

***Barrhill Chertsey Irrigation Limited
Financial Statements
for the Year Ended 31 March 2008***

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**Barrhill Chertsey Irrigation Limited
Chairman's Report
For the year ended 31 March 2008**

Although it is with some frustration that my second annual report as Chairman cannot announce the commencement of construction of the BCI infrastructure, it is satisfying to look back on a year of significant achievement for the company.

Development partner Electricity Ashburton Limited (EA) made significant commitments to engineering work for the primary canal at Happy Valley in preparation for a hearing to gain resource consents for the variations to the original BCI proposal. The hearing was originally set down for November 2007 but was shifted to February 2008. The consents were finally granted in May 2008.

EA also secured access to the majority of the remaining land required for the development of the primary canal from the Rakaia river intake to the Highbank power station.

Assuming that a satisfactory water swap arrangement can be achieved with RDR, BCI prepared an application to extend the area of use of BCI water to include much of the upper plains of Mid Canterbury. This process involved a comprehensive assessment of the environmental effects of the proposal. This application was lodged in March 2008 and is expected to require a hearing later in the year.

BCI also engaged three engineering consultancies to undertake a distribution scoping study which considered the most cost effective and efficient alternatives for distribution of water from the RDR to farm.

The pricing of the distribution network was then bundled to include the costs of servicing the use of the EA canal for delivering water and the Trust Power indicative costs for delivering water into the RDR. Deloitte prepared a financial model based around uptake indications in the July 2006 survey and based on the estimated total costs this model has been updated over the period to provide predicted long term operating costs. The model uses the latest proposed capital structure which has been developed through discussions with EA and the Ashburton District Council.

BCI took much of this information to a series of well supported farmer meetings in December 2007 in the areas which might potentially have access to water.

The business case has been developed assuming use of the RDR and being able to negotiate access to the RDR and water swap agreements. Advisors to the Rangitata Diversion Race Management Limited (RDRML) considered this could detrimentally affect the resource consents held by RDRML. After lengthy consultation it was decided to apply to the Environment Court for a declaratory judgment on a number of issues .If a favourable decision is given this will open the way to negotiate agreements as to access and water swaps with RDRML. The project has not proceeded further as BCI has not been able to negotiate a commercial agreement with RDRML to satisfy the overall business case until after the decision of the Court. Without access to the RDR for the proposed water swap and distribution of water, the chances of gaining sufficient farmer support is minimal.

BCI has continued to have a good working relationship with RDRML and the parties have collectively undertaken studies to establish the technical feasibility of the water swap and use of the RDR for BCI water.

Although significant work has been undertaken BCI has not been well resourced for the year's activities. The company has taken the approach that it would like to have a certain business case prepared before it goes to prospective irrigators for further funding. BCI directors were not prepared to commit to work without known funding and outside non-recourse loans were sought, providing no liability to the company.

EA and ADC provided the majority of the funding for the year's activities and directors personally guaranteed an overdraft facility for the company. The Board is grateful for the support of EA without which the progress made to date could not have been achieved.

Some funding has recently been announced from the MAF Community Irrigation Fund for the purpose of promoting the scheme to farmers. The contract is still to be finalised and the criteria for funding is quite specific.

BCI would anticipate seeking financial support from prospective irrigators in the short term to enable payment of the costs that will need to be incurred to finalise agreements with RDRML and meet continuing consultants costs.

I wish to thank the BCI board and extended project team for their commitment to achieving a positive project outcome over the last year.

John Wright
Chairman

Barrhill Chertsey Irrigation Limited
Company Particulars
Year Ended 31 March 2008

Incorporation	27-Aug-98	
Company Number	922777	
IRD & GST Number	71-834-628	
Share Capital	Fully Paid Existing Shares	51,146
	Fully Paid Founder Shares	600,000
	Fully Paid Preference Shares	15,000
Constitution	The Company adopted its own Constitution dated 11 May 1998	
Registered Office	257 Havelock Street Ashburton	
Directors	John Alexander Wright (Chairman) Marrs Road No 12 R D Rakaia	Christopher John Bell Taverners Road No 2 R D Ashburton
	Roger Anthony Bonifant Avoca Wakanui No 7 R D	Colin Robert Maw Backtrack Road No 12 R D Rakaia
	Mark Christopher Robinson "Kinellar" No 6 R D Ashburton	Bruce Robert Sim Urral Road No 6 R D Ashburton
Bankers	National Bank of New Zealand Ltd P O Box 112 Ashburton	
Accountants	Croys Ltd 257 Havelock Street Ashburton	
Secretary	Trevor J Croy, FCA, ACIS 257 Havelock Street Ashburton	
Auditors	Myers & Co 201 - 213 West Street Ashburton	



Barrhill Chertsey Irrigation Limited
Annual report
Year Ended 31 March 2008

The Directors submit the annual report of the company and the financial statements of the company for the Year Ended 31 March 2008.

FINANCIAL STATEMENTS

The Financial Statements attached to this Report form part of and should be read in conjunction with this report. The directors consider there are no unusual or other matters which warrant their comment other than those discussed below and the company's situation is clearly stated by the accounts.

Reliance is placed on the close association of shareholders and directors in the daily management of the company, and hence the knowledge of its situation.

CHANGE IN BUSINESS

There has been no material change in the company's business or classes of business that the company is engaged in during the year that is material to an understanding of the company's business.

DIRECTORS

The directors of the company during the year under review were;

Bruce R Sim

Colin R Maw

Roger A Bonifant

Christopher J Bell

John A Wright (Reappointed 22 August 2007)

Mark C Robinson (Reappointed 22 August 2007)

DIRECTORS INTERESTS

The following entries have been recorded in the interests register for the year ended 31 March 2008.

John Wright has Directorship in the following Companies:

- * United Wheatgrowers (NZ) Limited
- * Member of Foundation of Arable Research
- * J A Wright Farm Limited
- * Wright Farms Methven Limited
- * Advanced Feed Limited

Roger Bonifant has Directorship in the following Companies:

- * Motor Trade Finances Limited (Chairman)
- * Rawlinsons Limited (Chairman)
- * Ashburton Contracting Limited (Chairman)
- * Timaru District Holdings Limited (Deputy Chairman)
- * Rural Equities Limited
- * W Pinckney Limited
- * CBS Canterbury
- * Lynn River Limited
- * Hobsonville Land Company Limited (Resigned 30 April 2008)
- * Hawkesbury Community Living Trust (Trustee) (Appointed 31 March 2008)



Barrhill Chertsey Irrigation Limited
Annual report
Year Ended 31 March 2008

Colin Maw has Directorship in the following Companies:

- * Poplar Grove Farm Limited
- * Highbank Water Society Limited
- * Member of the Arable Research Group for Foundation of Arable Research

Mark Robinson has Directorship in the following Companies:

- * Mountainview Borage Limited
- * Mountainview Park Limited

Bruce Sim has Directorship in the following Companies:

- * Bruce Sim Farm Limited
- * Kapeti Kale Growers Limited
- * Highbank Water Society Limited

DIRECTORS REMUNERATION

No Directors or former Directors received any remuneration or other benefits from the company during the year.

DIRECTORS SHARE DEALING

During the year no directors acquired or disposed of equity securities in the Company.

DIRECTORS & OFFICERS LIABILITY INSURANCE

As elected by the Directors and Officers of the Company, no Insurance has been acquired prior to 31 March 2008.

EMPLOYEE REMUNERATION

No employees or former employees of the company, not being Directors of the company, received remuneration or other benefits in their capacity as employees exceeding \$100,000 per annum.

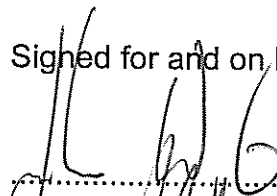
DONATIONS

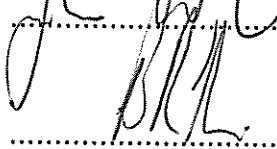
The company did not make any donations during the year.

AUDIT

The financial statements of the company have been audited by Myers & Co and the amounts payable to the auditor are shown as a separate amount in the financial statements.

Signed for and on behalf of the Board on 09 SEP 2008 (date)

 John A Wright

 Bruce R Sim



Barrhill Chertsey Irrigation Limited
Balance Sheet
As at 31 March 2008

	Notes	2008 \$	2007 \$
Equity		<u>(70,450)</u>	<u>32,495</u>
Represented by:			
Current Assets			
Cash and cash equivalents	5	15,618	2,299
GST receivable		13,325	502
Investments	6	<u>-</u>	<u>48,270</u>
		28,943	51,071
Current Liabilities			
Trade and other payables	8	<u>105,985</u>	<u>3,576</u>
		105,985	3,576
Working Capital Deficit		(77,042)	47,495
Non Current Assets			
Intangible assets	7	<u>21,592</u>	<u>-</u>
		21,592	-
Non Current Liabilities			
Preference Shares	13	<u>15,000</u>	<u>15,000</u>
		15,000	15,000
Net Assets		<u>(70,450)</u>	<u>32,495</u>

The above statement should be read in conjunction with the accompanying notes.



Barrhill Chertsey Irrigation Limited
Income Statement
Year Ended 31 March 2008

	Notes	\$	\$	2008 \$	2007 \$
Income					
Interest				2,378	3,529
Expenditure					
Legal fees		60,908			10,617
Consultancy Fees		11,635			-
Research Fees		22,617			8,500
Printing & Stationery		3,528			320
Accountancy & Secretarial		1,950			1,950
Audit Fees		1,320			1,391
Subscriptions		-			100
Companies Office Charges		250			100
Bank Charges		78			79
		<u>102,286</u>			<u>23,057</u>
Fixed expenses					
Interest		11			8
Hall Hire		100			100
		<u>111</u>			<u>108</u>
Operating expenses					
Travel expenses		138			-
Presentations		176			-
Consent Charges		2,612			312
		<u>2,926</u>			<u>312</u>
Total expenditure			<u>105,323</u>		<u>23,477</u>
Deficit for year			<u><u>(102,945)</u></u>		<u><u>(19,948)</u></u>

The above statement should be read in conjunction with the accompanying notes.



Barrhill Chertsey Irrigation Limited
Statement of Changes in Equity
Year Ended 31 March 2008

	2008	2007
	\$	\$
Equity at the start of the year	32,495	52,443
Net deficit for the year	(102,945)	(19,948)
Total recognised income and expenses	<u>(102,945)</u>	<u>(19,948)</u>
Equity at the end of the year	<u>(70,450)</u>	<u>32,495</u>

The above statement should be read in conjunction with the accompanying notes.



Barrhill Chertsey Irrigation Limited
Cashflow Statement
Year Ended 31 March 2008

	Note	2008 \$	2007 \$
Cash flows from operating activities			
Paid to suppliers		(14,282)	(20,290)
Interest received		2,379	3,529
Interest paid		(11)	(8)
Goods and services tax (net)		(1,445)	55
Tax Refund		-	165
Net cash from operating activities	9	<u>(13,359)</u>	<u>(16,549)</u>
Cash flows from investing activities			
Purchase of intangible assets		<u>(21,592)</u>	-
Net cash from investing activities		(21,592)	-
Cash flows from financing activities			
Funds provided from term deposits		<u>48,270</u>	<u>1,730</u>
Net cash from financing activities		48,270	1,730
Net increase/(decrease) in cash and cash equivalents		13,319	(14,819)
Cash equivalents at the beginning of the year		2,299	17,118
Cash equivalents at the end of the year	5	<u><u>15,618</u></u>	<u><u>2,299</u></u>

The above statement should be read in conjunction with the accompanying notes.



Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
Year Ended 31 March 2008

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

The financial statements presented here are for the entity Barrhill Chertsey Irrigation Limited. Barrhill Chertsey Irrigation Limited (the Company) is a company incorporated in New Zealand, and registered under the Companies Act 1993. The Company is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements of the Company have been prepared in accordance with the Financial Reporting Act 1993.

2. Basis of Preparation

Financial reporting standards applied

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis are followed by the Barrhill Chertsey Irrigation Limited, unless otherwise noted in a specific accounting policy. These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and therefore also comply with International Financial Reporting Standards. For this purpose the company has designated itself as profit-oriented. The following specific accounting policies which materially affect the measurement of profit and the financial position have been applied.

Measurement Base

The financial statements are prepared on the historical cost basis unless otherwise noted in a specific accounting policy.

Presentation Currency

These financial statements are presented in New Zealand dollars.

3. Specific Accounting Policies

The accounting policies used in the preparation of these financial statements are set out below. The policies have been consistently applied to all years presented.

(a) Intangible assets

The company has ownership of resource consents, which are subject to the lapsing provisions of s125 of the Resource Management Act. These consents will lapse in September 2010 if not used. The consent expires in January 2035.

(b) Interest Income

Interest income on cash and cash equivalents and investments is recorded as revenue in the period it is earned.

(c) Cash and Cash Equivalents

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

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
Year Ended 31 March 2008

(d) Share capital

Ordinary shares and preference shares redeemable for ordinary shares are classified as equity. Direct costs of issuing shares are shown as a deduction from the proceeds of the issue. Preference shares that are not redeemable for ordinary shares are classified as debt.

(e) Research and development costs

Research expenditure is recognised in the income statement in the period in which it is incurred. Development costs are deferred where future benefits are expected to exceed those costs, otherwise such costs are recognised in the income statement in the period in which they are incurred. Deferred development costs are amortised over future periods (not exceeding 10 years) in relation to expected future revenue in each period. Unamortised costs are reviewed at each balance date to determine the amount (if any) that is no longer recoverable, and any amount so identified is written off

(f) Financial Instruments

Financial instruments are recognised in the balance sheet when the group becomes party to a financial contract. They include cash balances, bank overdrafts, receivables, payables, investments in and loans to others, and term borrowings.

(g) Investments

Investments are initially recorded at fair value plus transaction costs, and subsequently at amortised cost using the effective interest method less any impairment losses. The amortisation is recorded in the income statement as interest earned.

(h) Borrowings

Borrowings are initially recorded at fair value net of transaction costs incurred, and subsequently at amortised cost using the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction, or production of assets that necessarily take a long time to build and/or prepare for use form part of the cost of that asset. Other borrowing costs are recognised as an expense in the period they are incurred.

(i) Cashflows

For the purpose of the cash flow statement, cash includes cash on hand and deposits held at call with banks, net of bank overdrafts.

(j) Goods and Services Tax (GST)

The financial statements have been prepared exclusive of GST, with the exception of receivables and payables.

4. Going Concern

The company is technically insolvent with net assets of \$(70,449) and a working capital deficit of \$77,041. As a result the company is dependent upon the continued financial support of its shareholders and directors to meet its liabilities as they fall due. The directors have provided personal guarantees to ensure that bank funding is available to meet liabilities in the short term.

The directors are aware that the resource consents held by the company have a material commercial value. If these consents were offered for sale (which is not the intention of the directors) the directors are of the opinion that the company would be able to meet all of its liabilities both actual and contingent.

In addition to the above the company also continues to pursue an alternative commercial use for their original water allocation.



Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
Year Ended 31 March 2008

5. Cash and Cash Equivalents

	2008	2007
	\$	\$
National Bank Current account	1,020	850
National Bank Call Account	14,598	1,449
	<u>15,618</u>	<u>2,299</u>

6. Investments

	2008	2007
	\$	\$
Current Asset		
Short-term deposits with maturities between three months and one year	-	48,270
Weighted average effective interest rate	N/A	7.00%

7. Intangible Assets

The Company's intangible assets are made up of costs incurred in establishing resource consents.

	2008	2007
	\$	\$
Opening net book value	-	-
Additions	21,592	-
Amortisation expense	-	-
Closing net book value	<u>21,592</u>	<u>-</u>

8. Trade and Other Payables

	2008	2007
	\$	\$
Creditors and accruals	105,985	3,576
	<u>105,985</u>	<u>3,576</u>

The carrying value of payables approximates their fair value.

9. Reconciliation of Net Operating Surplus with Operating Cash Flow

	2008	2007
	\$	\$
<i>Net deficit</i>	(102,945)	(19,948)
<i>Add/(less) movements in working capital items:</i>		
Accounts receivable	(12,824)	(341)
Accounts payable	102,410	3,575
Taxation refund	-	165
<i>Net increase in cash from operating activities</i>	<u>(13,359)</u>	<u>(16,549)</u>

10. Contingencies

There are no contingent liabilities and no contingent assets as at 31 March 2008 (2007 Nil).

11. Commitments

As at 31 March 2008 the Board has agreed to reimburse agreed costs incurred by Rangitata Diversion Race Management Limited (RDRML). The costs incurred by RDRML relate to the impact of the Board's plans on RDRML's own resource consents.

At balance date the amount owing in this respect was \$71,998 (included within Trade & other payables).

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
Year Ended 31 March 2008

12. Share Capital

Share Capital is made up as follows:	2008 \$	2007 \$
Founder Shares	600,000	600,000
Existing Shares	51,146	51,146

All shares are fully paid up.

a) Founder Shares

These shares were originally issued with rights attached that gave the holder the option to convert each founder share into 1.5 shares having the right to receive water. These conversion rights were to be exercised in the event that the original proposal for the utilisation of water consents proceeded.

Where the holder is unable to take water as part of the scheme then each founder share will be convertible at the option of the holder into 1.5 redeemable preference shares of \$1.00 in the company. Such redeemable preference shares to be redeemed on such terms and conditions and at such time as the Board may determine.

b) Existing Shares

These shares were originally issued with rights attached that gave the holder the option to convert each founder share into 2 shares having the right to receive water. These conversion rights were to be exercised in the event that the original proposal for the utilisation of water consents proceeded.

Where the holder is unable to take water as part of the scheme then each founder share will be convertible at the option of the holder into 2 redeemable preference shares of \$1.00 in the company. Such redeemable preference shares to be redeemed on such terms and conditions and at such time as the Board may determine.

All shareholders are entitled to one vote per share held.

13. Redeemable Preference Shares

The redeemable preference shares (RPS) have no fixed date of repayment and are currently not interest bearing. In the event that any investment share is issued as part of additional capital raising then the company shall convert every 2 RPS into 3 investment shares with an issue price of \$1 each.

14. Imputation Credit Account

The company has the following imputation credits available for distribution at 31 March 2008:

	2008 \$	2007 \$
Opening balance at 1 April 2007	1,937.66	2,102.69
Less Tax Refund	-	165.03
Closing balance at 31 March 2008	<u>1,937.66</u>	<u>1,937.66</u>

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
Year Ended 31 March 2008

15 Explanation of transition to New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS)

The company's financial statements for the year ended 31 March 2008 are the first annual financial statements that comply with NZ IFRS. The Company's transition date is 1 April 2006 and the NZ IFRS balance sheet has been prepared at that date. The Company's NZ IFRS adoption date is 1 April 2007. The financial statements have been prepared in accordance with NZ IFRS 1.

Reconciliation of equity

The transition from previous New Zealand Generally Accepted Accounting Practice (NZ GAAP) to NZ IFRS has had the following changes in the Company's equity as at 1 April 2006 and 31 March 2007:

Redemmmable Preference Shares

The company's redeemable preference shares were previously classified as Share Capital but have now been reclassified as Non Current Liabilities.

	1 April 2006			31 March 2007		
	Previous NZ GAAP	Transition effect	NZ IFRS	Previous NZ GAAP	Transition effect	NZ IFRS
Non Current Liabilities						
Redeemable Preference Shares	-	15,000	15,000	-	15,000	15,000
	-	15,000	15,000	-	15,000	15,000
Founder Shares	600,000		600,000	600,000		600,000
Existing Shares	51,146		51,146	51,146		51,146
Redeemable Preference Shares	15,000	(15,000)	-	15,000	(15,000)	-
Retained Earnings	(598,703)		(598,703)	(618,651)		(618,651)
Equity	67,443	(15,000)	52,443	47,495	(15,000)	32,495

Reconciliation of net surplus

The transition from previous NZ GAAP to NZ IFRS has had no effect on the Company's deficit for the year ended 31 March 2007:

Statement of cash flows

There are no changes to the statement of cash flows on transition to NZ IFRS.

**AUDITOR'S REPORT
TO THE MEMBERS OF
BARRHILL CHERTSEY IRRIGATION LIMITED**



We have audited the financial statements on pages 6 to 14. The financial statements provide information about the past financial performance of Barrhill Chertsey Irrigation Limited and its financial position as at 31 March 2008. This information is stated in accordance with the accounting policies set out on pages 10 and 11.

Directors Responsibilities

The Directors are responsible for the preparation of financial statements that give a true and fair view of the financial position of Barrhill Chertsey Irrigation Limited as at 31 March 2008 and the results of operations and cash flows for the period ended on that date.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor we have no relationship with, or interests in, Barrhill Chertsey Irrigation Limited.

Fundamental Uncertainty

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements regarding the use of the going concern assumption. The financial statements have been prepared on a going concern basis, the validity of which depends upon the continuing financial support of the shareholders and directors of the company. Details of the circumstances relating to this fundamental uncertainty are described in note 4 of the financial statements.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Barrhill Chertsey Irrigation Limited as far as appears from our examination of those records; and
- the financial statements on pages 6 to 14:
 - comply with generally accepted accounting practice in New Zealand;
 - comply with International Financial Reporting Standards; and
 - give a true and fair view of the financial position of Barrhill Chertsey Irrigation Limited as at 31 March 2008 and the results of its operations and cash flows for the period ended on that date.

Our audit was completed on 9 September 2008 and our unqualified opinion is expressed as at that date.

Myers & Co.

MYERS & CO
CHARTERED ACCOUNTANTS
ASHBURTON