

Barrhill Chertsey Irrigation Limited
Financial Statements
for the Year Ended 31 March 2017

Contents

Chairman's Report

Company Particulars

Annual Report

Statement of Financial Position

Statement of Comprehensive Income

Statement of Changes in Equity

Statement of Cash Flows

Notes to the Financial Statements

Auditor's Report

Chairman's Report

For the year ended 31 March 2017

The economic climate and environmental constraints have provided for a significant slowdown in scheme development. In spite of the constraints the scheme has continued to develop and now has around 215km of buried pipe and provides water to 143 irrigators. The BCI Scheme has continued to focus on strategic issues by implementing robust and sustainable systems and resourcing.

The 2016/17 growing season saw significant rainfall spread throughout the irrigation season and the scheme infrastructure experienced very low demand. The average application this irrigation season was just less than 200mm, compared to around 320mm the previous season.

The financial performance of the underlying Joint Venture infrastructure reflected the low throughput. Although positive, the cashflow from operating activities was impacted by the wet season.

The year concluded with the announcement of an opportunity for the irrigator co-operative to take 100% control of the BCI scheme, a prospect that the Board believes has substantial merit for consideration by shareholders.

Barrhill Chertsey Irrigation Ltd

The Company experienced a significant slowdown in applications for shares and water due to the economic climate and increasing environmental constraints in certain areas within the scheme's catchment.

The Company raised \$1,300,000 from farmer shareholders and invested around \$900,000 in the Joint Venture with Electricity Ashburton Limited, bringing the total investment to \$19,584,373 at 31 March 2017.

The Company also loaned the Joint Venture a further \$500,000 under the "dry share" loan arrangements. During the year \$154,373 of the "dry share" loan was repaid by the Joint Venture following take up of the water associated with that facility. The Company reinvested the funds in the Joint Venture and they were matched by Electricity Ashburton Limited. The net increase in the loan facility was \$345,627.

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. Administration and operating expenses for the year exceeded cash revenue by \$45,613 in a conscious decision by Directors to utilise share capital funds to facilitate the exploration of some major strategic opportunities. Cash at balance date was \$343,026.

The Company's equity has been eroded over the year by approximately \$2.7M due primarily to accounting losses in the Joint Venture, in addition to the losses outlined above. The majority of the Joint Venture loss is due to depreciation not being recovered in the irrigation charges, this year being partly offset by a positive 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 continued to have a strong focus on strategy for the Company. A significant work stream was undertaken over the last two years in relation to the acquisition of the Highbank pumping and generation assets currently owned by Trustpower Limited. Following an intensive due diligence process the acquisition did not proceed but the Board consider that the Company is the logical owner of those assets at some point in the future.

A scheduled review of the Joint Venture arrangements was held through the year and culminated in a proposal for Electricity Ashburton Limited to exit the Joint Venture. The outcome was not necessarily anticipated by the Company and was a reflection of the Joint Venture partners having different strategic directions, as well as Electricity Ashburton Limited being of the view that they had achieved their primary goal of facilitating "giving effect" to the BCI water consent and bringing water to the district where there was previously no access to the resource.

On 31 March 2017 the Board announced to shareholders the opportunity to take 100% control of the scheme by purchasing the Electricity Ashburton Limited share in the Joint Venture. A process of consultation, and consideration of a proposal to invite further capital contributions to the Company, commenced at that point and is ongoing.

The Annual Meeting in August 2016 saw Mark Robinson and Colin Maw retire from the Board. The meeting elected Jeremy Casey and Will Grayling to the Board, to join myself, Rab McDowell, Jan Early, and independent Director Jeremy Smith. Both Mark and Colin have had a long association with the Company and their commitment to progressing the development was unwavering.

Joint Venture

The Joint Venture committee continues to operate under the chairmanship of John Tavendale. Phil McKendry and Gordon Guthrie represent Electricity Ashburton Limited on the Joint Venture Committee, along with myself and Jeremy Smith.

With only moderate scheme growth over the year there has been an opportunity to consolidate and focus on the sustainability of scheme systems and resourcing. 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 continues to operate out of the Irrigo office in Ashburton which has become a busy and vibrant workplace.

Helen has been supported this year in the planning area by Rick Criddle who, as Data Analyst, has taken much of the daily planning and reporting function. Monica Archibald also assisted with water ordering over the summer. Joe Cuthers continues in the field and was joined by Tony Foster in the Spring. Tony provides backup to the operations role and supports Mike in the projects area. This extra resourcing has ensured that all operational areas are more sustainably supported.

The operational performance of the scheme has been good this year, partly assisted by the low demand for water. Main issues continue to be related to technology, being flow meters, radios, and variable speed drives in pump stations. The Lavington hydro generator performed well over the year although pricing of energy on the spot market was below expectation. The hydro investment is meeting its objective of financially supporting overbuild in infrastructure with positive cashflows.

With the Health and Safety at Work Act coming in to force in April 2016 there has been a significant work stream to ensure that the systems the Joint Venture employs are appropriate to ensure staff, visitors and contractors are safe. Initial support was gained from Impac Services and considerable time has been committed by all staff and the Joint Venture Committee to ensure that the policy set by the Joint Venture Committee is consistently implemented across the organisation and all parties are aware of the risks within the scheme operations and developments.

Although Mike has had a smaller number of projects this year there has been a big task in “tidying up” loose ends from the last couple of busy years. Wybren de Vries assisted Mike with some of the winter projects this year allowing Mike to focus on completion of stage two in particular. There were additions to the Chertsey line, Methven Line, Mayfield Line and some upgrades on the Forks Line, providing for an increase in delivered volume of around 400 litres per second. In addition, the scheme provided Ashburton District Council with a solution to a long standing stock water issue at Barrhill. Utilising the new Chertsey gravity line the scheme was able to allow many kilometers of stock water race to be closed, while continuing supply stock water to users adjacent to the Rakaia township.

Another major project under way is an IT upgrade for the Joint Venture systems. Following an IT systems review process earlier in 2016, the Joint Venture made the decision to implement Technology one enterprise software for the scheme. The software handles financials, human resources, asset management, mapping, customer relations management, and will provide a portal to allow an upgrade for the online Farm Environment Plan. The fully integrated system should ensure that communication and reporting meets everyone’s expectations.

Both John and Mike have also been focusing on projects which are not yet under construction. The first is the Akarana Pond development near Highbank which has consent applications publicly notified in early 2017. Considerable engineering work, planning, and consultation with affected parties has been undertaken over the last year.

Subject to obtaining the required consents within a reasonable period the plan is to construct the pond later in 2017 to provide peak delivery capacity for growth in the scheme from the spring of 2018.

The second project under planning is the Cavendish Line. Although currently parked due to environmental planning constraints there has been considerable work undertaken to prepare for the construction of the new line in the Cavendish and Anama areas. This line will also be used to relieve some capacity constraints in the Valetta Line.

The environmental planning constraint noted with regard to the Cavendish Line development is considerable. Noted in the last annual report, the outcome of Plan Change Two was that the BCI scheme was technically unable to supply water to new irrigators in the Hinds Plains area after 15 February 2016. The Joint Venture appealed the decision to the High Court on points of law and is still awaiting a resolution of the matter. There is still a likelihood that the scheme will have a small window of time to provide water to shareholders who have been unable to access water due to the constraint, and for the scheme's over capacity to be more fully utilised. However, it is clear that the environmental challenges in the Hinds Plains zone will limit the scheme's ability to continue to expand in the area.

The financial performance of the Joint Venture showed slight improvement on the back of increased connections, but was impacted by increasing operating expenses and reduced margin on variable charges due to the wet season. Operating profit before depreciation, including amortisation of access rights, showed a slight improvement to \$55,000. Cashflow from operating activities improved by \$134,000 to \$578,000.

The BCI Scheme continues to utilise the administrative and environmental services of jointly owned Irrigo Centre Limited. This team continues to grow to meet demand from the shareholder schemes.

Eva Harris, as Irrigo Environmental Manager, continues in that role on behalf of the Joint Venture and has again ensured the scheme has met compliance requirements under the scheme's land use consent. Eva and her team have made significant progress in building confidence around our shareholder's ability to operate at good management practice. The audited self management programme that she has implemented is well regarded in the industry and should pave the way to renewal of the land use consent on favourable terms in 2018. Megan Hands continues to undertake audits of farm environment plans, and Belinda Meares has returned to the office in the role of Environmental Coordinator.

In the 2016/17 season, the scheme utilised around 215km of pipe to deliver 9 cumecs to 143 irrigator shareholders on approximately 20,000 hectares.

Acton

The BCI Scheme continues to work closely with the Acton Scheme in operational and environmental areas. The Acton Scheme is now at full capacity of 3 cumecs, and has been undertaking some piping upgrade of their distribution network to minimise water losses. 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

Although the BCI Scheme has had a year of consolidation it has made considerable progress in meeting the strategic objectives of the farmer co-operative Barrhill Chertsey Irrigation Limited. In particular, the Board has focused on the long term cost of delivering water, ensuring resilience and sustainability in human resources, and leadership in the environmental space.

The Board is excited to be able to present shareholders with the opportunity to take 100% control of the scheme over the next few months. This opportunity not only provides for control of future strategy and water price path, it also allows for a reasonable return on further irrigator equity investment to offset fixed annual charges.

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.

Malcolm Cairns
Chairman
Barrhill Chertsey Irrigation Limited

Barrhill Chertsey Irrigation Limited
Company Particulars
as at 31 March 2017

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>18,523,260</td></tr> <tr> <td>Acton Ordinary Shares</td><td>561,000</td></tr> </table>	Ordinary Shares	0	I & D Shares	18,523,260	Acton Ordinary Shares	561,000
Ordinary Shares	0						
I & D Shares	18,523,260						
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 Malcolm Cairns (Chairman) 1653 Rakaia Barrhill Methven Road No 12 R D Rakaia</p> <p>Jeremy John Casey 815 Back Track No 12 R D Rakaia</p> <p>Jan Rosemary Early Moorhouse Road No 8 R D Ashburton</p> <p>William Grayling 496 Singletree Road No 7 R D Ashburton</p> <p>Robert Ewan McDowell 1860 Arundel Rakaia Gorge Road No 5 R D Ashburton</p>						

Barrhill Chertsey Irrigation Limited
Company Particulars
as at 31 March 2017

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
PwC Centre
60 Cashel Street
P O Box 13244
Christchurch

Barrhill Chertsey Irrigation Limited
Annual Report
for the Year Ended 31 March 2017

The Directors submit the annual report of the Company and the financial statements of the Company for the Year Ended 31 March 2017.

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 Malcolm Cairns	
Jeremy John Casey	Appointed 9 August 2016
Jan Rosemary Early	
William Grayling	Appointed 9 August 2016
Colin Robert Maw	Retired 9 August 2016
Robert Ewan McDowell	
Mark Christopher Robinson	Retired 9 August 2016
Jeremy Brendan Smith	

DIRECTORS' INTERESTS

The following entries have been recorded in the interests register for the year ended 31 March 2017.

R Malcolm Cairns has Directorship in the following Companies:

- * K & M Farming Limited
- * Water Utilities Ashburton Limited
- * RG & RM Cairns Limited

Jeremy Casey has Directorship in the following Company:

- *Vaca.Sa Limited
- *Back Track Dairies Limited
- *Casey & Solly Limited

Barrhill Chertsey Irrigation Limited
Annual Report
for the Year Ended 31 March 2017

Jan Early has Directorship in the following Companies:

- * Ruapuna Holdings Limited
- * Ruapuna Farms Limited

William Grayling has Directorship in the following Companies:

- *Nui Dairies Limited
- *Singletree Dairies 2013 Limited
- *Tower Peak Station (2017) Limited
- *Ashpouri Limited

Robert E McDowell has Directorship in the following Company:

- * McDowell Mayfield Farm Limited

Jeremy Smith has Directorship in the following Companies:

- * Seamount Advisory Limited
- * Farra Engineering Limited
- * Holmes Group Limited
- * Water Utilities Ashburton Limited
- * CCHL(2) Limited
- * CCHL(4) Limited
- * Christchurch City Networks Limited
- * CCHL(5) Limited
- * Graymont (NZ) Limited
- * Christchurch City Holdings Limited

DIRECTORS' REMUNERATION

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

R Malcolm Cairns	Directors Fees	18,500
Jeremy Casey	Directors Fees	10,500
Jan R Early	Directors Fees	13,000
William Grayling	Directors Fees	10,500
Colin R Maw	Directors Fees	2,500
Robert E McDowell	Directors Fees	15,500
Mark C Robinson	Directors Fees	2,500
Jeremy B Smith	Directors Fees	20,000

Barrhill Chertsey Irrigation Limited
Annual Report
for the Year Ended 31 March 2017

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 Acton Shares	I Shares	D Shares
Jan R Early	Fully Paid Shares	-	77,050	152,950
Robert E McDowell	Fully Paid Shares	-	140,700	279,300
William Grayling	Fully Paid Shares	-	43,550	86,450
R Malcolm Cairns	Fully Paid Shares	-	14,070	27,930
Jeremy Casey	Fully Paid Shares	-	150,750	299,250

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

Date	Director	Entity	Transaction	Total Consideration
12 October 2016	Jan R Early	Ruapuna Farms Limited	Sale	\$29,704.50

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 2017.

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 2017

CO-OPERATIVE COMPANIES ACT 1996 DECLARATION

The Company has throughout the period from 1 April 2016 until 31 March 2017 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 on1/06/17.....



..... R Malcolm Cairns



..... Robert E McDowell

Barrhill Chertsey Irrigation Limited
Statement of Financial Position
as at 31 March 2017

	Notes	2017 \$	2016 \$
Current Assets			
Cash and Cash Equivalents	4	343,026	270,637
Accounts Receivable		18,688	33,063
Income Taxation Refund		491	15,071
Irrigation Scheme Joint Venture Loan	15	199,892	265,680
GST Receivable		-	2,537
Total Current Assets		<u>562,097</u>	<u>586,987</u>
Non Current Assets			
Irrigation Scheme Joint Venture Loan	15	1,230,512	858,535
BCI - Electricity Ashburton Joint Venture	5	14,121,551	15,123,755
Fixed Assets		366	448
Total Non Current Assets		<u>15,352,429</u>	<u>15,982,738</u>
Total Assets		<u>15,914,526</u>	<u>16,569,725</u>
Current Liabilities			
Trade and Other Payables	7	89,253	56,435
GST Payable		751	-
Total Current Liabilities		<u>90,004</u>	<u>56,435</u>
Non Current Liabilities			
Deferred Tax Liability	9	1,023,054	250,318
Total Non Current Liabilities		<u>1,023,054</u>	<u>250,318</u>
Total Liabilities		<u>1,113,058</u>	<u>306,752</u>
Net Assets		<u>14,801,468</u>	<u>16,262,974</u>
Equity			
Share Capital	8	24,540,283	23,237,344
JV Revaluation Reserve		1,291,504	1,308,071
Retained earnings		(11,030,320)	(8,282,441)
Total Equity		<u>14,801,468</u>	<u>16,262,974</u>

..... R M Cairns

..... R E McDowell

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 2017

	Notes	2017 \$	2016 \$
Revenue			
Interest		1,831	21,162
Joint Venture Admin Charge		150,000	150,000
Total Revenue		151,831	171,162
 Share of Operating Loss in Joint Venture	5	(1,890,010)	(1,777,323)
 Less Expenses			
Administration & Fixed Expenses			
Accountancy & Secretarial Fees		14,823	16,442
Consultancy Fees		23,449	23,812
Office Expenses		-	240
Subscriptions		-	1,556
Travel Expenses		1,232	958
Training		-	-
General Manager Fees		12,000	12,000
Legal Issues		13,458	42,829
Audit Fees		20,475	19,500
Bank Charges		177	225
Insurance		16,392	12,800
Total Administration & Fixed Expenses		102,005	130,362
 Operating Expenses			
Entertainment Expenses		2,439	1,090
Directors Fees		93,000	46,000
Total Operating Expenses		95,439	47,090
 Depreciation		82	104
Amortisation		-	-
Amortised Cost of Loan to Joint Venture	15	39,438	198,600
Total Expenditure		236,964	376,156
 Deficit for the year		(1,975,143)	(1,982,317)
 Income Tax Expense/(Credit)	9	772,736	(455,719)
 Deficit for the Year after Tax attributable to Equity Holders of the Company		(2,747,879)	(1,526,598)
 Other Comprehensive Income			
Share of JV Other Comprehensive Income	5	-	-
 Total Comprehensive Income/(Loss) attributable to Equity Holders of the Company		(2,747,879)	(1,526,598)

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 2017

	Share Capital \$	Retained Earnings \$	JV Revaluation Reserve \$	Total \$
Equity at 1 April 2015	20,343,167	(6,755,843)	1,308,071	14,895,395
Operating deficit after tax	-	(1,526,598)	-	(1,526,598)
Transactions with owners in their capacity as owners				
Issue of Ordinary Shares	2,764,797	-	-	2,764,797
Unallotted Share Capital	129,380	-	-	129,380
JV Revaluation Gain	-	-	-	-
Equity at 31 March 2016	<u>23,237,344</u>	<u>(8,282,441)</u>	<u>1,308,071</u>	<u>16,262,974</u>
Operating deficit after tax	-	(2,747,879)	-	(2,747,879)
Transactions with owners in their capacity as owners				
Issue of Ordinary Shares	1,411,319	-	-	1,411,319
Unallotted Share Capital	(108,380)	-	-	(108,380)
Share Issue Expenses	-	-	-	-
Reduction in value from disposals	-	-	(16,567)	(16,567)
Equity at 31 March 2017	<u>24,540,283</u>	<u>(11,030,320)</u>	<u>1,291,504</u>	<u>14,801,468</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
Statement of Cash Flows
for the Year Ended 31 March 2017

	Notes	\$	\$	2017 \$	2016 \$
<u>Cash Movement from Operating Activities</u>					
Cash Was Provided From:					
Joint Venture Admin Charge		150,000			150,000
Operating Charge		4,421			-
Goods and Services Taxation		4,807			-
Taxation Refund		15,071			-
Interest Received		1,831			21,162
			176,130		171,162
Cash Was Applied To:					
Payments to Suppliers		189,195			189,573
Taxation Paid		491			5,925
Goods and Services Taxation		-			4,542
			189,686		200,040
Net Cash Movement from Operating Activities	13			(13,556)	(28,878)
<u>Cash Movement From Investing Activities</u>					
Cash Was Applied To:					
Loan to Joint Venture		500,000			822,815
Investment in Joint Venture		750,000			6,080,000
			1,250,000		6,902,815
Net Cash Movement from Investing Activities				(1,250,000)	(6,902,815)
<u>Cash Movement from Financing Activities</u>					
Cash Was Provided From:					
Proceeds from the Issue of Share Capital		1,302,940			2,894,193
Capital Contribution		33,005			-
Loan Received		-			-
			1,335,945		2,894,193
Net Cash Movement From Financing Activities				1,335,945	2,894,193
Net Increase (Decrease) in Cash Held				72,389	(4,037,500)
Add Cash at Start of Year				270,637	4,308,137
<u>Closing Balance</u>				<u>\$343,026</u>	<u>\$270,637</u>
<u>Closing Balance Comprises of:</u>					
Bank of New Zealand					
Farm First Transact				59,206	79,666
Farm First Call				283,820	190,971
				<u>\$343,026</u>	<u>\$270,637</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 2017

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 for-profit entities. The Company is a for-profit entity for the purposes of complying with NZ GAAP.

The financial statements were authorised for issue by the directors on 1 June 2017. The directors do not have the power to amend and re-issue the financial statements.

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 2017

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 as follows:

BCI – Electricity Ashburton Joint Venture

The company has assessed their investment in the BCI- Electricity Ashburton Joint Venture and identified no impairment indicators. Impairment indicators assessed include the following:

- Changes in the technological, market, economic or legal environment impacting the investment or the market in which the investment operates
- Changes in market interest rates or market rates of return
- Deterioration in the expected level of the investment's performance
- Internal reporting indicating that the performance of the investment is worse than expected

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. Joint venture administration charge is recognised in the accounting period in which the service is provided.

(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 income tax rate 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

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 2017

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 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 the interest in the assets and liabilities in the unincorporated joint venture.

(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) Joint Arrangements

Under NZ IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Company has a joint venture.

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. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying value of the investment.

(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%)

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 2017

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. 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.

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.

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.

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
for the Year Ended 31 March 2017

(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.

(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 or loss. Financial Assets carried at fair value through profit or 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 or 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. The only financial assets the company has are loans and receivables.

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.

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
for the Year Ended 31 March 2017

Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or 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 statement of cash flows, 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 statement of financial position.

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
for the Year Ended 31 March 2017

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 2018 and earlier application is permitted. The Company intends to adopt NZ IFRS 15 on its effective date.

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 NZ IFRS 9 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. CASH AND CASH EQUIVALENTS

	2017	2016
	\$	\$
Bank of New Zealand Cheque Account	59,206	79,666
Bank of New Zealand Call Account	283,820	190,971
	<u>343,026</u>	<u>270,637</u>

5. 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

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 2017

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 2015	10,821,078
Further Investment	6,080,000
Share of Loss in Joint Venture	(1,777,323)
Share of Reserve Gains in Joint Venture	-
Carrying Amount 31 March 2016	<u>15,123,755</u>
Further Investment	904,373
Share of Loss in Joint Venture	(1,890,010)
Withholding tax paid by the JV	-
Reduction in value from disposals	(16,567)
Carrying Amount 31 March 2017	<u><u>14,121,551</u></u>

The following information summarises the position and performance of the joint venture as at 31 March 2017. The joint ventures financial statements for the year ended 31 March 2017 have been audited.

	2017 \$	2016 \$
Cash & Cash Equivalents	808,249	39,542
Other Current Assets	2,006,556	2,432,583
Non Current Assets	83,953,354	86,522,964
Total Assets	<u>86,768,159</u>	<u>88,995,089</u>
Current Financial Liabilities	-	-
Other Current Liabilities	7,187,765	5,770,617
Non – Current Financial Liabilities	46,327,941	47,380,614
Other Non – Current Liabilities	5,009,352	5,596,350
Total Liabilities	<u>58,525,058</u>	<u>58,747,581</u>
Net Assets	<u><u>28,243,101</u></u>	<u><u>30,247,508</u></u>

Reconciliation

Total contribution paid in by EAL (JV Partner)	19,584,373	18,680,000
Total contribution paid in by BCIL (JV Partner)	(19,584,373)	(18,680,000)
JV's equity that does not relate to BCIL	-	-
Net assets of the JV applicable for 50% split	<u>28,243,101</u>	<u>30,247,508</u>
BCIL's share of the JV	14,121,551	15,123,755

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 2017

	2017	2016
	\$	\$
Revenue	14,741,181	13,568,422
Interest Income	28	1,466
	<u>14,741,209</u>	<u>13,569,888</u>
Operating Expenses	(12,362,773)	(12,317,089)
Operating Profit (Loss) before Depreciation and Interest	2,378,436	1,252,799
Interest Expense	(2,323,225)	(1,202,342)
Depreciation and Amortisation	(4,182,414)	(2,515,597)
Gain on Sale of Assets	13,605	-
Fair Value of Interest Rate Swaps	333,578	(1,089,506)
Income Tax Expense	-	-
Operating Profit (Loss) for the Year	<u>(3,780,020)</u>	<u>(3,554,646)</u>
Other Comprehensive Income	-	-
Total Comprehensive Income	<u>(3,780,020)</u>	<u>(3,554,646)</u>
BCIL's share of the JV	(1,890,010)	(1,777,323)

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, \$6,080,000 during the 2016 year and \$904,373 during the 2017 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 an agreement dated 31 March 2010 to supply 3 cumecs of water to Acton Irrigation Limited. This is serviced through the BCI/EA Joint Venture. Electricity Ashburton is not party to this agreement. 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. The Company shall operate and manage the arrangement as directed by the joint venture.

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
for the Year Ended 31 March 2017

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	2017	2016
Overdraft Facility		\$500,000	\$1,000,000
Loan Facility with BNZ	22 June 2020	\$47,990,856	\$47,380,614

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

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 2017.

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 2017

6. INTANGIBLE ASSETS

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.

7. TRADE AND OTHER PAYABLES

The carrying value of payables approximates their fair value.

	2017	2016
	\$	\$
Creditors and Accruals	89,253	56,435
	<u>89,253</u>	<u>56,435</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.

8. SHARE CAPITAL

Summary of Share Capital as at 31 March 2017	Number of Shares	Share Capital \$
Ordinary Shares	-	-
I & D Shares	18,523,260	23,953,033
Acton Shares	561,000	561,000
Unallotted Share Capital	-	26,250
	<u>19,084,260</u>	<u>24,540,283</u>
Balance as at 31 March 2017	<u>19,084,260</u>	<u>24,540,283</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 2017

I & D Shares	Number of Shares	Share Capital \$
Balance as at 1 April 2015	15,641,310	19,790,481
Outstanding Share Capital Instalments Received	-	226,595
Ordinary I & D Shares Issued (Partly Paid)	2,048,000	2,524,637
Balance as at 31 March 2016	17,689,310	22,541,713
Outstanding Share Capital instalments received	-	246,547
Ordinary I & D Shares Issued (Partly Paid)	833,950	1,164,773
Balance at 31 March 2017	18,523,260	23,953,033

Acton Shares	Number of Shares	Share Capital \$
Balance as at 1 April 2015	547,435	547,435
Ordinary Acton Shares Issued	13,565	13,565
Balance as at 31 March 2016	561,000	561,000
Balance as at 31 March 2017	561,000	561,000

Ordinary Shares

(a) I & D

A prospectus was issued on the 5 June 2009. This prospectus outlined the 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 4 December 2009. A new prospectus was issued on the 30 September 2014 and a further prospectus on the 27 March 2015. A total of 6,462,820 I and 12,060,440 D shares have now been allotted. This comprises of the existing ordinary shareholders converting 1,813,547 ordinary shares and the remaining 16,709,713 being applied for and allotted. The total number of I & D share allotted is 18,523,260.

All ordinary shares rank equally and entitle the holder to one vote per shares up to a maximum of 15% of total votes that can be cast.

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 2017

(b) 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 were 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.

All ordinary shares rank equally and entitle the holder to one vote per shares up to a maximum of 15% of total votes that can be cast.

The recent share issues have unpaid capital as follows:

	Share Capital
Final instalment on share issue outstanding	
Barrhill Chertsey I & D Shares	869,267
Total instalment on share issue outstanding	<u>869,267</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	21,000
Total Unallotted Share Capital	<u>26,250</u>

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

JV Revaluation Reserve

The asset revaluation in the joint venture 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*.

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
for the Year Ended 31 March 2017

9. INCOME TAX

	2017	2016
	\$	\$
Statement of Comprehensive Income Tax Expense		
(a) Reconciliation of Taxable Income (Loss)		
Net surplus (deficit) for the year	(1,975,143)	(1,982,317)
Taxation impact on net surplus (deficit)	(553,040)	(555,050)
Taxation effect of permanent differences		
Non deductible expenses	172	51
Non assessable income	(40,117)	(34,933)
Taxation effect of temporary differences		
Depreciation on JV property, plant and equipment	957,604	192,445
Other	(12,040)	(57,600)
Tax impact of losses carried forward from prior year	-	-
Tax impact of losses lost due to breach of continuity	420,157	-
Tax benefit unrecognised	-	-
Prior period adjustment in tax	-	(632)
Tax charge on taxable income/(loss)	772,736	(455,719)

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

Barrhill Chertsey Irrigation Limited
Notes to the Financial Statements
for the Year Ended 31 March 2017

(b) Deferred tax asset/(liability)

	Depreciation and Amortisation (\$)	Losses carried forward (\$)	Other (\$)	Total (\$)
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)
Opening balance as at 1 April 2016	(1,448,453)	1,137,820	60,315	(250,318)
Movement shown in tax expense	(957,604)	172,828	12,040	(772,736)
Movement shown in other comprehensive income	-	-	-	-
Prior period adjustment in tax	-	-	-	-
Closing balance as at 31 March 2017	(2,406,057)	1,310,648	72,355	(1,023,054)

(c) Imputation Credit Account

Opening balance at 1 April 2016	-	-
Plus Resident Withholding Tax	491	5,926
	491	5,926
Less Tax Refunds receivable	491	5,926
Closing balance at 31 March 2017	-	-

10. AUDIT FEES

Fees paid to auditor are as follows:

	2017 \$	2016 \$
Audit of financial statements - PwC	19,475	18,500
Other services performed by PwC		
Share registry audit	1,000	1,000
Tax advice	-	11,312
Business advisory services	20,650	25,000
Total other services	21,650	37,312
Total fees paid to auditor	41,125	55,812

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 2017

11. RECONCILIATION OF NET OPERATING DEFICIT WITH OPERATING CASH FLOW

	2017	2016
	\$	\$
Net surplus/(deficit)	(1,975,143)	(1,982,317)
Add/(Less) non cash items:		
Joint Venture (Profit)/Loss	1,890,010	1,777,323
Amortised cost of loan to Joint Venture Loan	39,438	198,600
Depreciation and Amortisation	82	104
Withholding tax paid by the Joint Venture	-	-
 Add/(Less) movements in working capital items:		
Accounts Receivable	31,491	(27,151)
Accounts Payable	566	4,563
 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	-	-
 Net increase (decrease) in cash from operating activities	(13,556)	(28,878)

12. 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 2017 the Joint Venture Capital Commitments were \$1,021,646 (2016: \$301,658). Capital Commitments relate to the Ballencrief and Sparks Chertsey projects, as well as the Technology One system project and the Akarana Pond 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 \$19,584,373.

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 2017

13. EVENTS SUBSEQUENT TO BALANCE DATE

There have been no events subsequent to balance date.

14. 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 5.

There are no contingent assets as at 31 March 2017 (2016: Nil).

15. 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 5 the Company contributed \$904,373 to the joint venture during the year (2016: \$6,080,000). 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, \$6,080,000 during the 2016 year and \$904,373 during the 2017 year.

At balance date the joint venture owes the Company \$18,688 (incl GST) (2016: \$18,688) for the Operating Charge and reimbursement of Directors Fees paid for independent Director.

The Company has also made a loan to the joint venture under the "dry share" loan arrangements. When water is able to be supplied to those shareholders this loan is repaid and the funds reinvested as a contribution to the joint venture. During the year the Company loaned the Joint Venture a further \$500,000 under these loan arrangements. During the year \$154,373 of the "dry share" loan was repaid by the Joint Venture following take up of the water associated with that facility. The Company reinvested the funds in the Joint Venture and they were matched by Electricity Ashburton Limited. The net increase in the loan facility was \$345,627.

At 31 March 2017 the balance of the loan is \$1,668,442 undiscounted (2016: \$1,322,815). This loan is interest free and is measured at amortised cost. The loan shall endure until the water is supplied to the specified shareholder.

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.

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.

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 2017

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 \$15,446.00 (incl GST) (2016: \$32,626,49) 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:

	2017 \$	2016 \$
Short-Term Employee Benefits		
Directors Fees	93,000	46,000
	93,000	46,000

16. 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.

17. 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.

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 5 for information on the joint venture financial performance. The Company continuously monitors the joint venture and therefore does not expect non-performance of any obligations at balance date.

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 2017

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.

The Company continuously monitors the credit quality of major financial institutions that are counterparties to its financial instruments, and does not anticipate non-performance by the counterparties.

The Company monitors the rolling forecast liquidity requirements of the joint venture to ensure it has sufficient cash to meet operational needs while maintaining headroom at all times. Such financial forecasting takes into consideration the joint venture debt financing and compliance with budgets.

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

	2017	2016
	\$	\$
Trade and Other Payables	89,253	56,435
Total Liabilities	89,253	56,435

Repayable as follows:

	2017	2016
	\$	\$
		Less than 1 year
Trade and Other Payables	89,253	56,435
Total Liabilities	89,253	56,435

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



Independent auditor's report

To the shareholders of Barrhill Chertsey Irrigation Limited

Barrhill Chertsey Irrigation Limited's financial statements comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion the financial statements of Barrhill Chertsey Irrigation Limited (the Company), present fairly, in all material respects, the financial position of the Company as at 31 March 2017, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

We are independent of the Company in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Company in the areas of tax and business advisory services. The provision of these other services has not impaired our independence as auditor of the Company.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

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



Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page8.aspx

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Robert Harris.

For and on behalf of:

A handwritten signature in blue ink, appearing to read 'Robert Harris', written over a light blue horizontal line.

Chartered Accountants
1 June 2017

Christchurch