WHITESTONE
CONTRACTING LIMITED

INTERIM REPORT
FOR THE SIX MONTHS ENDED
31 DECEMBER 2014

www.whitestone.co.nz

Contents

Period in review

Financial

The Company has made a solid start to the year with sales up $496,375 or 4.91% on the same period last year.

The pretax and subventions profit was $359,697 compared to $39,291 for the same period last year.

Health and Safety

Our goal of all employee's returning home safely every day has been achieved for the period as has our target of zero lost time injuries.

Our entire Health and Safety systems continue to be developed and refined so as to ensure that we are all taking all possible steps to maximise the Health and Safety of our workforce.

Major Projects

The Company has been fortunate to secure a variety of contracts including Doctors Point roading, Badhams Bridge Clandeboye, Waitaki District Council rehabilitations, McKenzie District Council bridges, Transfield Services Christchurch and a variety of asphalt jobs.

Outlook

The entire team continues to focus on improving on the job efficiencies in order to ratchet up margins in what remains a highly competitive environment.

The Company has reasonable forward workload however will need to secure more major projects for the last quarter of the financial year.

J D Walker
Chairman

24 February 2015

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 (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

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
- Realignments
- Shape corrections
- Culverts
- Cattle underpasses
- Cowlanes
- Cable locations
- Gravel Sales
- Soil Sales
- Plant Hire with operator

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

Utilities

- Reticulation installation and maintenance
- Intakes, Pumping stations
- Treatment Plants
- Service connections
- Domestic plumbing
- 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
- Supply of disposal facilities
- Solid waste disposal facilities
- Refuse collection
- Solid fill disposal site

View our website

www.whitestone.co.nz

WHITESTONE CONTRACTING LIMITED · DUNSTAN CONTRACTING · DUNSTAN SPRAYERS · CENTRAL ECO NURSERIES

Best Practice

ENVIRONMENT
ISO 14001

QUALITY
ISO 9001

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

Whitestone Contracting Limited holds ACC tertiary accreditation. This means the company has safety systems in place of a very high standard. The company takes health and safety of its employees and the public very seriously.

The company is ISO 9001:2000 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 accredited. ISO14001 accreditation confirms we have environmental systems in place and we are committed to environmental good practice.

Whitestone Contracting Limited is a member of the following organisations:

Site Safe New Zealand
New Zealand Civil Contractors Federation
Motor Trades Association

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.
Ensuring the shareholder achieves value for money through competitive pricing.

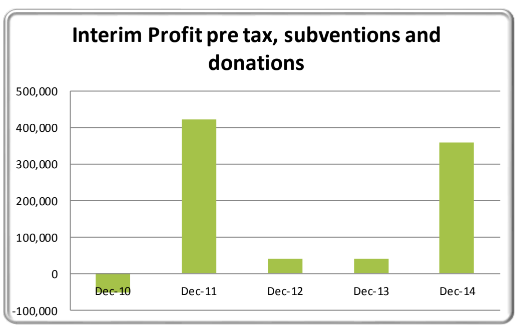
Our Finance and Risk Management Processes
To ensure reliable and timely financial information, the company has an effective management information system in place and an organisational structure that provides an appropriate division of responsibility and an efficient reporting framework. Enhancement of this system is continuous to ensure we meet or exceed market requirements. The company's Audit Committee provides the Board with additional assurance regarding the accuracy of reported financial information, and is responsible for ensuring the group has an effective internal control system in place.

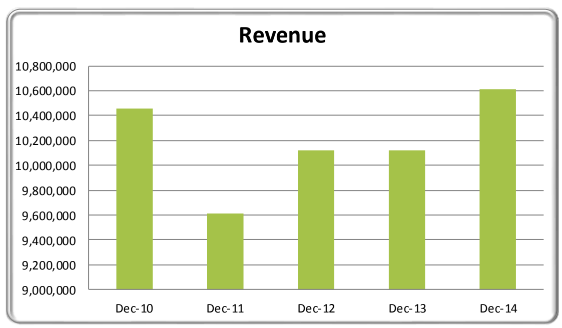
Highlights for the first six months

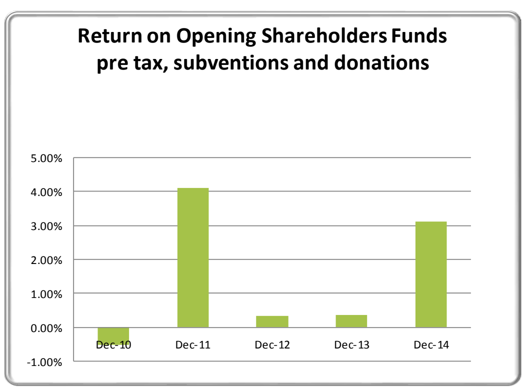
In overall terms the six months to 31 December has been one of adjustment as the company moves to having more project based contracts than has been traditional. The Asphalt plant is now fully operational and producing product for our jobs and the local market.

Measuring our performance:
The charts below show key indicators highlighting the company's performance. Further information on the financial results of the company is contained in the financial statements.

Over the next six months we plan to:
Increase earnings per share by achieving improved contract performance and cost control.
Invest in further expansion where it would be advantageous to the company and the shareholder.
Continue to maintain a diversified portfolio of work and clients to ensure continuity of returns to the shareholder.
Focus on contract performances to achieve positive outcomes







Social Performance Report

We are committed to:

Attracting and retaining the best people for our organisation
Maintaining a high level of transparent and effective communication with our shareholder
Being an asset to the community through returns to the Shareholder, Waitaki District Council
Providing employment in the district and ensuring the community receives competitive prices for the 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. The company provides inoculations for employees and monitors hearing, eyesight, and lung functions to ensure we have a healthy staff.
- Protective equipment is issued and required to be worn by all staff.
- The company has a dedicated Health and safety coordinator working with our teams to ensure the welfare of our staff.

MEASURING OUR PERFORMANCE

Employee safety and investment

	December 2014	December 2013	June 2014
Closing Fulltime Equivalent Employees	127.5	130.9	122
Training Expenditure	89,803	106,045	168,789
Sponsorships and donations			
Oamaru Opera House	10,000	10,000	20,000
North Otago Rugby Union	17,037	16,782	33,564
Oamaru Xmas Parade	1,887	2,346	2,346
WW1 Commemoration	526	0	0
Anzac Parades	0	0	127
North Otago Combined Churches Foodbank	500	0	0
Tarras Golf Club	250	0	0
Other	100	0	50
Total Donations & Sponsorships	30,300	29,128	56,087

Over the next six months we plan to:
Work through the health and safety committee to maintain safe work practices and continue to maintain a safe working environment.
Continue to provide employment in the district and look for further opportunities.
Continue to ensure staff are trained to high standards of output and safety.

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.
- Maintaining ISO14001 accreditation

Positive Impacts on the Environment

Whitestone Contracting Limited provides a range of services which provide environmental benefits to the community. We maintain local parks and gardens including the Oamaru public gardens and maintain water and waste water networks.

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

The company operates the Oamaru and Palmerston landfills on behalf of the Waitaki District Council and is committed to economically sustainable waste minimisation initiatives.

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

Areas of Potential Negative Effects Include

Diesel Use

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

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

The company generates clean fill which is used as landfill cover at the Oamaru Landfill, to rehabilitate previously excavated land, or deposited at our clean fill site in Beach Road Oamaru.
The Company operates a chipper to reuse material from tree removal activities.
The company operates a modern asphalt plant with a baghouse facility reducing the impact on the environment.

OUR ENVIRONMENTAL MANAGEMENT POLICY

Rationale:

The Company supports the sustainable management of resources and the efficient use of natural resources.

Purpose:

This policy outlines how the company aims to minimise the impact on the environment from its operations.

Guidelines:

The company supports the following principles.

1. ***Reduction and disposal of waste***, by endeavouring to operate waste disposal operations through safe, responsible and economic methods. By recycling company waste, where possible, and therefore keeping waste going to landfill to a minimum.
2. ***Minimise use of paper*** and other office consumables by double-siding paper where possible, and identifying opportunities to reduce waste.
3. ***Recycling*** of computer supplies and redundant equipment.
4. ***Risk reduction***, by minimising any risk to staff and the community by being prepared for emergencies and utilisation of safe technology.
5. ***Repair*,** by responsibly restoring the environment where harm has been caused.
6. ***Disclosure*** by recording and disclosing any health and safety hazards which pose harm to staff and the community.
7. ***Compliance***, by making every effort to comply with all local, regional and government authority requirements.
8. ***Energy use*** by endeavouring to make the wisest economic use of energy resources.
9. ***Sustainable use of resources*** by supporting the sustainable use of resources.
10. ***Pollution*** by striving to minimise any pollutant that may cause harm to the air, water and earth.
11. ***Reduce the energy consumption*** of office equipment by purchasing energy efficient equipment and good housekeeping.

12. ***Purchase electricity*** from a supplier committed to renewable energy. Seek to maximise the proportion from renewable energy sources, whilst also supporting investment in new renewable energy schemes.

The majority of Whitestone Contracting Limited activities are carried out under contract to a third party.

The very nature of these contracts determines to a large extent the impact that these works have on the existing environment. In undertaking such works Whitestone Contracting Limited becomes a party to the environmental consequences that those works may have.

This policy does not consider such wider issues and is intended to focus only on the activities that are under the direct control of Whitestone Contracting Limited and the manner in which it undertakes these contract works.

To achieve these principles on contracts performed by Whitestone Contracting Limited the company will:

1. Protect the environment in which we are working from any adverse effects that are a direct consequence of our activities. (*This may include dust, noise storm water contamination, oil spill, quarrying, public safety etc*.)
2. Use and manage resources in a responsible manner. Adopt waste minimisation strategies where appropriate to do so. (*Recycle and reuse, conserve electricity, consider alternative forms of heating balance the needs of an economic return with a longer term view of sustainability of a particular resource e.g. gravel extraction.*)
3. Be a company that people are proud to work for and provide a safe and supportive work environment.
4. Support and be actively involved in our community.
5. Consider all aspects of the activities it undertakes to ensure compliance with statutes.
6. Monitor compliance with resource consents and report outcomes.
7. Endeavour to maintain a modern fleet of plant and equipment that is fuel efficient and does not contribute contaminants that effect air quality's that are abnormal for that plant and equipment.
8. Set targets for environmental improvements.

Sustainability

Whitestone Contracting Limited is committed to promoting sustainability. Concern for the environment and promoting a broader sustainability agenda are integral to Whitestone's professional activities and the management of the organisation. We aim to follow and to promote good sustainability practice, to reduce the environmental impacts of all our activities and to help our clients do the same.

For Instance:

- We will endeavour to reduce the need to travel to meetings where alternatives are available such as teleconferencing and efficient timing of meetings to avoid multiple trips.
- We will create a safe, healthy and happy work environment that supports individual development, team-work and a positive work-life balance.
- Honour the Treaty of Waitangi, encourage Maori participation through active engagement with Maori.
- Embrace diversity, including different cultures, ethnicities and beliefs.

Environmental breaches

Number of breaches of resource consents	0

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.

OVER THE NEXT SIX MONTHS WE PLAN TO:

Continue to promote our Environmental training programme to staff.
Continue to develop our fixed site environmental management processes.

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 2014 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 2014

J D Walker
Chairman

M de Buyzer
Director

24 February 2015

Statement Comprehensive Income
For the six months ended 31 December 2014

	Note	December 2014 $	December 2013 $	June 2014 $
Operating Revenue	2	10,616,211	10,119,836	19,949,183
Operating Expenses	3	(10,247,628)	(10,019,968)	(19,248,002)
Finance Expense		(8,886)	(60,577)	(89,656)
Operating Profit/ (Loss) Before Subvention Payments Donations Sponsorship and Tax		***359,697***	***39,291***	***611,525***
Less Sponsorships & Donations		(30,300)	(29,128)	(56,087)
Subvention Receipts/(Payments)		0	0	(23,732)
Operating Profit/(Loss) Before Tax		329,397	10,163	531,706
Less Taxation Expense	4	(48,162)	258,963	(412,536)
Net Profit/(Loss) After Tax		281,235	269,126	119,170
Other Comprehensive Income				
Movements that will not be reclassified to profit or loss in subsequent periods				
Revaluation of property		0	830,060	830,061
Other Comprehensive Income		0	830,060	830,061
Total Comprehensive Income		281,235	1,099,186	949,231

Statement Movements in Equity
For the six months ended 31 December 2014

	December 2014 $	December 2013 $	June 2014 $
Equity at the beginning of the period	11,401,599	10,452,368	10,452,368
Total Comprehensive Income/(Expense) for the period	281,235	1,099,186	949,231
Equity at the end of the period	11,682,834	11,551,554	11,401,599

Statement of Financial position
As at 31 December 2014

	Note	December 2014 $	December 2013 $	June 2014 $
CURRENT ASSETS				
Cash & Cash equivalents		922,941	285	792,932
Trade & Other Receivables		3,021,172	3,471,616	3,316,080
Doubtful Debt Provision		(76,419)	(11,637)	(73,875)
Inventories		698,319	637,098	682,504
Work in progress		214,140	1,863,355	115,812
Prepayments		164,289	141,764	62,574
Total Current Assets		4,944,442	6,102,481	4,896,027
NON CURRENT ASSETS				
Plant, Property & Equipment	5	10,062,175	10,571,136	10,031,584
Advance removal of overburden		180,343	235,078	208,209
Easements		8,295	2,566	5,163
Mix Designs		17,807	19,842	18,824
Resource Consents		23,653	24,379	24,017
Goodwill		300,000	300,000	300,000
Total Non current assets		10,592,273	11,153,001	10,587,797
Total assets		15,536,715	17,255,482	15,483,824
CURRENT LIABILITIES				
Bank Overdraft		0	678,523	0
Trade payables		1,367,462	1,415,863	1,384,124
Provision for Goods and Services Tax		304,398	221,992	111,337
Accrued expenses		11,769	27,633	20,076
Accrued Employee Benefits - Current		1,108,409	1,106,726	1,028,287
Accrued Restoration costs		19,000	17,500	19,000
Prepaid income		107,808	181,223	170,993
Current Tax Liability		115,208	(180,565)	246,490
Borrowings		220,094	1,385,288	338,159
Total current liabilites		3,254,148	4,854,183	3,318,466
NON CURRENT LIABILITIES				
Deferred tax liability	4	577,688	352,656	551,407
Accrued Employee Benefits - Non current		22,045	29,986	22,045
Borrowings	6	0	467,103	190,307
Total non current liablities		599,733	849,745	763,759
Total liabilities		3,853,881	5,703,928	4,082,225
Net Assets & Liabilities		11,682,834	11,551,554	11,401,599
EQUITY				
Share Capital	7	4,600,000	4,600,000	4,600,000
Asset Revaluation Reserve		2,464,426	2,464,426	2,464,426
Retained Earnings	7	4,618,408	4,487,128	4,337,173
Total Equity		11,682,834	11,551,554	11,401,599

Statement of Cashflows
For the six months ended 31 December 2014

	Note	December 2014 $	December 2013 $	June 2014 $
CASHFLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from customers		10,777,748	9,322,915	19,194,630
Interest received		8,453	35,116	54,734
		10,786,201	9,358,031	19,249,364
Cash was applied to:				
Payments to suppliers & employees		(9,629,864)	(9,624,230)	(16,645,862)
Interest paid		(8,886)	(60,577)	(89,656)
Taxation (paid)/refunded		(153,163)	0	(45,693)
		(9,791,913)	(9,684,807)	(16,781,211)
Net cashflows from operating activities	8	994,288	(326,776)	2,468,153
CASHFLOWS FROM INVESTING ACTIVITIES				
Cash was provided from:				
Proceeds from sale of fixed assets		33,064	650,305	816,497
		33,064	650,305	816,497
Cash was applied to:				
Fixed assets purchased		(585,839)	(623,654)	(763,529)
Consents		0	(23,095)	0
Easements		(3,132)	0	(5,163)
Asphalt Mix Designs		0	0	(20,350)
Total cash applied		(588,971)	(646,749)	(789,042)
Net Cashflows to investing activities		(555,907)	3,556	27,455
CASHFLOWS FROM FINANCING ACTIVITIES				
Cash was provided from:				
Proceeds from borrowings		0	431,309	0
		0	431,309	0
Cash was applied to:				
Subvention Payments made		0	0	(23,732)
Repayment of borrowings		(308,372)	0	(892,617)
		(308,372)	0	(916,349)
Net cashflows to financing activities		(308,372)	431,309	(916,349)
Net increase/(decrease) in cash held		130,009	108,089	1,579,259
Cash Held at beginning of the period		792,932	(786,327)	(786,327)
Cash Held at the end of the period		922,941	(678,238)	792,932
Made up of:				
BNZ current accounts		920,636	(678,523)	792,647
Petty cash		2,305	285	285
		922,941	(678,238)	792,932

Notes to the financial statements for the six months ended 31 December 2014

Note 1: Accounting Policies

Reporting Entity

The unaudited financial statements of Whitestone Contracting Limited are for the six months ended 31 December 2014 and were authorised for issue by Directors on 24 February 2015.

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 2016.

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.

Notes to the financial statements for the six months ended 31 December 2014

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 2014 that are expected to materially impact the company's financial statements.

NOTE 2: OPERATING REVENUE

	December 2014	December 2013	June 2014
	$	$	$
Includes;			
Other Revenue	6,845,410	6,061,895	13,167,441
Construction Contract Revenue	3,735,096	3,940,894	6,550,839
Rental Income	23,274	31,674	54,948
Interest	8,453	35,116	54,734
Dividends	35	0	22
Depreciation Recovered	3,943	24,336	90,265
Gain on Sale of fixed assets	0	25,921	30,934
	10,616,211	10,119,836	19,949,183

NOTE 3: OPERATING EXPENDITURE

	December 2014	December 2013	June 2014
	$	$	$
Remuneration of auditor			
- audit fees	11,768	11,538	22,557
- other services	5,960	5,300	8,060
Depreciation	516,360	546,259	1,122,528
Directors' fees	63,215	58,930	117,860
Directors Travel Expenses	4,353	3,435	6,121
Donations	3,263	2,346	2,523
Sponsorships	27,037	26,782	53,564
Rental and operating lease costs	82,674	94,168	209,832
Employee Benefits	4,271,105	4,289,282	8,353,793
Bad debts written off	192	479	1,496
Bad debts recovered	(58)	0	(118)
Changes in provision for doubtful debts	2,213	3,368	57,489
Amortised quarry development	27,866	22,760	49,629
Amortisation of consents and mix designs	1,381	690	1,891
Impairment loss	0	0	0
Loss on sale of fixed assets	9,767	1,000	8,876
Materials	1,138,341	986,933	2,236,283
Other Operating Expenditure	4,113,814	3,996,516	7,053,478
Total Operating Expenditure	10,247,628	10,019,968	19,248,002
(Excluding, Interest,Sponsorship and tax)			

Notes to the financial statements for the six months ended 31 December 2014

NOTE 4: TAX EXPENSE

	December 2014	December 2013	June 2014
	$	$	$
Operating profit before income tax	329,397	10,163	531,706
Tax thereon at 28%	92,231	2,846	148,878
Plus/(less) taxation effect of differences:			
Tax effect of non assessable income	5,436	0	(3,640)
Tax Effect of non deductible expenses	(49,505)	(261,809)	260,653
Tax effect of prior year subvention payment	0	0	6,645
Tax effect of losses carried forward	0	0	0
Tax Effect of Differences	(44,069)	(261,809)	263,658
Tax expense	48,162	(258,963)	412,536
Comprising:			
Current tax	21,881	(257,944)	214,804
Current tax prior year adjustment	0	0	0
Deferred tax Liability (Benefit)	26,281	(1,019)	197,732
Deferred tax Liability (Benefit) prior year adjustment	0	0	0
	48,162	(258,963)	412,536
Deferred taxation (benefit) liability			
Opening balance	551,407	353,675	353,675
Prior year adjustment	0	0	0
Transferred this period	26,281	(1,019)	197,732
	577,688	352,656	551,407
Short term temporary differences	577,688	352,656	551,407
Tax losses carried forward	0	0	0
	577,688	352,656	551,407
Imputation Credit Account			
Balance as at 1 July	1,698,111	1,652,418	1,652,418
RWT credits received	0	0	0
Credits attached to dividends received	0	0	0
Credits attached to dividends paid	0	0	0
Refunds	0	0	0
Income tax payments/Transfers made	153,168	0	45,693
	1,851,279	1,652,418	1,698,111

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

NOTE 5: PROPERTY PLANT AND EQUIPMENT

	December 2014	December 2013	June 2014
During the period the company:			
acquired asets with a cost of	585,839	623,654	763,529
disposed of assets with a carrying value of	38,888	601,015	704,174
This resulted in a net (loss)/gain on sale for the period of	(9,767)	24,954	22,058
and depreciation recovered of	3,943	24,336	90,265
Quarry development	0	0	0
Net gain on revaluation of Land and Buildings	0	830,060	830,060
Disposal of revalued plant property and equipment	0	(198,184)	(198,184)
The company also wrote off impaired assets of	0	0	0

NOTE 6: BORROWINGS

	December 2014	December 2013	June 2014
	$	$	$
Bank Overdraft	0	0	0
Bank of New Zealand - Current	220,094	1,385,288	338,159
Bank of New Zealand - Term	0	467,103	190,306
Total borrowings	220,094	1,852,391	528,465

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

The group bank overdraft facility totals $1,200,000
The current interest rate on the overdraft facility is 6.25% (2013 5.38%)

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 2014

NOTE 7: CAPITAL AND RESERVES

	December 2014	December 2013	June 2014
	$	$	$
Share capital	4,600,000	4,600,000	4,600,000
Share Capital introduced	0	0	0
Closing Share Capital	4,600,000	4,600,000	4,600,000
Retained earnings			
Opening Balance	4,337,173	4,019,819	4,019,819
Net Surplus	281,235	269,126	119,170
Equity Adjustment on Sale of property	0	198,183	198,184
Dividend	0	0	0
Closing Retained Earnings	4,618,408	4,487,128	4,337,173
Property Revaluation Reserve	2,464,426	1,832,549	1,832,549
Reduction in Reserve on sale of property	0	(198,183)	(198,184)
Revaluation	0	830,060	830,061
Total Equity	2,464,426	2,464,426	2,464,426
Total Equity	11,682,834	11,551,554	11,401,599

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 2014	December 2013	June 2014
	$	$	$
Net surplus/(deficit) after Tax	281,235	269,126	119,170
Add/(less) non-cash items:			
Depreciation	516,360	546,259	1,122,528
Amortisation	29,247	23,450	51,520
Increase/(decrease) in Provision for doubtful debts	2,544	3,874	66,112
Increase/(decrease) in deferred Taxation	26,281	(1,019)	197,732
Total non cash	574,432	572,564	1,437,892
Depreciation recovered	(3,943)	(24,336)	(90,265)
Asset Impairment	0	0	0
Fixed assets loss/(gain)	9,767	(24,954)	(22,058)
	5,824	(49,290)	(112,323)
Add/(less) movements in Working capital items:			
(Increase)/decrease in taxation	(131,282)	(257,944)	169,111
(Increase)/decrease in receivables and prepayments	193,193	(1,013,607)	(778,882)
(Increase)/decrease in Subvention Payments	0	0	23,732
Increase/Decrease in inventories	(15,815)	95,590	50,184
Increase/Decrease in Restoration Costs	0	(12,500)	(11,000)
Increase/Decrease in Payables	(16,662)	494,085	462,348
Increase/(decrease) Accruals	71,815	51,644	(42,293)
(Increase)/decrease Prepaid Income	(63,185)	69,319	59,089
(Increase)/decrease in work in progress	(98,328)	(644,307)	1,103,236
Increase/(decrease) in GST	193,061	98,544	(12,111)
Working capital movement - net	132,797	(1,119,176)	1,023,414
Net cash (outflow)/inflow From operating activities	994,288	(326,776)	2,468,153

NOTE 9: COMMITMENTS

	December 2014	December 2013	June 2014
The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:	$	$	$
One year or less	161,387	161,106	191,888
One to two years	21,319	117,493	56,587
Two to five years	9,720	10,477	5,894
	192,427	289,076	254,369

The company also has a photocopier contract for a remaining 477,143 copies. This is expected to be completed in 2016 at an estimated remaining cost of $32,593

The company is committed to a namings rights contract with the North Otago Rugby Union for $30,000 per annum plus Cost index adjustments. This contract expires 30/6/2015

The company is committed to a namings rights contract with the the Oamaru Opera House for $20,000 per annum. This contract expires 30/6/2015

NOTE 10: CONTINGENT LIABILITIES & CONTINGENT ASSETS

	December 2014	December 2013	June 2014
There are performance bonds in favour of:	$	$	$
Waitaki District Council	287,908	849,324	126,439
New Zealand Transport Agency	0	34,000	34,000
Mackenzie District Council	186,393	198,397	122,368
Timaru District Council	424,606	0	423,652
Clutha District Council	0	5,788	5,788
Waimate District Council	25,000	25,000	25,000
Dunedin City Council	61,169	0	0
Radius Healthcare	53,827	0	0
Oamaru Land Developments	334,333	445,777	445,777
	1,373,236	1,558,286	1,183,024

The company and group has no contingent assets. (2013 $nil)

Notes to the financial statements for the six months ended 31 December 2014

NOTE 11: RELATED PARTY TRANSACTIONS

	December 2014	December 2013	June 2014
	$	$	$
(a) Intergroup transactions and balances			
Services provided to			
Waitaki District Council	2,818,724	2,901,937	6,142,276
Amount receivable from			
Council	642,344	928,668	767,674
Services received from			
Waitaki District Council	44,399	19,558	68,623
Amounts owing to Council	6,520	2,703	6,556

All services supplied were on normal credit terms.

NOTE 12: FINANCIAL INSTRUMENTS

During the six months to 31 December 2014 no changes were made to the groups risk management policies. Our policies and objectives are consistent with our consolidated financial statements to the year ended 30 June 2014

NOTE 13: EVENTS AFTER BALANCE DATE

No material events occurred after balance date.

Directory

Directors	**John David Walker** (Chairman) (Appointed 1 January 2003) **Michael John de Buyzer** LLB Notary Public (Appointed 1 July 2008) **Peter John Rowell** (Appointed 7 September 2012) **Stephen Richard Thompson** Bcom, C.A (Appointed 11 December 2012)
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
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