11,564,914	10,687,600	10,374,365
Total Assets	19,169,130	17,121,919	16,365,307	16,054,272	15,418,367
Total Current Liabilities	3,688,653	3,293,892	2,899,742	3,061,718	2,689,574
Total Non-current Liabilities	1,555,754	565,025	661,953	606,164	663,018
Total Liabilities	5,244,407	3,858,917	3,561,695	3,667,882	3,352,592
Total Equity	13,924,723	13,263,002	12,803,612	12,386,390	12,065,775
<b>Statistics</b>					
Total Liabilities to Equity	0.38	0.29	0.28	0.30	0.28
Return on shareholders funds pre tax and subvention payments	12.42%	9.74%	7.41%	9.45%	4.91%
Return on opening shareholders funds pre tax subvention payments and donations	13.60%	10.66%	8.18%	10.21%	8.65%
Shareholders Funds to total assets	72.64%	77.46%	78.24%	77.15%	78.26%

A subvention payment is a payment made by a **profit company** (Whitestone Contracting Limited) to a loss company within the Group and is offset against the profit company's net income and reduces the loss company's available net losses. A subvention payment involves a real movement of money from Whitestone Contracting to another Waitaki District Council group company.

# Directors responsibility statement

The Directors are responsible for preparing the financial statements and ensuring that they comply with generally accepted accounting practice and present fairly the financial position of the company as at 30 June 2019 and the results of the operations and cash flows for the year 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 financial statements of Whitestone Contracting Limited for the year ended 30 June 2019**

**For and on behalf of the directors**



**M J de Buyzer**  
Chairman



**R A Pickworth**  
Director

**Date 29 August 2019**

# The Numbers

# Whitestone Contracting Limited

## Statement of Comprehensive Income

### For the year ended 30 June 2019

	Note	2019 \$	2018 \$
Operating Revenue	2	25,881,643	26,651,567
Operating Expenses	3	(24,066,667)	(25,288,580)
		1,814,976	1,362,987
Finance Income		2,956	10,563
Finance costs		(14,237)	(8,187)
Net Financing profit	6	(11,281)	2,376
Operating Profit Before Subvention Payments, Donations and Tax		1,803,695	1,365,363
Less Sponsorships and donations		(73,598)	(74,187)
Less Subvention Payments		0	(36,795)
Operating Profit/(Loss) Before tax		1,730,097	1,254,381
Less Taxation Expense	4	(396,520)	(291,442)
Net Profit After Tax		1,333,577	962,939
<u>Other Comprehensive Income</u>			
Items that will not be reclassified subsequently to profit or loss:			
- Revaluation of property		-	-
- Deferred tax effect on revaluation		-	-
Other Comprehensive Income Net of Income Tax		-	-
Total Comprehensive Income		1,333,577	962,939

# Whitestone Contracting Limited

## Statement of Changes in Equity

### For the year ended 30 June 2019

	Notes	Retained Earnings	Share Capital	Asset Revaluation Reserve	Total Equity
		\$	\$	\$	\$
<b>2019</b>					
Balance 1 July 2018		5,855,204	4,600,000	2,807,798	13,263,002
Profit for the year		1,333,577	-	-	1,333,577
Other comprehensive Income movements		-	-	-	-
<b>Total Comprehensive Income for the year</b>		<b>1,333,577</b>	<b>-</b>	<b>-</b>	<b>1,333,577</b>
Dividends to shareholders		(671,856)			(671,856)
<b>Balance 30 June 2019</b>	19	<b>6,516,925</b>	<b>4,600,000</b>	<b>2,807,798</b>	<b>13,924,723</b>
<b>2018</b>					
Balance 1 July 2017		5,395,814	4,600,000	2,807,798	12,803,612
Profit for the year		962,939	-	-	962,939
Other comprehensive Income movements		-	-	-	-
<b>Total Comprehensive Income for the year</b>		<b>962,939</b>	<b>-</b>	<b>-</b>	<b>962,939</b>
Dividends to shareholders		(503,549)			(503,549)
<b>Balance 30 June 2018</b>	19	<b>5,855,204</b>	<b>4,600,000</b>	<b>2,807,798</b>	<b>13,263,002</b>





# Whitestone Contracting Limited

## Statement of Financial Position

### As at 30 June 2019

	Note	2019 \$	2018 \$
<b>CURRENT ASSETS</b>			
Cash & Cash equivalents	7	15,043	489,047
Trade & Other Receivables	8	4,224,146	3,439,459
Doubtful Debt Provision	8	(5,875)	(11,373)
Inventories	9	661,691	654,529
Work in progress	10	100,867	292,608
Prepayments	11	47,879	50,840
<b>Total Current Assets</b>		<b>5,043,751</b>	<b>4,915,110</b>
<b>NON CURRENT ASSETS</b>			
Plant, Property & Equipment	12	14,025,002	11,879,071
Advance removal of overburden	13	70,481	86,784
Goodwill	24	0	200,000
Easement		0	8,295
Mix Designs		8,649	10,684
Resource Consents		21,247	21,975
<b>Total Non Current Assets</b>		<b>14,125,379</b>	<b>12,206,809</b>
<b>Total Assets</b>		<b>19,169,130</b>	<b>17,121,919</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	14	1,177,929	1,219,763
Bank Overdraft	7,18	67,036	0
Borrowings	18	57,700	0
Provision for Goods and Services Tax		247,517	239,144
Accrued expenses		318,322	183,632
Accrued Employee Benefits - Current	16	1,178,601	1,131,867
Accrued Restoration costs	15	23,000	17,002
Prepaid income	17	289,994	336,615
Current tax Liability	4	328,554	165,869
<b>Total Current Liabilities</b>		<b>3,688,653</b>	<b>3,293,892</b>
<b>NON CURRENT LIABILITIES</b>			
Deferred tax liability	4	388,230	536,029
Term Borrowings	18	1,137,510	0
Accrued Employee Benefits - Non current	16	30,014	28,996
<b>Total Non Current Liabilities</b>		<b>1,555,754</b>	<b>565,025</b>
<b>Total liabilities</b>		<b>5,244,407</b>	<b>3,858,917</b>
<b>Net Assets &amp; Liabilities</b>		<b>13,924,723</b>	<b>13,263,002</b>
<b>EQUITY</b>			
Share Capital	19	4,600,000	4,600,000
Retained Earnings	19	6,516,925	5,855,204
Property Revaluation Reserve	19	2,807,798	2,807,798
<b>Total Equity</b>		<b>13,924,723</b>	<b>13,263,002</b>

# Whitestone Contracting Limited

## Statement of Cashflows

### For the year ended 30 June 2019

	Note	2019 \$	2018 \$
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>			
Cash was provided from:			
Receipts from customers		25,115,848	26,564,040
Interest received		2,956	10,563
		<u>25,118,804</u>	<u>26,574,603</u>
Cash was applied to:			
Payments to suppliers & employees		(22,271,042)	(23,902,771)
Donations and Sponsorships		(73,598)	(74,187)
Interest paid		(14,237)	(8,187)
Subvention Payments made		0	(36,795)
Income Tax (paid)/refunded		(381,634)	(164,743)
		<u>(22,740,511)</u>	<u>(24,186,683)</u>
Net cashflows from operating activities		2,378,293	2,387,920
<b>CASHFLOWS FROM INVESTING ACTIVITIES</b>			
Cash was provided from:			
Proceeds from property, plant and equipment		309,343	296,047
		<u>309,343</u>	<u>296,047</u>
Cash was applied to:			
Property, plant and equipment purchased		(3,752,030)	(2,070,965)
Total cash applied		<u>(3,752,030)</u>	<u>(2,070,965)</u>
Net Cashflows to investing activities		(3,442,687)	(1,774,918)
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>			
Cash was provided from:			
Proceeds from borrowings		1,200,000	-
		<u>1,200,000</u>	<u>-</u>
Cash was applied to:			
Dividends Paid		(671,856)	(503,549)
Repayment of Borrowings		(4,790)	0
		<u>(676,646)</u>	<u>(503,549)</u>
Net cashflows from financing activities		523,354	(503,549)
Net increase/(decrease) in cash held		(541,040)	109,453
Cash held at the start of the year		489,047	379,594
Cash held at the end of the year		<u>(51,993)</u>	<u>489,047</u>
<u>Made up of:</u>			
BNZ current accounts		(66,997)	474,065
ANZ current accounts		14,744	14,722
Petty cash		260	260
		<u>(51,993)</u>	<u>489,047</u>

# Notes

# Notes to the financial statements for the year ended 30 June 2019

## **Note 1: Accounting Policies**

### **Reporting Entity**

The financial statements of Whitestone Contracting Limited are for the year ended 30 June 2019 and were authorised for issue by Directors on 29 August 2019.

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 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 2019. 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 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.

### **Changes in Accounting Policies:**

#### **Changes to previous accounting policies**

The Company has adopted NZ IFRS 9 and 15 for the year ended 30 June 2019. The company has changed its accounting policies for revenue from contracts with customers and financial instruments. The new policies are described on pages 18 and 20. Comparatives for the 30 June 2018 financial year have not been restated as it was prepared in accordance with NZ IFRS 9 and 15.

The comparatives for the financial year were not restated as they aligned with recognition in IFRS 15 and IFRS9

# Whitestone Contracting Limited - Notes (continued)

## 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.

# Whitestone Contracting Limited - Notes (continued)

## 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 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.

## 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.



# Whitestone Contracting Limited - Notes (continued)

## 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.

## 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.



# Whitestone Contracting Limited - Notes (continued)

## Disposals:

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

## Subsequent costs:

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

## Depreciation

### General

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

### Land

Land is not depreciated.

### Buildings

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

### Other Assets

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

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

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

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

## Revaluations

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

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

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a willing buyer and a willing seller in an arm's 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.

# Whitestone Contracting Limited - Notes (continued)

## **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 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.

### **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.

# Whitestone Contracting Limited - Notes (continued)

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.

# Whitestone Contracting Limited - Notes (continued)

## 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.



# Whitestone Contracting Limited - Notes (continued)

## NOTE 2: OPERATING REVENUE

	2019	2018
	\$	\$
Includes;		
Maintenance Contract Revenue	9,514,958	8,928,662
Installation and Construction Revenue	11,557,941	11,777,639
Non Contract work	4,550,521	5,709,861
Rental Income	74,486	64,167
Dividends	24	24
Depreciation Recovered	176,656	169,028
Gain on Sale of property, plant and equipment	7,057	2,186
	25,881,643	26,651,567

Revenue is derived from the transfer of goods and services over time.

## NOTE 3: OPERATING EXPENDITURE

Included in operating expenses are the following items:

	2019	2018
	\$	\$
Remuneration of auditor		
- audit fees	24,575	23,790
- taxation compliance services	0	6,572
Depreciation	1,461,495	1,271,941
Loss on sale of fixed assets	4,155	7,186
Directors' fees	196,000	196,000
Donations & Sponsorships	73,598	74,187
Rental and operating lease costs	127,344	125,170
Changes in provision for doubtful debts	(4,495)	7,549
Bad debts written off	286	881
Bad Debts Recovered	-	-
Fringe Benefit Tax	120,581	87,174
Insurance Premiums	243,547	213,799
Accident Insurance	107,050	119,865
Employee Benefits	8,645,191	8,550,502
Amortised advance removal of overburden	16,303	22,347
Stock obsolescence provision	-	(45,000)
Impairment Resource Consents	728	728
Impairment Asphalt Mix Designs	2,035	2,035
Impairment of plant and machinery	14,819	0
Impairment of Goodwill	200,000	0
Materials	2,797,241	3,949,364



# Whitestone Contracting Limited - Notes (continued)

## NOTE 4: TAX EXPENSE

	2019	2018
	\$	\$
<b>Components of tax expense</b>		
Current tax expense in respect of current year	546,819	354,129
Adjustments to current tax in respect of prior years	( 2,500)	44,975
Deferred tax expense in respect of current year	( 150,299)	7,546
Deferred tax expense in respect of prior year	2,500	( 115,208)
Tax expense	396,520	291,442

Operating profit before income tax	1,730,097	1,254,381
Tax thereon at 28%	484,427	351,227
<i>Plus/(less) taxation effect of differences:</i>		
Tax effect of non assessable income	(145,137)	(612)
Tax effect of non deductible expense	57,230	757
Tax effect of prior year adjustment	-	(33,438)
Tax effect of Subvention payment	-	(26,492)
Tax Effect of Differences	(87,907)	(59,785)
Tax Expense	396,520	291,442

	2019	2018
	\$	\$
<b>Current tax balances</b>		
Tax refund available	17,731	-
Current tax liability	(346,285)	(165,869)
	(328,554)	(165,869)
<b>Deferred tax balance</b>		
Deferred tax asset	395,409	281,204
Deferred tax liability	(783,639)	(817,233)
Net Deferred tax (liability)	(388,230)	(536,029)

	2019	2018
	\$	\$
Imputation Credit Account		
Balance at the beginning of the year	2,070,100	2,101,176
IncomeTax payments	380,534	189,998
Credits attached to dividends paid	-	(195,826)
Refunds and transfers	-	(25,248.00)
Balance at the end of the year	2,450,634	2,070,100

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

# Whitestone Contracting Limited - Notes (continued)

## DEFERRED TAX

	Opening balance sheet	Recognised in other comprehensive Income	Recognised in profit or loss	Closing balance sheet assets	Closing balance sheet liabilities	Closing balance sheet net
<b>2019</b>						
Property, plant and equipment	(480,217)	0	9,317	0	(470,900)	(470,900)
Employee benefits	187,632	0	5,060	192,693	0	192,693
Provisions	(243,444)	0	133,422	0	(110,023)	(110,023)
Balance at end of the year	(536,029)	0	147,799	192,693	(580,923)	(388,230)

## 2018

Property, plant and equipment	(520,582)	0	40,365	0	(480,217)	(480,217)
Employee benefits	198,396	0	(10,764)	187,632	0	187,632
Provisions	(321,504)	0	78,060	0	(243,444)	(243,444)
Balance at end of the year	(643,690)	0	107,661	187,632	(723,661)	(536,029)

The tax rate used in the above reconciliation is the corporate tax rate of 28% payable on taxable profits under New Zealand tax law.

## NOTE 5: EMPLOYEE BENEFIT COSTS

	2019	2018
	\$	\$
Salaries and Wages	8,390,311	8,324,517
Severance Payments	0	1,614
Employer Contributions to superannuation schemes	215,240	209,993
Increase/(Decrease) in employee benefit liabilities	39,640	14,378
Total Employee Benefit Costs	8,645,191	8,550,502

## Includes;

	2019	2018
	\$	\$
Key Management Personnel compensation	929,711	807,050

Key management personnel includes the Chief Executive and 4 members of the company's management team. Prior year Chief Executive and 3 members of the company's management team.

# Whitestone Contracting Limited - Notes (continued)

## NOTE 6: FINANCE INCOME AND COSTS

### Financing Income:

Interest Income

Total finance Income

2019	2018
\$	\$
2,956	10,563
2,956	10,563

### Finance Expenditure:

Interest expense - borrowings

Interest Expense - Other

Total Interest expense on borrowings

Net finance profit/loss

14,237	8,187
-	-
14,237	8,187
( 11,281)	2,376

## NOTE 7: CASH AND CASH EQUIVALENTS

Cash at Bank

Petty Cash

Short term deposits maturing three months or less from date of acquisition

Total cash and equivalents

Bank overdrafts

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

2019	2018
\$	\$
14,783	488,787
260	260
-	-
15,043	489,047
(67,036)	-
(51,993)	489,047

## NOTE 8: TRADE AND OTHER RECEIVABLES

Gross trade and other receivables

Waitaki District Council

Waitaki District Council retentions

Contract Retentions other

Less provision for impairment

Total trade and other receivables

2019	2018
\$	\$
3,460,489	2,674,509
501,556	514,614
70,841	197,981
191,260	52,355
4,224,146	3,439,459
(5,875)	(11,373)
4,218,271	3,428,086

# Whitestone Contracting Limited - Notes (continued)

As at 30 June 2019 all overdue receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	2019			2018		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	2,960,056	0	2,960,056	3,079,905	0	2,479,559
Past due 0 -30 days	1,204,570	0	1,204,570	240,270	0	712,589
Past due 31 - 60 days	42,612	0	42,612	62,521	0	141,011
Past due >61	16,908	(5,875)	11,033	56,763	(11,373)	4,362
Total	4,224,146	(5,875)	4,218,271	3,439,459	(11,373)	3,428,086

Movements in provision for impairment

	2019	2018
	\$	\$
Opening Balance	11,373	3,705
Additional provisions made during the year	(5,169)	8,681
Less Provision for Doubtful Debts written off	(329)	(1,013)
Balance at 30 June	5,875	11,373

## NOTE 9: INVENTORIES

	2019	2018
	\$	\$
Metal and soil stocks	406,521	355,308
Other Supplies	255,170	299,221
Provision for obsolescence	-	-
Total Inventories	661,691	654,529

No inventories are pledged as security for liabilities; however some inventories are subject to retention of title clauses.

# Whitestone Contracting Limited - Notes (continued)

## NOTE 10: WORK IN PROGRESS

	2019	2018
	\$	\$
Cost	5,243,746	6,919,203
Profit Recognised to Date	879,291	835,239
Gross Construction WIP	6,123,037	7,754,442
Progress billings	(6,217,527)	(7,792,452)
Net Construction Work in progress	(94,490)	(38,010)
Represented as:		
Prepaid Income	(128,953)	(206,829)
Work In progress	34,463	168,819
Other Maintenance Contracts	66,404	123,789
Prepaid Income Other Contracts	(159,374)	(128,121)
Total Work In Progress	100,867	292,608

## NOTE 11: PREPAYMENTS

	2019	2018
	\$	\$
Prepaid Trade Creditors	47,879	50,840
Total Prepayments	47,879	50,840



# Whitestone Contracting Limited - Notes (continued)

## NOTE 12: PLANT PROPERTY AND EQUIPMENT

### Cost

	Plant & Equipment	Motor Vehicles	F&F Office Equip	Land	Buildings	Total
Balance at 1 July 2018	18,291,929	2,461,914	806,087	3,028,683	1,748,432	26,337,046
Revaluation	0	0	0	0	-	0
Additions	2,281,809	109,217	30,469	1,265,207	88,365	3,775,067
Capital Work in Progress	(23,036)					(23,036)
Disposals at cost	(1,073,449)	(22,746)	(305,936)	0		(1,402,131)
Reclasification	0	0	0	0	0	0
Balance at 30 June 2019	19,477,253	2,548,385	530,620	4,293,890	1,836,797	28,686,946

### Accumulated depreciation and impairment losses

Balance at 1 July 2018	12,026,658	1,601,285	747,668	0	82,364	14,457,975
Depreciation Expense	1,190,566	197,035	31,128	0	42,766	1,461,495
Impairment losses	14,819	0	0	0	0	14,819
Accumulated depreciation reversal	(945,271)	(21,821)	(305,253)	0	0	(1,272,345)
Reclasification	0	0	0	0	0	0
Balance at 30 June 2019	12,286,772	1,776,499	473,543	0	125,130	14,661,944

### Carrying Amounts

30 June 2019	7,190,481	771,886	57,077	4,293,890	1,711,668	14,025,002
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### Carrying Amounts

30 June 2018	6,265,271	860,629	58,419	3,028,683	1,666,069	11,879,071
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Carrying amounts if land and buildings were measured at cost less accumulated depreciation and impairment.

	2019		2018	
	Freehold land	Freehold Buildings	Freehold land	Freehold Buildings
Cost excluding revaluation	2,297,111	1,720,284	1,031,904	1,631,919
Accumulated depreciation and impairment	0	677,053	0	643,580
Net Carrying Amount	2,297,111	1,043,231	1,031,904	988,339

The land and buildings were revalued effective 1 July 2016. At that time the company engaged the services of Mr Hugh Perkins Registered valuer. It is noted our valuer Mr Perkins is a Waitaki District Councillor. Mr Perkins has estimated the amount for which the asset should exchange on the date of valuation between a willing buyer and a willing seller. The valuations were based on open market sales with appropriate adjustment for location, standard of improvements and general conditions. The next revaluation is July 2019.





# Whitestone Contracting Limited - Notes (continued)

## NOTE 13: ADVANCE REMOVAL OF OVERBURDEN & CAPITALISED QUARRY EXPENDITURE

	2019	2018
	\$	\$
Opening Balance of Advance removal of Overburden and waste rock	86,784	109,131
Amortisation	(16,303)	(22,347)
Total Capitalised Quarry Expenditure	70,481	86,784

## NOTE 14: TRADE AND OTHER PAYABLES

	2019	2018
	\$	\$
Waitaki District Council	15,060	43,781
Trade creditors	1,162,869	1,175,982
Total accounts payable	1,177,929	1,219,763

## NOTE 15: PROVISIONS

	2019	2018
	\$	\$
Opening Provision for restoration of land	17,002	10,946
Movement	5,998	6,056
Total Provisions	23,000	17,002

*This is all current in nature*

This provision is for the restoration of gravel sites back to their agricultural use once gravel extraction activities have ceased.



# Whitestone Contracting Limited - Notes (continued)

## NOTE 16: EMPLOYEE BENEFIT LIABILITIES

	2019	2018
<b>Employee Entitlements</b>	\$	\$
Accrued Pay	552,258	535,562
Annual Leave	601,086	575,795
Sick Leave	23,497	22,306
Long Service Leave	31,774	27,200
<b>Total</b>	<b>1,208,615</b>	<b>1,160,863</b>

Comprising

Current	1,178,601	1,131,867
Non Current	30,014	28,996
	<b>1,208,615</b>	<b>1,160,863</b>

## NOTE 17: PREPAID INCOME

	2019	2018
	\$	\$
Waitaki District Council	60,285	114,689
Other	229,709	221,926
<b>Total prepaid income</b>	<b>289,994</b>	<b>336,615</b>

*This is all current in nature*

## NOTE 18: BORROWINGS

	2019	2018
	\$	\$
Bank Overdraft (Note 7)	67,036	0
Bank of New Zealand - Current	57,700	0
Bank of New Zealand - Term	1,137,510	0
<b>Total borrowings</b>	<b>1,262,246</b>	<b>0</b>

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

The group bank overdraft facility totals \$1,000,000. (2018: \$1,000,000)

The current interest rate on the overdraft facility is 4.88% (2018 5.10%)

The company also has a Customised Average Rate loan facility of \$1,200,000

In addition the company has a Credit Plus Facility of \$1,500,000

Security

Loans from the Bank of New Zealand are secured by debenture over the company assets and undertakings including a registered first mortgage against the Deborah Depot, 98 Geraldine-Fairlie Highway, Camerons Pit, 460 Palmerston Dunback Road, 28-30 Ree Crescent Cromwell and a Security interest in specified plant and machinery.

# Whitestone Contracting Limited - Notes (continued)

## NOTE 19: CAPITAL AND RESERVES

	2019	2018
	\$	\$
Opening Share Capital	4,600,000	4,600,000
Closing Share Capital	4,600,000	4,600,000
Retained earnings		
Opening Balance	5,855,204	5,395,814
Net Surplus	1,333,577	962,939
Dividend Paid	(671,856)	(503,549)
Closing Retained Earnings	6,516,925	5,855,204
Opening Property Revaluation Reserve	2,807,798	2,807,798
Revaluation	-	-
Closing Revaluation	2,807,798	2,807,798
Total Equity	13,924,723	13,263,002

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

Dividends declared and paid equates to \$671,856. (2018 \$503,549)

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



# Whitestone Contracting Limited - Notes (continued)

## NOTE 20: COMMITMENTS

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

One year or less

One to five years

Over five years

2019	2018
\$	\$
124,622	136,355
73,052	189,061
-	-
197,674	325,416

The company also has a photocopier contract based on a target number of copies over the contract term. This contract has 806,000 copies remaining.

This is expected to be completed in 2021 at a total cost of \$38,000.

## NOTE 21: CONTINGENT LIABILITIES & CONTINGENT ASSETS

There are performance bonds as at 30 June 2019 in favour of:

Central Otago District Council

Clutha District Council

Dunedin City Council

Elloughton Grange

Homestead Bay Peak Development

Kim Taylor of AKGO Ltd

Lake Tekapo Enterprises

Mackenzie District Council

Network Waitaki

Pukeko Developments

Radius Residential Care

RCL Henley Downs Ltd

Waimate District Council

Waitaki District Council

2019	2018
\$	\$
0	115,000
72,938	18,038
0	72,938
123,653	61,641
63,404	63,404
0	62,838
100,000	0
198,360	195,000
34,449	0
42,253	0
53,826	151,873
79,754	218,128
0	157,500
476,657	383,157
1,245,292	1,499,517

Bonds are held guaranteeing fulfilment of obligations under particular contracts.

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

The company has no contingent assets (2018 \$nil).

# Whitestone Contracting Limited - Notes (continued)

## NOTE 22: RELATED PARTY TRANSACTIONS

2019	2018
\$	\$

### (a) Intergroup transactions and balances

#### Waitaki District Council

Services provided to Waitaki District Council	4,664,737	5,502,908
Services received from Waitaki District Council	123,588	89,289
Amounts owing to Council	15,060	43,781
Amounts receivable from Council	572,397	712,595

#### Waitaki District Health Services

Services provided to Waitaki District Health Services	11,174	11,174
Amounts receivable from Waitaki District Health Services	1,071	1,071

#### Tourism Waitaki

Services provided to Tourism Waitaki	1,067	4,496
Amounts receivable from Tourism Waitaki	0	614

The company supplies civil construction and maintenance contracting services to the Waitaki District Council. The company also leases facilities to the Waitaki District Council.

The Company is related to other council owned enterprises such as Tourism Waitaki, Waitaki District Health Services and Omarama Airfield Ltd.

The amounts included in this note exclude goods and services tax. All services supplied were on normal commercial terms.

Except for these transactions no other directors have entered into related party transactions with the group. The amounts outstanding at year end are payable on normal trading terms. No related party debts have been written off or forgiven during the year.

### (b) Key Management and Directors

#### Sales to Whitestone Contracting Limited

Supplying Entity	Related Party Name	Nature of related party	Amount for the year	Owing at balance date	Description of transactions
Berry & Co	M J de Buyzer	Director	972	0	Legal Services
Deloitte	S Thompson	Consultant	20,977	1,279	Consulting Services
Delta Utility Services Limited	S Grave	Director	211	0	Contracting services
Fulton Hogan Limited	S W Grave	Shareholder	704,843	65,872	Material supplies and Contracting Services
North Otago Motor Group	C Wollstein	Director	22,132	264	Parts, Mechanical Repairs and Vehicle supplies
Alpine Energy	S Thompson	Chairman	743	0	Contracting services
Network Waiataki Limited	M de Buyzer	Director	9,778	0	Contracting Services

#### Purchases from Whitestone Contracting Limited

Receiving Entity	Related Party Name	Nature of related party	Amount for the year	Owing at balance date	Description of transactions
Berry & Co	M J de Buyzer	Director	746	0	Contracting Services
M J de Buyzer	M J de Buyzer	Director	696	0	Contracting Services
L Clarke	L Clarke	Executive Manager	3,741	297	Material supplies and workshop services
G E Campbell	G E Campbell	Chief Executive	3,560	118	Contracting and Workshop Services
T S Read	T S Read	Executive Manager	1,345	0	Fuel & contracting services
J A Hardy	J A Hardy	Executive Manager	437	0	Material supplies, Workshop & Contracting services
P Bisset	P Bisset	Executive Manager	31	0	Plant Hire
S Thompson	S Thompson	Director	3,774	415	Fuel Supplies
Netcon Limited	S Thompson	Chairman	117,960	1,114	Contracting Services
Delta Utility Services	S Grave	Director	3,818	0	Contracting Services
S Grave	S Grave	Director	4,338	403	Fuel Supplies
Alpine Energy Limited	S R Thompson	Chairperson	3,480	2,655	Contracting Services
Fulton Hogan Limited	S W Grave	Shareholder	1,108,528	121,672	Contracting Services
Network Waitaki Limited	M de Buyzer	Director	725,676	27,553	Contracting Services

# Whitestone Contracting Limited - Notes (continued)

## NOTE 23: CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

	2019	2018
	\$	\$
<b>Financial assets measured at amortised cost</b>		
Trade and other receivables	4,218,271	3,428,086
Cash & Cash equivalents	(51,993)	489,047
Total loans and receivables	4,166,278	3,917,133
<b>Financial liabilities measured at amortised cost</b>		
Trade and other payables	1,177,929	1,219,763
Provision for Goods and Services Tax	247,517	239,144
Accrued expenses	318,322	183,632
Total financial liabilities measured at amortised costs	1,743,768	1,642,539

## NOTE 24: GOODWILL

	2019	2018
	\$	\$
<b>Cost</b>		
Balance at 1 July 2018	200,000	200,000
Acquisitions	-	-
	200,000	200,000
<b>Amortisation and Impairment losses</b>		
Amortisation	-	-
Impairment	200,000	-
Carrying Balance 30 June 2019	0	200,000

The company purchased the business of Dunstan Sprayers from Harrex Contracting Limited on 1 September 2012. The acquisition included plant, machinery and stock, forward contracts and remaining management expertise.

The board have assessed the Goodwill and have written this off in the 2019 year. In accordance with the policy.

### Dunstan Contracting

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial estimates covering a five-year period and a discount rate of 19% per annum. Cash flow projections during the estimate period are based on the same expected gross margins and raw materials price inflation throughout the budget period. The cash flows beyond that five-year period have been extrapolated using a steady 2.5% per annum growth rate.

The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

# Whitestone Contracting Limited - Notes (continued)

## NOTE 25: EVENTS AFTER BALANCE DATE

No adjusting or significant non adjusting events have occurred between the reporting date and the date of authorisation of these financial statements.



The company received the Hynds Construction Award in category C of the esteemed Otago construction awards for projects valued between \$1m to \$5m.

Known as Hamnak to everyone at Whitestone Contracting, the 34km-long \$4.2 million watermain pipeline took more than 12 months to complete, involved lengthy consultation with more than 50 landowners, crossed five major waterways and SH1, and was built during the outbreak of mycoplasma bovis on farms across the district.

WCL executive manager Construction and Surfacing Julian Hardy said Hamnak was one of the biggest construction projects in Whitestone Contracting's history.

"The project consisted of 34km of PVC-O installed from the southern end of Oamaru to the township of Hampden with a connection to the Waianakarua water scheme (hence the name Hamnak). This is the longest PVC-O project completed in New Zealand to date."

Judges took into account safety, innovation, technical difficulty, project management, client satisfaction, project profile, presentation of entry, quality of work, and environmental matters.



# Statement of Service Performance Report

The Statement of Intent which is agreed between the directors of Whitestone Contracting Limited and the Ultimate Controlling entity The Waitaki District Council provides for the following performance targets:

Achieve a before income tax return (prior to donations, sponsorships and subvention payments) on opening Shareholders funds that exceeds 8%	Achieved
Shareholders funds to total assets >40%	Achieved
Maintain ISO9001 registration and related Quality Assurance programmes	Maintained
Maintain a high standard of health and safety in relation to WCL's employees, customers, suppliers, subcontractors and the public, as measured by maintaining NZS4801 safety management systems accreditation.	Maintained
Maintain a total injury frequency rate of <7 per 200,000 hours worked or 35 per million hours worked.	Maintained
Maintain ISO 14001 standard to ensure the company has systems in place to environmental legislative and regulatory requirements.	Maintained
Compliance with the Resource Management Act – no reported breaches	Compliance Achieved
Support community initiatives with over \$50,000 of sponsorship per annum.	Achieved



# Statutory Information

## Current Directors

Michael John de Buyzer  
 Peter John Rowell  
 Stephen Richard Thompson  
 Ross Anthony Pickworth  
 Steven William Grave

## Appointed

1 July 2008  
 7 September 2012  
 11 December 2012  
 1 January 2016  
 1 January 2017

## DIRECTORS REMUNERATION

	Fees	Extra Fees	Travel
M de Buyzer	56,000	0	0
J Rowell	35,000	0	6,967
S Thompson	35,000	0	2,083
R Pickworth	35,000	0	2,750
S Grave	35,000	0	3,292
	196,000	0	15,092

## Employees remuneration

The company had 15 employees who received remuneration of \$100,000 or more per annum.

Total remuneration and other benefits  
 \$ (000)

Number of employees

### Personnel over 100,000

100-110	1
110-120	3
120-130	3
130-140	3
140-150	1
150-160	0
170-180	1
180-190	2
290-300	1

## Recommended Dividend

No further distributions have been resolved as at 30 June 2019.

## Sponsorships and Donations

Sponsorships and donations totalled \$73,598 (\$74,187: 2018).

# Statutory Information

## Entries made in the interests register

- ❑ **Interests in transactions**  
No transactions have taken place between the directors and the company which are not in the ordinary course of the company's business and on its usual terms and conditions.
- ❑ **Use of Company Information by Directors**  
During the year the board received no notices from directors of the company requesting to use Company information received in their capacity as directors which would not otherwise have been available to them.
- ❑ **Shareholding by Directors**  
No directors hold shares in the Company.
- ❑ **Indemnity and insurance**  
During the year the company paid premiums insuring all directors of Whitestone Contracting Limited in respect of liability and costs permitted to be insured against by legislation.

## Directors Interests Disclosed

### M de Buyzer

Berry & Co	Partner
Banco Trustees Limited	Director/Shareholder
BCO Trustees (2011) Limited	Director/Shareholder
BCO Trustees (2012) Limited	Director/Shareholder
BCO Trustees (2013) Limited	Director/Shareholder
BCO Trustees (2014) Limited	Director/Shareholder
BCO Trustees (Mertha) Limited	Director/Shareholder
BCO Trustees (2015) Limited	Director/Shareholder
BCO Trustees (2016) Limited	Director/Shareholder
BCO Trustees (2017) Limited	Director/Shareholder
BCO Trustees (2018) Limited	Director/Shareholder
BCO Trustees (2019) Limited	Director/Shareholder
BCO Trustees (Robertson) Limited	Director/Shareholder
Camp Street Properties Limited	Director/Shareholder
Dunstan Contracting Limited	Director
Dunstan Sprayers Limited	Director
Friendly Bay Limited	Director/Shareholder
Law Support Services Limited	Shareholder
Mallinson Trustees Limited	Director
McBride Street Queenstown Limited	Director/Shareholder
McPhail Investments Limited	Director
NZ Law Limited	Director
Observatory Village Charitable Trust	Trustee
Onelaw Limited	Shareholder
Onelaw IP Holdings Limited	Shareholder
Ridge Road Irrigation Company Limited	Shareholder
Whitestone Quarries and Landfill Limited	Director
Fernz Estate Limited	Director/Shareholder
Mallinson Trustees Limited	Director
Network Waitaki Limited	Director
South Canterbury Road & Sewage Limited	Shareholder

# Statutory Information

## S Thompson

Alpine Energy Limited	Chairman
Aurora Energy Limited	Chairman
Best View Limited	Director/Shareholder
Cairnmuir Road Winery Limited	Director
Deloitte	Consultant
F S Investments Limited	Director
Integrated Contract Solutions Limited	Director
Keanos Trustee Company Limited	Director
Millenium Solutions Limited	Director
Netcon Limited	Chairman
NT Partnership	Partner
Owhiro River Limited	Shareholder
Passmore Consulting Services Limited	Director
Prospectus Nominees	Shareholder/Director
Queensberry Partnership	Partner
Sarita Holdings Limited	Director
Timaru Electricity Limited	Chairman
Thompson Bloodstock Limited	Chairman
Wanaka Bay Limited	Director
McKenzie Architects Limited	Shareholder
Whangamata Water 2 Limited	Shareholder
Cerise Orchard Limited	Shareholder
OB Horn Company Limited	Shareholder
Renaissance Holdings (NZ) Limited	Shareholder
Waikato Property Investments Limited	Shareholder
Richard E Shackleton Architects Limited	Shareholder
Anreca Investments Limited	Shareholder
Lake McKay GP Limited	Shareholder
Airtime New Zealand Limited	Shareholder
Ripponvale Irrigation Company Limited	Shareholder

## J Rowell

Mining Equipment Limited	Director and Shareholder
Kinloch Machinery Ltd	Sole Director

## R Pickworth

WestRoads Limited	Director
Westpower Limited	Director
ElectroNet Services Limited	Director
ElectroNet Technology Limited	Director
ElectroNet Transmission Limited	Director
Mitton ElectroNet Limited	Director
West Oak Trading Limited	Director/Shareholder

## S Grave

Delta Utility Services Limited	Director
Fulton Hogan Ltd	Shareholder
Fulton Hogan Ltd	Shareholder
Steve Grave Consulting Limited	Principal
Sicon Limited	Director

K M & S W Grave Family Trust

Relevant Directorships and interests during the period have been disclosed in the Annual Report. A full listing is available in the company's interests register held at its head office.

# Audit Report



Crowe Horwath  
New Zealand Audit Partnership  
Member Crowe Horwath International

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## INDEPENDENT AUDITOR'S REPORT

### TO THE READERS OF WHITESTONE CONTRACTING LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2019

The Auditor-General is the auditor of Whitestone Contracting Limited (the company). The Auditor-General has appointed me, Michael Lee, using the staff and resources of Crowe Horwath Audit Partnership, to carry out the audit of the financial statements and performance information of the company on his behalf.

#### Opinion

We have audited:

- the financial statements of the company on pages 12 to 38, that comprise the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 39.

In our opinion:

- the financial statements of the company on pages 12 to 38:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2019; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards with Reduced Disclosure Regime.
- the performance information of the company on pages 38 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2019.

Our audit was completed on 29 August 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we *comment on other information*, and we explain our independence.

#### Basis for our opinion

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

# Audit Report



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

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

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

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

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of *readers*, taken on the basis of these financial statements and the performance information.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.



# Audit Report



- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

## *Other Information*

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 9 and pages 40 to 42, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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






## **Independence**

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

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

**Michael Lee**  
Crowe Horwath New Zealand Audit Partnership  
On behalf of the Auditor-General  
Invercargill, New Zealand

# Directory

<b>Directors</b>	<b>Michael John de Buyzer</b> LLB Notary Public (Appointed 1 July 2008)	
	<b>Peter John Rowell</b> (Appointed 7 September 2012)	
	<b>Stephen Richard Thompson</b> Bcom, F.C.A (PP), CFInstD (Appointed 11 December 2012)	
	<b>Ross Anthony Pickworth</b> M.B.A, B.Eng (Electrical), NZCE (Electrical) (Appointed 1 January 2016)	
	<b>Steven William Grave</b> B.E(Hons)Civil, NZCE (Civil) (Appointed 1 January 2017)	
<b>Postal Address</b>	P O Box 108, Oamaru Phone (03) 433 0240 Fax (03) 434 1270	
<b>Auditors</b>	M Lee, Crowe New Zealand Audit Partnership On behalf of the Controller and Auditor General Wellington	
<b>Bankers</b>	Bank of New Zealand ANZ	
<b>Solicitors</b>	Hope & Associates, Oamaru Berry & Co, Oamaru	
<b>Authorised Capital</b>	4,600,000 Ordinary Shares	
<b>Company Number</b>	DN 549270	
<b>Country of Incorporation</b>	New Zealand	
<b>Registered Office</b>	State Highway One, Deborah, Oamaru	
<b>Insurer</b>	Marsh Ltd (Brokers)	
<b>Managers</b>	Chief Executive Executive Manager Central Otago Executive Manager Construction & Surfacing Executive Manager Corporate Services Manager Executive Manager Business Development & Maintenance	
<b>Web address</b>	www.whitestone.co.nz	

Glenn Campbell  
Paul Bisset  
Julian Hardy  
Tony Read  
  
Linton Clarke