WHITESTONE CONTRACTING LIMITED

Interim Report
For the six months ended
31 December 2020

www.whitestone.co.nz

Contents

Period in Review

Financial Performance
The company recorded a $146,227 loss for the six-month period to 31 December 2020. This compares to $357,536 profit at the same time last year.

The company remains confident of forecasting a surplus at year end.

The 6-month loss result is due to a slow start to the financial year as the country came out of Covid lockdown. Limited opportunities were available for our Civil team in the early part of the year and many of the opportunities that did present have taken time to commence due to a variety of reasons including consenting delays and material supply delays.

The company also incurred significant compliance costs capping an old landfill site, and property maintenance costs during the period.

The company secured a 10-year vegetation control contract in Dunedin which began on 1 May. This has taken some heavy resource to get established but will provide long term benefit.

The company has continued its investment in the Central Otago region with continued investment in plant and machinery in that region. This investment is expected to show dividends in the second six months and beyond.

Revenue at $10.79 million is similar to last years $10.80 million. With good workload scheduled for the second six months this should assist the company to redress the balance to some extent.

The forward outlook is positive, with a number of projects being secured now that will lead the company well into the new financial year which should assist the company in returning to its previous 5-year average pretax profits of $1.2 million per annum.

Projects
Work has occurred on a number of projects – including Cemetery Road Subdivision Mosgiel, Oamaru Reservoir upgrade works, McBrimar Holmes Hill Subdivision, Derwent St Water and Sewer upgrade, Bennett's Bluff Carpark, Waitaki District Minor Safety Improvements, Hanley Farms Subdivision Landscaping Works, and Waitaki District Footpath upgrades.

The company has a suite of Maintenance Contracts in Mackenzie District, Waimate District, Central Otago and Dunedin City making up 43% of the Revenue to 31 December 2020.

Safety Performance
Our focus on health and safety and environmental improvements continues. We have maintained a positive health and safety and environmental record for the period.

Best Practice
The company is committed to best practice and regularly reviews/enhances its various operating systems. The company maintains ISO9001 (Quality), ISO14001(Environmental), and during the period achieved ISO45001 health and safety accreditation, an update to NZS4801. Additionally the company was credited with Toitū Envirocare best practice accreditation in carbon reduction.

Plant and Machinery
The company continues to invest in plant and equipment having spent $1.35 million in the six-month period as it gears up for the future workload and its' 10-year commitment in Dunedin.

Community
We continue to support the community through sponsorship of both Whitestone Contracting Stadium and the Oamaru Opera House during the period and a number of smaller projects. Donations/sponsorships total $32,162 year to date.

Distribution
The company expects to deliver to the shareholder and community $630,518 for the year ended 30 June 2020; with final dividend payable this June. We are delighted to be able to provide such significant benefits back to our community. The company has returned $3,787,269 over the previous five years.

Board
The board continues to strive to deliver on its objective of supporting the community through distributions and sponsorships while negotiating a difficult six months as the company sets a strong platform for the future.

M J de Buyzer
Chairman

Company Ownership

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

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

Waitaki District Council (Parent Entity)

Whitestone Contracting Limited (CCTO)

Vision

- To be a reputable trusted and successful contractor

Mission

- Our team delivers with pride and care

Services

www.whitestone.co.nz

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

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

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

Landfill and refuse operations
Maintenance of landfills

Quarries
Gravel sales
Bulk sales of all gravel products

Surfacing
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 ISO45001:2018. This means the company has safety systems in place of a very high standard. The company employs a full time Health, Safety and Environmental Manager.

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 is Toitū Envirocare accredited with carbon reduction goals in place and a focus on supporting a sustainable environment.

Whitestone Contracting is sitewise accredited.

Whitestone Contracting Limited is a member of the following organisations:

Civil Contractors New Zealand
Site Safe New Zealand
Motor Trades Association

Social Performance Report

Telarc. Registered

Health & Safety AS/NZS 4801

We are committed to:
Attracting and retaining the best people for our organisation.
Maintaining a high level of transparent and effective communication with our shareholder.
Being an asset to the community through returns to the Shareholder, Waitaki District Council.
Being an asset to the community by supporting local community initiatives.
Providing employment in the district and ensuring the community receives competitive prices for work done.

Our people and communities:
We utilise a wide range of training schemes via the industry training organisation’s to continuously extend the skills of our staff and ensure that they are up to date with professional and technical current practice.
Performance reviews are undertaken for all management and permanent staff on an annual basis.
We are committed to work together to ensure safe and sustainable working conditions for our employees.
An employee assistance programme is in place to support our employees. We have a wellbeing programme that encourages physical and mental wellbeing.

The company maintains AS/NZS4801 safety standard.

MEASURING OUR PERFORMANCE
Employee safety and investment

	December 2020	December 2019	June 2020
Closing Fulltime Equivalent Employees	120	111	113
Training Expenditure	126,334	133,099	203,494

Sponsorships and donations for the six months to December 2020

Oamaru Opera House	10,000
North Otago Rugby Union	17,500
Oamaru Christmas Parade	2,662
Rusty Mac Bowling Tournament	500
Tarras Golf Club	250
Waitaki Student Support Trust	1,000
Waimate Christmas in the Square	250
	$32,162

Environmental Performance 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.

Sustainable Management

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 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.

The company uses plant and machinery to deliver on its projects.

The company produces around 2200 tCO_2e per annum and has a reduction programme and goals in place.

This periods 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.
All staff are inducted into the company's environmental procedures when they join the company.

The company has joined the Toitū Envirocare accreditation programme and we are in the process of implementing mitigation measures where possible.

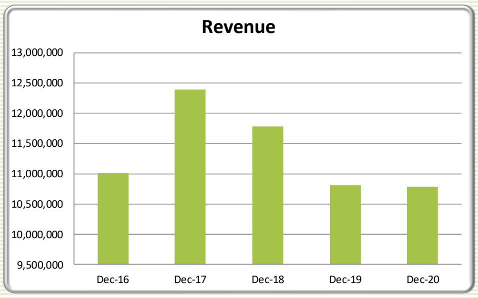
Over the next six months we plan to:

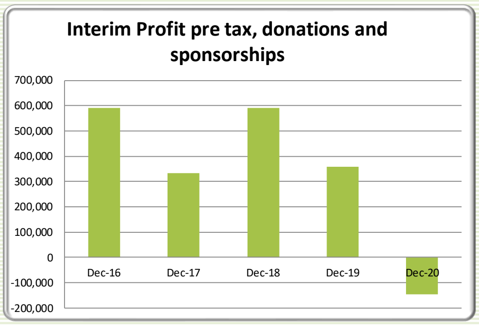
Continue to promote our Environmental training programme to staff.
Continue to implement our carbon reduction programme.
Continue to consider the environment in all that we do.

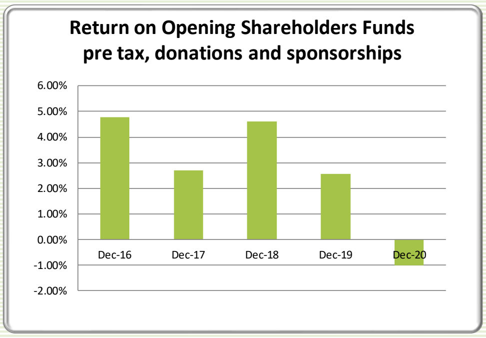
Telarc. Registered TM
Environment ISO 14001

TOITŪ CARBON REDUCE

Financial Performance Report







We are committed to:

Increasing shareholder returns through both distributions and capital growth.
Maintaining the company with a risk-based management approach while targeting sustainable long-term growth.
Meeting the targeted return on opening shareholder funds.

Our Finance and Risk Management Processes

To ensure reliable and timely financial information, the company has an effective management information system in place and an organisational structure that provides an appropriate division of responsibility and an efficient reporting framework. Enhancement of this system is continuous to ensure we meet or exceed market requirements. The company's Audit and Risk Committee provides the Board with additional assurance regarding the accuracy of reported financial information and is responsible for ensuring the Company has an effective internal control system in place. More information on policies and procedures the company has in place can be found in the Statement of Intent.

Highlights for the first six months
The company has completed establishing the required plant and machinery in Central Otago and also in Dunedin for the DCC Vegetation works as it commits to both of those regions. Although the company has not generated profit in the first six months it is well placed to take advantage of the opportunities in those areas.

Measuring our performance:
The company has posted a loss for the period however has a strong forward order book and has set itself to deliver on the forward work programme.

Over the next six months we plan to:
Increase turnover and earnings per share by continuing positive contract performance and ensuring effective cost control measures.
Continue to maintain a diversified portfolio of work and clients to ensure continuity of returns to the shareholder.
Continue developing staff to achieve ongoing positive performance.

Directors Responsibility

Directors are responsible for preparing the financial statements and ensuring that they comply with generally accepted accounting practice and give a true and fair view of the financial position of the company as at 31 December 2020 and the results of the operations and cash flows for the six months ended on that date.

The Directors consider the financial statements of the company have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the company and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The Directors consider they have taken adequate steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities. Internal control procedures are also considered reasonable assurance as to the integrity and reliability of the financial statements.

The Directors are pleased to present the interim financial statements of Whitestone Contracting Limited for the six months to 31 December 2020.

M J de Buyzer
Chairman

R A Pickworth
Director

10 February 2021

Statement of Comprehensive Income
For the six months ended 31 December 2020

	Note	December 2020 $	December 2019 $	June 2020 $
Operating Revenue		10,651,736	10,740,888	21,147,166
Other Revenue		141,053	63,953	968,073
Total Revenue	2	10,792,789	10,804,841	22,115,239
Operating Expenses	3	(10,917,170)	(10,416,131)	(21,014,619)
		(124,381)	388,710	1,100,620
Finance Income		47	387	842
Finance Expense		(21,893)	(31,561)	(56,073)
		(21,846)	(31,174)	(55,231)
Operating Profit Before Donations Sponsorship and Tax		***(146,227)***	***357,536***	***1,045,389***
Less Sponsorships & Donations		(32,162)	(34,296)	(62,378)
Operating Profit/(Loss) Before Tax		(178,389)	323,240	983,011
Less Taxation Expense	4	65,251	(38,272)	(142,321)
Net Profit After Tax		(113,138)	284,968	840,690
Revaluation of property		-	892,222	892,222
Deferred tax effect on revaluation		-	(164,054)	(164,054)
Other Comprehensive Income		-	728,168	728,168
Total Comprehensive Income		(113,138)	1,013,136	1,568,858

Statement of Movements in Equity
For the six months ended 31 December 2020

	Notes	Retained Earnings $	Share Capital $	Asset Revaluation Reserve $	Total Equity $
31 December 2020					
Balance 1 July 2020		6,453,622	4,600,000	3,535,966	14,589,588
Profit for the six months		(113,138)			(113,138)
Other comprehensive Income movements		-		-	-
Total Comprehensive Income for the six months		(113,138)		-	(113,138)
Dividends to shareholders		-			-
Balance 31 December 2020		6,340,484	4,600,000	3,535,966	14,476,450
31 December 2019					
Balance 1 July 2019		6,516,925	4,600,000	2,807,798	13,924,723
Profit for the six months		284,968			284,968
Other comprehensive Income movements		-		728,168	728,168
Total Comprehensive Income for the six months		284,968		728,168	1,013,136
Dividends to shareholders		-			-
Balance 31 December 2019		6,801,893	4,600,000	3,535,966	14,937,859
30 June 2020					
Balance 1 July 2019		6,516,925	4,600,000	2,807,798	13,924,723
Profit for the year		840,690			840,690
Other comprehensive Income movements		-	-	728,168	728,168
Total Comprehensive Income for the year		840,690	-	728,168	1,568,858
Dividends to shareholders		(903,993)	-	-	(903,993)
Balance 30 June 2020		6,453,622	4,600,000	3,535,966	14,589,588

Statement of Financial Position
As at 31 December 2020

	Note	December 2020 $	December 2019 $	June 2020 $
CURRENT ASSETS				
Cash & Cash equivalents	6	14,639	421,758	867,261
Trade & Other Receivables		2,419,245	2,604,360	2,323,245
Doubtful Debt Provision		(4,826)	(6,058)	(43,916)
Inventories		652,376	783,935	760,047
Work in progress		433,657	360,991	566,263
Right-of-use - Leased Assets		44,636	47,289	29,538
Prepayments		183,495	213,025	33,880
Total Current Assets		3,743,222	4,425,300	4,536,318
NON CURRENT ASSETS				
Plant, Property & Equipment	5	15,667,460	15,008,414	15,159,716
Capitalised Quarry Expenses		50,805	64,718	57,220
Right-of-use - Leased Assets		14,683	13,145	-
Mix Designs		5,596	7,631	6,614
Resource Consents		20,156	20,884	20,520
Total Non current assets		15,758,700	15,114,792	15,244,070
Total assets		19,501,922	19,540,092	19,780,388
CURRENT LIABILITIES				
Trade payables		1,241,879	1,093,818	1,494,976
Bank Overdraft	6 & 11	301,389	-	-
Borrowings	11	61,730	58,800	60,350
Provision for Goods and Services Tax		238,002	421,525	141,148
Lease Liability		46,084	47,165	34,277
Accrued expenses		63,871	69,994	86,938
Accrued Employee Benefits - Current		1,098,645	1,037,821	1,361,678
Accrued Restoration costs		7,338	20,000	7,338
Prepaid income		212,176	26,681	123,399
Current Tax Liability	4	155,939	111,831	202,606
Total current liabilites		3,427,053	2,887,635	3,512,710
NON CURRENT LIABILITIES				
Deferred tax liability	4	509,517	561,494	574,768
Term Borrowings	11	1,045,720	1,107,670	1,077,160
Lease Liability		15,292	14,888	-
Accrued Employee Benefits - Non current		27,890	30,546	26,162
Total non current liablities		1,598,419	1,714,598	1,678,090
Total liabilities		5,025,472	4,602,233	5,190,800
Net Assets & Liabilities		14,476,450	14,937,859	14,589,588
EQUITY				
Share Capital	7	4,600,000	4,600,000	4,600,000
Asset Revaluation Reserve		3,535,966	3,535,966	3,535,966
Retained Earnings	7	6,340,484	6,801,893	6,453,622
Total Equity		14,476,450	14,937,859	14,589,588

Statement of Cashflows
For the six months ended 31 December 2020

	Note	December 2020 $	December 2019 $	June 2020 $
CASHFLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from customers		10,587,293	11,669,274	22,126,264
Receipts from other Income		141,053	63,953	968,073
Interest received		47	387	842
		10,728,393	11,733,614	23,095,179
Cash was applied to:				
Payments to suppliers & employees		(10,609,891)	(10,162,627)	(19,181,622)
Donations and Sponsorships		(32,162)	(34,296)	(62,378)
Interest paid		(21,893)	(31,561)	(56,073)
Taxation (paid)/refunded		(46,667)	(245,785)	(245,785)
		(10,710,613)	(10,474,269)	(19,545,858)
Net cashflows from operating activities		17,780	1,259,345	3,549,321
CASHFLOWS FROM INVESTING ACTIVITIES				
Cash was provided from:				
Proceeds from sale of fixed assets		211,940	106,685	313,063
		211,940	106,685	313,063
Cash was applied to:				
Fixed assets purchased		(1,353,671)	(863,539)	(1,919,346)
Total cash applied		(1,353,671)	(863,539)	(1,919,346)
Net Cashflows to investing activities		(1,141,731)	(756,854)	(1,606,283)
CASHFLOWS FROM FINANCING ACTIVITIES				
Cash was provided from:				
Proceeds from borrowings		-	-	-
		-	-	-
Cash was applied to:				
Dividends Paid		-	-	(903,993)
Lease Payments				(62,091)
Repayment of borrowings		(30,060)	(28,740)	(57,700)
		(30,060)	(28,740)	(1,023,784)
Net cashflows to financing activities		(30,060)	(28,740)	(1,023,784)
Net increase/(decrease) in cash held		(1,154,011)	473,751	919,254
Cash Held at beginning of the period		867,261	(51,993)	(51,993)
Cash Held at the end of the period		(286,750)	421,758	867,261
Made up of:				
BNZ current accounts		(301,389)	406,851	852,502
ANZ current accounts		14,479	14,647	14,599
Petty cash		160	260	160
		(286,750)	421,758	867,261

Notes to the financial statements for the six months ended 31 December 2020

Note 1: Accounting Policies

Reporting Entity

The unaudited financial statements of Whitestone Contracting Limited are for the six months ended 31 December 2020 and were authorised for issue by Directors on 10 February 2021.

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 2022.

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:

No changes have been made to the accounting policies after 30 June 2020.

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.

Leases

The Company as lessee

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

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

The Company as a lessor

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

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

Goods and Services Tax

These financial statements have been prepared on a GST exclusive basis and any net GST due or owing at balance date is included in debtors or creditors (as appropriate). Accounts receivable and accounts payable are stated inclusive of GST. Where GST is not recoverable as an input tax then it is recognised as part of the related asset and expensed.

Income Tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantially enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantially enacted by balance date. Current tax and deferred tax are charged or credited to the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Notes to the financial statements for the six months ended 31 December 2020

Inventories

Inventories, comprising materials and work-in-progress, are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis.

The write down from cost to net realisable value is recognised in the Statement of Comprehensive Income.

Work in progress

Work-in-progress includes materials and labour accumulated against jobs, but not invoiced as at balance date.

Financial Instruments

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

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

Financial Assets

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

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

Impairment of financial assets at amortised cost:
The following financial assets are subject to the impairment requirements:
Trade receivables – simplified model

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

Notes to the financial statements for the six months ended 31 December 2020

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 every three years to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

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.

Advance removal of overburden and waste rock unsold

Advance removal of overburden and waste rock is amortised over the current year and succeeding income years in line with the expected benefit provided by the removal.

Capitalised quarry development expenditure

Quarry development expenditure is amortised at a rate of 20% per annum.

Intangible Assets

Software

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring into use. Costs associated with maintaining computer software are recognised as an expense when incurred. The useful life of software is amortised on a diminishing value basis at a rate of 40-60%.

Costs associated with the development and maintenance of the company’s website are recognised as an expense when incurred.

Resource Consents

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

Asphalt Mix Designs

Asphalt Mix designs developed by the company are regarded as having infinite lives. They are not amortised but tested annually for impairment.

Impairment of Non-financial Assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the

amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell or value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service.

The value in use for cash-generating assets is the present value of expected future cash flows.

If an asset’s carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For re-valued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the Statement of Comprehensive Income.

For assets not carried at a re-valued amount, the total impairment loss is recognised in the Statement of Comprehensive Income.
The reversal of an impairment loss on a re-valued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the Statement of Comprehensive Income, a reversal of the impairment loss is also recognised in the Statement of Comprehensive Income.

For assets not carried at a re-valued amount (other than goodwill) the reversal of an impairment loss is recognised in the Statement of Comprehensive Income.

Employee Entitlements

Short-term benefits

Employee benefits that the company expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and long service leave entitlements expected to be settled within 12 months, and sick leave.

The company recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the company anticipates it will be used by staff to cover those future absences.

The company recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Long service leave

Entitlements that are payable beyond 12 months, such as long service leave; have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements and;
- the present value of the estimated future cash flows. The discount rate is based on the weighted average of Government interest rates for stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is applied on the expected long-term increase in remuneration for employees.

Superannuation schemes:

Defined contribution schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the Statement of Comprehensive Income in periods during which the services are rendered by employees.

Provisions

The company recognises a provision for future expenditure of uncertain amount of timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance expense.

Equity

Equity is the Shareholders interest in the Company as measured by total assets less total liabilities.

The components of equity are:

- Share Capital.
- Retained Earnings
- Revaluation Reserve

Notes to the financial statements for the six months ended 31 December 2020

Critical Accounting Estimates and Assumptions
In preparing these financial statements the company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Construction work in progress
Construction work in progress is the significant area where estimates have been made. This has been calculated in accordance with the construction work in progress policy.

Revaluation of property, plant and equipment
The Company carries its land and buildings (classified as property, plant and equipment) at revalued amounts.

Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of property.

Notes to the financial statements for the six months ended 31 December 2020

NOTE 2: OPERATING REVENUE

	December 2020	December 2019	June 2020
	$	$	$
Includes;			
Operating Income			
Maintenance Contract Revenue	4,604,249	4,245,332	9,577,165
Installation and Construction Contract Revenue	4,242,098	4,496,716	8,641,374
Non Contract Work	1,767,166	1,964,966	2,851,231
Rental Income	38,223	33,874	77,396
	10,651,736	10,740,888	21,147,166
Other Income			
Government Subsidies	0	0	812,028
Dividends	14	22	22
Depreciation Recovered	132,657	49,512	132,172
Gain on Sale plant property and equipment	8,382	14,419	23,851
Total Other Income	141,053	63,953	968,073
Total Income	10,792,789	10,804,841	22,115,239

NOTE 3: OPERATING EXPENDITURE

	December 2020	December 2019	June 2020
Included in operating expenses are the following items:	$	$	$
Remuneration of auditor	15,692	21,996	35,911
Depreciation	770,744	727,957	1,514,690
Loss on sale of fixed assets	4,283	1,639	5,125
Right-of-use Assets - Amortisation	14,266	30,896	61,792
Directors' fees	98,000	98,000	193,739
Directors Travel Expenses	3,001	4,753	6,861
Donations & Sponsorships	32,162	34,296	62,378
Rental and Service agreement costs	47,147	37,987	82,947
Bad debts written off	0	0	2,220
Fringe Benefit Tax	66,275	77,403	130,222
Insurance Premiums	132,105	120,647	252,205
Accident Insurance	71,734	63,341	138,285
Employee Benefits	4,739,634	4,438,064	8,843,009
Changes in provision for doubtful debts	(33,991)	(7,456)	35,299
Amortised advance removal of overburden	6,415	9,638	13,261
Impairment Asphalt Mix Designs	1018	1,018	2,035
Amortisation of Resource Consents	364	363	728
Stock Obsolecence	0	0	30,000
Materials	986,695	1,078,289	2,260,637

Notes to the financial statements for the six months ended 31 December 2020

NOTE 4: TAX EXPENSE

	December 2020	December 2019	June 2020
	$	$	$
Components of tax expense			
Current tax expense in respect of current year	0	29,062	85,497
Adjustments to current tax in respect of prior years	0	0	34,339
Tax Effect of change to tax base of buildings	0	0	(73,104)
Deferred Tax effect of tax loss	(102,786)		
Deferred tax expense in respect of current year	37,535	9,210	127,978
Deferred tax expense other	0	0	(32,389)
Tax expense	(65,251)	38,272	142,321
Operating profit before income tax	(178,389)	323,241	983,011
Tax thereon at 28%	(49,949)	90,507	275,243
Plus/(less) taxation effect of differences:			
Tax effect on non assessable income			(289,928)
Tax effect of non deductible expense	(11,093)	(52,235)	228,160
Tax effect of prior year adjustment			1,950
Tax Effect of change to tax base of buildings	(4,209)		(73,104)
Tax effect of tax loss			
Tax effect of Differences	(15,302)	(52,235)	(132,922)
	(65,251)	38,272	142,321
Current tax balances			
Tax refund available	0	0	0
Current tax liability	(155,939)	(111,831)	(202,606)
	(155,939)	(111,831)	(202,606)
Deferred tax balance			
Deferred tax asset	362,391	321,741	264,605
Deferred tax (liability)	(871,908)	(883,235)	(839,373)
	(509,517)	(561,494)	(574,768)

Imputation Credit Account			
Balance at beginning of the year	2,345,968	2,450,634	2,450,634
Income tax payments	46,667	245,785	263,519
Credits attached to dividends paid	0	0	(351,553)
Refunds and Transfers	0	0	(16,632)
	2,392,635	2,696,419	2,345,968

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

Notes to the financial statements for the six months ended 31 December 2020

NOTE 5: PROPERTY PLANT AND EQUIPMENT

	December 2020	December 2019	June 2020
	$	$	$
During the period the company:			
acquired assets with a cost of	1,353,671	863,539	1,919,346
disposed of assets with a carrying value of	75,183	44,393	162,185
This resulted in a net (loss)/gain on sale for the period of	4,100	12,780	18,726
and depreciation recovered of	132,657	49,512	132,172
Net gain on revaluation of Land and Buildings	-	892,223	-

NOTE 6: CASH AND CASH EQUIVALENTS

	December 2020	December 2019	June 2020
	$	$	$
Cash at Bank	14,479	421,498	867,101
Petty Cash	160	260	160
Total cash and equivalents	14,639	421,758	867,261
Bank overdrafts	(301,389)	-	-
Net cash equivalents and bank overdrafts for the purposes of the statement of cashflows	(286,750)	421,758	867,261

NOTE 7: CAPITAL AND RESERVES

	December 2020	December 2019	June 2020
	$	$	$
Share capital	4,600,000	4,600,000	4,600,000
Closing Share Capital	4,600,000	4,600,000	4,600,000
Retained earnings			
Opening Balance	6,453,622	6,516,925	6,516,925
Net Surplus	(113,138)	284,968	840,690
Dividend	0	0	(903,993)
Closing Retained Earnings	6,340,484	6,801,893	6,453,622
Opening Property Revaluation Reserve	3,535,966	2,807,798	2,807,798
Movements in Revaluation Reserve	0	892,223	728,168
Deferred tax on Revaluation	0	(164,055)	0
Total Property Revaluation Reserve	3,535,966	3,535,966	3,535,966
Total Equity	14,476,450	14,937,859	14,589,588

Notes to the financial statements for the six months ended 31 December 2020

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

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

NOTE 8: COMMITMENTS

	December 2020	December 2019	June 2020
The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:	$	$	$
One year or less	82,321	82,399	73,089
One to two years	25,321	22,893	13,998
Two to five years	12,352	3,496	6,072
	119,994	108,788	93,159

The company is committed to a naming rights contract with the North Otago Rugby Union for $35,000 per annum. This contract expires 30 June 2021.

The company is committed to a naming rights contract with the the Oamaru Opera House for $20,000 per annum.

The company was committed to the purchase of the following item at balance date
Plant and Equipment $472,291

Notes to the financial statements for the six months ended 31 December 2020

NOTE 9: CONTINGENT LIABILITIES & CONTINGENT ASSETS

	December 2020	December 2019	June 2020
There are performance bonds in favour of:	$	$	$
Waitaki District Council	502,043	895,138	553,184
Mackenzie District Council	245,000	178,360	235,860
Clutha District Council	126,742	126,742	126,742
Waimate District Council	100,000	100,000	100,000
Queenstown Lake District Council	487,825	125,405	24,734
Network Waitaki	-	17,225	17,225
Pukeko Developments	-	42,252	42,253
Roading Company Limited Hanley Downs	79,754	79,754	79,754
Homestead Bay Peak Development	-	63,404	-
Lake Tekapo Enterprises	-	61,826	61,826
	1,541,363	1,690,106	1,241,578

Bonds are held guaranteeing fulfilment of obligations under particular contracts.
The company is released from the obligations when the performance under the contract is met.

The company has no contingent assets.

NOTE 10: RELATED PARTY TRANSACTIONS

	December 2020	December 2019	June 2020
	$	$	$
(a) Intergroup transactions and balances			
Services provided to Waitaki District Council	974,413	2,256,665	4,327,639
Amount receivable from Council	356,798	683,836	508,089
Services received from Waitaki District Council	11,888	75,086	177,980
Amounts owing to Council	1,445	1,381	36,744
Services provided to Waitaki District Health Services	0	5,587	11,174
Services received from Waitaki District Health Services	0	0	0
Amounts owing to Waitaki District Health Services	0	0	0
Amount receivable from Waitaki District Health Services	0	1,071	1,071
Services provided to Tourism Waitaki	0	1,654	1,654
Services received from Tourism Waitaki	0	0	0
Amounts owing to Tourism Waitaki	0	0	0
Amount receivable from Tourism Waitaki	0	0	0

The company provides civil construction and maintenance services to the Waitaki District Council.

The amounts included in this note exclude goods and services tax.
All services were provided on commercial terms.
No related party debts have been written off during the period.

Notes to the financial statements for the six months ended 31 December 2020

NOTE 11: BORROWINGS

	December 2020	December 2019	June 2020
	$	$	$
Bank Overdraft (Note 7)	301,389	0	0
Bank of New Zealand - Current	61,730	58,800	60,350
Bank of New Zealand - Term	1,045,720	1,107,670	1,077,160
Total borrowings	1,408,839	1,166,470	1,137,510

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

The group bank overdraft facility totals $1,000,000. (2019: $1,000,000)
The current interest rate on the overdraft facility is 3.50% (2019 4.61%)
In addition the company has an undrawn Credit Plus facility of $1,900,199
The company has a customised average rate loan facility of 1,107,450
The current intrest rate on the customised average rate loan facility is 3.29%

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

NOTE 12: FINANCIAL INSTRUMENTS
During the six months to 31 December 2020 no changes were made to the groups financial risk management policies. Our policies and objectives are consistent with our consolidated financial statements to the year ended 30 June 2020.

NOTE 13: EVENTS AFTER BALANCE DATE
No material events occurred after balance date.

Directory

Directors

Michael John de Buyzer
LLB Notary Public (Appointed 1 July 2008)

Stephen Richard Thompson
Bcom, F.C.A (PP), CFInstD (Appointed 11 December 2012)

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

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

Edward George Kelcher
Institute of Quarrying Honorary Fellow
(Appointed 1 January 2020)

Postal Address
P O Box 108, Oamaru
Phone (03) 433 0240
Fax (03) 434 1270

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

Bankers
Bank of New Zealand
ANZ

Solicitors
Hope & Associates, Oamaru
Berry & Co, Oamaru

Authorised Capital 4,600,000 Ordinary Shares

Company Number DN 549270

Country of Incorporation New Zealand

Registered Office State Highway One, Deborah, Oamaru

Insurer Marsh Ltd (Brokers)

Executive Managers

Chief Executive	Glenn Campbell
Executive Manager Central Otago	Paul Bisset
Executive Manager Construction & Surfacing	Julian Hardy
Executive Manager Corporate Services Manager	Tony Read
Executive Manager Business Development & Maintenance	Linton Clarke

Web address www.whitestone.co.nz