

Barrhill Chertsey Irrigation Limited
Financial Statements
for the Year Ended 31 March 2016

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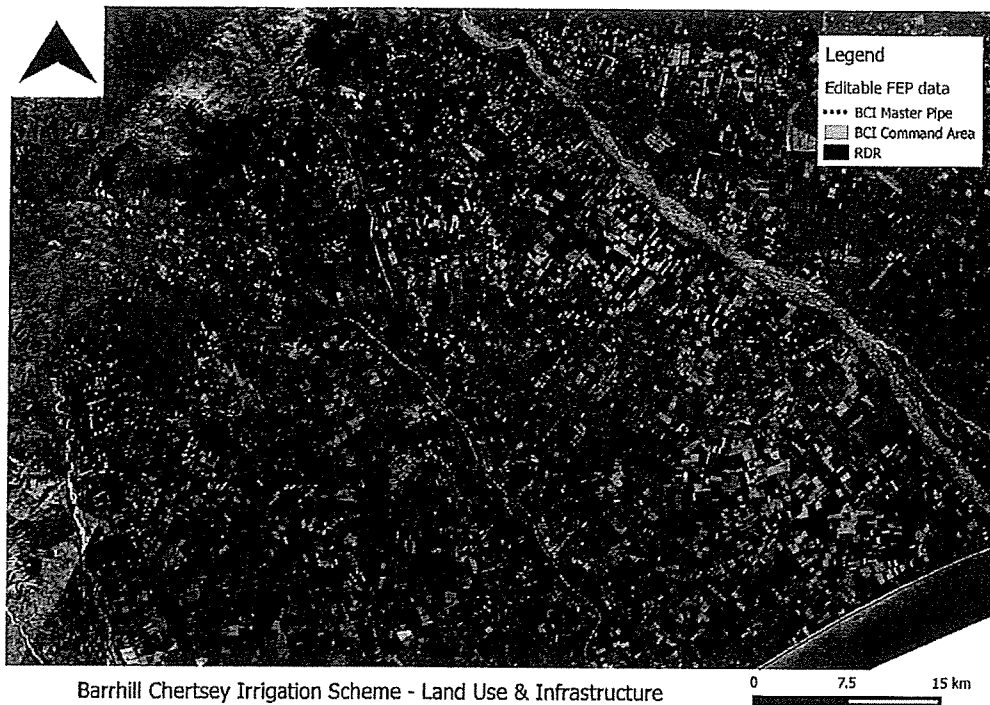
Auditor's Report

Chairman's Report

For the year ended 31 March 2016

The phenomenal growth of the BCI Scheme reported in last year's annual report has continued this year with 30% more pipe installed during the year than was installed in the original project in 2010. The scheme area grew by 39% going into the 2015/16 irrigation season on the back of a 30% increase the previous season. The Stage Two project was a major part of this growth. The Barrhill Chertsey Irrigation Scheme is now providing irrigation to the Barrhill and Chertsey areas, as originally proposed by the founders of the Company. That has brought much satisfaction to the Joint Venture, and to the Board of Barrhill Chertsey Irrigation Limited.

The BCI Scheme now has around 200km of buried pipe and provides water to around 140 irrigators.



The scheme including, the new Barrhill intake and hydro generator in the later part of the season, performed well again this season. The dry conditions this growing season resulted in the use of more than 55 million cubic meters of water by irrigators, although the average use per hectare is aligned with the previous season. The scheme contracted 9.5 million cubic meters of storage with Trustpower Limited in Lake Coleridge this year. This facility provided fantastic reliability for those who took advantage of it.

The JV is experiencing improving operating profit before depreciation reflecting the increased scale.

As the Scheme matures there is an enhanced focus on long term economic and environmental sustainability and some exciting initiatives have been taken this year.

Barrhill Chertsey Irrigation Ltd

The Company has a strong focus on growing the BCI scheme through raising capital from new and expanding irrigators. Although the Company did not register a prospectus in the financial year, the prospectus registered in March 2015 closed in June with a good level of uptake in the upper plains and additions to the stage two volume.

The Company raised close to \$2,900,000 from farmer shareholders and invested \$6,080,000 in the Joint Venture with Electricity Ashburton Limited, bringing the total investment to \$18,680,000 at 31 March 2016.

A further \$822,815 was loaned to the Joint Venture, being monies raised through the issue of “dry shares” in the stage two area. A strategic decision was made the previous year to issue these shares for future uptake of water to a small number of farmers in that area to assist funding the optimal infrastructure for future requirements. That capital was transferred to the Joint Venture as a loan and will not be matched by Electricity Ashburton Limited until those shareholders take water. Some of these shareholders will be taking water in the next irrigation season.

Barrhill Chertsey Irrigation Limited’s income is primarily from the Joint Venture in the form of an administration charge, plus interest earned on any share capital held. Cash revenue for the year exceeded administration and operating expenses by \$12,000. Cash at balance date was \$270,637.

The Company’s equity has, however, been eroded over the year by approximately \$1.8M due primarily to accounting losses in the Joint Venture, 30% of this was due to the accounting treatment of the fair value of interest rate swaps used to manage the impact of interest rate fluctuation on the scheme’s debt.

The Board has spent considerable time focused on strategy for the Company, both with its Joint Venture partner Electricity Ashburton Limited and without. As the scheme is reaching a reasonable critical mass the Board has recognised the importance of strategically reviewing the Company’s long term direction, including the ownership of various parts of the delivery network and capital structure.

The Annual Meeting in August 2015 saw Mark Robinson retire by rotation. Mark stood for re-election, and retained his position. Colin Maw remained on the Board as a co-opted Director. In September the Board appointed Jeremy Smith as an independent Director. Jeremy comes from a commercial and legal background and is proving to be an extremely valuable addition to the Board.

Joint Venture

The Joint Venture committee experienced some changes this year with John Tavendale retiring from the Board of Electricity Ashburton Limited and therefore losing his position on the JV Committee. Both BCIL and EA agreed that he should continue as independent Chairman of the Joint Venture. Phil McKendry and Gordon Guthrie now represent Electricity Ashburton Limited on the Joint Venture Committee. I have resigned from the JV Committee with my position being taken by Jeremy Smith. Jeremy and Malcolm Cairns represent Barrhill Chertsey Irrigation Limited on the Committee.

The scale and complexity of the scheme continues to grow, requiring more human resource and capability. John Wright continues to manage the operations and developments as General Manager, supported by Mike Lamb as projects manager and Helen Stanger as Planning and Compliance Manager. The majority of the team operates out of the Irrigo office in Ashburton.

Helen has been supported this year in the planning area by Belinda Meares. This has greatly assisted in spreading the daily planning workload. The planning process has become far more complicated with a larger number of shareholders and the management of stored water. Joe Cuthers continues in the field with occasional support provided on contract. The majority of the operational issues continue to relate to technology, being flow meters, radios and pump controllers. Mike has been supported this year by Wybren de Vries who has project managed the new connections in the upper plains while Mike was focusing on the stage two project.

Mike has had a very challenging year with the stage two project requiring more intensive project management than we anticipated. Mike put his heart and soul into achieving a positive outcome and worked closely with the large number of contractors involved in the development. The outcome has been fantastic. This was showcased on an open day for irrigators and affected landowners in April 2016.

The BCI Scheme increasingly relies on the administrative support of the team at Irrigo House. This team is growing quickly to meet demand from the shareholder schemes. Eva Harris, as Irrigo Environmental Manager, continues to provide great leadership in the environmental arena and has ensured the scheme has met compliance requirements under the scheme's land use consent. Eva has recently been joined by Megan Hands who is an approved auditor of farm environment plans, a move to provide more cost effective and consistent performance in this area.

The Joint Venture engaged in the regional planning process known as Plan Change Two through the year. This process involved a community wide consultative process in the Hinds Plains zone, where around 30% of the scheme's water is used. It culminated in a hearing to establish sub regional rules designed to reduce nitrate levels in ground and surface water, in part by limiting intensification. The outcome of that hearing was that the BCI scheme was technically unable to supply water to new irrigators in the Hinds Plains

area after 15 February 2016. This result was unexpected and catastrophic for the scheme's development plans in the zone, particularly for nine shareholders who were expecting to take water in the spring of 2016. The Joint Venture has appealed the decision in the High Court on points of law, and is confident it will be able to continue to implement its land use consent in the area.

This year has involved the biggest development in the scheme's history. A combination of the stage two project and further connections in the upper plains has resulted in the installation of around 90 km of new pipe and the expenditure of close to \$41 million. This development was funded by a new debt facility with the BNZ of an additional \$26 million, and equity contributed by the Joint Venture partners.

The majority of the expansion related to the stage two project. This included a number of innovations. The network included a new intake at Barrhill, 27 km of large bore GRP (fiberglass) pipe, 45 km of PE (polyethylene) pipe, and the installation of a 560 kW hydro generation plant at Lavington farm 7 km downstream of the Barrhill intake. The project had two principle contractors being Rooney Earthmoving and Monadelphous Engineering NZ, both of whom performed very well within a short programme timeline.

The project highlighted the importance of the support of landowners for access, with pipe being installed on over 25 farms where BCI water was not required. These landowners showed great support for this community project, and the JV recognises the short term disruption imposed on these farming families and the ongoing obligations on them.

In the 2015/16 season, the scheme utilised around 200km of pipe to deliver 8.5 cumecs to 137 irrigator shareholders on approximately 19,000 hectares.

All connections to the new network were completed by November 2015 and the hydro generation plant was commissioned in February 2016. The generator is operating well and meeting output expectation. It has heightened our awareness of the variable power prices experienced in the market. This will build our knowledge and lead to some opportunities in the management of power prices in relation to our pumping requirements in the network.

The ongoing dispute with RDR Management Limited over the operational charging regime was settled in September 2015. This has significantly reduced the scheme's operating costs, and improved the relationship between BCI and RDRML and the RDR Irrigation Scheme Boards. The dispute consumed a great deal of time and energy over a number of years and we are pleased to be able to move on following a positive result.

Acton

The BCI Scheme continues to work closely with the Acton Scheme in operational and environmental areas. The Acton Scheme is now close to full capacity of 3 cumecs and Barrhill Chertsey Irrigation Limited issued a further 13,565 BCI Acton Shares in March 2016 to accommodate the growth to this level. All Acton Scheme shareholders remain

shareholders in Barrhill Chertsey Irrigation Limited, holding 187 BCI Acton shares for every one litre per second of water they have contracted with the Acton co-operative.

Conclusion

The BCI Scheme has achieved a number of significant milestones this year and is showing the benefits of achieving a certain critical mass. Following the biggest construction season in the history of the Joint Venture, the focus of the Barrhill Chertsey Irrigation Limited Board is now firmly on the long term costs of delivery of water to its shareholders. Over the next couple of years the Company hopes to present shareholders with opportunities to manage those long term costs.

Thanks

I wish to thank the BCI board and our Joint Venture partners, Electricity Ashburton Limited, for their support over the last year. I wish to thank John Wright, our General Manager, and his staff. It has been a full on year with rapid expansion of the scheme, increased work in environmental and operational areas and development of strategic initiatives. The capacity for work by John and his team has been outstanding and appreciated.

Rab McDowell
Chairman
Barrhill Chertsey Irrigation Limited

Barrhill Chertsey Irrigation Limited
Company Particulars
as at 31 March 2016

| | | | | | | | |
|-----------------------------|---|-----------------|---|--------------|------------|-----------------------|---------|
| Incorporation | 27 August 1998 | | | | | | |
| Company Number | 922777 | | | | | | |
| IRD & GST Number | 71-834-628 | | | | | | |
| Share Capital | <table> <tr> <td>Ordinary Shares</td><td>0</td></tr> <tr> <td>I & D Shares</td><td>17,689,310</td></tr> <tr> <td>Acton Ordinary Shares</td><td>561,000</td></tr> </table> | Ordinary Shares | 0 | I & D Shares | 17,689,310 | Acton Ordinary Shares | 561,000 |
| Ordinary Shares | 0 | | | | | | |
| I & D Shares | 17,689,310 | | | | | | |
| Acton Ordinary Shares | 561,000 | | | | | | |
| Constitution | The Company adopted its own Constitution dated 11 May 1998. Amended 27 April 2009. | | | | | | |
| Registered Office | Level 2, 161 Burnett Street Ashburton | | | | | | |
| Directors | <p>Robert Ewan McDowell (Chairman) 1860 Arundel Rakaia Gorge Road No 5 R D Ashburton</p> <p>Robert Malcolm Cairns 1653 Rakaia Barrhill Methven Road No 12 R D Rakaia</p> <p>Jan Rosemary Early Moorehouse Road No 8 R D Ashburton</p> <p>Colin Robert Maw Back Track No 12 R D Rakaia</p> <p>Mark Christopher Robinson "Kinellar" No 6 R D Ashburton</p> | | | | | | |

Barrhill Chertsey Irrigation Limited
Company Particulars
as at 31 March 2016

Jeremy Brendan Smith
43 Jacksons Road
Merivale 8014
Christchurch

Bankers

Bank of New Zealand
304 East Street
Ashburton

Accountants

Croys Ltd
Level 2, 161 Burnett Street
Ashburton

Auditors

PricewaterhouseCoopers New Zealand
5 Sir Gil Simpson Drive
Canterbury Technology Park
P O Box 13244
Christchurch

Barrhill Chertsey Irrigation Limited
Annual Report
for the Year Ended 31 March 2016

The Directors submit the annual report of the Company and the financial statements of the Company for the Year Ended 31 March 2016.

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;

Robert E McDowell

Robert Malcolm Cairns

Jan Rosemary Early

Colin R Maw

Mark C Robinson

Jeremy Brendan Smith

Appointed 30 September 2015

DIRECTORS' INTERESTS

The following entries have been recorded in the interests register for the year ended 31 March 2016.

Robert E McDowell has Directorship in the following Companies:

* McDowell Mayfield Farm Limited

R Malcolm Cairns has Directorship in the following Companies:

* K & M Farming Limited

* Water Utilities Ashburton Limited

* RG & RM Cairns Limited

Barrhill Chertsey Irrigation Limited
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for the Year Ended 31 March 2016

Jan Early has Directorship in the following Companies:

- * Ruapuna Holdings Limited
- * Ruapuna Farms Limited

Colin Maw has Directorship in the following Companies:

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

Mark Robinson has Directorship in the following Companies:

- * Kinellar Dairies Limited
- * Mountainview Park Limited
- * Singlemalt Farms Limited

Jeremy Smith has Directorship in the following Companies:

- * Seamount Advisory Limited
- * Farra Engineering Limited
- * Holmes Group Limited
- * Orion New Zealand Limited
- * Water Utilities Ashburton Limited

DIRECTORS' REMUNERATION

The following Directors received remuneration as Directors Fees from the Company during the year.

| | | |
|-------------------|----------------|--------|
| Robert E McDowell | Directors Fees | 12,000 |
| R Malcolm Cairns | Directors Fees | 6,000 |
| Jan R Early | Directors Fees | 6,000 |
| Colin R Maw | Directors Fees | 6,000 |
| Mark C Robinson | Directors Fees | 6,000 |
| Jeremy B Smith | Directors Fees | 10,000 |

Barrhill Chertsey Irrigation Limited
Annual Report
for the Year Ended 31 March 2016

DIRECTORS' SHARE DEALING

The following table sets out each Director's relevant interest in shares of the Company held in their own name or where the Director is a Shareholder of a Company, or a Trustee of a Trust, or a Partner of a Partnership which owns shares in the Scheme as at the date of this report.

| Director | Class of Share | Ordinary Shares | Ordinary Acton Shares | I Shares | D Shares |
|-------------------|-------------------|-----------------|-----------------------|----------|----------|
| Jan R Early | Fully Paid Shares | - | - | 83,080 | 164,920 |
| Robert E McDowell | Fully Paid Shares | - | - | 140,700 | 279,300 |
| Colin R Maw | Fully Paid Shares | - | - | 33,500 | 66,500 |
| Mark C Robinson | Fully Paid Shares | - | - | 23,450 | - |
| R Malcolm Cairns | Fully Paid Shares | - | - | 14,070 | 27,930 |

The following table details each Director's relevant interest in share dealings of the Company for the year.

| Date | Director | Entity | Transaction | Total Consideration |
|--------------|-------------------|----------------------------|-------------|---------------------|
| 30 June 2015 | Robert E McDowell | McDowell Mayfield Farm Ltd | Purchase | \$165,025 |

All Directors' share dealing has been completed as arms length transactions.

DIRECTORS' & OFFICERS' LIABILITY INSURANCE

As elected by the Directors and Officers of the Company, Insurance has been acquired prior to 31 March 2016.

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.

Barrhill Chertsey Irrigation Limited
Annual Report
for the Year Ended 31 March 2016

CO-OPERATIVE COMPANIES ACT 1996 DECLARATION

The Company has throughout the period from 1 April 2015 until 31 March 2016 been a co-operative company.

The reasons why the directors consider that the Company has been a co-operative company under the Co-operative Companies Act 1996 during the said period are:

- a) the Company has been carrying out a co-operative activity as defined in Section 3 of the said Act;
- b) the Company has been marketing services to be provided by the Company to its shareholders being the supply of water for irrigation and has been entering into commitments to enter into commercial arrangements with its shareholders.

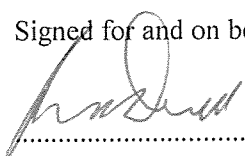
DONATIONS


The Company did not make any donations during the year.

AUDIT

The financial statements of the Company have been audited by PricewaterhouseCoopers New Zealand. All amounts paid to the auditor are shown as a separate amount in the financial statements.

Signed for and on behalf of the Board on 3 June 2016


..... Robert E McDowell


..... R Malcolm Cairns

Barrhill Chertsey Irrigation Limited
Statement of Financial Position
as at 31 March 2016

| | Notes | 2016 \$ | 2015 \$ |
|---|-------|-------------------|-------------------|
| Current Assets | | | |
| Cash and Cash Equivalents | 5 | 270,637 | 4,308,136 |
| Accounts Receivable | | 33,063 | 14,375 |
| Income Taxation Refund | | 15,071 | 9,145 |
| Irrigation Scheme Joint Venture Loan | 17 | 265,680 | 500,000 |
| GST Receivable | | 2,537 | - |
| Total Current Assets | | <u>586,988</u> | <u>4,831,656</u> |
| Non Current Assets | | | |
| Irrigation Scheme Joint Venture Loan | 17 | 858,535 | - |
| BCI - Electricity Ashburton Joint Venture | 6 | 15,123,755 | 10,821,078 |
| Fixed Assets | 7 | 448 | 552 |
| Total Non Current Assets | | <u>15,982,738</u> | <u>10,821,630</u> |
| Total Assets | | <u>16,569,726</u> | <u>15,653,286</u> |
| Current Liabilities | | | |
| Trade and Other Payables | 9 | 56,435 | 51,743 |
| GST Payable | | - | 112 |
| Total Current Liabilities | | <u>56,435</u> | <u>51,855</u> |
| Non Current Liabilities | | | |
| Deferred Tax Liability | 11 | 250,318 | 706,036 |
| Total Non Current Liabilities | | <u>250,318</u> | <u>706,036</u> |
| Total Liabilities | | <u>306,752</u> | <u>757,891</u> |
| Net Assets | | <u>16,262,974</u> | <u>14,895,395</u> |
| Equity | | | |
| Share Capital | 10 | 23,237,344 | 20,343,167 |
| JV Revaluation Reserve | | 1,308,071 | 1,308,071 |
| Retained earnings | | (8,282,441) | (6,755,843) |
| Total Equity | | <u>16,262,974</u> | <u>14,895,395</u> |

..... R E McDowell

..... R M Cairns

NOTE: This Statement is to be read in conjunction with the accompanying Notes to the Financial Statements and the Auditor's Report.

Barrhill Chertsey Irrigation Limited
Statement of Comprehensive Income
for the Year Ended 31 March 2016

| | Notes | 2016 | 2015 |
|--|-------|-------------|-------------|
| | | \$ | \$ |
| Revenue | | | |
| Interest | | 21,162 | 32,662 |
| Joint Venture Admin Charge | | 150,000 | 137,500 |
| Total Revenue | | 171,162 | 170,162 |
| Share of Operating Profit/(Loss) in Joint Venture | 6 | (1,777,323) | (951,036) |
| Less Expenses | | | |
| Administration & Fixed Expenses | | | |
| Accountancy & Secretarial Fees | | 16,442 | 16,743 |
| Consultancy Fees | | 23,812 | - |
| Office Expenses | | 240 | 610 |
| Subscriptions | | 1,556 | 500 |
| Travel Expenses | | 958 | - |
| Training | | - | 900 |
| General Manager Fees | | 12,000 | 12,000 |
| Legal Issues | | 42,829 | 14,084 |
| Ordinary Share Costs | 10 | - | 223,703 |
| Audit Fees | | 19,500 | 18,000 |
| Bank Charges | | 225 | 372 |
| Insurance | | 12,800 | 13,500 |
| Total Administration & Fixed Expenses | | 130,362 | 300,410 |
| Operating Expenses | | | |
| Entertainment Expenses | | 1,090 | 1,042 |
| Directors Fees | | 46,000 | 37,500 |
| Total Operating Expenses | | 47,090 | 38,542 |
| Depreciation as Per Schedule | | 104 | 134 |
| Amortisation as Per Schedule | | - | - |
| Fair Value Adjustment Loan to Joint Venture | 17 | 198,600 | - |
| Total Expenditure | | 376,156 | 339,086 |
| Deficit for the year | | (1,982,317) | (1,119,961) |
| Income Tax Expense | 11 | (455,719) | 197,342 |
| Deficit for the Year after Tax | | (1,526,598) | (1,317,303) |
| Other Comprehensive Income | | | |
| JV Revaluation Reserve | 6, 11 | - | 1,308,071 |
| Total Comprehensive Income/(Loss) | | (1,526,598) | (9,232) |

NOTE: This Statement is to be read in conjunction with the accompanying Notes
to the Financial Statements and the Auditor's Report.

Barrhill Chertsey Irrigation Limited
Statement of Changes in Equity
for the Year Ended 31 March 2016

| | Share Capital | Retained Earnings | JV Revaluation Reserve | Total |
|------------------------------------|-------------------|--------------------|------------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Equity at 1 April 2014 | 11,645,791 | (5,438,540) | - | 6,207,251 |
| Operating deficit after tax | - | (1,317,303) | - | (1,317,303) |
| Issue of Ordinary Shares | 9,324,707 | - | - | 9,324,707 |
| Redemption of Ordinary Shares | (627,331) | - | - | (627,331) |
| Issue of Acton Shares | - | - | - | - |
| Unallotted Share Capital | - | - | - | - |
| Share Issue Expenses | - | - | - | - |
| JV Revaluation Gain | - | - | 1,308,071 | 1,308,071 |
| Equity at 31 March 2015 | 20,343,167 | (6,755,843) | 1,308,071 | 14,895,395 |
| Operating deficit after tax | - | (1,526,598) | - | (1,526,598) |
| Issue of Ordinary Shares | 2,764,797 | - | - | 2,764,797 |
| Redemption of Ordinary Shares | - | - | - | - |
| Unallotted Share Capital | 129,380 | - | - | 129,380 |
| Share Issue Expenses | - | - | - | - |
| JV Revaluation Gain | - | - | - | - |
| Equity at 31 March 2016 | 23,237,344 | (8,282,441) | 1,308,071 | 16,262,974 |

NOTE: This Statement is to be read in conjunction with the accompanying Notes
to the Financial Statements and the Auditor's Report.

Barrhill Chertsey Irrigation Limited
Statement of Cash Flows
for the Year Ended 31 March 2016

| | Notes | \$ | \$ | 2016 \$ | 2015 \$ |
|---|-----------|-----------|-----------|-------------------------|---------------------------|
| <u>Cash Movement from Operating Activities</u> | | | | | |
| Cash Was Provided From: | | | | | |
| Admin Charge | | 150,000 | | | 135,000 |
| Goods and Services Taxation | | - | | | 1,009 |
| Taxation Refund | | - | | | - |
| Interest Received | | 21,162 | | | 32,662 |
| | | | 171,162 | | 168,671 |
| Cash Was Applied To: | | | | | |
| Payments to Suppliers | | 189,573 | | | 114,376 |
| Taxation Paid | | 5,925 | | | 8,263 |
| Goods and Services Taxation | | 4,542 | | | - |
| | | | 200,040 | | 122,639 |
| Net Cash Movement from Operating Activities | 13 | | | (28,878) | 46,032 |
| <u>Cash Movement From Investing Activities</u> | | | | | |
| Cash Was Applied To: | | | | | |
| Loan to Joint Venture | | 822,815 | | | 500,000 |
| Investment in Joint Venture | | 6,080,000 | | | 3,933,262 |
| | | | 6,902,815 | | 4,433,262 |
| Net Cash Movement from Investing Activities | | | | (6,902,815) | (4,433,262) |
| <u>Cash Movement from Financing Activities</u> | | | | | |
| Cash Was Provided From: | | | | | |
| Proceeds from the Issue of Share Capital | | | 2,894,193 | | 9,324,707 |
| Cash Was Applied To: | | | | | |
| Prospectus Costs | | - | | | - |
| Loan Repayments | | - | | | - |
| Share Redemption | | - | | | 850,994 |
| | | | - | | 850,994 |
| Net Cash Movement From Financing Activities | | | | 2,894,193 | 8,473,713 |
| Net Increase (Decrease) in Cash Held | | | | (4,037,500) | 4,086,484 |
| Add Cash at Start of Year | | | | 4,308,137 | 221,654 |
| <u>Closing Balance</u> | | | | <u>\$270,637</u> | <u>\$4,308,137</u> |
| <u>Closing Balance Comprises of:</u> | | | | | |
| Bank of New Zealand | | | | 79,666 | 64,341 |
| Farm First Transact | | | | 190,971 | 4,243,796 |
| Farm First Call | | | | | |
| | | | | <u>\$270,637</u> | <u>\$4,308,137</u> |

NOTE: This Statement is to be read in conjunction with the accompanying Notes
to the Financial Statements and the Auditor's Report.

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
for the Year Ended 31 March 2016

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's principle activity is to investigate, construct, and operate a water enhancement scheme.

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.

The Company is a Co-Operative company under the Co-Operative Companies Act 1996.

2. BASIS OF PREPARATION

Statement of Compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), the International Financial Reporting Standards (IFRS) and other applicable financial reporting standards, as appropriate for profit-oriented entities.

The financial statements also comply with International Financial Reporting Standards.

The financial statements were authorised for issue by the directors on 3rd of June 2016.

Measurement Base

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

Changes in Accounting Policies

No new accounting policies have been adopted from those used in the prior year.

Estimates and Judgement

The preparation of financial statements requires management to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

NOTE: This Statement is to be read in conjunction with the accompanying Auditor's Report

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
for the Year Ended 31 March 2016

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following accounting policies note:

Functional and Presentation Currency

These financial statements are presented in New Zealand dollars rounded to the nearest dollar, which is the Company's functional and presentation currency.

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) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Interest income received on cash and cash equivalents is recorded as earned.

(b) Income Tax

The income tax expense or revenue for the period is the total of the current period's taxable income based on the national income tax rate for each jurisdiction plus/minus any prior years' under/over provisions, plus/minus movements in the deferred tax balance except where the movement in deferred tax is attributable to a movement in reserves.

Movements in deferred tax are attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements and any unused tax losses or credits. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting the profit and loss component of the statements of comprehensive income or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are recognised for the Company's share of the temporary differences between the carrying amount and tax bases of assets and liabilities in unincorporated joint venture.

NOTE: This Statement is to be read in conjunction with the accompanying Auditor's Report

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
for the Year Ended 31 March 2016

(c) Share Capital

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 at the Company's discretion are classified as debt.

(d) Interests in Joint Ventures

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operational policy decisions relating to the activities of the joint venture require unanimous consent of the parties sharing control.

The joint venture included in these accounts has been accounted for using the equity method. The equity method measures the investment in an associate initially at cost and the carrying amount is increased or decreased to recognise the Company's share of the profit or loss of the joint venture after the date of acquisition. The Company's share of the profit or loss of the joint venture is recognised in the Statement of Comprehensive Income.

(e) Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land and properties under construction, over their estimated useful lives, using the diminishing value method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The useful lives and associated depreciation rates of assets of major classes have been estimated as follows:

| | | |
|------------------------|------------|---------------|
| Furniture and fittings | 5-10 years | (10.0%-20.0%) |
| Computer equipment | 3-5 years | (20.0%-80.0%) |

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Income.

(f) Intangible Assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

NOTE: This Statement is to be read in conjunction with the accompanying Auditor's Report

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
for the Year Ended 31 March 2016

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Comprehensive Income.

The useful lives and associated amortisation rates for software have been estimated as follows:

| | | |
|----------|---------|-----|
| Software | 5 years | 20% |
|----------|---------|-----|

(g) 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 and value in use.

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 revalued assets, the impairment loss is recognised against the revaluation reserve for that 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 revalued amount, the total impairment loss is recognised in the Statement of Comprehensive Income.

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

(h) Financial Instruments

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

(i) 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
for the Year Ended 31 March 2016

(j) 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 they 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.

(k) Financial Assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs for all financial assets not carried at fair value through profit and loss. Financial Assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs expensed in income statement.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit and loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are derecognised when the rights to receive cash flows have expired/have been transferred and substantially all risks and rewards of ownership have been transferred.

Financial assets at fair value through profit and loss

Certain shares and options are classified as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets if expected to be settled within twelve months; otherwise they are classified as non-current. They are stated at fair value, with any resultant gain or loss recognised on an effective yield basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables, loans, and other receivables are recorded at amortised costs using effective interest method less any impairment.

(l) Financial Liabilities and Equity Instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

NOTE: This Statement is to be read in conjunction with the accompanying Auditor's Report

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
for the Year Ended 31 March 2016

Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' (FVTPL) or 'other financial liabilities'.

Financial liabilities at FVTPL are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of the financial liability.

(m) Trade and Other Payables

Trade payables and other accounts payable are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services.

(n) 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.

(o) Cash Flows

For the purpose of the cash flow statement, cash includes cash on hand and deposits held at call with banks, net of bank overdrafts. The following terms are used in the statement of cash flows:

Operating activities: are the principal revenue producing activities of the Company and other activities that are not investing or financing activities.

Investing activities: are the acquisition and disposal of long term assets and other investments not included in cash equivalents.

Financing activities: are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

(p) Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to the Inland Revenue Department (IRD) is included as part of current assets or liabilities in the balance sheet.

NOTE: This Statement is to be read in conjunction with the accompanying Auditor's Report

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
for the Year Ended 31 March 2016

The net GST paid to, or received from the IRD, including the GST relating to the investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Any commitments and contingencies are disclosed exclusive of GST.

(q) Standards and Interpretations

The following accounting standards and amendments to existing standards are not yet effective and have not been early adopted by the Company:

NZ IFRS 15, 'Revenue from contracts with customers' (effective 1 January 2018) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Company intends to adopt NZ IFRS 15 on its effective date and is currently assessing its full impact.

This standard is not expected to significantly impact the Company.

NZ IFRS 9, 'Financial instruments' (effective 1 January 2018), addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39.

The Company does not intend to adopt the new standards before its operative date, which means that it would be first applied in the annual reporting period ending 31 March 2019 and it is yet to assess its full impact.

4. GOING CONCERN

The Company has net assets of \$16,262,974 (2015:\$14,895,396) and a working capital surplus of \$530,553 (2015:Surplus \$4,779,801).

5. CASH AND CASH EQUIVALENTS

| | 2016 | 2015 |
|------------------------------------|----------------|------------------|
| | \$ | \$ |
| Bank of New Zealand Cheque Account | 79,666 | 64,341 |
| Bank of New Zealand Call Account | 190,971 | 4,243,796 |
| | <u>270,637</u> | <u>4,308,137</u> |

NOTE: This Statement is to be read in conjunction with the accompanying Auditor's Report

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
for the Year Ended 31 March 2016

6. BCI – ELECTRICITY ASHBURTON JOINT VENTURE

The Company has a significant interest of 50% in a joint venture with Electricity Ashburton Limited. The unincorporated joint venture was formed on the 23rd of December 2009. The joint venture has been accounted for using the equity method. The joint venture will be operating through Water Utilities Ashburton Limited which was incorporated under the Companies Act 1993 on 15 March 2010.

The nature of the joint venture is the development of water infrastructure and distribution of water. The principal place of business is Mid-Canterbury.

| | \$ |
|---|-------------|
| Balance as at 1 April 2014 | 6,022,087 |
| Further Investment | 3,933,262 |
| Share of Loss in Joint Venture | (951,036) |
| Share of Reserve Gains in Joint Venture | 1,816,765 |
| Carrying Amount 31 March 2015 | 10,821,078 |
| Further Investment | 6,080,000 |
| Share of Loss in Joint Venture | (1,777,323) |
| Withholding tax paid by the JV | - |
| Share of Reserve Gains in Joint Venture | - |
| Carrying Amount 31 March 2016 | 15,123,755 |

The following information summarises the position and performance of the joint venture as at 31 March 2016. The joint ventures financial statements for the year ended 31 March 2016 have been audited.

| | 2016 | 2015 |
|-------------------------------------|------------|------------|
| | \$ | \$ |
| Cash & Cash Equivalents | 39,542 | 512,566 |
| Other Current Assets | 2,432,583 | 5,174,678 |
| Non Current Assets | 86,522,964 | 44,904,686 |
| Total Assets | 88,995,089 | 50,591,930 |
| Current Financial Liabilities | - | - |
| Other Current Liabilities | 5,770,617 | 14,079,953 |
| Non – Current Financial Liabilities | 47,380,614 | 5,962,890 |
| Other Non – Current Liabilities | 5,596,350 | 8,906,932 |
| Total Liabilities | 58,747,581 | 28,949,775 |
| Net Assets | 30,247,508 | 21,642,155 |

NOTE: This Statement is to be read in conjunction with the accompanying Auditor's Report

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
for the Year Ended 31 March 2016

Reconciliation

| | | |
|--|--------------|--------------|
| Total contribution paid in by EAL (JV Partner) | 18,680,000 | 12,600,000 |
| Total contribution paid in by BCIL (JV Partner) | (18,680,000) | (12,600,000) |
| JV's equity that does not relate to BCIL | - | - |
| Net assets of the JV applicable for 50% split | 30,247,508 | 21,642,155 |
| BCIL's share of the JV | 15,123,755 | 10,821,077 |
| | 2016 | 2015 |
| | \$ | \$ |
| Revenue | 13,568,422 | 10,020,062 |
| Interest Income | 1,466 | 859 |
| | 13,569,888 | 10,020,921 |
| Operating Expenses | (12,317,089) | (9,806,336) |
| Operating Profit (Loss) before Depreciation and Interest | 1,252,799 | 214,585 |
| Interest Expense | (1,202,342) | (748,267) |
| Depreciation and Amortisation | (2,515,597) | (1,303,951) |
| Income Tax Expense | - | - |
| Operating Profit (Loss) for the Year | (2,465,140) | (1,902,071) |
| Other Comprehensive Income | | |
| Asset Revaluation Reserve Gain | - | 3,633,531 |
| Fair Value of Swaps Loan | (1,089,506) | (64,438) |
| Total Comprehensive Income | (3,554,646) | 1,731,460 |

The agreement between the two joint venturers states that both entities will make further contributions on an ongoing basis up to an aggregate amount of \$10,000,000 each. The Company has met this obligation and in addition to this has contributed a further \$2,600,000 during the 2015 year and \$6,080,000 during the 2016 year.

The Company entered into the following agreements which affect the joint venture:

Acton Irrigation Limited and Acton Farmers Irrigation Co-Operative Limited (Acton Arrangement)

As per the Joint Venture agreement dated 3 December 2009, the Company entered into the Acton arrangement and Electricity Ashburton is not party to those arrangements. The Company holds the benefit of the arrangement for the joint venture. The benefits to the Company shall be held on trust for the benefit of the joint venture and the participants and treated as joint venture property, and the Company shall operate and manage the arrangement as directed by the joint venture and the participants.

NOTE: This Statement is to be read in conjunction with the accompanying Auditor's Report

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
for the Year Ended 31 March 2016

Bank of New Zealand Financing

On 25 May 2010 the joint venture entered into a borrowing agreement with the Bank of New Zealand. The guarantors are Electricity Ashburton, Barrhill Chertsey Irrigation Limited and Water Utilities Ashburton Limited.

The facilities have been increased during the year and are as follows:

| | Term Ending | 2016 | 2015 |
|--------------------------|--------------------|--------------|--------------|
| Overdraft Facility | | \$1,000,000 | \$500,000 |
| Loan Facility with BNZ* | 20 August 2015 | \$0 | \$10,195,316 |
| Loan Facility with BNZ* | 7 June 2018 | \$0 | \$2,500,000 |
| Loan Facility with BNZ* | 20 October 2020 | \$0 | \$4,700,000 |
| Loan Facility with BNZ** | 22 June 2020 | \$47,380,614 | \$0 |

*These loan facilities were replaced by a new facility of up to \$47,590,856

**New facility to replace existing facilities, signed during the year

The security on the facilities is:

1. Electricity Ashburton Limited

- i) Specific Security Agreement over share in the joint venture assets
- ii) Banking guarantee of \$17,500,000

2. Barrhill Chertsey Irrigation Limited

- i) General Security Agreement over all present and after acquired property of Barrhill Chertsey Irrigation Limited.
- ii) Specific Security Agreement over Resource Consent 990088.6 being the right to take 17 cumecs of water from the Rakaia River (excluding cumecs 9,10 and 11 which are licensed to the Acton Scheme)
- iii) Banking guarantee of \$17,500,000

3. Water Utilities Ashburton Limited (Nominee Company)

- i) General Security Agreement over all present and after acquired property of Water Utilities Ashburton Limited.
- ii) Banking guarantee of \$17,500,000

NOTE: This Statement is to be read in conjunction with the accompanying Auditor's Report

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
for the Year Ended 31 March 2016

The Joint Venture is subject to the following externally imposed capital requirements, which are measured at balance date.

Gearing Ratio not to be greater than 70%. Where Gearing Ratio means, at any time, Principal Outstanding at that time, divided by: Principal Outstanding plus Joint Venturers Interest at that time and tested semi-annually.

Debt Service Cover Ratio to be greater than or equal to 1.10 times. Where “Debt Service Cover Ratio” means: Operating Cash flow (prior to interest and cash distribution) for the period divided by: Debt Service (means interest expense and scheduled amortisation) for that period. The Debt Service Cover Ratio will be tested semi-annually on the accounts of the Joint Venture, and determined on a rolling 12 months basis.

Both the Gearing Ratio and Debt Service Cover Ratio have been complied with for the year ended 31 March 2016.

Revaluation

| | Water Reticulation | Land | Plant | Total |
|---------------------------------|-----------------------|------|-------|-----------|
| | \$ | \$ | \$ | \$ |
| Balance at 31 March 2014 | - | - | - | - |
| Movement for the Prior Year | 3,633,531 | - | - | 3,633,531 |
| Balance at 31 March 2015 | 3,633,531 | - | - | 3,633,531 |
| Movement for the Current Year | - | - | - | - |
| Balance at 31 March 2016 | 3,633,531 | - | - | 3,633,531 |

The asset revaluation was undertaken by an independent valuer, Rationale Ltd, as at 31 March 2015. Assets have been valued at the optimised depreciated replacement cost of the modern equivalent asset. Revaluations are performed at least every three years. Intangible assets, Plant and Land have been excluded from the revaluation.

Methodology used:

PE Pipes – the unit rates have been derived from the schedule of work estimates provided, and is based on the cost per linear meter for each combination of pipe diameter and pressure rating,
Offtakes – the method used to derive the unit rates of the offtakes was similar to that outlined for the PE Pipes

Remainder – the unit rate is based on the initial cost with the appropriate inflation index applied to convert the value into a March 2015 equivalent. The inflation indices are based on the *Statistics New Zealand Capital Goods Price Index – Civil Construction*.

NOTE: This Statement is to be read in conjunction with the accompanying Auditor’s Report

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
for the Year Ended 31 March 2016

7. PLANT AND EQUIPMENT

Balance as at 31 March 2016

| | Cost | Accumulated Depreciation Year End | Opening Carrying Amount 1 April 15 | Additions | Disposals at Cost | Depreciation | Disposals Depreciation | Balance at 31 March 16 |
|------------------------------------|-------|---|---|-----------|----------------------|--------------|---------------------------|---------------------------|
| Furniture & Office Equipment | 4,316 | (3,868) | 552 | - | - | (104) | - | 448 |
| | 4,316 | (3,868) | 552 | - | - | (104) | - | 448 |

Balance as at 31 March 2015

| | Cost | Accumulated Depreciation Year End | Opening Carrying Amount 1 April 14 | Additions | Disposals at Cost | Depreciation | Disposals Depreciation | Balance at 31 March 15 |
|------------------------------------|-------|---|---|-----------|----------------------|--------------|---------------------------|---------------------------|
| Furniture & Office Equipment | 4,316 | (3,764) | 686 | - | - | (134) | - | 552 |
| | 4,316 | (3,764) | 686 | - | - | (134) | - | 552 |

8. INTANGIBLE ASSETS

The Company's intangible assets are made up of costs incurred for and computer software.

Balance as at 31 March 2016

| | Cost | Accumulated Amortisation and Impairment | Opening Carrying Amount 1 April 15 | Additions | Disposals at Cost | Amortisation Charge and Impairment | Disposals Amortisation Charge and Impairment | Balance at 31 March 16 |
|----------|-------|--|---|-----------|----------------------|--|---|---------------------------|
| Software | 3,657 | (3,657) | - | - | - | - | - | - |
| | 3,657 | (3,657) | - | - | - | - | - | - |

Balance as at 31 March 2015

| | Cost | Accumulated Amortisation and Impairment | Opening Carrying Amount 1 April 14 | Additions | Disposals at Cost | Amortisation Charge and Impairment | Disposals Amortisation Charge and Impairment | Balance at 31 March 15 |
|----------|-------|--|---|-----------|----------------------|--|---|---------------------------|
| Software | 3,657 | (3,657) | - | - | - | - | - | - |
| | 3,657 | (3,657) | - | - | - | - | - | - |

NOTE: This Statement is to be read in conjunction with the accompanying Auditor's Report

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
for the Year Ended 31 March 2016

Resource consents

The company had ownership of resource consents. The consents have been given full effect. The consents expire on 28 February 2035.

With the Company entering into the joint venture with Electricity Ashburton the consents were transferred to the joint venture for no consideration, but remain in the name of the Company on behalf of the joint venture.

Under certain circumstances, such as the winding up of the joint venture, the consents will revert to Barrhill Chertsey Irrigation Limited.

Software acquisition

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use, the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred.

9. TRADE AND OTHER PAYABLES

The carrying value of payables approximates their fair value.

| | 2016 | 2015 |
|------------------------|---------------|---------------|
| | \$ | \$ |
| Creditors and Accruals | 56,435 | 51,743 |
| | <u>56,435</u> | <u>51,743</u> |

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payables approximates their fair value. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

10. SHARE CAPITAL

| Summary of Share Capital as at 31 March 2016 | Number of Shares | Share Capital \$ |
|--|---------------------|------------------------|
| Ordinary Shares | - | - |
| I & D Shares | 17,689,310 | 22,663,420 |
| Acton Shares | 561,000 | 561,000 |
| Unallotted Share Capital | - | 134,630 |
| Prospectus Costs | - | (121,707) |
| | <u>18,250,310</u> | <u>23,237,344</u> |
| Balance as at 31 March 2016 | | |

NOTE: This Statement is to be read in conjunction with the accompanying Auditor's Report

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
for the Year Ended 31 March 2016

| Ordinary Shares | Number of Shares | Share Capital \$ |
|---|-----------------------------|---------------------------------|
| Balance as at 1 April 2014 | 1,032,553 | 808,850 |
| Ordinary Shares converted to I & D Shares | (181,519) | (181,519) |
| Ordinary Shares redeemed | (851,034) | (851,034) |
| Less Expensed in Comprehensive Income | - | 223,703 |
| Balance as at 31 March 2015 | - | - |
| Calculated Balance as at 31 March 2016 | - | - |

| I & D Shares | Number of Shares | Share Capital \$ |
|--|-----------------------------|---------------------------------|
| Balance as at 1 April 2014 | 9,007,310 | 10,228,982 |
| Outstanding Share Capital Instalments Received | - | - |
| Ordinary Shares Converted to I & D Shares | 181,519 | 181,519 |
| Ordinary I & D Shares Issued (Partly Paid) | 6,452,481 | 9,501,687 |
| Balance as at 31 March 2015 | 15,641,310 | 19,912,188 |
| Outstanding Share Capital instalments received | - | 226,595 |
| Ordinary Shares converted to I & D Shares | - | - |
| Ordinary I & D Shares Issued (Partly Paid) | 2,048,000 | 2,524,637 |
| Balance at 31 March 2016 | 17,689,310 | 22,663,420 |

| Acton Shares | Number of Shares | Share Capital \$ |
|------------------------------|-----------------------------|---------------------------------|
| Balance as at 1 April 2014 | 547,435 | 547,435 |
| Balance as at 31 March 2015 | 547,435 | 547,435 |
| Ordinary Acton Shares Issued | 13,565 | 13,565 |
| Balance as at 31 March 2016 | 561,000 | 561,000 |

NOTE: This Statement is to be read in conjunction with the accompanying Auditor's Report

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
for the Year Ended 31 March 2016

All original Founder and Existing shares were converted to either new Barrhill Chertsey Ordinary shares or Redeemable Preference Shares as at 7 January 2009. The redeemable preference shares were all repaid during the year ended 31 March 2014.

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.

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.

Ordinary Shares

(a) Barrhill Chertsey

On 17 October 2008 a prospectus was issued detailing an application for 2,670,000 ordinary shares of \$1.00 each. Of the shares applied for 2,045,119 are new Ordinary shares; the remaining 624,881 shares have been converted from Founder and Existing shares.

During the 2009 year a new prospectus was issued for I & D shares. Existing ordinary shareholders (but not preference shareholders) were able to obtain a credit at \$1.00 for each ordinary share. Of the 2,670,000 ordinary shares held, 1,813,547 have now been converted to I & D shares. A further 6,919 ordinary shares have been reclassified as Acton shares. During the year ended 31 March 2015 the remaining 851,034 Ordinary shares have been repaid to shareholders, leaving a nil balance.

(b) I & D

A prospectus was issued on the 5th of June 2009. This prospectus outlined application proceeds would be used to build the infrastructure to pump water and a distribution system to distribute the water. The minimum subscription was not reached. A revised prospectus was issued on the 4th of December 2009. A new prospectus was issued on the 30th September 2014 and a further prospectus on the 27th of March 2015. A total of 6,190,130 I and 11,499,180 D shares have now been allotted. This comprises of the existing ordinary shareholders converting 1,813,547 ordinary shares and the remaining 15,875,763 being applied for and allotted. The total number of I & D share allotted is 17,689,310.

(c) Acton

On 30 January 2009 a prospectus was issued detailing application for 667,500 ordinary shares of \$1.00 each. The Company received application for 540,516 shares. During the year ended 31 March 2011 there have been 6,919 ordinary shares reclassified as Acton shares. During the year ended 31 March 2016 a further 13,565 Acton shares have been issued pursuant to a Directors Resolution to bring the shares on issue to the required amount for the 3 cumecs of water being delivered to Acton Irrigation Limited. Total Acton shares now held are 561,000.

NOTE: This Statement is to be read in conjunction with the accompanying Auditor's Report

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
for the Year Ended 31 March 2016

The recent share issues have unpaid capital as follows:

| | Share Capital |
|--|----------------|
| Final instalment on share issue outstanding | |
| Barrhill Chertsey I & D Shares | 897,982 |
| Total instalment on share issue outstanding | <u>897,982</u> |

Share applications received and not allotted:

| | |
|---|----------------|
| | \$ |
| Unallotted Share Capital | |
| Ordinary Shares (Funds held for Ordinary Share transfers and redemptions) | 5,250 |
| Barrhill Chertsey I & D Shares | 129,380 |
| Total Unallotted Share Capital | <u>134,630</u> |

All ordinary shares entitle shareholders to one vote per share held.

11. INCOME TAX

| | 2016 | 2015 |
|---|------------------|----------------|
| | \$ | \$ |
| Statement of Comprehensive Income Tax Expense | | |
| (a) Reconciliation of Taxable Income (Loss) | | |
| Net surplus (deficit) for the year | (1,982,317) | (1,119,961) |
| Taxation impact on net surplus (deficit) | (555,050) | (313,589) |
| Taxation effect of permanent differences | | |
| Non deductible expenses | 51 | 553 |
| Non assessable income | (34,933) | - |
| Taxation effect of temporary differences | | |
| Depreciation on JV property, plant and equipment | 192,445 | 166,609 |
| Other | (57,600) | (2,785) |
| Tax impact of losses carried forward from prior year | - | (202,313) |
| Tax impact of losses lost due to breach of continuity | - | 548,867 |
| Tax benefit unrecognised | - | - |
| Prior period adjustment in tax | (632) | - |
| Tax charge on taxable income/(loss) | <u>(455,719)</u> | <u>197,342</u> |

NOTE: This Statement is to be read in conjunction with the accompanying Auditor's Report

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
for the Year Ended 31 March 2016

The tax rate used on the above reconciliation is the corporate rate of 28% payable by New Zealand companies under New Zealand tax law.

(b) Deferred tax asset/(liability)

| | Depreciation and Amortisation (\$) | Losses carried forward (\$) | Other (\$) | Total (\$) |
|---|---|--------------------------------|---------------|------------------|
| Opening Balance as at 1 April 2014 | (580,705) | 579,561 | 1,144 | - |
| Movement shown in tax expense | (166,609) | (33,518) | 2,785 | (197,342) |
| Movement shown in other comprehensive income | (508,694) | - | - | (508,694) |
| Closing balance as at 31 March 2015 | (1,256,008) | 546,043 | 3,929 | (706,036) |
| Opening balance as at 1 April 2015 | (1,256,008) | 546,043 | 3,929 | (706,036) |
| Movement shown in tax expense | (192,445) | 591,195 | 57,600 | 456,350 |
| Movement shown in other comprehensive income | - | - | - | - |
| Prior period adjustment in tax | - | 582 | (1,214) | (632) |
| Closing balance as at 31 March 2016 | (1,448,453) | 1,137,820 | 60,315 | (250,318) |

(c) Imputation Credit Account

| | | |
|----------------------------------|-------------|--------------|
| Opening balance at 1 April 2015 | - | 882 |
| Plus Resident Withholding Tax | 5,926 | 9,145 |
| | <hr/> 5,926 | <hr/> 10,027 |
| Less Tax Refunds receivable | 5,926 | 10,027 |
| Closing balance at 31 March 2016 | <hr/> - | <hr/> - |

NOTE: This Statement is to be read in conjunction with the accompanying Auditor's Report

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
for the Year Ended 31 March 2016

12. AUDIT FEES

Fees paid to auditor are as follows:

| | 2016 | 2015 |
|-------------------------------------|--------|--------|
| | \$ | \$ |
| Audit of financial statements - PwC | 18,500 | 18,000 |
| Other services performed by PwC | | |
| Share registry audit | 1,000 | - |
| Tax advice | 11,312 | - |
| Business advisory services | 25,000 | - |
| Total other services | 37,312 | - |
| Total fees paid to auditor | 55,812 | 18,000 |

13. RECONCILIATION OF NET OPERATING DEFICIT WITH OPERATING CASH FLOW

| | 2016 | 2015 |
|--|-------------|-------------|
| | \$ | \$ |
| Net surplus/(deficit) | (1,982,317) | (1,119,961) |
| Add/(Less) non cash items: | | |
| Joint Venture (Profit)/Loss | 1,777,323 | 951,036 |
| Fair Value Adjustment to Joint Venture Loan | 198,600 | - |
| Depreciation and Amortisation | 104 | 134 |
| Withholding tax paid by the Joint Venture | - | - |
| Add/(Less) movements in working capital items: | | |
| Accounts Receivable | (27,151) | (9532) |
| Accounts Payable | 4,563 | 652 |
| Items Classified as Investing Activities | | |
| Net payment due for the purchase of intangible assets included in accounts payable | - | - |
| Items Classified as Financing Activities | | |
| Net payment for Shares | - | 223,703 |
| Net increase (decrease) in cash from operating activities | (28,878) | 46,032 |

NOTE: This Statement is to be read in conjunction with the accompanying Auditor's Report

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
for the Year Ended 31 March 2016

14. COMMITMENTS

Barrhill Chertsey Irrigation Limited – Electricity Ashburton Limited Joint Venture

The Joint Venture has commitments of which the Company is joint and severally liable. The Joint Ventures commitments are:

Capital Commitments

As at 31 March 2016 the Joint Venture Capital Commitments were \$301,658 (2015: \$15,316,100). Capital Commitments all relate to the continued production of the Stage Two project.

Preferential Right to Income

Electricity Ashburton Limited is entitled to a preferential right of Joint Venture income equating to an annual cash payment of 12% of its capital contribution of \$18,680,000.

15. EVENTS SUBSEQUENT TO BALANCE DATE

There have been no events subsequent to balance date

16. CONTINGENCIES

The company provides interlocking guarantee of \$17,500,000 over the JV's borrowing with BNZ. For further details of this guarantee, refer to Note 6.

There are no contingent assets as at 31 March 2016 (2015: Nil).

17. RELATED PARTY TRANSACTIONS

BCI – Electricity Ashburton Joint Venture

The Company is part of a 50:50 joint venture agreement with Electricity Ashburton. Directors Jeremy B Smith and R Malcolm Cairns are committee members of the joint venture. As stated in note 6 the Company contributed \$6,080,000 to the joint venture during the year (2015: \$3,932,263). The agreement between the two joint venturer's states that both entities will make further contributions on an ongoing basis up to an aggregate amount of \$10,000,000 each. The Company has met this obligation and contributed a further \$2,600,000 during the 2015 year and \$6,080,000 during the 2016 year.

At balance date the joint venture owes the Company \$18,688 (incl GST) (2015: \$14,375) being for the Operating Charge and reimbursement of Directors Fees paid for independent Director.

The Company has also made a loan to the joint venture of \$1,322,815 undiscounted (2015: \$500,000). This loan is interest free.

As per the joint venture agreement the water consents were transferred to the joint venture for \$0. The water consents had a book value of \$50,285.

Under certain circumstances, such as the wind up of the joint venture, the consents will revert to Barrhill Chertsey Irrigation Limited.

NOTE: This Statement is to be read in conjunction with the accompanying Auditor's Report

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
for the Year Ended 31 March 2016

Directors' Related Party Transactions

Jeremy Smith

Jeremy is a director of the Barrhill Chertsey Irrigation/Electricity Ashburton joint venture. The joint venture activity is noted above.

R Malcolm Cairns

Malcolm is a director of the Barrhill Chertsey Irrigation/Electricity Ashburton joint venture. The joint venture activity is noted above.

Directors Fees

At balance date, the Company owed the directors and related parties \$32,626.49 (incl GST) (2015: \$28,343.13) for directors and managers fees and these were paid in the month after balance date.

Key Management Personnel

The compensation of the Directors, being the key management personnel of the Company is set out below:

| | 2016 | 2015 |
|------------------------------|--------|--------|
| | \$ | \$ |
| Short-Term Employee Benefits | | |
| Directors Fees | 46,000 | 37,500 |
| | 46,000 | 37,500 |

18. SEGMENT REPORTING

The company operates predominantly in one industry to investigate, construct, and operate a water enhancement scheme.

All operations are carried out within New Zealand.

19. FINANCIAL INSTRUMENTS

Currency risk

The Company has no exposure to currency risk.

Interest rate risk

The value of the financial instruments will fluctuate due to changes in market interest rates. This could impact on the interest received from cash held in the bank.

NOTE: This Statement is to be read in conjunction with the accompanying Auditor's Report

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
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Credit risk

In the normal course of its business, the company incurs credit risk from trade debtors and transactions with financial institutions.

The Company has significant concentration of credit risk with its largest trade debtor and loan receivable balance outstanding with the joint venture. The joint venture is expected to generate sufficient cash flows from its operations. Refer to Note 6 for information on the joint venture financial performance. The Company therefore does not expect non-performance of any obligations at balance date.

All cash and cash equivalents are held with the Bank of New Zealand which has a Standard & Poors AA credit rating.

The maximum exposure of the company is from trade debtors, loans receivable from the joint venture and balances with financial institutions.

Liquidity risk

Liquidity risk is the risk that the company may encounter difficulty in raising funds at short notice to meet its commitments. Currently the company is using funds received from its most recent share issue and is reliant on these to fund ongoing legal and engineering studies to bring the final business case to shareholders.

Liabilities

| | 2016 | 2015 |
|--------------------------|--------|--------|
| | \$ | \$ |
| Trade and Other Payables | 56,435 | 51,743 |
| | <hr/> | |
| Total Liabilities | 56,435 | 51,743 |

Repayable as follows:

| | 2016 | 2015 | 2016 | 2015 |
|--------------------------|------------------|--------|----------------------|------|
| | \$ | \$ | \$ | \$ |
| | Less than 1 year | | Greater than 5 years | |
| Trade and Other Payables | 56,435 | 51,743 | - | - |
| | <hr/> | | | |
| Total Liabilities | 56,435 | 51,743 | - | - |

Capital management

The company's capital includes share capital and retained earnings. Equity is represented by net assets as disclosed in the balance sheet. The company manages its revenue, expenses, assets and liabilities and day to day financial transactions prudently. The purpose of managing the company's equity is to ensure the company achieves its goals and objectives, whilst remaining a going concern.

NOTE: This Statement is to be read in conjunction with the accompanying Auditor's Report

