



Report08

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Directory08

For the Year Ended 30 June 2008

Directors

E M Frew (Chairperson)
W J Bell
K J Coe (resigned February 2008)
S A Leck
R B MacGeorge
J B Morten (appointed February 2008)

Chief Executive Officer

J C Bartlema

Company Secretary

D F Emerson

Shareholder

Selwyn District Council - 100% shareholder

Registered Office

2 Norman Kirk Drive
Rolleston

Postal Address

PO Box 2935
Christchurch 8140
Telephone: (03) 366 5601
Facsimile: (03) 366 5608

Accounting Consultants

Ernst & Young
PO Box 2091
Christchurch

Auditors

Audit New Zealand
On behalf of the Auditor-General
PO Box 2
Christchurch

Bankers

ANZ Banking Group (New Zealand) Limited
PO Box 220
Christchurch

Solicitors

Duncan Cotterill
PO Box 5
Christchurch

Profile of the board of directors

For the Year Ended 30 June 2008



Evan Frew

Director and Chairperson since November 1994. Evan is Managing Director of Frews Contracting Limited and associated companies.



Warren Bell

Director since October 2000. Warren was a partner in the Chartered Accountancy firm of Deloitte (resigned 31 May 2005). He is either a Chairman or Director on several companies throughout New Zealand.



Stuart Leck

Director since September 2002. Stuart is a businessman based in Christchurch and is also Chairman and Director of a number of companies throughout New Zealand.



Richard MacGeorge

Director since September 2002. Richard is a Director of Ridgway Limited and Ridgway Capital Projects Limited, which specialises in the provision of financial advice to businesses developing infrastructure assets.



John Morten

Director since February 2008. John is a farmer in Darfield and currently Deputy Mayor of Selwyn District Council and the Chairman of EB Milton Charitable Trust.



Kelvin Coe (retired during 2007/2008)

Director from January 2006, resigned February 2008. Kelvin is a farmer at Irwell and currently is the Mayor of the Selwyn District Council and a Director of Mellic Innovators Limited.



Chief Executive Officer

Arjan Bartlema

Commenced 1 June 2005 as an Investment Manager, appointed Chief Executive 1 July 2007. Arjan has a corporate finance background and has worked for Deloitte Corporate Finance and in a private capacity. His focus has been on mergers and acquisitions working both in New Zealand and Europe.

Company Secretary

David Emerson

David has been Company Secretary since April 1997. David is a Business Consultant and Accountant in Christchurch.

Directors disclosures

For the Year Ended 30 June 2008

The following Directors have made

General and Specific Disclosures:

Director	General Interest	Specific
Warren Bell	Chairman, Warren Bell Limited Chairman, Hallenstein Glasson Holdings Limited & Group Chairman, SICON Limited Director, Meadow Mushrooms Limited & Group Director, ST Georges Hospital (Inc) Director, Bildeford Holdings Limited Director, Sabina Limited Director, Golf Links Holdings Limited Director, Timaru District Holdings Limited Director, The Palms Services Limited Member, New Zealand Racing Board Member, Selwyn Industrial Park Project Team	Nil
Kelvin Coe	Mayor, Selwyn District Council Director, Mellic Innovators Limited	
Evan Frew	Director, Frews Contracting Limited Director, Frews Hire Limited Director, Frews Properties Limited Director, Wakaepa Farm Limited Chairman, KB Irrigation Limited	Nil
Stuart Leck	Chairman, Victoria Square Limited Director, Armagh Projects Limited Director, Lexson Investments Limited Director, Rosebank Residential Home Limited Director, Brannigans Limited & Group Director, Victoria Projects Limited Director, Microcomm Limited Director, Human Capital Limited Director, Frontier Innovations Limited Director, Ferguson Brothers Limited	Nil
Richard MacGeorge	Director, Ridgway Limited Director, Ridgway Capital Projects Limited Director, Synopsis Limited	Nil
John Morten	Deputy Mayor, Selwyn District Council Chairman, EB Milton Charitable Trust	Nil



Directors' report

For the Year Ended 30 June 2008

The Directors of Selwyn Investment Holdings Limited have pleasure in presenting the Annual Report together with the audited financial statements for the company's operations during the year ended 30 June 2008.

Company Objectives

Selwyn Investment Holdings Limited is a wholly owned subsidiary of Selwyn District Council.

The company has the following objectives:

- to advise the Council on strategic issues relating to its trading investments including but not limited to ownership structures, capital structures and rates of return
- to monitor the performance of each investment/asset
- to encourage and facilitate the investment/asset to increase shareholder value through growth and investment
- to consider on behalf of the Council and report if material, and at the appropriate time, investment opportunities arising that have the potential to enhance the economic well being of the region and provide an appropriate return.

Principal Activities

In line with the above objectives the company's principal activities during the year were to operate as an investment holding company of the Selwyn District Council. The group consists of Selwyn Investment Holdings Limited and its subsidiaries SICON Limited, Selwyn Plantation Board Ltd, KB Irrigation Limited and Ferguson Brothers Limited and its investment Orion Group Limited.

	Parent \$000	Group \$000
Review of Operations		
Surplus before Taxation	4,599	(2,322)
Income Taxation	(27)	855
Surplus after Taxation (for the year ended 30/06/08)	4,626	(1,467)
Attributable to:		
Selwyn Investment Holdings Limited	4,626	520
Minority Interest	-	(1,987)
	4,626	(1,467)
Movement in Equity		
Equity (Opening Balance - 01/07/07)	106,888	151,243
Surplus After Taxation	4,626	(1,467)
Net Movement in Revaluation Reserve	6,255	8,546
Contribution from Minority Interest	0	1,121
Less Proposed Distribution or Paid to Shareholder	(4,661)	(4,661)
Less Minority Share in Revaluation Reserve Movement	0	1,484
Less Distribution to Minority Interests	0	(704)
Equity (Closing Balance - 30/06/08)	113,108	155,562

Company's Affairs

The Directors consider the results for the year and state of the company's affairs to be highly satisfactory.

Directors Interests

Parent

Mr R B MacGeorge has declared an interest in all transactions between the company and Ridgway Capital Projects Limited during the year. The nature of that interest is that he is a director and shareholder trustee of Ridgway Capital Projects Limited. During the period \$4,537 was paid or payable to Ridgway Capital Projects Limited for rent in addition to Director Fees. All transactions were completed at arms length and conducted for fair value.

Mr S A Leck has declared an interest in all transactions between Selwyn District Council and Brannigans Limited during the year. The nature of that interest is that he is a shareholder and director of Brannigans Limited. During the period \$17,055 was paid or payable. All transactions were completed at arms length and conducted for fair value.

Mr E M Frew has declared an interest in all transactions between SICON Limited and Frews Contracting Limited during the period. The nature of that interest is that he is a shareholder of Frews Contracting Limited. All transactions were completed at arms length and conducted for fair value.

Subsidiaries

Mr G H Clemens has declared an interest in all transactions between SICON Limited and Saint Columbe Company Limited during the period. The nature of that interest is that he is a Director of Saint Columbe Company Limited. All transactions were completed at arms length and conducted for fair value.

Directors of the company and its subsidiaries have not declared any other interests in transactions with the company or its subsidiaries during the year.

Directors Benefits

No Director of the company or its subsidiaries has received or become entitled to receive a benefit (other than a benefit included in the total emoluments, as shown in the financial statements).

There were no notices from Directors of the company or its subsidiaries requesting to use company information received in their capacity as Directors, which would not otherwise be available to them.

Directors' Insurance

The company has arranged policies for Directors liability insurance, which ensures that generally Directors will incur no monetary loss as a result of actions undertaken by them as Directors.

SICON Limited, Selwyn Plantation Board Ltd, KB Irrigation Limited and Ferguson Brothers Limited have arranged policies of Directors liability insurance, which ensures that generally Directors will incur no monetary loss as a result of actions undertaken by them as Directors.

Directors Board Meetings Attended

E M Frew	10/11
W J Bell	11/11
K J Coe	6/6
S A Leck	11/11
R B MacGeorge	8/11
J B Morten	5/5

Remuneration of Directors

Remuneration paid to Directors of the company and its subsidiaries for services as a Director during the year are as follows:

Selwyn Investment Holdings Limited	\$	SICON Limited	\$	Selwyn Plantation Board Ltd (15 months)	\$	KB Irrigation Limited	\$	Ferguson Brothers Limited	\$
E M Frew	38,000	K J Beams	24,000	A Berge	23,750	E M Frew	22,900	M Ferguson	-
W J Bell	24,000	W J Bell	34,000	I R Boyd	4,750	L A McCracken	16,700	S A Leck	15,681
K J Coe	6,000	G H Clemens	24,000	P J Coakley	28,750	G S Knox	4,175	T Tattersfield	25,966
S A Leck	24,000	A D Hunter	6,000	J L Christensen	15,833	G H Clemens	2,783		
R B MacGeorge	24,000	L A McCracken	24,000	G D Heenan	30,000				
J B Morten	9,000	T Tattersfield	24,000	D G Marsh	16,667				
				R S Polson	41,250				
	125,000		136,000		161,000		46,558		41,647

Remuneration of Employees

The number of employees (not including Directors) of the parent and subsidiaries whose total remuneration and other benefits were above \$100,000 per annum is as follows:

Range	Parent	Group
\$100,000 - \$110,000	0	7
\$110,000 - \$120,000	0	3
\$120,000 - \$130,000	0	4
\$140,000 - \$150,000	0	6
\$150,000 - \$160,000	0	1
\$210,000 - \$220,000	1	1
\$240,000 - \$250,000	0	1
\$350,000 - \$360,000	0	1
\$360,000 - \$370,000	0	2
\$460,000 - \$470,000	0	1

Auditors

The Audit Office is appointed as the company's and its subsidiaries auditor under Section 70 of the Local Government Act 2002. Audit New Zealand has been appointed to provide these services.

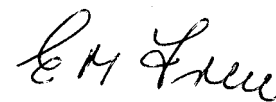
Other Statutory Requirements

Donations, changes in the accounting policies and auditors remuneration are as contained in the financial statements.

Three Year Trends

In previous year's tables and graphs showing the five year trends of revenue, surplus and returns have been included in the annual report. This year it is only possible to show three year trends under NZ IFRS because the conversion to IFRS accounts only commenced from 1 July 2005. 2007 to IFRS accounts.

For and on behalf of the Board:



E M Frew - Director
31 October 2008



W J Bell - Director
31 October 2008



Chairperson's report

For the Year Ended 30 June 2008

Introduction

It gives me great pleasure to present the Chairperson's Report for Selwyn Investment Holdings Limited (SIHL) and group in its thirteenth year of trading operations.

The parent company has achieved a surplus after tax of \$4.63 million for the year with a dividend of \$4.66 million being returned to its shareholder, the Selwyn District Council. This result is approximately 3% below budget due to lower dividends being paid by subsidiary companies. SIHL Statement of Financial Position has continued to strengthen with our total equity increasing from \$106.9 million to \$113.1 million for the year. Over the last ten years, the total dividends (ordinary and special) paid by SIHL to its Council is \$64.3 million.

This year has seen the standardisation of balance dates of SIHL and all its subsidiaries to 30 June. This required Selwyn Plantation Board Ltd to change its balance date from 31 March so its accounts cover a 15 month period.

Investments and Subsidiary companies

Orion Group Limited

Orion has had a strong year with a surplus of \$65.5 million, which was \$25.8 million above forecast. The improved result was due to the core electricity network performing above budget and a number of one-off events. These included a \$2.8 million surplus on the sale of its Human Ware investment and a \$14 million reduction in deferred tax liabilities. The electricity network has performed very well maintaining the high level of reliability for which Orion is renowned. The company has invested strongly in its distribution network with over \$36 million spent on upgrading facilities in the last year.

SICON Limited

SICON Limited's operating revenue for the year ended 30 June 2008 was \$44.3 million against a budget of \$42.6 million. However, the company recorded a deficit before tax of \$211,000 against a budgeted surplus of \$2.6 million. This result was due to unsatisfactory trading in two branches plus a number of one-off costs and restructuring expenses. Changes which will achieve a positive result for the next financial year have been made at operational level and in administration to rectify this situation.

Selwyn Plantation Board Ltd

The financial result for the 15 month period to 30 June 2008 was a deficit before tax of \$5.4 million. The result prior to revaluations, impairments, provisions and one-off costs was a deficit of \$0.2 million. The forestry division traded satisfactorily with a total of 255,000 tonnes of logs sold while the farming operation made a disappointing and unbudgeted deficit of \$945,000.

The decrement of \$3.9 million on the land and building revaluation and a provision for the Bankside Fuel Depot remediation of \$2.2 million have had a major negative impact on the result whereas the increase in the value of the developed plains farmland of \$3.4 million has helped to strengthen the accounts. The plains land conversion from forest to farmland was largely completed by 31 December 2007 as required.

The management and operations of SPBL have been restructured during the period to better reflect the changed company profile. P F Olsen Ltd has been engaged to manage the forest estate from 1 May 2008 and the office administration and accounting functions have been contracted to Deloitte. These changes have been made to maximise long term value and returns for the shareholders.

KB Irrigation Limited

KB Irrigation Limited made a deficit of \$1.15 million for the year on sales revenue of \$7.8 million compared to a sales budget of \$10.9 million and a budgeted surplus of \$0.5 million. The actual result prior to impairment of goodwill was a deficit of \$0.5 million. The company lost market share during the year due to lack of suitable engineering and sales staff. A new CEO was appointed from 1 April 2008. This will ensure that the business will be in a position to increase sales and restore profitability in the current year. Gerry Clemens was appointed to the Board from May 2008.

Ferguson Brothers Limited

On 31 August 2007 the company purchased assets and contracts of a general contracting company based in Greymouth and commenced trading on 1 September 2007. This company is owned 75.1% by SIHL with the balance being owned by M & J Ferguson Holdings Ltd, representing the Ferguson family. To date the company has performed to budget and is showing strong growth with a contribution of \$0.6 million surplus after tax on \$12.2 million operating revenue over

10 months to 30 June 2008. SIHL appointed Trevor Tattersfield and Stuart Leck as directors. The company has made good progress in establishing systems to comply with the requirements of being a CCTO company.

SIHL Outlook

The directors of SIHL are comfortable with the mix of companies in the group. While the New Zealand economy is in recession this year, our investments in energy, infrastructure, utility services, farming and forestry will provide a solid core of businesses which will continue to generate dividends for the shareholders. SIHL will continue to seek synergies within the group and to look for appropriate ways to increase returns.

Appreciation

In conclusion, I would like to record my sincere thanks to my fellow directors, the chief executive and the company secretary for their support and valuable contributions during the year. I would also thank retiring directors, Kelvin Coe (SIHL) and Graham Heenan (SPBL) for their much-appreciated service.

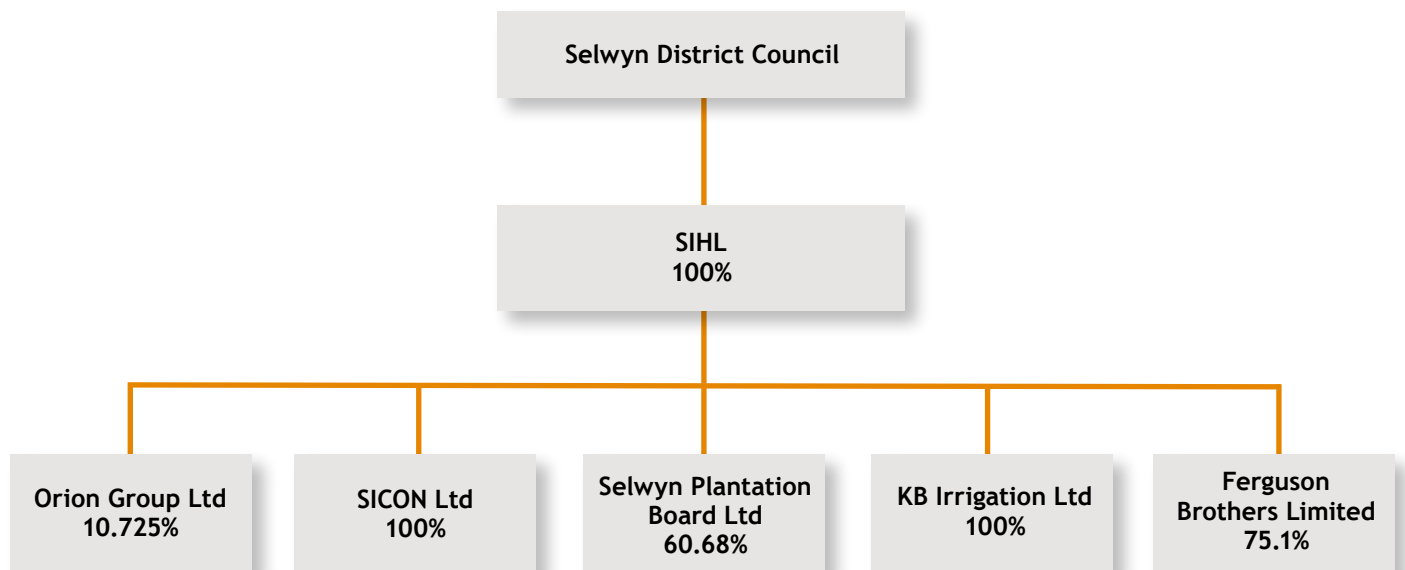
During the year Peter Brocklehurst retired from SICON after 16 years service and Kerry Ellem resigned from SPBL after 7 years service. We acknowledge the positive contributions of these two as CEOs of their respective companies.

I retire today after 13 years as a director and chairperson of SIHL (and its predecessor). This has been a challenging and rewarding experience and I would like to thank the Selwyn District Council for giving me the opportunity to help make SIHL the company that it is today. I welcome Murray Taggart as my replacement on the Board and have confidence that the balanced mix of skills represented there will continue to serve the company well in the future.

Evan M Frew - Chairperson
31 October 2008

Structure of selwyn investment holdings limited's **investment portfolio**

As at 30 June 2008, the Selwyn Investment Holdings Limited trading investment portfolio can be shown as follows:



Corporate governance statement

This statement gives an overview of the company's main corporate governance policies, practices and processes adopted by SIHL Board of Directors.

Role of Board of Directors

The Board is responsible for the proper direction and control of the company's activities. The Board guides and monitors the business and affairs of SIHL on behalf of the Shareholder, Selwyn District Council (the Council), to whom it is accountable, and within the mission statement and objectives that are set out in the Statement of Intent (SOI) and Investment Guidelines.

Responsibility to Shareholder

The company submits a draft SOI for the forthcoming financial year to the Council. The SOI sets out the company's objectives, financial and performance targets, which are approved by the Council.

The Board ensures the Council is informed of all major developments and transactions affecting the company while recognising that commercial sensitivity of certain information cannot be made available to them. The Board reports subject to confidentiality agreements quarterly to the Council and provides to the Council the annual report and half-yearly report.

The Board recommends to the Council the appointment of Directors to subsidiary companies and the adoption of SOI's. These matters are required to be ratified by the Council.

Board Composition and Fees

The Board comprises of five Directors (whom one is a Councillor) who are appointed external to the Council. All Directors are required to retire by rotation at the end of their term (normally three years) and being eligible offer themselves for re-election at the annual general meeting of the company.

Fees for the Board of SIHL are set annually with triennially independent reviews undertaken for SIHL, based on commercial rates. SIHL engages an independent specialist to provide the commercial rates specifically for the company.

Board Committee

SIHL has established an audit and risk committee, chaired by Warren Bell whose responsibilities include reviewing the company's accounting policies, reporting practices and resultant financial statements. The committee will also consider external audit reports, audit appointments, audit relationship matters and fees.

Subsidiary and Monitored Companies

Each company submits a draft SOI, which is initially evaluated by SIHL. SIHL reviews the SOI, suggest any changes that may be considered necessary and forwards the SOI to the Council for final ratification.

The representatives of the subsidiary Board's and management meet with SIHL quarterly to discuss the company's strategic direction and any other significant issues that arise. SIHL also receives such other reports that are necessary to perform its monitoring function.

Board Appointments

All Directors of the parent (SIHL) and subsidiary companies (including any Councillor Directors) are selected for their commercial expertise and aptitude in accordance with the Council appointment policy approved in June 2003.



Investments and subsidiary companies





Orion group^{limited}

(10.725% Shareholding)

Financial Performance

The company produced a surplus after tax of \$65.5 million. This was \$25.8 million above its forecast.

The overall result is not directly comparable with the previous year's surplus of \$60.6 million due to significant unique events in each year.

The strategic direction of Orion has been to sell its non-core investments at opportune times. In line with this strategy, Orion sold its investment in technology company Human Ware for a \$2.8 million surplus on sale during the year. The improved result was also due to a \$14 million one-off reduction in deferred tax liability, brought about by the change in the corporate tax rate from 1 April 2008.

The core electricity network surplus after tax for 2008 was \$49 million, \$7 million ahead of forecast.

Operations

The electricity network performed very well, maintaining the consistently high level of reliability Orion is renowned for. The company has also invested strongly in its distribution network with over \$36 million spent in the last year on projects to connect new customers, reinforce the network and replace ageing equipment.

Looking Ahead

Orion forecasts a surplus after tax of \$45.5 million for the year ending 31 March 2009.

Orion is focussing on its core business and will work closely with the regulators to seek positive outcomes for the future of the energy industry and Orion's business.

Investments and subsidiary companies





SICONlimited

(100% Shareholding)

Financial Performance

The operating revenue for the financial year to 30 June 2008 was \$44.3 million against a budget of \$42.6 million. However, the result was a deficit before tax of \$0.2 million compared to a budgeted surplus of \$2.6 million.

This unacceptable deficit was mainly due to Tasman and Timaru branches trading unsatisfactory and a number of one-off costs relating to loss making contracts, restructuring and redundancy costs being absorbed in the current period.

Some areas which have been addressed to rectify this moving forward are depot relocation, reduction in overheads, subcontracting of non-core operations, reduction in plant assets, review of quarry activity and targeted tendering.

Operations

Whilst SICON's operational efficiency and systems were addressed, there was also a key focus on improving the company's working capital and cash position. Inventory and work in progress were reduced and debtor collection has been improved.

Operations have been restructured in a way to promote accountability, transparency and the ability to compare best practise through the departments of each branch.

Senior executive and staff have been positive and supportive in addressing the changes throughout the business. Also, effective 1 July 2008 Mr Brett Beagley was appointed SICON's new CEO and from 1 September 2008 Mr Bob Grace has been appointed SICON's Finance / Commercial Manager.

SICON has maintained its ISO 9001:2000 Quality Standard Certification, its ACC workplace safety management practices scheme to tertiary level and its NZS 14001 Environmental Standard Certification and is continuously taking steps to improve its safety, quality and environmental record.

Looking Ahead

There is a positive outlook for the new financial year. Through the budgeting process the Branch Manager's in particular have learnt more about the fundamentals of their business and the areas they can influence. Their increased ownership has heightened the commercial awareness in the business. Trading conditions are increasingly difficult and have placed pressure on margins. SICON is aware of this and is continuously improving its processes to ensure an acceptable level of profitability.

Investments and subsidiary companies





Selwyn Plantationboard Ltd

(60.68% Shareholding)

Financial Performance

The financial result for the fifteen month period ended 30 June 2008 was a deficit after tax of \$5.43 million. This result includes a land and building revaluation decrement of \$3.96 million and a provision for the Bankside Fuel Depot remediation work of \$2.22 million. The trading results prior to the provision, revaluation decrements and impairment was a deficit of \$202,000. This result included a poor performance from the farming properties (deficit of \$995,000) and significant restructuring costs. On the positive side there was a net increase in valuation of the developed land of \$3.48 million which has increased the revaluation reserves.

Operations

Forestry objectives to harvest the Plains forests by 31 December 2007 were achieved. A total of 255,000 tonnes of logs were sold during the period. With the exception of Bottle Lake and Chaney's forests on the coast, the shift of operations has been into the foothills forests of Lowmount and Coalgate.

The company's decision to contract out the forest management of the business became effective from 1 May 2008 and P F Olsen was appointed. This will give future opportunity due to size and scale of their business, and for SPBL to have access to the very latest forest management information and expert personnel in strategic areas of forestry, opening up new opportunities for the business into the future.

The Land Conversion programme continued throughout the period, and is on track for completion as planned, following the Plains forest harvesting programme. As expected, the transition from forestry, through a conversion phase, and into farming is challenging. Significant costs have to be met and are ongoing through this stage. Fertiliser, seeding, and chemical sprays are just a few of these costs as SPBL progresses through this process. All of these inputs are at significantly higher levels than what is standard maintenance on other farms of similar operational type due to the newly converted soils, size, and scale of the areas we are dealing with. As with all farming operations

the company will continue to review best management practices and the opportunity to incorporate other types of farming into the overall land area to spread risk and maximise potential returns for the shareholders.

The company can only estimate the total remedial cost that may arise from the Bankside Fuel Depot. Confirmation has been received of some funding from MfE and ECAN towards this, however SPBL will end up bearing the majority of any costs incurred. SPBL has provided for \$2.22 million in its accounts (a portion of which may be recoverable from other parties).

Looking Ahead

Following the completion of harvesting on the plains, SPBL will resume harvesting in its hill and sand forests. It is forecast that forest products market conditions will remain steady as demand holds firm both in domestic and export markets. However, the company may not be in a position to take full advantage of this, with its forward plan of a significantly reduced harvest cut and the increased costs associated with first rotation harvesting in the foothills forests.

Although the outlook for agriculture is positive, SPBL's forestry converted farms still have a long way to go in order to catch up and compete with other traditional grazing or arable farm operations of similar size and scale. The conversion process is still in a transition phase and there are still far too many unknowns which are beyond the company's control which may impact on profitability in the short to medium term.

Whilst retained earnings will not change significantly in the next few years, SPBL expects to see more positive increases in its land valuations due to completion of the Land Conversion programme, confirmation of more irrigation rights, and general increases in rural land values.

Investments and subsidiary companies





KB Irrigationlimited

(100.0% Shareholding)

Financial Performance

The sales revenue for the year was \$7.8 million, which was below budget of \$10.9 million. The deficit for the year was \$1.15 million which included an impairment of goodwill of \$603,000.

The deficit can be contributed to a number of factors including disappointing sales levels, operational issues, issues with the design and implementation leading to rework and staffing issues. These issues are being addressed and the board has also been strengthened by appointing Gerry Clemens in May 2008, who has extensive experience in the irrigation industry.

Operations

The launch of the new Pierce CP600 centre pivot is a welcome addition for the company. It has a number of improvements including a new style ball receiver as the popular Valley machine has and wider "V" Jacks which will give it greater stability. This is expected to increase the company's sales potential specifically in rolling country.

The company has put a greater emphasis on the coordination of technical design staff and sales staff to ensure that products meet clients' expectations and operate within manufacturers' specifications.

Recruitment of sales staff and field staff has been an ongoing issue. The sales force is expected to be brought up to full strength in the new year in order to secure an appropriate sales level.

Looking Ahead

The industry as a whole is continuing to look positive with high diary payouts. Dairy payouts are expected to come off their recent highs but to remain above average. The level of enquiries has also been high.

Stage two of the Downlands scheme has begun. Other scheme upgrades such as Rangitata South Scheme and The Barrhill - Chertsey Irrigation Scheme are being monitored for business opportunities.

KB Irrigation continues to develop its relationship with other companies within the group with some very real opportunities for business co-operation and efficiencies already identified. The company will continue to grow its relationships with companies such as Siemens, Deco Services and CRT to broaden its marketing base. In addition to this, new products and partnerships will be sought.

KB Irrigation has also planned to increase operations in the Ashburton area.

Investments and subsidiary companies





Ferguson Brotherslimited

(75.1% Shareholding)

Financial Performance

The sales revenue for the period was \$12.3 million with surplus after tax of \$0.6 million. This is for a 10 month trading period to 30 June 2008.

This is a strong performance for the company that commenced trading on 1 September 2007 following the successfully completed acquisition. The company is owned 75.1% by SIHL with the balance being owned by the Ferguson family.

The company's surplus before interest and tax for the 10 month period was \$1.29 million showing a strong operational performance.

Operations

During the year the company has been successful with winning several roading construction contracts in the region, with the highway maintenance contracts continuing to provide a stable base for that division. The Pike River Coal project and general contracting have also continued to provide a significant income stream over the period.

Staff have responded well to the new ownership with a 'business as usual' attitude and a strong 'can do' culture.

During the year good progress has been made with installing robust reporting systems and process will continue during next year.

Looking Ahead

The industry as a whole is looking positive at present with the West Coast economy remaining strong. There are several major projects programmed for the region that Ferguson Brothers will look to claim its share of.

Restrictions on growth will be a function of shortages of skilled operators, although the company has managed to grow its staff numbers from 63 to 97 for the period.

The company is well placed to continue operating strongly and take advantage of opportunities in the new year.



Financial statements



Statement of Financial Performance
For the Year Ended 30 June 2008

	Note	Parent		Group	
		2008 \$	2007 \$	2008 \$	2007 \$
Revenue					
Dividends Received		5,417,208	6,568,181	4,933,500	4,988,297
Interest Received		424,510	518,161	927,771	1,429,573
Other Revenue	1	-	-	78,949,780	66,794,189
Other Gains / (Losses)		-	-	306,226	114,787
Forest Revaluation Increment / (Decrement)		-	-	(20,000)	1,000,000
Total Revenue		5,841,718	7,086,342	85,097,277	74,326,846
Expenses					
Audit Fees		23,442	14,704	182,905	121,779
Audit Fees - IFRS		-	7,000	2,000	25,000
Depreciation & Amortisation		995	1,556	3,344,330	2,384,394
Director Fees		125,000	134,000	510,205	474,050
Employee Benefits Expenses	2	213,739	136,421	22,872,963	17,824,200
Finance Costs	3	-	-	920,220	532,680
Impairment of Assets		-	-	200,000	-
Impairment of Goodwill		-	-	603,000	-
Impairment of Investment		603,000	-	-	-
Secretarial / Administration		46,066	46,058	46,066	46,058
Provision for Bankside		-	-	2,217,716	-
Other Expenses	4	230,307	165,602	52,555,629	42,479,275
Land and Building Decrement		-	-	3,964,049	1,429,794
Total Expenses		1,242,549	505,341	87,419,083	65,317,230
Surplus / (Deficit) Before Tax		4,599,169	6,581,001	(2,321,806)	9,009,616
Taxation Expense / (Benefit)	5	(27,339)	4,230	(855,327)	557,136
Surplus / (Deficit) After Tax		4,626,508	6,576,771	(1,466,479)	8,452,480
<i>Attributable to:</i>					
SIHL		4,626,508	6,576,771	520,341	7,545,150
Minority Interest		-	-	(1,986,820)	907,330
		4,626,508	6,576,771	(1,466,479)	8,452,480

Statement of Changes in Equity

For the Year Ended 30 June 2008

	Note	Parent		Group	
		2008 \$	2007 \$	2008 \$	2007 \$
Equity at the start of the Period		106,887,688	106,230,010	151,243,487	143,749,379
Contributions from Minority Interest		-	-	1,120,500	-
<i>Property, Plant & Equipment</i>					
Revaluation gains taken to Equity	9	-	-	2,272,275	3,392,744
<i>Financial Assets at Fair Value</i>					
Valuations gains taken to Equity	10	6,255,000	-	6,255,000	-
<i>Deferred Tax on Revalued Items</i>	9	-	-	18,266	(51,464)
Net Income Recognised Directly in Equity		6,255,000	-	9,666,041	3,341,280
Surplus / (Deficit) for year		4,626,508	6,576,771	(1,466,479)	8,452,480
Total Recognised Revenues and Expenses for the Period		10,881,508	6,576,771	8,199,562	11,793,760
<i>Attributable to:</i>					
Selwyn Investment Holdings Limited		10,881,508	6,576,771	10,186,382	10,886,430
Minority Interest		-	-	(1,986,820)	907,330
		10,881,508	6,576,771	8,199,562	11,793,760
Minority Interest in Revaluation Reserve Movement		-	-	1,483,992	2,091,281
Dividends to Minority Interest		-	-	(703,913)	(471,840)
		10,881,508	6,576,771	8,979,641	13,413,201
Distributions to owners during the period	7	(4,660,610)	(5,919,093)	(4,660,610)	(5,919,093)
Equity at the end of the Period		113,108,586	106,887,688	155,562,518	151,243,487

Statement of Financial Position

As at 30 June 2008

	Note	Parent		Group	
		2008 \$	2007 \$	2008 \$	2007 \$
Equity					
Share Capital	8	60,000,000	60,000,000	60,000,000	60,000,000
Revaluation Reserve	9	-	-	5,797,022	3,685,032
Fair Value Through Equity Reserve	10	39,208,780	32,953,780	23,856,500	17,601,500
Retained Earnings	11	13,899,806	13,933,908	35,212,921	39,174,639
Minority Interests		-	-	30,696,075	30,782,316
Total Equity		113,108,586	106,887,688	155,562,518	151,243,487
Represented by:					
Current Assets					
Cash & Cash Equivalents	12	2,382,681	4,570,606	4,212,665	6,755,431
Trade & Other Receivables	13	2,215,223	1,051,008	12,786,053	12,113,172
Interest Rate Swap		-	-	60,111	-
Inventory and Work in Progress	14	-	-	5,163,776	4,025,960
Livestock	15	-	-	1,538,994	902,964
Tax Receivable	5	53,329	19,834	4,155,182	3,315,688
Other Financial Assets	16	1,900,000	-	-	5,476,964
Assets Held for Sale		-	-	975,292	-
Total Current Assets		6,551,233	5,641,448	28,892,073	32,590,179
Current Liabilities					
Trade & Other Payables	17	4,820,960	2,996,096	12,318,013	9,841,989
Employee Benefits Liabilities	18	5,801	11,041	2,767,701	2,050,334
Borrowings	19	-	-	5,045,222	1,360,979
Provisions	20	-	-	2,352,876	88,374
Total Current Liabilities		4,826,761	3,007,137	22,483,812	13,341,676
Working Capital		1,724,472	2,634,311	6,408,261	19,248,503

Statement of Financial Position (Continued)

As at 30 June 2008

	Note	Parent		Group	
		2008 \$	2007 \$	2008 \$	2007 \$
Non-Current Assets					
Forestry Assets	21	-	-	10,180,000	10,200,000
Intangible Assets	22	-	-	2,974,029	1,750,323
Property, Plant & Equipment	23	2,614	3,377	75,127,613	64,999,085
Other Financial Assets	16	111,381,500	104,250,000	65,272,898	59,000,000
Total Non-Current Assets		111,384,114	104,253,377	153,554,540	135,949,408
Non-Current Liabilities					
Employee Benefit Entitlements	18	-	-	177,661	195,582
Borrowings	19	-	-	4,768,442	3,218,866
Deferred Tax	5	-	-	(545,820)	539,976
Total Non-Current Liabilities		-	-	4,400,283	3,954,424
NET ASSETS		113,108,586	106,887,688	155,562,518	151,243,487

Approval of Financial Statements

For the Year Ended 30 June 2008

Approval by Directors

The Directors are pleased to present the financial statements of Selwyn Investment Holdings Limited for the year ended 30 June 2008.

The financial statements were authorised by the Board of Directors on 31 October 2008 for release to the shareholder.



E M Frew - Director



W J Bell - Director

Statement of Cash Flows
For the Year Ended 30 June 2008

	Note	Parent		Group	
		2008 \$	2007 \$	2008 \$	2007 \$
Cash Flows from Operating Activities					
Cash was provided from:					
- Receipts from Customers		-	-	80,199,543	65,243,966
- Interest Received		377,518	535,211	1,062,274	1,741,086
- Dividends Received		4,267,052	6,216,244	2,949,375	4,987,125
- Income Taxes Received		-	29,502	3,372,558	2,523,082
		4,644,570	6,780,937	87,583,750	74,495,259
Cash was applied to:					
- Supplier & Employee Payments		(658,141)	(606,360)	(76,359,667)	(61,166,627)
- Finance Costs		-	-	(978,143)	(545,893)
- Income Taxes Paid		(5,500)	(24,064)	(4,413,175)	(3,790,775)
- GST Payable		-	-	136,197	45,736
		(663,641)	(630,424)	(81,614,788)	(65,457,559)
Net Cash Flows from Operating Activities	24	3,980,929	6,150,513	5,968,962	9,037,700
Cash Flows from Investing Activities					
Cash was provided from:					
- Sale of Investments		-	-	5,476,964	4,523,036
- Sale of Property, Plant & Equipment		-	-	2,498,877	257,508
		-	-	7,975,841	4,780,544
Cash was applied to:					
- Acquisition of Investments		(3,379,500)	-	(17,898)	-
- Loans made to Subsidiaries		-	(696,803)	-	-
- Purchase of Intangible Assets		-	-	(1,870,363)	(13,650)
- Purchase of Property, Plant & Equipment		(231)	-	(17,520,374)	(9,477,925)
		(3,379,731)	(696,803)	(19,408,635)	(9,491,575)
Net Cash Flows from Investing Activities		(3,379,731)	(696,803)	(11,432,794)	(4,711,031)

Statement of Cash Flows (Continued)

For the Year Ended 30 June 2008

Note	Parent		Group	
	2008 \$	2007 \$	2008 \$	2007 \$
Cash Flows From Financing Activities				
Cash was provided from:				
- Proceeds from Share Capital	-	-	1,120,500	-
- Proceeds from Borrowings	-	-	4,500,000	-
	-	-	5,620,500	-
Cash was applied to:				
- Dividends Paid	(2,789,123)	(4,805,127)	(3,433,253)	(5,276,967)
- Repayment of Borrowings	-	-	(1,335,345)	(1,590,789)
	(2,789,123)	(4,805,127)	851,902	(6,867,756)
Net Cash Flows from Financing Activities	(2,789,123)	(4,805,127)	851,902	(6,867,756)
NET INCREASE IN CASH HELD	(2,187,925)	648,583	(4,611,930)	(2,541,087)
ADD OPENING CASH BALANCE	4,570,606	3,922,023	6,755,431	9,296,518
CLOSING CASH BALANCE	2,382,681	4,570,606	2,143,501	6,755,431

Summary of Cash Resources

Cash and Bank	82,681	170,606	1,201,580	794,464
Short Term Bank Deposits Maturing within 3 months	2,300,000	4,400,000	3,011,085	5,960,967
Bank Overdrafts	-	-	(2,069,164)	-
Closing Cash Balance	2,382,681	4,570,606	2,143,501	6,755,431

Statement of Accounting Policies

For the Year Ended 30 June 2008

Statement of Reporting Entity

Selwyn Investment Holdings Limited (SIHL) is registered under the Companies Act 1993. SIHL is a Council Controlled Trading Organisation as defined by section 6 of the Local Government Act 2002.

The SIHL group consists of Selwyn Investment Holdings Limited and its subsidiaries, SICON Limited (100% owned), Selwyn Plantation Board Ltd (60.68% owned), KB Irrigation Limited (100% owned) and Ferguson Brothers Limited (75.1% owned). It also has an investment in Orion Group Limited (10.725% owned).

SIHL is a limited liability company incorporated and domiciled in New Zealand. It is a wholly-owned subsidiary of Selwyn District Council formed for the purpose of holding and managing the Council's investments in trading organisations in a commercial manner. The Company has designated itself as a profit oriented entity for the purposes of New Zealand equivalents to the International Reporting Standards (NZ IFRS).

The financial statements of SIHL are for the year ended 30 June 2008. The financial statements were authorised for issue by the Directors on 31 October 2008.

Basis of Preparation

The financial statements of SIHL have been prepared in accordance with the requirements of the Local Government Act 2002, the Companies Act 1993, the Financial Reporting Act 1993 and Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the New Zealand equivalent to International Financial Reporting Standards (NZ IFRS).

Compliance with NZ IFRS ensures that the consolidated financial statements comply with International Financial Standards (IFRS). The parent entity financial statements also comply with IFRS.

The financial statements have been prepared on an historical cost basis, modified by the revaluation of certain non-current assets and financial instruments.

The financial statements are presented in New Zealand dollars and the functional currency of SIHL is New Zealand dollars.

Changes in Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Standards and Interpretation issued and not yet Adopted

There are no standards, interpretations, and amendments that have been issued, but are not yet effective other than NZ IAS 1 Presentation of Financial Statements (& Amendments), NZ IAS 23 Borrowing Costs and NZ IFRS 8 Operating Segments that SIHL has not yet applied. The group has not yet determined the potential impact of these standards.

When effective, these standards will require additional disclosures in the Financial Statements.

Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

Subsidiaries

SIHL consolidates as subsidiaries in the group financial statements all entities where SIHL has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity. This power exists where SIHL controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by SIHL or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

SIHL measures the cost of a business combination as the aggregate of the fair values, at the date of exchange, of assets given liabilities incurred or assumed, in exchange for control of the subsidiary plus any costs directly attributable to the business combination.

Any excess of the cost of the business combination over SIHL's consolidated interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If SIHL's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the difference will be recognised immediately in the statement of financial performance.

Basis of Consolidation

The purchase method is used to prepare the consolidated financial statements, which involves adding together, like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intragroup balances, transactions, income and expenses are eliminated on consolidation.

All subsidiaries consolidated have a balance date of 30 June. Selwyn Plantation Board Ltd has changed their balance date to 30 June and 15 months results have been consolidated into 30 June 2008 group figures.

Revenue

Revenue is measured at the fair value of consideration received or receivable.

Revenue from sale of goods is recognised when the group entities have transferred to the buyer the significant risks and rewards of ownership of the goods.

Revenue from a contract to provide services is recognised by reference to stage of completion of the contract at year end balance date.

Interest income is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established.

Construction Contracts (Group Entities)

Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract at balance date. The stage of completion is measured by reference to the contract costs incurred up to balance date as a percentage of total estimated costs for each contract.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the group's construction activities in general.

An expected loss on construction contracts is recognised immediately as an expense in the statement of financial performance.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented under other liabilities.

Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Income Tax

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

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

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

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

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting surplus nor taxable surplus.

Deferred tax is recognised on taxable temporary differences arising on investments and subsidiaries, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantially enacted by balance date.

Current tax and deferred tax is charged or credited to the statement of financial performance, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

Cash and Cash Equivalents

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

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

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.

Inventories & Work In Progress (Group)

Inventories held for use in the production of goods and services are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the FIFO method for Selwyn Plantation Board Ltd and Ferguson Brothers Limited and weighted average for SICON Limited and KB Irrigation Limited. In case of manufactured goods, cost includes direct materials, labour and production overheads associated with putting the inventories in their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The write down from cost to net realisable value is recognised in the statement of financial performance.

Livestock

Livestock is valued at its fair value less estimated point of sale cost. Livestock was valued at fair market values as at 30 June 2008 by Mr Bryan Brice of PGG Wrightson, Stock and Station Agent.

Financial Assets

SIHL and group entities classify their financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and financial assets at fair value through equity. The classification depends on the purpose for which the investments were acquired. Directors or management determine the classification of investments at initial recognition and re-evaluate this designation at every reporting date.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the statement of financial performance.

Purchases and sales of investments are recognised on trade-date, the date on which SIHL or group entities commit to purchase or sale of the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and SIHL or group entities have transferred substantially all the risks and rewards of ownership.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. SIHL uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The four categories of financial assets are:

1. Financial assets at fair value through profit or loss.

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the Directors. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance date.

After initial recognition, they are measured at their fair values. Gains or losses on re-measurement are recognised in the statement of financial performance.

Currently, SIHL and group entities do not hold any financial assets in this category.
2. Loans and receivables.

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition, they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the statement of financial performance. Loans and receivables are classified as 'trade and other receivables' in the statement of financial position.

Currently, SIHL has trade and other receivables, tax receivable and short term deposits in this category.
3. Held to maturity investments.

Held to maturity investments are assets with fixed or determinable payments and fixed maturities that SIHL and group entities have the positive intention and ability to hold to maturity.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the statement of financial performance.

Currently, SIHL and group entities do not hold any financial assets in this category.

4. Financial assets at fair value through equity.

Financial assets at fair value through equity are those that are designated as fair value through equity or are not classified in any of the other categories above.

This category encompasses:

- Investments that SIHL intends to hold long-term but which may be realised before maturity; and
- Shareholdings that SIHL holds for strategic purposes. SIHL's investments in its subsidiaries are included in this category.

After initial recognition, these investments are measured at their fair value with valuations performed by an independent valuer with sufficient regularity to ensure no investments are included at a valuation that is materially different from fair value. The valuation changes are recognised and held in a revaluation reserve.

The investments in SICON Limited and Selwyn Plantation Board Ltd are valued based on an independent valuation as at 30 June 2006 completed by Ernst & Young Corporate Finance Limited, Chartered Accountants, Wellington dated 18 August 2006 and 12 September 2006. These valuations are based on the higher of present value of the respective company's estimated future earnings or net asset value.

Gains and losses are recognised directly in equity except for impairment losses, which are recognised in the statement of financial performance. In the event of impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in the statement of financial performance even though the asset has not been derecognised.

Impairment of Financial Assets

At each balance date, SIHL and group entities assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the statement of financial performance.

Derivative financial instruments

The group uses derivative financial instruments to hedge interest rate risks arising from financial activities. The group does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value at each balance date.

The associated gains or losses of derivatives are recognised in the statement of financial performance as part of "gains" or "other expenses".

The full fair value of derivatives are classified as non-current if the remaining maturity of the item is more than twelve months and as current if the remaining maturity of the item is less than twelve months.

Property, Plant and Equipment

Property, plant and equipment of SIHL and group entities consist of:

- Farm land, other land, buildings, improvements, plant and machinery, motor vehicles, furniture and fittings and computer equipment.

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses. Farm land and other land are not depreciated.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to SIHL or group entity and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of financial performance. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Depreciation*Parent*

Depreciation is provided on all property, plant and equipment on a diminishing value basis at rates allowed by the Inland Revenue for that class of asset.

SICON Limited (SICON)

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings	10 - 33 years	(3% - 10%)
Improvements	10 - 50 years	(2% - 10%)
Plant & Machinery	2 - 12 years	(8.3% - 50%)
Motor Vehicles	6 - 10 years	(10% - 16.7%)
Furniture & Fittings	3 - 10 years	(10% - 33%)
Computer Equipment	3 years	(33%)

Selwyn Plantation Board Ltd (SPBL)

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings		
• Wooden	40 years	(2.5%)
• Brick	50 years	(2%)
Improvements	10 - 50 years	(2% - 10%)
Heavy Plant & Machinery	2 - 10 years	(10% - 50%)
Other Plant & Machinery	5 - 10 years	(10% - 20%)
Motor Vehicles	5 years	(20%)
Furniture & Fittings	5 - 10 years	(10% - 20%)
Computer Equipment	5 years	(20%)

KB Irrigation Limited (KB Irrigation)

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings	12 - 20 years	(5% - 8.3%)
Plant & Machinery	5 years	(20%)
Motor Vehicles	5 years	(20%)
Furniture & Fittings	5 years	(20%)
Computer Equipment	5 years	(20%)

Ferguson Brothers Limited (Ferguson's)

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings	13.8 - 33.3 years	(3% - 7%)
Plant & Machinery	1.5 - 50 years	(2% - 67%)
Motor Vehicles	3.5 - 7.5 years	(13.5% - 25.2%)
Furniture & Fittings	1.5 - 11 years	(8.5% - 67%)
Computer Equipment	3.3 years	(30%)

The estimated useful lives, residual values and depreciation rates of SIHL and the group entities are reviewed at each financial year end.

Revaluation

Those asset classes that are revalued are valued either on a three yearly or yearly valuation cycle on the basis described below. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value.

If there is a material difference, then the relevant asset classes are revalued.

Farm Land - SPBL

Farm land is revalued annually at fair value as determined from market-based evidence by an independent valuer. The current valuation was performed by Property Advisor Limited and the valuation is effective as at 30 June 2008.

Other Land & Buildings - Group Entities

Other land and buildings are valued on a three yearly basis at fair value as determined from market-based evidence by an independent valuer. The most recent valuation of SPBL was performed by Property Advisor Limited and the most recent valuation is effective as at 30 June 2008. The most recent valuation of SICON and KB Irrigation was performed by R O Chapman B Com (VPM) SPINZ (ANZIV) AREINZ MIPMV Registered Public Valuer and S E J Newberry B Com (VPM) SPINZ (ANZIV) Registered Public Valuer of FordBaker Limited and is effective as at 30 June 2007.

Accounting for Revaluations:

SPBL, SICON, KB Irrigation and Ferguson's account for revaluations of property, plant and equipment on an asset by asset basis.

The results of revaluing are credited or debited to an asset revaluation reserve for each asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the statement of financial performance. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the statement of financial performance will be recognised first in the statement of financial performance up to the amount previously expensed, and then credited to the revaluation reserve for that asset.

Forestry Assets

Forestry assets are revalued annually at fair value less estimated point of sale costs. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate. The forest was revalued as at 30 June 2008 pursuant to a Directors' valuation. The forest is independently revalued every three years with the most recent valuation being effective as at 31 March 2006 and completed by H Corbett of Chandler Fraser Keating Ltd.

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the statement of financial performance.

The costs to maintain the forestry assets are included in the statement of financial performance.

Intangible Assets

Goodwill

Goodwill is initially measured at its cost, being the excess of the cost of the acquisition over KB Irrigation Limited and Ferguson Brothers Limited's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill on acquisition of subsidiaries is included in intangible assets by applying the purchase method.

Goodwill arising in business combinations is not amortised. Instead, goodwill is tested for impairment annually. After initial recognition, KB Irrigation Limited and Ferguson Brothers Limited measure goodwill at cost less any accumulated impairment losses. An impairment loss recognised for goodwill will not be reversed in any subsequent period.

Software Acquisition

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

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

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 financial performance.

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

SICON Limited	3 years	33%
Selwyn Plantation Board Limited	5 years	20%
KB Irrigation Limited	5 years	20%
Ferguson Brothers Limited	3 years	33%

Mining Licences

Acquired mining licenses and permits are capitalised on the basis of the costs incurred to acquire and bring to use, the specific licence and permit.

Amortisation

Mining Licences transferred at acquisition date with a finite life are amortised on a straight line basis over their useful life.

Amortisation begins from acquisition date and ceases at the date that the licence is derecognised. The amortisation charge for each period is recognised in the statement of financial performance.

The useful lives and associated amortisation rate for mining licences have been estimated as follows:

Haast	33 years	24.41%
Paringa	31.42 years	23.24%
Caravan Knob	39.33 years	29.10%
Whataroa	31.42 years	23.24%

Impairment of Non-financial Assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the statement of financial performance.

For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of financial performance.

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

Goods and Service Tax (GST)

As SIHL is an investment company which does not make any taxable supplies, SIHL is not registered for GST. As a result, amounts shown in these financial statements are inclusive of GST for the parent company.

For its subsidiaries, 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 receivables or payables in the statement of financial position.

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.

Commitments and contingencies are disclosed exclusive of GST.

Trade and Other Payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are initially recognised at their fair value net of transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless SIHL and group entities has an unconditional right to defer settlement of the liability for at least twelve months after balance date.

Employee Benefits

Short-term Benefits

Employee benefits that SIHL and group entities expect to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

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

SIHL and group entities recognise a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the

unused sick leave entitlement that can be carried forward at balance date, to the extent that SIHL and group entities anticipate it will be used by staff to cover those future absences.

SIHL and group entities recognise a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Long-term Benefits

Long Service Leave and Retirement Leave

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

- Likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- The present value of the estimated future cash flows. A discount rate and an inflation factor were used in this calculation.

Superannuation Schemes

Defined Contribution Schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the statement of financial performance as incurred.

Defined Benefit Schemes

SICON Limited and Selwyn Plantation Board Ltd belongs to the Defined Benefit Plan Contribution Scheme ('the Scheme') which is managed by the Board of Trustees of the National Provident Fund. The Scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the Scheme, the extent to which the surplus / deficit will affect contributions by individual employers, as there is no prescribed basis for allocation. The Scheme is therefore accounted for as a defined contribution scheme.

Provisions

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

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

Leases

Finance Leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, SICON Limited recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether SICON Limited will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Critical Accounting Estimates and Assumptions

In preparing these financial statements SIHL has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets within the next financial year are discussed below:

Parent

Other Financial Assets - Fair Value Through Equity

There are assumptions and estimates used when performing valuations of investments and these include assumptions about the future maintainable earnings of the investments and the earnings multiple used in these valuations.

Group

Bankside provision

Note 20 comments on the exposure of SPBL in relation to the estimates and uncertainties surrounding the Bankside provision.

Forest valuation

The forest valuation is calculated based on assumptions of current costs and revenues discounted to present value. The valuation conforms with NZ IAS 41 Agriculture Standard.

Maintenance Provision

Note 20 presents a analysis of the exposure to SICON in relation to the estimates and uncertainties surrounding the maintenance provision for the defects liability period on contracts that have reached practical completion.

Notes to the Financial Statements

For the Year Ended 30 June 2008

1. Other Revenue

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Contracting Services	-	-	56,329,120	43,259,184
Farming	-	-	1,820,286	336,035
Forest Product Sales	-	-	13,274,180	13,932,487
Irrigation Sales	-	-	7,232,431	8,995,810
Rent	-	-	31,987	60,111
Sundry Revenue	-	-	261,776	210,562
	-	-	78,949,780	66,794,189

2. Employee Benefits Expenses

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Salary and Wages	211,666	127,372	22,697,036	17,595,427
Employer contributions to superannuation plans	-	-	95,314	82,710
Employer contributions to other plans & benefits	7,313	7,393	61,404	46,623
Increase in employee benefit liabilities	(5,240)	1,656	19,209	99,440
	213,739	136,421	22,872,963	17,824,200

3. Finance Costs

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Interest Cost				
Interest on bank borrowings	-	-	868,467	466,987
Finance lease interest charge	-	-	51,753	65,693
	-	-	920,220	532,680

4. Other Expenses

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Bad Debts	-	-	111,921	9,297
Cost of forest production	-	-	8,580,551	8,882,078
Cost of sales - materials	-	-	11,515,722	6,596,254
Donations	-	-	6,050	23,732
Lease payments under operating leases	-	-	1,145,996	1,063,610
Impairment of receivables	-	-	(18,058)	113,129
Plantation costs	-	-	827,397	490,958
Sundry Expenses	230,307	165,602	30,386,080	25,300,217
	230,307	165,602	52,555,629	42,479,275

5. Taxation

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Surplus / (Deficit) Before Tax	4,599,169	6,581,001	(2,321,806)	9,009,616
Prima Facie Tax @ 33 %	1,517,726	2,171,730	(766,196)	2,973,173
Imputation Credit Adjustment	(1,787,678)	(2,167,500)	(1,827,044)	(1,645,751)
Plus / (Less) Tax Effect of Permanent Differences				
- Non Deductable Expenditure	232,335	-	52,718	(727,210)
- Impairment of Goodwill	-	-	198,990	-
Prior Year Tax Adjustment	10,278	-	(194,417)	(43,076)
De-recognition of Future Income Tax Benefit	-	-	1,662,168	-
Deferred Tax on Removal of Temporary Differences	-	-	73,013	-
Change in Tax Rate	-	-	(54,559)	-
Income Tax Expense	(27,339)	4,230	(855,327)	557,136
made up as follows:				
Current Taxation	(37,617)	4,230	448,296	562,782
Prior Year Tax Adjustment	10,278	-	(194,417)	-
Deferred Taxation	-	-	(1,054,647)	(5,646)
Change in Tax Rate	-	-	(54,559)	-
	(27,339)	4,230	(855,327)	557,136

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Income Taxation Provision / (Asset)				
Opening Balance	(19,834)	(29,502)	(3,315,688)	(2,610,775)
Current Year Income Tax	(37,617)	4,230	448,296	562,782
Plus Tax Refunded	-	29,502	3,372,556	2,650,486
Prior Period Adjustment	10,278	-	(247,672)	(3,673)
Less RWT Paid	-	-	(1,052)	(766)
Less Tax Paid	(5,500)	(24,064)	(4,410,966)	(3,786,338)
Less IRD Use of Money Interest Credited	(656)	-	(656)	(127,404)
Closing Balance	(53,329)	(19,834)	(4,155,182)	(3,315,688)

Group

	Opening Balance 1 July 2007 \$	Charged to surplus \$	Charged to Equity \$	Change in Tax Rate \$	Closing Balance 30 June 2008 \$
Deferred Taxation					
Deferred Taxation Liabilities					
Property, Plant & Equipment	(1,883,942)	(123,989)	29,064	180,700	(1,798,167)
Trade and Other Receivables	(213,295)	119,352	-	13,461	(80,482)
	(2,097,237)	(4,637)	29,064	194,161	(1,878,649)
Deferred Taxation Assets					
Trade and Other Payables	64,607	(23,382)	-	(6,677)	34,548
Employee benefits and other Accruals	578,438	852,589	-	(132,534)	1,298,493
Benefit of tax losses (future income tax benefits)	914,216	286,355	-	(109,143)	1,091,428
	1,557,261	1,115,562	-	(248,354)	2,424,469
Net Deferred Taxation Balance	(539,976)	1,110,925	29,064	(54,193)	545,820

	Opening Balance 1 July 2006 \$	Charged to surplus \$	Charged to Equity \$	Closing Balance 30 June 2007 \$
Deferred Taxation				
Deferred Taxation Liabilities				
Property, Plant & Equipment	(843,743)	(958,956)	(81,243)	(1,883,942)
Trade and Other Receivables	(183,961)	(29,334)	-	(213,295)
	(1,027,704)	(988,290)	(81,243)	(2,097,237)
Deferred Taxation Assets				
Trade and Other Payables	69,272	(4,665)	-	64,607
Employee benefits and other Accruals	494,054	84,384	-	578,438
Benefit of tax losses (future income tax benefits)	-	914,216	-	914,216
	563,326	993,935	-	1,557,261
Net Deferred Taxation Balance	(464,378)	5,645	(81,243)	(539,976)

On 17 May 2007 the Government has announced that the company tax rate will reduce from 33% to 30% effective for the years commencing on or after 1 April 2008

6. Imputation Credit Account

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Opening Balance	4,567,885	3,878,305	6,502,107	5,504,001
Add: Income Tax Paid	5,500	24,064	4,412,018	3,787,104
Add: Imputation Credits attached to Dividends Received	2,101,682	3,061,722	1,452,985	2,456,971
Add: Prior Year Adjustment	-	-	52	3,620
Less: Tax Refund Received	-	(29,502)	(3,372,556)	(2,650,486)
Less: Imputation Credits attached to Dividends Paid to Shareholders	(1,373,747)	(2,366,704)	(1,531,604)	(2,599,103)
Closing Balance	5,301,320	4,567,885	7,463,002	6,502,107

7. Dividends Paid

The parent company has provided for dividends paid to our shareholder (Selwyn District Council) at 90% of surplus after taxation excluding any special dividend declared or paid by Orion Group Limited or any subsidiary as indicated in the Statement of Intent. The proposed total dividend for the year is \$4,660,610 net of imputation credits (2007: \$5,919,093). An interim dividend of \$2,876,220 net of imputation credits (2007: \$3,129,970) has been paid during the year.

	2008	2007
Interim Dividend - cps	4.7937	5.2166
Final Dividend - cps	2.9740	4.6485

SICON Limited has proposed a final dividend to be paid to Selwyn Investment Holdings Limited at 50% of surplus after taxation as per SICON Limited Statement of Intent. SICON proposes to declare no dividend for the year (2007: \$587,011 net of imputation credits). No interim dividend has been declared or paid for the year (2007: \$263,379 net of imputation credits).

Selwyn Plantation Board Ltd has proposed a final dividend to be paid to Selwyn Investment Holdings Limited at 60% of surplus after taxation as per Selwyn Plantation Board Ltd Statement of Intent. The proposed total dividend for the year is \$303,400 net of imputation credits (2007: \$994,045). An interim dividend of \$303,400 net of imputation credits (2007: \$303,400) has been paid during the year.

KB Irrigation Limited has proposed a final dividend to be paid to Selwyn Investment Holdings Limited at 60% of the surplus after taxation as per KB Irrigation Limited (KBIL) Statement of Intent. KBIL proposes to declare no dividend for the year (2007: nil). No interim dividend has been declared or paid during the year (2007: nil).

Ferguson Brothers Limited has proposed a final dividend to be paid to Selwyn Investment Holdings Limited at 40% of the surplus after taxation as per Ferguson Brothers Limited Statement of Intent. The proposed total dividend for the year is \$240,091 net of imputation credits (SIHL share \$180,308). No interim dividend has been declared or paid during the year.

8. Share Capital - Parent

	2008	2007
	\$	\$
Issued and Paid Up Capital		
60,000,000 ordinary shares	60,000,000	60,000,000
Issued but Uncalled Capital		
8151 preference shares	8,151,000	8,151,000
Total Issued Capital	68,151,000	68,151,000

9. Asset Revaluation Reserve

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Opening Balance 1 July	-	-	3,685,032	343,752
Revaluation gains / (losses)	-	-	2,272,275	3,392,744
Less Tax effect on buildings revaluation	-	-	18,266	(51,464)
Transfer to Retained Earnings	-	-	(178,551)	-
Closing Balance 30 June	-	-	5,797,022	3,685,032

The balance in this account relates to revaluation of the following items:

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Farm land	-	-	4,103,845	1,146,155
Other land	-	-	1,616,079	2,434,389
Buildings	-	-	77,098	104,488
	-	-	5,797,022	3,685,032

10. Fair Value Through Equity Reserve

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Opening Balance 1 July	32,953,780	32,953,780	17,601,500	17,601,500
Valuations gains / (losses) taken to equity	6,225,000	-	6,225,000	-
Transfers to Retained Earnings	-	-	-	-
Closing Balance 30 June	39,208,780	32,953,780	23,856,500	17,601,500

The balance in this account relates to the following items:

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Orion Group Limited Investment	23,856,500	17,601,500	23,856,500	17,601,500
Selwyn Plantation Board Ltd Investment	11,302,280	11,302,280	-	-
SICON Limited Investment	4,050,000	4,050,000	-	-
	39,208,780	32,953,780	23,856,500	17,601,500

11. Retained Earnings

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Opening Balance 1 July	13,933,908	13,276,230	39,174,639	37,548,582
Surplus for the year	4,626,508	6,576,771	(1,466,479)	8,452,480
Dividends paid or provided (note 7)	(4,660,610)	(5,919,093)	(4,660,610)	(5,919,093)
Transfer from Revaluation Reserve	-	-	178,551	-
Plus / (Less) Minority Interest in Deficit / (Surplus)	-	-	1,986,820	(907,330)
Closing Balance 30 June	13,899,806	13,933,908	35,212,921	39,174,639

12. Cash and Cash Equivalents

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash at Bank and on hand	82,681	170,606	1,201,580	405,922
Bank deposits on call	-	-	-	388,542
Short Term deposits maturing within three months of acquisition	2,300,000	4,400,000	3,011,085	5,960,967
	2,382,681	4,570,606	4,212,665	6,755,431

The carrying value of cash at bank and term deposits with maturities less than three months approximate their fair value.

13. Trade and Other Receivables

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Dividend Receivable - SICON Limited	-	323,632	-	-
Dividend Receivable - Selwyn Plantation Board	-	690,645	-	-
Dividend Receivable - ORION Group Limited	1,984,125	-	1,984,125	-
Dividend Receivable - Ferguson Brothers Limited	180,308	-	-	-
Trade Receivable - Selwyn District Council	-	-	1,632,696	1,119,991
Trade Receivable - KB Irrigation Limited	44,954	-	-	-
Receivable - Other	5,836	4,452	8,085,522	10,311,496
Retentions	-	-	880,300	634,640
Prepayments	-	32,279	292,687	186,547
	2,215,223	1,051,008	12,875,330	12,252,674
Less provision for impairment of receivables	-	-	(89,277)	(139,502)
	2,215,223	1,051,008	12,786,053	12,113,172

Trade and other receivables are non-interest bearing and receipt is normally on 30-day terms, therefore the carrying value of trade and other receivables approximates their fair value.

There is no concentration of credit risk with respect to receivables outside the group as there are a large number of customers.

As at 30 June 2008 and 2007 all overdue receivables have been assessed for impairment and appropriate provisions applied. SIHL and group entities do not hold any collateral as security or other credit enhancements over receivables that are either past due or impaired.

No impairment provision has been calculated for the parent as there are no expected losses of SIHL pool of debtors.

The carrying amount of receivables for the parent and group that would have otherwise be past due or impaired, whose terms have been renegotiated is nil (2007: nil).

The status of receivables as at 30 June 2008 and 2007 are detailed below:

	2008			2007		
	Gross	Impairment	Net	Gross	Impairment	Net
Parent						
Current	2,215,223	-	2,215,223	1,051,008	-	1,051,008
Past Due 31-60 days	-	-	-	-	-	-
Past Due 61-90 days	-	-	-	-	-	-
Past Due > 91 days	-	-	-	-	-	-
Total	2,215,223	-	2,215,223	1,051,008	-	1,051,008
Group						
Current	11,797,498	-	11,797,498	11,158,719	-	11,158,719
Past Due 31-60 days	818,384	-	818,384	873,600	-	873,600
Past Due 61-90 days	49,224	-	49,224	296	-	296
Past Due > 91 days	210,224	89,277	120,947	220,059	139,502	80,557
Total	12,875,330	89,277	12,786,053	12,252,674	139,502	12,113,172

Movements in the impairment of doubtful debts are as follows:

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Opening Balance	-	-	139,502	15,334
Additional Provisions made during year	-	-	93,763	133,129
Receivables Written Off	-	-	(143,988)	(8,961)
Closing Balance	-	-	89,277	139,502

14. Inventory and work in Progress

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Gravel Stocks	-	-	1,344,424	1,173,799
Other Direct Materials	-	-	446,337	406,669
Stores	-	-	336,666	201,519
Finished Goods	-	-	1,162,832	1,017,526
Work in Progress	-	-	1,873,517	1,226,447
	-	-	5,163,776	4,025,960

There is no inventory pledged as security for liabilities. There is no inventory subject to retention of title clauses.

The write down of inventory is \$208,544 (2007: \$107,045)

15. Livestock (Group)

	2008		2007	
	Head	\$	Head	\$
Sheep				
Stock on hand - 1 July	8,429	518,859	3,210	226,656
Plus purchases and natural increases	22,293	1,171,651	8,243	386,261
Less sales and deaths	(19,291)	(989,011)	(3,024)	(149,620)
Other movements		(6,045)	-	55,562
Closing Balance - 30 June	11,431	695,454	8,429	518,859
Cattle				
Stock on hand - 1 July	775	384,105	333	193,540
Plus purchases and natural increases	1,221	735,607	633	347,035
Less sales and deaths	(691)	(503,020)	(191)	(80,765)
Other movements		226,848		(75,705)
Closing Balance - 30 June	1,305	843,540	775	384,105
Total Livestock		1,538,994		902,964

16. Other Financial Assets

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current Portion				
Loans and receivables				
Short term deposits with maturity 4-12 months	-	-	-	5,476,964
KB Irrigation Limited - Debt	1,900,000	-	-	-
Total Current	1,900,000	-	-	5,476,964
Non Current Portion				
Loans and receivables				
KB Irrigation Limited - Debt	-	1,900,000	-	-
Fair value through equity				
KB Irrigation Limited - Shareholding	1,047,000	1,650,000	-	-
Ferguson Brothers Limited - Shareholding	3,379,500	-	-	-
Orion Group Limited - Shareholding	65,255,000	59,000,000	65,255,000	59,000,000
SICON Limited - Shareholding	7,400,000	7,400,000	-	-
Selwyn Plantation Board Ltd - Shareholding	34,300,000	34,300,000	-	-
Central Plains Water Limited - Shareholding	-	-	-	-
Unlisted Shares - Shareholding	-	-	17,898	-
Total Non Current	111,381,500	104,250,000	65,272,898	59,000,000
	113,281,500	104,250,000	65,272,898	64,476,964

Ferguson Brothers Limited was purchased on 31 August 2007 and commenced trading on 1 September 2007 (refer to note 29).

The investment in SICON Limited and Selwyn Plantation Board Ltd were independently valued by Ernst & Young Corporate Finance Limited, Wellington as at 30 June 2006.

Central Plains Water Ltd shares have been fair valued at nil due to the uncertainty of gaining access to water.

17. Trade and Other Payables

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Trade Payable - Selwyn District Council	142,740	138,999	152,149	154,191
Trade Payable - Other	-	-	5,258,671	5,437,887
Deposits / Revenue in Advance	-	-	9,575	530,220
Other Payables & Accruals	17,610	67,974	2,177,225	930,568
Dividend Payable	4,660,610	2,789,123	4,720,393	2,789,123
	4,820,960	2,996,096	12,318,013	9,841,989

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.

18. Employee Benefits Liabilities

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Accrued salaries and wages	-	-	1,018,396	630,462
Annual Leave	5,801	11,041	1,622,746	1,281,031
Sick Leave	-	-	86,475	90,718
Long Service Leave	-	-	117,786	123,675
End of Work Life Benefit	-	-	99,959	120,030
	5,801	11,041	2,945,362	2,245,916
Comprising:				
Current	5,801	11,041	2,767,701	2,050,334
Non-Current	-	-	177,661	195,582
	5,801	11,041	2,945,362	2,245,916

19. Borrowings

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current				
Bank Overdraft	-	-	2,069,164	-
Secured loans	-	-	2,739,068	1,212,181
Financial lease liabilities	-	-	236,990	148,798
	-	-	5,045,222	1,360,979
Non-Current				
Secured loans	-	-	4,427,822	2,774,390
Financial lease liabilities	-	-	340,620	444,476
	-	-	4,768,442	3,218,866

SICON Limited

Overdraft

The overdraft facility is secured by debenture. The maximum amount that can be drawn down against the overdraft facility is \$50,000 (2007: \$50,000). There are no restrictions on the use of this facility.

Committed Cash Advance Facility (CCAF)

Drawdowns can be made for terms between 1-364 days, provided such term does not extend beyond the expiry date of 22 November 2011.

There is a maximum limit of \$3.6m (2007: \$3.6m). Interest is charged at the Market Connect Term Loan Base Rate prevailing at the date of drawdown plus a margin of 0.65%.

CCAF loans amounting to \$560,000 that was owing at 30 June 2008, were paid back in full 5 August 2008.

Term Loans

- i) \$775,000 term loan raised on 24 September 2006 with closing balance of \$454,390 (2007: \$862,500). Expiry date is 24 September 2009 and the current interest rate is 8.70% (2007: 8.20%).
- ii) \$750,000 term loan raised on 24 September 2007 with closing balance of \$412,500. Interest and principal is payable monthly. Expiry date is 25 May 2009 and the current interest rate is 9.88%.

Finance Leases

SICON Limited has entered into finance leases for various items of plant and equipment. The net carrying amount of the leased items is included under Property, Plant and Equipment (refer to note 23).

There are no restrictions placed on SICON by any of the finance leasing arrangements.

Security

Registered debentures secured over all the assets and undertakings of SICON have been executed in favour of the Bank of New Zealand.

KB Irrigation Limited

KB Irrigation has an Interchangeable banking facility with the ANZ National Bank Limited that includes an overdraft facility/ foreign currency account overdraft facility / flexible credit facility/ documentary credit/ documents surrendered facility.

This facility has a maximum limit of \$900,000. The interest rate during the period was 12.65% (2007: 11.15%). This facility has a general security agreement over all the assets and undertaking of KB Irrigation Limited.

Ferguson Brothers Limited

Ferguson Brothers has an Interchangeable banking facility with the ANZ National Bank Limited that includes an overdraft facility / flexible credit facility / documentary credit / documents surrendered facility. This facility has a maximum limit of \$1,200,000.

The interest rate during the period was 12.65%. This facility has a general security agreement over all the assets and undertaking of Ferguson Brothers Limited.

Analysis of Finance lease Liabilities

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Present value of Minimum Future Lease Payments				
No Later than 1 year	-	-	236,990	148,798
Later than 1 year but not later than 5 years	-	-	340,620	444,476
Later than 5 years	-	-	-	-
	-	-	577,610	593,274
Made up of:				
Current Borrowings	-	-	236,990	148,798
Non-Current Borrowings	-	-	340,620	444,476
	-	-	577,610	593,274

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Minimum Future Lease Payments				
No Later than 1 year	-	-	282,659	200,552
Later than 1 year but not later than 5 years	-	-	383,482	495,838
Later than 5 years	-	-	-	-
Minimum Lease Payments	-	-	666,141	696,390
Less Future Finance Charges	-	-	(88,531)	(103,116)
	-	-	577,610	593,274

20. Provisions

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Opening Balance 1 July	-	-	88,374	217,567
Additional Provisions	-	-	2,294,044	7,107
Costs Incurred	-	-	(29,542)	(136,300)
Closing Balance 30 June	-	-	2,352,876	88,374

In general SICON calculates the value of the provision for maintenance contracts based on 50% of the retention value held over the contract at the end of each financial year. Only contracts that have achieved practical completion and have not fulfilled the defects liability period stipulated in the individual contracts are assessed. The maintenance provision as at 30 June 2008 is \$115,160 (2007: \$88,374).

SPBL owns the Bankside Fuel Depot. The Fuel Depot has been used as a rubbish dump (by unknown parties and not SPBL) for a range of items including large amounts of chemicals. A firm of environmental consultants has developed a Remedial Action Plan for the site in consultation with other interested parties.

SPBL has some initial costings on the Remedial Action Plan and will put this work to tender in late 2008. It is hoped work will be able to be completed in the next 12 months. SPBL can only estimate the total clean-up costs that may arise until Stage 1 'Site Investigation' has been completed. SPBL has received some funding from Ministry for the Environment and ECAN towards this however SPBL will end up bearing the majority of any costs incurred. SPBL has provided for \$2,217,716 in this period's accounts, a portion of which may be recoverable from other parties. The company will pursue legal claims against other parties in respect of the cost of this remedial work. There is a risk that the actual cost of the remedial work could be more or less than the amount provided for.

KB Irrigation had a work place accident which occurred in July 2006 resulting in the death of an employee. KB Irrigation pleaded guilty and the company has been fined \$20,000 on 16 October 2008. KB Irrigation holds insurance for this type of accident except for court fines; therefore the company has made a provision for these court fines based on the actual amount.

21. Forestry Assets

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Opening Balance - 1 July	-	-	10,200,000	9,200,000
Increases due to purchases	-	-	-	-
Gains attributable to physical changes	-	-	1,960,000	4,000,000
Gains / (Losses) attributable to price changes	-	-	(660,000)	1,000,000
Decrease due to harvest	-	-	(1,320,000)	(4,000,000)
Closing balance 30 June	-	-	10,180,000	10,200,000

SPBL has a total estate of 5,193 ha, made up of Radiata at 4,405 ha and Douglas fir at 788 ha. Independent registered valuers Chandler Fraser Keating Limited have valued forestry assets at 31 March 2006. The same valuation methodology was used for a Directors valuation as at 30 June 2008 based on advice / calculations supplied by PF Olsen Ltd.

Financial Risk Management Strategies

SPBL is exposed to financial risks arising from changes in timber prices. SPBL is a long-term forestry investor and does not expect timber prices to decline significantly in the foreseeable future, therefore, has not taken any measures to manage the risks of a decline in timber prices. SPBL reviews its outlook for timber prices regularly in considering the need for active financial risk management.

22. Intangible Assets (Group)

	Mining Licences 2008	Computer Software 2008	Goodwill 2008	Total 2008
	\$	\$	\$	\$
Balance at 1 July 2007				
Cost	-	257,135		1,903,135
Accumulated amortisation and impairment	-	(152,812)	1,646,000	(152,812)
Opening carrying amount	-	104,323	1,646,000	1,750,323
Year ended 30 June 2008				
Additions	500,000	41,105	1,352,977	1,894,082
Amortisation charge and impairment	(12,394)	(54,989)	(603,000)	(670,383)
Disposals	-	7	-	7
Balance 30 June 2008	487,606	90,446	2,395,977	2,974,029

	Computer Software 2007	Goodwill 2007	Total 2007
	\$	\$	\$
Balance at 1 July 2006			
Cost		268,117	1,646,000
Accumulated amortisation and impairment		(143,170)	-
Opening carrying amount		124,947	1,646,000
Year ended 30 June 2007			
Additions		29,087	-
Amortisation charge and impairment		(49,691)	-
Disposals		(20)	-
Balance 30 June 2007		104,323	1,646,000

23. Property, Plant and Equipment

Parent - 2008	Cost/ revaluation 1-Jul-07	Current year additions	Current year disposals	Current year impairment	Revaluation Increase
Furniture and equipment	7,324	231	-	-	-
Parent - 2007	Cost/ revaluation 1-Jul-06	Current year additions	Current year disposals	Current year impairment	Revaluation Increase
Furniture and equipment	7,324	-	-	-	-
Group - 2008	Cost/ revaluation 1-Jul-07	Current year additions	Current year disposals	Current year impairment	Revaluation Increase
Farm Land	30,897,000	4,576,477	(2,365,972)	-	5,884,195
Other Land	17,357,500	-	(245,000)	-	208,750
Buildings	1,606,500	873,830	(213,750)	-	112,376
Improvements	2,923,103	2,212,495	(37,750)	-	-
Plant and machinery	14,192,684	8,500,792	(895,982)	(200,000)	-
Motor vehicles	9,843,082	1,559,369	(562,263)	-	-
Furniture and equipment	980,039	189,567	(61,691)	-	-
Work In progress	125,765	454,723	(59,529)	-	-
Total Property, Plant & Equipment	77,925,673	18,367,253	(4,441,937)	(200,000)	6,205,321
Group - 2007	Cost/ revaluation 1-Jul-06	Current year additions	Current year disposals	Current year impairment	Revaluation Increase
Farm Land	25,097,000	5,875,836	-	-	1,322,353
Other Land	13,417,240	-	-	-	3,945,260
Buildings	1,091,324	363,096	-	-	246,191
Improvements	1,891,101	1,032,002	-	-	-
Plant and machinery	12,863,781	2,042,866	(713,963)	-	-
Motor vehicles	9,065,376	979,168	(201,462)	-	-
Furniture and equipment	1,149,529	61,699	(231,189)	-	-
Work In progress	-	125,765	-	-	-
Total Property, Plant & Equipment	64,575,351	10,480,432	(1,146,614)	-	5,513,804

The net carrying amount of plant and equipment held under finance leases is \$707,164 (2007: \$707,164).

There is no property, plant and equipment whose title is restricted. There is no property, plant and equipment pledged as security for liabilities.

Group current year depreciation above includes capitalised depreciation on land conversion equipment of \$867,787 (2007:\$561,142).

Revaluation Decrement	Accumulated depreciation reversal	Cost/ revaluation 30-Jun-08	Accumulated depreciation 1-Jul-07	Current year depreciation	Accumulated depreciation reversal	Accumulated depreciation 30-Jun-08	Carrying amount 30-Jun-08
-	-	7,555	3,947	994	-	4,941	2,614
Revaluation Decrement	Accumulated depreciation reversal	Cost / revaluation 30-Jun-07	Accumulated depreciation 1-Jul-06	Current year depreciation	Accumulated depreciation reversal	Accumulated depreciation 30-Jun-07	Carrying amount 30-Jun-07
-	-	7,324	2,391	1,556	-	3,947	3,377
Revaluation Decrement	Accumulated depreciation reversal	Cost / revaluation 30-Jun-08	Accumulated depreciation 1-Jul-07	Current year depreciation	Accumulated depreciation reversal	Accumulated depreciation 30-Jun-08	Carrying amount 30-Jun-08
(4,013,019)	-	34,978,681	-	-	-	-	34,978,681
(2,339,072)	-	14,982,178	-	-	-	-	14,982,178
(366,844)	(46,028)	1,966,084	-	53,605	(46,028)	7,577	1,958,507
-	-	5,097,848	187,626	312,481	(1,888)	498,219	4,599,629
-	(135,111)	21,462,383	6,490,922	2,475,873	(637,142)	8,329,653	13,132,730
-	133,771	10,973,959	5,629,553	1,163,750	(374,229)	6,419,074	4,554,885
-	-	1,107,915	618,487	139,064	(49,680)	707,871	400,044
-	-	520,959	-	-	-	-	520,959
(6,718,935)	(47,368)	91,090,007	12,926,588	4,144,773	(1,108,967)	15,962,394	75,127,613
Revaluation Decrement	Accumulated depreciation reversal	Cost / revaluation 30-Jun-07	Accumulated depreciation 1-Jul-06	Current year depreciation	Accumulated depreciation reversal	Accumulated depreciation 30-Jun-07	Carrying amount 30-Jun-07
(1,398,189)	-	30,897,000	-	-	-	-	30,897,000
(5,000)	-	17,357,500	-	-	-	-	17,357,500
(28,307)	(65,804)	1,606,500	29,710	36,094	(65,804)	-	1,606,500
-	-	2,923,103	71,622	116,004	-	187,626	2,735,477
-	-	14,192,684	5,442,438	1,617,936	(569,452)	6,490,922	7,701,762
-	-	9,843,082	4,790,754	969,504	(130,705)	5,629,553	4,213,529
-	-	980,039	698,415	150,210	(230,138)	618,487	361,552
-	-	125,765	-	-	-	-	125,765
(1,431,496)	(65,804)	77,925,673	11,032,939	2,889,748	(996,099)	12,926,588	64,999,085

24. Reconciliation of Surplus to Cash Flow from Operating Activities

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Surplus / (Deficit) After Tax	4,626,508	6,576,771	(1,466,479)	8,452,480
Add / (Less) Non-Cash Items				
Depreciation & Amortisation	995	1,556	3,344,330	2,384,394
Forest Revaluation (Increment) / Decrement	-	-	20,000	(1,000,000)
Revaluation (Increment) / Decrement	-	-	3,964,049	1,429,794
Impairment of Investment	603,000	-	-	-
Impairment of Goodwill	-	-	603,000	-
Impairment of Asset	-	-	200,000	-
Interest Rate Swap	-	-	(60,111)	-
Net Other (Gain) / Losses	-	-	198,036	(45,584)
	5,230,503	6,578,327	6,802,825	11,221,084
Add / (Less) Movements in Working Capital				
Trade & Other Receivables		(367,186)	(730,394)	(236,328)
Inventory & Work in Progress	(1,164,215)	-	(1,137,816)	(233,730)
Livestock	-	-	(636,030)	(482,768)
Trade & Other Payables	(46,624)	(71,952)	2,866,765	(182,676)
Employee Benefit Entitlements	(5,240)	1,656	699,447	119,461
Taxation Receivable	(33,495)	9,668	(839,495)	(704,913)
Deferred Taxation	-	-	(1,056,340)	(5,644)
	3,980,929	6,150,513	5,968,962	9,494,486
Items Classified as Investing Activities				
Land Purchase Deposit in Receivables	-	-	-	(456,786)
Net Cash Flows from Operating Activities	3,980,929	6,150,513	5,968,962	9,037,700

25. Financial Instruments

The accounting policies for financial instruments have been applied to the items below:

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Financial Assets				
Loans & Receivables				
Cash & Cash Equivalents	2,382,681	4,570,606	4,212,665	6,755,431
Trade & Other Receivables	2,215,223	1,051,008	12,786,053	12,113,172
Other Financial Assets:				
- short term deposits	-	-	-	5,476,964
- loan to KB Irrigation	1,900,000	1,900,000	-	-
Interest Rate Swap	-	-	60,111	-
Total Loans and Receivables	6,497,904	7,521,614	17,058,829	24,345,567
Fair Value through Equity				
Other Financial Assets:				
- Subsidiaries	46,126,500	43,350,000	-	-
- Orion shares	65,255,000	59,000,000	65,255,000	59,000,000
Total Fair Value through Equity	111,381,500	102,350,000	65,255,000	59,000,000
Financial Liabilities				
Financial Liabilities at amortised cost				
Trade and Other Payables	4,820,960	2,996,096	12,318,013	9,841,989
Borrowings:				
- Bank Overdrafts	-	-	2,069,164	-
- Secured Loans	-	-	7,166,890	3,986,571
- Finance Leases	-	-	577,610	593,274
Total Financial Liabilities at amortised Cost	4,820,960	2,996,096	22,131,677	14,421,834

Nature of activities and management policies

The nature of activities and management policies with respect to financial instruments is:

Credit Risk

In the normal course of its business, the parent company and its subsidiaries (SICON Limited, Selwyn Plantation Board Ltd, KB Irrigation Limited and Ferguson Brothers Limited) incurs credit risk from trade and other receivables and financial institutions. The maximum exposure to credit risk at balance date is the fair value of the financial instruments as stated in the Statement of Financial Position.

Significant concentrations of credit risk apply principally in respect of cash, dividends receivable and trade & other receivables. Selwyn Investment Holdings Limited (SIHL), SICON Limited (SICON) and Selwyn Plantation Board Ltd (SPBL) reduce the risk by investing with high credit rating institutions. The major concentration of credit risk for SICON Limited is with respect to trade and other receivables is the debt of Selwyn and Timaru District Councils at balance date. This risk is considered minimal.

SIHL and group entities maximum credit exposure for each class of financial instruments is shown above under loans and receivables.

Liquidity Risk

Liquidity risk is the extent to which the group will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The group aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the group maintains a target level of bank deposits that are on call or short term.

SICON and SPBL have a maximum amount that can be drawn down against their overdraft facility of \$50,000 (2007: \$50,000). There are no restrictions on the use of this facility.

Maturity Analysis of Financial Liabilities

The table below analyses SIHL and group entities financial liabilities into maturity groupings based on the remaining period at balance date to the maturity date.

	Carrying Amount	Less than 1 Year	1 - 2 Years	2 - 5 Years	More than 5 Years
Parent 2008					
Trade and Other Payables	4,820,960	4,820,960	-	-	-
Bank Overdrafts	-	-	-	-	-
Secured Loans	-	-	-	-	-
Finance Leases	-	-	-	-	-
Total	4,820,960	4,820,960	-	-	-
Parent 2007					
Trade and Other Payables	2,996,096	2,996,096	-	-	-
Bank Overdrafts	-	-	-	-	-
Secured Loans	-	-	-	-	-
Finance Leases	-	-	-	-	-
Total	2,996,096	2,996,096	-	-	-
Group 2008					
Trade and Other Payables	12,318,013	12,318,013	-	-	-
Bank Overdrafts	2,069,164	2,069,164	-	-	-
Secured Loans	7,166,890	2,739,068	4,427,822	-	-
Finance Leases	577,610	236,990	340,620	-	-
Total	22,131,677	17,363,235	4,768,442	-	-
Group 2007					
Trade and Other Payables	9,841,989	9,841,989	-	-	-
Bank Overdrafts	-	-	-	-	-
Secured Loans	3,986,571	1,212,181	2,774,390	-	-
Finance Leases	593,274	148,798	444,476	-	-
Total	14,421,834	11,202,968	3,218,866	-	-

Currency Risk

Selwyn Investment Holdings Limited and its subsidiaries (SICON Limited and Selwyn Plantation Board Ltd) have no direct currency risk, given that all financial instruments are dealt with in New Zealand dollars.

KB Irrigation Limited is subject to currency risk, on exchange fluctuations on ANZ Foreign currency bank accounts and on forward contracts totalling US\$293,000 in place at 30 June 2008 (2007: US\$170,000).

Interest Rate Risk

SICON Limited is subject to fluctuations in the market interest rate in relation to the term loan.

Credit Facilities

SICON Limited has a total committed cash advance facility of \$3,000,000. KB Irrigation Limited has a total loan facility of \$2,000,000 from Selwyn Investment Holdings Limited. Of this \$1,900,000 (2007: \$1,900,000) has been borrowed by KB Irrigation Limited at balance date. Refer to note 16.

Fair Value

The fair value of financial instruments is equivalent to the carrying amount as stated in the Statement of Financial Position.

Sensitivity Analysis**Parent****Cash & Cash Equivalents**

Cash and cash equivalents include deposits at call totalling \$2,300,000 (2007: \$4,400,000) which are at floating rates. A movement in interest rates of plus or minus 1.0% has an effect on interest income of \$23,000 (2007: \$44,000).

Loan to KB Irrigation

Loans and receivables includes a loan to KB Irrigation of \$1,900,000 (2007: \$1,900,000) which is at a floating rate. A movement in interest rates of plus or minus 1.0% has an effect on interest income of \$19,000 (2007: \$19,000).

Group**Cash & Cash Equivalents**

Cash and cash equivalents include deposits at call totalling \$3,011,000 (2007: \$5,960,000) which are at floating rates. A movement in interest rates of plus or minus 1.0% has an effect on interest income of \$30,110 (2007: \$59,600).

Bank Overdrafts

Bank overdraft/interchangeable facility totalling \$2,069,164 (2007: nil) are at floating interest rates. A movement in interest rates of plus or minus 1% has an effect on interest expense of \$20,690 (2007: nil).

Secured Loans

Secured loans totalling \$7,166,890 (2007: \$3,986,571) are at floating interest rates. A movement in interest rates of plus or minus 1% has an effect on interest expense of \$71,669 (2007: \$39,866).

26. Transactions with Related Parties

Transactions with related parties are detailed below

SICON Limited

During the reporting period, Selwyn Investment Holdings Limited entered into normal commercial transactions with SICON Limited. Selwyn Investment Holdings Limited had:

	2008	2007
• Dividend income	\$0	\$587,011
• At balance date a final dividend receivable	\$0	\$323,632
• Services provided by SICON	\$0	\$9,469
• At balance date owed money to SICON	\$0	\$9,469

Selwyn District Council

During the reporting period Selwyn Investment Holdings Limited entered into normal commercial transactions with Selwyn District Council. Selwyn Investment Holdings Limited made payment to the Council for:

	2008	2007
• Dividend for year	\$4,660,610	\$5,919,093

Selwyn Investment Holdings Limited owed money to the Council, at balance date for:

	2008	2007
• Accounts paid on their behalf	\$142,740	\$138,999
• Dividends payable	\$4,660,610	\$2,789,123

Selwyn Plantation Board Ltd

During the reporting period Selwyn Investment Holdings Limited entered into the following transactions with Selwyn Plantation Board Ltd. Selwyn Investment Holdings Limited had:

	2008	2007
• Dividends received	\$303,400	\$994,045
• At balance date - final dividend receivable	\$0	\$690,645

KB Irrigation Limited

During the reporting period Selwyn Investment Holdings Limited entered into the following transactions with KB Irrigation Limited. Selwyn Investment Holdings Limited had:

	2008	2007
• Interest received	\$177,454	\$132,792
• At balance date - Interest Receivable	\$44,954	\$0
• At Balance Date - Loan Receivable	\$1,900,000	\$1,900,000

Ferguson Brothers Limited

During the reporting period Selwyn Investment Holdings Limited entered into the following transactions with Ferguson Brothers Limited. Selwyn Investment Holdings Limited had:

	2008	2007
• Dividends received	\$180,308	\$0
• At balance date - final dividend receivable	\$180,308	\$0

Ridgway Capital Projects Limited

During the reporting period Selwyn Investment Holdings Limited entered into the following transactions with Ridgway Capital Projects Limited of which Mr Richard MacGeorge is a Director. Selwyn Investment Holdings Limited had:

	2008	2007
• Office Rental paid	\$4,537	\$3,758

Other Selwyn District Council Transactions with Related Parties

The Selwyn District Council entered into the following transactions with SICON Limited. SICON Limited had:

	2008	2007
• Received income from the Council	\$11,769,063	\$12,263,246
• Paid expenses to the Council	\$300,432	\$228,108
• At balance date owed money to the Council	\$9,409	\$15,192
• At balance date was owed money from the Council	\$1,632,696	\$1,119,991

The Selwyn District Council entered into the following transactions with Selwyn Plantation Board Ltd. Selwyn Plantation Board Ltd had:

	2008	2007
• Received income from the Council	\$4,099	\$11,378
• Paid expenses to the Council	\$90,746	\$69,936
• At balance date owed money to the Council	\$337	\$483
• At balance date was owed money from the Council	\$0	\$983

The Selwyn District Council entered into the following transactions with Brannigans Limited of which Mr Stuart Leck is a Director: Brannigans Limited had:

	2008	2007
• Received income from the Council	\$17,055	\$17,685

Other Transactions

The Selwyn Plantation Board Limited entered into the following transactions with KB Irrigation Limited. Selwyn Plantation Board Limited had:

	2008	2007
• Paid for irrigation equipment	\$559,855	\$0
• At balance date owed money to the KB Irrigation	\$12,559	\$0

Other Transactions with Related Parties

During the year Directors, as part of a normal customer relationship, may have been involved in minor transactions with Selwyn District Council (such as payments of rates, purchase of rubbish bags etc).

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables to related parties (2007: \$nil),

Key Management Personnel Compensation

	2008	2007
Director Fees	\$125,000	\$134,000
Salary & Wages	\$213,739	\$0
Total	\$338,739	\$134,000

Key Management personnel were determined to be the Directors and Chief Executive Officer.

27. Statement of Commitments

The parent company and its subsidiaries SICON Limited and KB Irrigation Limited have no capital commitments as at 30 June 2008 (2007: nil). Selwyn Plantation Board Ltd has capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment of \$199,000 (2007: \$41,300). Ferguson Brothers Limited has capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment of \$1,025,989.

The Group entities lease property, plant and equipment in the normal course of business. The majority of these leases have a non-cancellable term of 36 months. The future aggregate minimum lease payments to be collected under non-cancellable leases are as follows:

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Non-cancellable Operating Leases as Lessee				
Not later than one year	-	-	1,181,035	779,114
Later than one year and not later than five years	-	-	1,799,505	1,905,192
Later than five years	-	-	240,500	77,500
Total Non-cancellable Operating Leases	-	-	3,221,040	2,761,806

Leases can be renewed at the group entities options.

28. Statement of Contingencies

The parent company and group have no contingent assets as at 30 June 2008 (2007: nil).

SICON and SPBL are participating employers in the National Provident Fund's Defined Benefit Plan Contributors' Scheme (the Scheme) which is a multi-employer defined benefit scheme. If the other participating employers ceased to participate in the Scheme, SICON and SPBL could be responsible for the entire deficit of the Scheme. Similarly if a number of employers ceased to participate in the Scheme, SICON and SPBL could be responsible for an increased share of the deficit.

SICON Limited and Ferguson Brothers Limited has performance bonds and bonds in lieu of retention to third parties from time to time, \$1,544,321 (2007: \$1,266,424) was committed to 30 June 2008.

KB Irrigation Limited has a possible contingent liability in relation to a work place accident resulting in a death of an employee. The judgement of the court was a fine of \$20,000, which has been provided in these accounts and reparation to the family of \$83,000, which is covered by insurance. In the unlikely event that that the claim is not accepted then the company will have a contingent liability (refer to note 20).

29. Purchase of Investment

Selwyn Investment Holdings Limited purchased 75.1% shareholding in Ferguson Brothers Limited (total share capital of \$4.5 million) for \$3,379,500. This is to enable Ferguson Brothers Limited to purchase the assets and business of a roading contracting company for a cash price of \$9,000,000 on 31 August 2007. The Company obtained a bank loan of \$4.5 million to complete this purchase. The acquisition had the following effect on the group financial position:

Net property, plant & equipment acquired	\$6,997,023
Net inventory acquired	\$150,000
Mining Licences	\$500,000
	\$7,647,023
Cash Paid	\$9,000,000
Goodwill arising from acquisition	\$1,352,977
Bank loan obtained to complete purchase	\$4,500,000

Ferguson Brothers commenced trading on 1 September 2007.

30. Events Subsequent to Balance Date

Group Entities

Land Sales - In July 2008 SPBL signed agreements to sell four 'Non Strategic' properties. The area involved is approximately 64 ha, generating \$1.015 million and will all be settled by 31 August 2008. These properties are presented separately in our accounts as Assets Classified as Held For Sale in Current Assets.

Subsequent to balance date SICON Limited subcontracted the Tasman River maintenance contract to Ferguson Brothers Limited. To facilitate the performance of this, SICON Limited transferred items of plant to Ferguson Brothers Limited at net book value for cash consideration of \$369,732.

31. Construction Contracts (Group)

For contracts in progress as at 30 June:

	Parent		Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Contract Costs Incurred	-	-	3,547,578	2,069,991
Recognised Profits / (Losses)	-	-	97,411	39,245
Progress Billings	-	-	3,823,249	2,190,481
Gross Amounts Due From Customers	-	-	754,341	465,870
Retentions Receivable	-	-	36,154	16,999

32. Capital Management

Selwyn Investment Holdings Limited (SIHL) capital is its issued and paid up capital and retained earnings. Equity is represented by net assets as disclosed in the statement of financial position. The company manages its revenue, expenses, assets and liabilities and day to day financial transactions prudently. The purpose of managing SIHL's equity is to ensure the company achieves its goals and objectives, whilst remaining a going concern.

33. Statutory Deadline

Under the Local Government Act 2002 Council Controlled Organisations are required to publish the annual report within three months of the financial year end. This deadline was not achieved.

34. Statement of Service Performance (Parent)

Following is an analysis of performance relative to the financial performance targets outlined in the company's Statement of Intent for the year ended 30 June 2008:

	Actual 2007/08 \$	Target/Budget 2007/08 \$
Surplus before tax	4,599,169	5,343,777
Surplus after tax	4,626,508	5,343,777
Proposed dividend	4,660,610	4,809,399
Debt / total assets	0.0%	6.3%
Return on total assets	3.9%	4.5%
Return to shareholders' funds	4.1%	5.0%

35. Three Year Trends (Parent)

	2008 \$	2007 \$	2006 \$
Operating Revenue	5,841,718	7,086,342	4,609,013
Surplus Before Tax	4,599,169	6,581,001	4,046,872
Surplus After Tax	4,626,508	6,576,771	4,039,373
Proposed Dividend	4,660,610	5,919,093	3,717,326
Special Dividend Paid	0	0	0
Total Return to Shareholder	4,660,610	5,919,093	3,717,326
Total Assets	117,935,347	109,894,825	108,193,477
Total Equity	113,108,586	106,887,668	106,230,010
Return on Total Assets	3.9%	6.0%	3.7%
Return on Equity	4.1%	6.2%	3.8%

AUDIT REPORT

TO THE READERS OF SELWYN INVESTMENT HOLDINGS LIMITED AND GROUP'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2008

The Auditor-General is the auditor of Selwyn Investment Holdings Limited (the company) and group. The Auditor-General has appointed me, K J Boddy, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company and group on his behalf, for the year ended 30 June 2008.

Unqualified Opinion

In our opinion:

- The financial statements of the company and group on pages 22 to 64:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of:
 - the company and group's financial position as at 30 June 2008; and
 - the results of operations and cash flows for the year ended on that date.
- The performance information of the company and group on page 64 gives a true and fair view of the achievements measured against the performance targets adopted for the year ended 30 June 2008.
- Based on our examination the company and group kept proper accounting records.

The audit was completed on 5 November 2008, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and performance information did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and performance

information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and performance information. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information.

We evaluated the overall adequacy of the presentation of information in the financial statements and performance information. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must give a true and fair view of the financial position of the company and group as at 30 June 2008 and the results of operations and cash flows for the year ended on that date. The Board of Directors is also responsible for preparing performance information that gives a true and fair view of service performance achievements for the year ended 30 June 2008. The Board of Directors' responsibilities arise from the Financial Reporting Act 1993 and the Local Government Act 2002.

We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the company or any of its subsidiaries.

A handwritten signature in black ink, appearing to read 'K J Boddy'. The signature is stylized with a large, looped initial 'K' and 'J' followed by 'Boddy' in a cursive script.

K J Boddy
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand



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