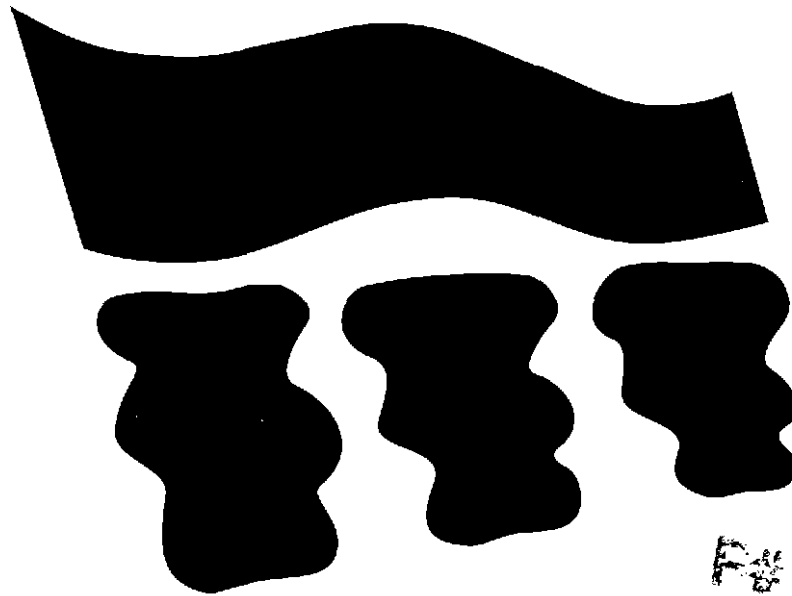


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Ashburton Lyndhurst Irrigation Society Limited



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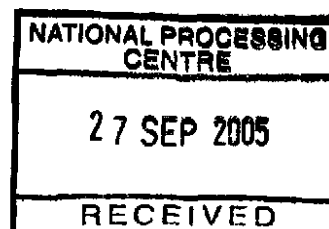
Annual Reports And Notice Of Meeting

NATIONAL PROCESSING CENTRE
27 SEP 2005
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Company Directory



Rupert Curd - Chairman



George Brown - Director



John Van Polanen - Director



Robin Griffiths - Director



Andrew Marshall - Director



Jess Dargue - Head Raceman

REGISTERED OFFICE

144 Tancred Street, Ashburton

DIRECTORS:

Rupert Curd
George Brown
John Van Polanen
Robin Griffiths
Andrew Marshall

BANKERS:

Westpac, Ashburton

ACCOUNTANTS:

Brophy Knight Limited, Ashburton

DATE OF INCORPORATION:

16 July 1991

CAPITAL:

49045 Ordinary Shares

SECRETARY

George Brown

SOLICITORS:

Nicoll, Cooney & Co, Ashburton

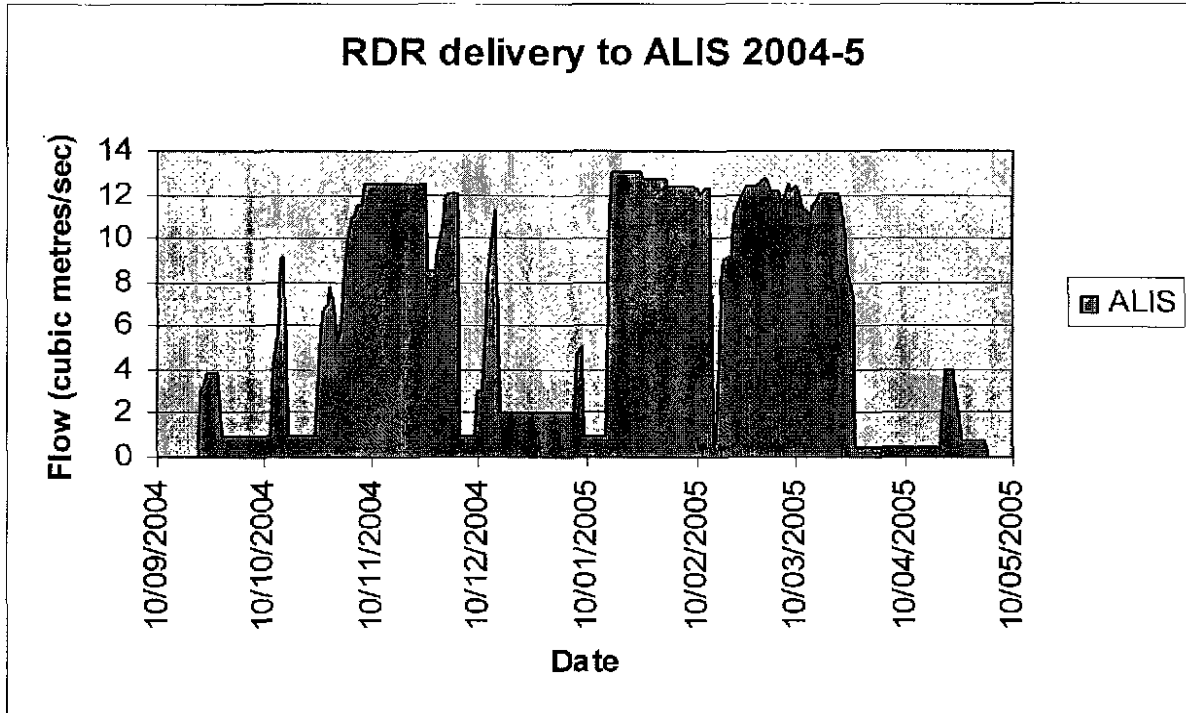
AUDITORS:

Gabites Sinclair & Partners, Ashburton

Chairman's Report

For Year Ended 30 June 2005

It gives me pleasure to present the Annual Report for the year ended 30th June 2005.



The graph indicates how the demand for water fluctuated over the 2004-05 irrigation season. The nature of the season led to irrigation activity being a very 'stop, start' affair, a pattern which is clearly shown on the graph. This scenario generated a lot of work for the Racemen, moving water in and out of the system, although the pressures of a dry period were for the most part absent. Irrigation was largely unaffected by restrictions with only a brief 10% restriction imposed in early February.

Conservation Order

After years of dedicated effort and at huge cost, this Conservation Order is yet to be sanctioned by the Minister of the Environment. This will now be presented to a new Parliament that perhaps will apply a new focus. Its course is unable to be predicted. Having successfully assisted shape the proposed order to accommodate R.D.R., your Board is concerned that political processes may alter the status of Conservation Orders.

Consents

The main Resource Consent to divert, dam and take water from the Rangitata River is currently under appeal and mediation. The appeal is specifically on what minimum flows are to be left below the RDR intake.

As part of the consents, RDR have to install a fish by pass system on the intake and there are also discussions on requirements on the Ashburton intake.

Chairman's Report

For Year Ended 30 June 2005

Environment Canterbury

ECan has decided to proceed with a variation to the proposed Natural Resources Regional Plan, water quantity schedule. This sets out standards and guidelines for determining annual irrigation water demand. This change proposes to take into account soil type, land use and factor in rainfall to arrive at an annual water application for land. In its present form, it has serious implications in that the proposal will provide allocation for 80% reliability. This creates its own inefficiencies and the prospects of reapplying for additional allocation as the need arises is cumbersome. The bureaucracy is rearing its ugly head! Your Board will work with Mayfield/Hinds and Valetta via the Irrigation Forum to ensure our interests are accounted for.

The Regional Council is proposing to cover a \$10m cost of monitoring, planning and policy work with a direct rate (tax) on water used. This will inhibit the growth of the region through disincentives to further water development and penalise production. The indirect beneficiaries (service sector) of irrigation must continue to have an opportunity to invest in their livelihoods also. The detail from ECan is insufficient to estimate the effects on Shareholders at this time.

Energy Generation

Trustpower has sought to establish power generation at a site on the main lateral of our Scheme. The Board has approved in principle a conceptual proposal that will provide benefits to ALIS. The nature of the agreement and the benefits are unable to be quantified at this time, however your Board is confident of reaching a realistic share agreement either through purchasing a direct interest or via royalty payments.

Piping Proposal

A Feasibility Study has been received on providing a pressurised, pipe water supply to Laterals 1 & 2. The Board has concerns over parts of the study and will undertake further consultation with Farmers involved. The major concerns are in the area of affordable pipe and identifying a supplier. Our thanks go to the Sub Committee lead by John van Polanen for their efforts in investigating the options.

Environmental Policy

The Board in conjunction with other RDR Irrigation Schemes have developed an Environmental Policy. This policy sets out the scheme's interest as to water efficiency, management and best use. This assists in defending the efficiency arguments that flood irrigation schemes encounter. Thanks go to Andrew Marshall for his efforts in the policy's development.

Share Leasing

Some Members have applied to lease out their ALIS shares. This has come about through Shareholders developing ground water wells to irrigate part or all of their properties. During the initial years of development, some are reluctant to sell their ALIS shares and prefer to keep all options alive. They can however see through a twelve month period during which time other qualifying farmers could efficiently use (or lease) this allocation. Further discussion is sought on this issue.

Chairman's Report

For Year Ended 30 June 2005

Insurance Review

The Board is less than impressed with Insurance Cover available to it. The \$11,000 premium provides a cover for maximum event of \$1,000,000 for any one claim with an excess of \$25,000. Our experience of repairs to structures fall beneath the excess and claims have never been made against this part of the policy. Your Board are undertaking an analysis of Public Liability Cover only in relation to scheme structures.

Finance

During the past year the scheme has operated within the water charge which was budgeted at \$22.00 but reduced to \$19.00 when the RDR abnormal expense did not occur. A summary of these is as follows:

	Actual	Budget
Water Charge	19	22
Revenue	547421	593500
Employment	135114	134850
Vehicles	26074	24500
Repairs & Maintenance	113381	62400
Overheads	84146	77100
Total Scheme Costs	<u>358715</u>	298850
RDR	161365	139500
RDR Capital Expenditure	<u>42833</u>	<u>42833</u>
Total Cash Expenditure	562913	481183

The major additional costs in the year have been repairs and maintenance which occurred due to the following reasons:

- Race Cleaning/Boulders: During the 2005 year we spent \$89,000 on these items. Some of this was because there were two years costs in one year – 2004 plus 2005, completed before June.
- House maintenance including the painting of one house.

The 2005/06 budget has been set at \$22.00 with a \$16.00 initial charge. We will review the final charge in February depending on RDR's position and our own development.

Staffing

The Board has decided not to renew Ross Spicer's part time contract and to employ a full time staff member. In respect to this, we welcome Michael King to the team who will initially take over Ross's area. Michael's appointment will enable Jess Dargue to free up some time to focus on monitoring irrigation flows and developing scheme management efficiencies.

Chairman's Report

For Year Ended 30 June 2005

The Board wishes to pay tribute to Ross and Helen for thirty years of dedication to irrigators' interests. Ross has seen many changes take place within the scheme and with land use. Ross' ability to communicate with farmers and to be firm when required has been a strength. Thank you Ross and Helen for devoting your untiring efforts and skill to the ALIS scheme.

Maintenance

With an irrigation scheme such as yours, the R&M is a key component. Under Jess Dargue's supervision extensive cleaning and boulder work was undertaken this year. With RDR expenditure coming under budget, additional R&M was carried out at ALIS. This has the effect of removing some of the R&M component from the coming years budget and hence water charges. Our thanks are extended to Jess, Noel and Ross for another satisfying operating season.

Future Proofing of the Scheme

The Directors have taken several initiatives during the year to look to the future. These have been:

- Monitoring Equipment purchase to look at flow rates and manage our water better.
- Pond for storage and flow management. We have looked at Hepbums Road and Don Grant's property for ponds. We want another year to decide if these are the most effective cost options.
- Improvement to Delivery Races – Considerable work has been completed but we are planning further work this year to determine pressure points for improvements.

Acknowledgment

I record the strong support and commitment of Board Members Robin Griffiths, Andrew Marshall & John van Polanen. Also to Director and Secretary George Brown and the team at Brophy Knight Limited for their professionalism in the administration of the affairs of the Society.

Our thanks also to Will Nixon for his input in representing ALIS on the Board of RDR Management Ltd.

Rupert Curd
Chairman

Statement Of Financial Position

As At 30 June 2005

	2005	2004
\$	\$	\$
Current Assets		
Westpac		
-Cheque Account	13,272	39,257
Loan & Building Society	89,277	12,916
Ashburton Finance Limited	100,000	109,415
South Canterbury Finance	100,000	100,000
Taxation Overpaid	5,326	4,416
Accounts Receivable	283	2,087
GST Receivable	15,339	8,195
Prepayments	-	58,790
Total Current Assets	323,497	335,076
Non-Current Assets		
Investments		
Shares:		
Loan & Building Society	7,609	7,609
RDR Management Limited	30,000	30,000
Advance:		
RDR Capital Expenditure	253,620	210,787
Ashburton Trading Society		
- Shares	500	500
- Deferred Shares	681	624
Total Investments	292,410	249,520
Fixed Assets		
Land	158,392	166,835
Buildings	62,319	64,313
Plant & Equipment	15,215	8,383
Motor Vehicles	27,499	35,164
Total Fixed Assets	263,425	274,695
Total Non-Current Assets	555,835	524,215
Total Assets	\$879,332	\$859,291

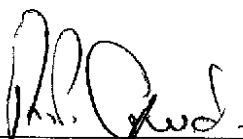
This statement should be read in conjunction with the Notes to the Financial Statements and Audit Report.

Statement Of Financial Position

As At 30 June 2005

	2005		2004
	\$	\$	\$
Current Liabilities			
Accounts Payable	111,357		65,156
Feasibility Study Prepayment	-		2,175
Water Charges Received in Advance	-		27,588
Total Current Liabilities		111,357	94,919
Non-Current Liabilities			
Term Loans:			
Shareholders Loan Account		532,364	532,364
Shareholders' Funds			
Issued And Paid Up Capital			
Ordinary Shares	49,045		49,045
Reserves			
Retained Earnings	186,566		182,963
Total Shareholders Funds		235,611	232,008
Total Shareholders' Funds And Liabilities		\$879,332	\$859,291

Director



Dated

24/8/05

Director



Dated

24/8/05

This statement should be read in conjunction with the Notes to the Financial Statements and Audit Report.

8



Statement Of Financial Performance

For The Year Ended 30 June 2005

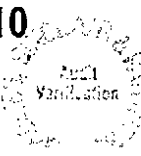
	2005	2004
\$	\$	\$
Income		
Water Charges	506,303	551,447
Rental Income	15,250	15,860
Interest Received	23,313	21,425
Dividends	1,703	1,930
Ashburton Trading Society Rebate	423	258
Miscellaneous Income	429	8,984
Feasibility Study Proceeds	10,015	-
Total Gross Revenue	557,436	599,904
Less Expenses As Detailed:		
Interest	19	116
Auditors Fees	1,785	1,652
Administration Expenses	54,342	51,859
Directors Fees	28,000	25,750
Wages	135,114	126,212
RDR Management Limited		
Share Operating Expenses	161,365	353,434
Share Capital Expenditure Credit	-	(165,335)
Operating Expenses	149,350	75,856
Depreciation	21,968	21,416
Total Scheme Operating Expenses	551,943	490,960
Net Trading Profit	5,493	108,944
Less Taxation Assessable	1,890	2,275
Tax Paid Income	\$3,603	\$106,669

This statement should be read in conjunction with the Notes to the Financial Statements and Audit Report.

Retained Earnings Account For The Year Ended 30 June 2005

		2005		2004
	\$	\$	\$	\$
Net Surplus / (Deficit) For The Year			3,602	106,669
Add Balance Brought Forward			182,964	76,851
			186,566	183,520
Less:				
Unused Imputation Credits Converted To Losses			-	556
Retained Earnings Carried Forward			\$186,566	\$182,964

This statement should be read in conjunction with the Notes to the Financial Statements and Audit Report. **10**



Depreciation Schedule

For The Year Ended 30 June 2005

	Purchase Date	Cost	Accum Depn	Opening Book Value	Addition/ (Disposal)	Depn Rate	Depn This Period	Closing Book Value	Private Use %	\$	Sale Price	Gain/ (Loss) On Sale	Capital Gain/ (Loss)
Land													
001	01/07/89	190071	94248	95823	-	5.0D	4791	91032	-	-	-	-	-
002	18/09/94	12504	3639	8865	-	3.3P	416	8449	-	-	-	-	-
003	01/07/95	5734	1733	4001	-	3.3P	191	3810	-	-	-	-	-
004	30/06/94	76847	25594	51253	-	3.3P	2559	48694	-	-	-	-	-
005	19/11/97	6777	2505	4272	-	5.6P	376	3896	-	-	-	-	-
006	30/06/98	3290	669	2621	-	3.3P	110	2511	-	-	-	-	-
Total Land		295223	128388	166835			8443	158392					
Buildings													
005	01/07/89	29595	10251	19344	-	4.0D	774	18570	-	-	-	-	-
006	01/07/89	6062	-	6062	-	.0D	-	6062	-	-	-	-	-
007	01/07/89	34121	11818	22303	-	4.0D	892	21411	-	-	-	-	-
008	01/07/89	8393	-	8393	-	.0D	-	8393	-	-	-	-	-
013	31/12/98	7100	1445	5655	-	4.0D	226	5429	-	-	-	-	-
015	28/02/00	3060	504	2556	-	4.0D	102	2454	-	-	-	-	-
Total Buildings		88331	24018	64313			1994	62319					
Plant And Equipment													
001	21/11/89	129	103	26	-	10.0D	3	23	-	-	-	-	-
002	27/10/89	1300	1032	268	-	10.0D	27	241	-	-	-	-	-
004	20/03/90	750	588	162	-	10.0D	16	146	-	-	-	-	-
005	20/12/89	3306	2626	680	-	10.0D	68	612	-	-	-	-	-
008	18/10/90	218	169	49	-	10.0D	5	44	-	-	-	-	-
009	19/03/93	7503	5883	1620	-	12.5D	202	1418	-	-	-	-	-
010	19/10/93	550	500	50	-	20.0D	10	40	-	-	-	-	-
011	31/03/94	400	265	135	-	10.0D	14	121	-	-	-	-	-
012	29/05/94	533	350	183	-	10.0D	18	165	-	-	-	-	-
014	01/02/95	435	435	-	-	50.0D	-	-	-	-	-	-	-
015	30/09/94	222	222	-	-	60.0D	-	-	-	-	-	-	-
016	19/02/95	356	356	-	-	60.0D	-	-	-	-	-	-	-
018	17/01/95	2607	1674	933	-	11.4D	106	827	-	-	-	-	-
019	01/07/95	830	664	166	-	18.0D	30	136	-	-	-	-	-
020	01/07/95	985	850	135	-	21.6D	29	106	-	-	-	-	-
021	01/07/95	358	283	75	-	18.0D	14	61	-	-	-	-	-
022	01/07/95	358	283	75	-	18.0D	14	61	-	-	-	-	-
024	01/07/95	3281	2060	1221	-	12.0D	147	1074	-	-	-	-	-
025	31/05/95	261	261	-	-	60.0D	-	-	-	-	-	-	-
026	22/09/89	187	149	38	-	10.0D	4	34	-	-	-	-	-
028	14/01/98	5380	5299	81	-	48.0D	39	42	-	-	-	-	-
029	19/05/99	320	296	24	-	39.6D	10	14	-	-	-	-	-
030	27/03/00	575	509	66	-	39.6D	26	40	-	-	-	-	-
031	27/03/00	575	509	66	-	39.6D	26	40	-	-	-	-	-
032	15/12/00	1600	926	674	-	21.6D	146	528	-	-	-	-	-
033	20/06/02	276	179	97	-	39.6D	38	59	-	-	-	-	-
034	01/04/02	2500	1470	1030	-	33.0D	340	690	-	-	-	-	-
035	20/12/02	248	183	65	-	60.0D	39	26	-	-	-	-	-
036	25/02/03	774	310	464	-	31.2D	145	319	-	-	-	-	-
037	25/08/04	3025	-	3025	3025	39.6D	1096	1929	-	-	-	-	-
039	30/09/04	1410	-	1410	1410	26.4D	309	1101	-	-	-	-	-
040	30/09/04	2460	-	2460	2460	26.4D	539	1921	-	-	-	-	-
041	19/11/04	2148	-	2148	2148	26.4D	376	1772	-	-	-	-	-
042	30/06/05	1655	-	1655	1655	21.6D	29	1626	-	-	-	-	-
Total Plant And Equipment		47514	28434	8383	10697		3865	15215					
Motor Vehicles													
010	07/01/98	11111	9522	1589	-	26.0D	413	1176	-	-	-	-	-
013	21/11/02	22500	7386	15114	-	21.6D	3265	11849	-	-	-	-	-
014	22/07/03	23549	5087	18462	-	21.6D	3988	14474	-	-	-	-	-
Total Motor Vehicles		57160	21995	35165			7666	27499					
Total Assets		488228	202835	274695	10697		21988	263425					

This statement should be read in conjunction with the Notes to the Financial Statements and Audit Report. 11



Statement Of Cashflows (GST Exclusive)

For The Year Ended 30 June 2005

	2005	2004
Cash Flows From Operating Activities		
Cash Was Provided From:		
Receipts from Customers	482,930	577,204
Interest & Dividends	25,155	23,334
Rental	15,250	15,860
Miscellaneous Income	8,692	9,242
GST	1,228	2,377
	533,255	628,017
Cash Applied To:		
Payment to Suppliers	181,136	146,355
Payment to Employees	133,307	127,880
Other Operating Expenses	144,784	348,719
Income Tax	2,846	138
	462,073	623,092
Net Cash Inflow / (Outflow) from Operating Activities	71,182	4,925
Cash Flows From Investment Activities		
Cash was Provided From:		
Disposal of Investments(Net)	-	6,683
Disposal of Fixed Assets	-	12,444
	-	19,127
Cash was Applied To:		
Increase in Investments	88,123	-
Purchase of Fixed Assets	9,043	23,549
	97,166	23,549
Net Cash Inflow / (Outflow) From Investing Activities	(97,166)	(4,422)
Net Increase / (Decrease) In Cash Held	(25,984)	503
Opening Westpac Balance (Cheque Account)	39,256	38,753
Closing Westpac Balance (Cheque Account)	\$13,272	\$39,256

This statement should be read in conjunction with the Notes to the Financial Statements and Audit Report. **12**



Statement Of Cashflows (GST Exclusive)

For The Year Ended 30 June 2005

	2005	2004
Reconciliation Between Net Profit / (Loss) and Inflow from Operating Activities		
Net Trading Profit / (Loss) per Financial Statements	5,493	108,944
Add / (Less) Non Cash Items		
Depreciation	21,968	21,416
RDR Capital Account Adjustment	28,053	(165,335)
Add / (Less) Working Capital Movement		
(Increase) / Decrease in Accounts Receivable	1,660	(1,425)
Increase / (Decrease) in Accounts Payable	39,521	15,940
Income Tax	(2,848)	(138)
GST	1,228	2,377
Prepayments	2,805	267
Feasibility / Prepaid Water	(26,698)	26,698
Efficiency Funds	-	(3,819)
	65,689	(104,019)
Net Cash Inflow / (Outflow) From Operating Activities	\$71,182	\$ 4,925

This statement should be read in conjunction with the Notes to the Financial Statements and Audit Report. **13**



Notes To The Accounts

For The Year Ended 30 June 2005

1. Statement of Accounting Policies

Reporting Entity

Ashburton Lyndhurst Irrigation Society Limited is a registered Society under the Industrial and Provident Societies Act 1908.

Ashburton Lyndhurst Irrigation Society Limited is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements of Ashburton Lyndhurst Irrigation Society Limited have been prepared in accordance with the Financial Reporting Act 1993.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on a historical cost basis are followed by the Society.

Specific Accounting Policies

(a) Fixed Assets

Fixed assets are stated at cost less aggregate depreciation. Depreciation has been calculated using the maximum rates permitted by the Income Tax Act 1994 which closely reflect the allocation of an assets cost over its estimated useful life, and in general are:

Scheme Structures	5 % DV & 5.6% CP
Easement & Surveying	3.3% CP
Buildings	4% DV
Plant & Equipment	10% DV - 60% DV
Motor Vehicles	21.6% DV - 26% DV

The assets "Easement Costs", "Easement Surveying" and "Easement Water Contracts" represent fees incurred to negotiate and prepare easement documents over land occupied by non-irrigators in which structures that convey water to other irrigators are sited. This is a fixed life intangible asset and has been depreciated on a straight line over the balance of the life in which the Society has a water right, estimated to be between 30-33 years.

(b) Investments

Investments are valued at cost.

(c) Taxation

Income Tax in the Statement of Financial Position includes only the current years provision. There is no material timing difference between the actual tax and any deferred tax to warrant any provision.

(d) Goods and Services Tax

These financial statements have been prepared on a Goods and Services Tax exclusive basis.

This statement should be read in conjunction with the Audit Report.

Notes To The Accounts

For The Year Ended 30 June 2005

Changes in Accounting Policies

There have been no changes in Accounting Policies. All policies have been applied on a basis consistent with those used in previous years.

2. Income Tax

The tax benefit as per the Statement of Financial Position is the amount calculated in respect of the net trading profit / (loss) per the Statement of Financial Performance less adjustments of:

	2005	2004
Net Trading Profit / (Loss) (per financial statements)	5,493	108,944
Plus Non - Deductible Expenses	235	274
Net Profit / (Loss) Per Tax Return Before Losses	5,728	109,218
Losses Brought Forward	-	102,326
Taxable Income / (Loss) Per Tax Return	\$ 5,728	\$ 6,892

3. Financial Instruments

The Society is party to financial instruments arrangements as part of its everyday operations. These instruments include banking funds, investments, debtors and creditors. Revenue and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance. All investments are recorded at cost while all bank funds, debtors and creditors are recognised at their fair value. No formal overdraft facilities have been arranged with Westpac and no security held. The Society has no off balance sheet financial arrangements.

The term liability - shareholder loan account represents past association and scheme credits received when the Irrigation Scheme was purchased from the Crown in 1989. This equates to \$21.70 per hectare after the call on share capital. The loan is interest free and is either repayable or transferable on the disposition of the property.

4. Related Parties

The Directors purchase their allocation of water on the same terms and conditions of other Society members. The Society purchased goods and services from companies (RDR Management Limited and Brophy Knight Limited), which Directors of the Society are Directors of, on normal trading terms and conditions.

5. Land and Buildings

The latest Rating Valuation (1/9/03) is:

Valuation:	
Land Value	133,550
Value of Improvements	213,400
Capital Value	\$346,950

This statement should be read in conjunction with the Audit Report.

Notes To The Accounts

For The Year Ended 30 June 2005

6. Contingent Liabilities

There are no contingent liabilities. (2004 Nil)

7. Capital Commitments

There are no capital commitments. (2004 Nil)

8. Imputation Credit Account

	2005	2004
Opening Balance	45,355	45,209
Plus Resident Withholding Tax Paid / Imputation Credits Received	7,216	6,691
Less Taxation Refunded	<u>(4,416)</u>	<u>(6,545)</u>
Closing Balance Available to Shareholders as at 30 June 2005	<u>\$48,155</u>	<u>\$45,355</u>

9. Share Capital

	2005	2004
Authorised Share Capital		
Ordinary Shares of two \$1.00 Shares Per Hectare (24523 hectares) Fully Paid	<u>49,045</u>	<u>49,045</u>
Issued and Paid Up Capital	<u>\$49,045</u>	<u>\$49,045</u>

10. Material Contracts

The Society has not entered into a material contract that would warrant disclosure under Clause 15 of the Securities Regulation 1983 Third Schedule, other than those entered into in the ordinary course of its principal activity.

If the Society were to enter into such a contract then a copy of such a contract could be inspected at the registered office of the Society.

11. Statement of Movements in Equity

For the Year Ended 30 June 2005

	2005	2004
Equity at Start of the Period	232,008	125,895
Net Surplus (Deficit) for the Period	<u>3,603</u>	<u>106,113</u>
Total Recognised Revenues and Expenses for the Period	<u>3,603</u>	<u>106,113</u>
Equity at end of period	<u>\$235,611</u>	<u>\$232,008</u>

12. Business

The principal activity is that of Irrigation Scheme Mangement

This statement should be read in conjunction with the Audit Report.

Notes To The Accounts

For The Year Ended 30 June 2005

13. Fixed Assets

	Cost	Accumulated Depreciation	Book Value 2005	Book Value 2004
Land	295,223	136,831	158,392	166,835
Buildings	88,331	26,012	62,319	64,313
Plant & Equipment	47,514	32,299	15,215	8,383
Motor Vehicles	57,160	29,661	27,499	35,165
	<u>\$488,228</u>	<u>\$224,803</u>	<u>\$263,425</u>	<u>\$274,696</u>

The assets "scheme" includes all land and structures which are used to convey water to farmer irrigation. Land in which the irrigation structures are on is in the majority of instances owned by farmer irrigators. There is no practical way to value the structures. To replace them would be at a considerable cost in excess of their current book value. If the Society were to be prevented in conveying water then the structures would have little commercial value.

14. Retained Earnings

The Retained Earnings balance of \$186,566 includes Realised Capital Gains of \$107,490.

15 RDR Management Limited

The RDR Capital Advance Account at \$253,620 (2004 \$210,787) in the Statement of Financial Position has been reconciled with RDR Management Limited's financial statements for the year ended 30 June 2005. The increase represents capital contributions Ashburton Lyndhurst Irrigation Society Limited was required to make towards capital assets acquired in RDR Management Limited. During the period 2002 to 2005, the majority of the capital contributed was towards the renewal of the resource consents, where \$1,163,929 has been spent to date.

16 Directors Indemnity and Insurance

The Company has insured all its Directors against liabilities and other parties that may arise from their positions as Directors. The insurance does not cover liabilities arising from criminal actions.

17 Directors Remuneration

Of the \$28,000 approved for Directors Fees at the 2004 AGM, \$7,000 was paid to W Nixon as their representative on the RDR Management Ltd board.

Gabites, Sinclair & Partners

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AUDIT REPORT

To the Shareholders of Ashburton Lyndhurst Irrigation Society Limited.

We have audited the financial report on pages 7 to 17. The financial report provides information about the past financial performance of the Society and its financial position as at 30th June 2005. This information is stated in accordance with the accounting policies set out on pages 14 and 15.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation of a financial report which gives a true and fair view of the financial position of the Society as at 30th June 2005 and of the results of operations and cash flows for the year ended 30th June 2005.

AUDITORS' RESPONSIBILITIES

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

BASIS OF OPINION

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

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

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

Other than in our capacity as auditors we have no relationship with or interests in the Society.

UNQUALIFIED OPINION

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

In our opinion:

- proper accounting records have been kept by the Society as far as appears from our examination of those records; and
- the financial report on pages 7 to 17.
 - complies with generally accepted accounting practice; and
 - gives a true and fair view of the financial position of the Society as at 30th June 2005 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 25th August 2005 and our unqualified opinion is expressed as at that date.

Gabites Sinclair & Partners
GABITES, SINCLAIR & PARTNERS
ASHBURTON