
Prospectus (as amended by a Memorandum of Amendments)

Barrhill Chertsey Irrigation Limited

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- (i) Heads of Agreement dated 3 December 2009 with Electricity Ashburton Limited;
- (ii) Access to Infrastructure Deed dated 4 December 2009 with Rangitata Diversion Race Management Limited;
- (iii) Pumping Deed dated 3 December 2009 with TrustPower Limited;
- (iv) Contract to construct a distribution system dated 19 November 2009 with Tyco Flow Control Pacific Pty Limited.
- (v) Heads of Agreement dated 30 November 2009 with Acton Farm Irrigation Limited

Restriction on Distribution

This Prospectus (as amended) is intended for use in New Zealand only and the offer is only available for acceptance by existing shareholders of the Company. The offer is not to be made outside New Zealand.

This Prospectus is dated 4 December 2009 (as amended by a Memorandum of Amendments dated 18 December 2009).

Glossary:

The following definitions are used in this Prospectus:

applicant and *shareholders* means an existing shareholder of the Company at the date of this Prospectus;

BCI and *Company* means Barrhill Chertsey Irrigation Limited;

Board means the board of directors of the Company;

Closing Date for shareholders means 29 January 2010 (being the closing date for shareholders to apply for I Shares and D Shares) or such later date or dates as determined by the Board;

CPI means the Consumer Price Index (All Groups) for New Zealand as calculated by Statistics New Zealand and published quarterly or such replacement index as is reasonably nominated by TrustPower if the Consumer Price Index (All Groups) ceases to exist or is varied from that applicable as at the date of this Deed.

D Shares means the 7,980,000 shares offered for application the proceeds from which will be used to build a water distribution system to distribute water from the Rangitata Diversion Race to properties of shareholders for use in irrigation;

I Shares means the 5,360,000 shares offered for application the proceeds from which will be used to pay the costs of the infrastructure to make water available from the Rangitata Diversion Race including the costs of making modifications to that race;

l/s/ha means litres of water per second per hectare;

RDR means the Rangitata Diversion Race;

RDRML means Rangitata Diversion Race Management Limited;

Scheme means the construction of a system to distribute water from the Rakaia River by lifting it up on to the Mid Canterbury plains conveying that water through the RDR and distributing the water through pipes and water races to properties approved by the Board within the area set out on the attached maps.

BARRHILL CHERTSEY IRRIGATION LIMITED

Barrhill Chertsey Irrigation Limited (*the Company*) is a co-operative company registered under the Co-operative Companies Act 1996. This Prospectus is issued in compliance with the provisions of the Securities Act (Co-operative Companies) Exemption Notice 2002.

1 MAIN TERMS OF OFFER

1.1 The issuer is Barrhill Chertsey Irrigation Limited whose registered office is at Level 2, 161 Burnett Street, Ashburton.

1.2 The securities being offered are I Shares being offered at \$1 each and D Shares being offered at \$1 each to existing shareholders as set out on the Entitlement Forms or such other persons as may be selected by the Board.

1.3 The Company is offering for application:

- (i) up to 7,980,000 D Shares to enable the distribution infrastructure to be funded;
- (ii) up to 5,360,000 I Shares to enable the infrastructure to pump water into, and distribute water from, the Rangitata Diversion Race to be funded.

All shares of each class set out above will rank equally in all respects with any ordinary D Shares and I Shares on issue.

1.4 The minimum amount which is required to be raised under this offer is \$1,200,000 which requires applications to be received for a minimum of 2,660,000 ordinary D Shares and 1,340,000 I Shares and for the first payment of 30% of the total amount payable for those shares to be paid on application. A second payment of 40% of the total amount payable is due 15 February 2010 and a final payment of 30% of the total amount payable is due on 15 March 2010. To the extent that an applicant for shares is not required to hold D Shares, and is only required to hold I Shares, then the minimum amount shall be reduced by the amount of D Shares not required to be applied for by an applicant.

1.5 The price payable for the I Shares is \$1 per share and the D Shares is \$1 per share which amount is payable on application for the I Shares and D Shares offered by the Company for application on the basis set out in clause 1.6. This equates to \$300 per hectare for the I Shares and \$600 per hectare for the D Shares or \$670 per litre/second for the I Shares and \$1330 per litre/second for the D shares.

1.6 Except if clauses 1.7 and 1.8 apply the \$1 payable for each I share and \$1 payable for each D share is payable in three payments being:

- (a) \$0.30 for each I Share and \$0.30 for each D Share 30% of the aggregate application moneys payable per share on application;
- (b) \$0.40 per I Share and \$0.40 per D Share 40% of the aggregate application moneys per share on 15 February 2010

- (c) The balance of \$0.30 per I Share and \$0.30 per D Share 30% of the aggregate application moneys per share on 15 March 2010.
- 1.7 Where an applicant for shares has entered into an arrangement on terms approved by the Board with another irrigation distribution company to, or has agreed with the Company and the applicant will, utilise the distribution system of that company, and does not wish to use the Company's distribution system from the RDR Canal, for the purposes of obtaining water from the Company then the Board may waive (with or without conditions) the requirement of that applicant to apply for D Shares.
- 1.8 Where clause 1.7 applies then in substitution for the payment requirement under clause 1.6 the \$1 payable for each I share is payable in two payments being:
- (a) 80% \$0.80 for each I Share of the aggregate application moneys per share on application;
- (b) 20% \$0.20 per I Share of the aggregate application moneys per share on 15 March 2010.
- 1.9 Where clause 1.7 applies the minimum amount to be raised from the issue of D Shares shall be adjusted by calculating the number of I Shares taken up by those applicants and multiplying that number of shares by \$1.00. The minimum subscription amount under clause 1.4 shall be reduced by the amount so calculated.
- 1.10 All initial application moneys (comprising the payment of \$0.30 for applicants for I and D Shares and 80 cents per share for I shares) will be banked into a trust account at Croys Limited, Chartered Accountants, Ashburton, or if post dated cheques are provided will be held by Croys Limited until it is determined the minimum amount of \$1,200,000 (being 30% of \$4 million to be raised as the minimum subject to the provisions of clause 1.9) is received or payable. If that minimum amount cannot be raised all moneys (or cheques held) will be returned to the applicant. These moneys repaid will not include the credits available from the surrender value of existing ordinary shares as part payment for the application moneys for I Shares and D Shares. If the minimum amount is not attained the existing ordinary shares will remain in place. No interest will be paid on those moneys. Further details on how the credits available from the surrender of existing ordinary shares can be applied as part of the application for shares and in part satisfaction of the initial payment required, are set out in clause 4.7.
- 1.11 The offer is only open to holders of ordinary shares in the Company at the date of this Prospectus, shareholders who acquire ordinary shares in the Company up to the Closing Date, and persons as determined by the Board. All D Shares and I Shares not applied for by the Closing Date may be offered on the same terms and conditions, to persons within the Scheme Area who have applied to purchase ordinary shares, but could not acquire those ordinary shares because no ordinary shares were available, in the order in which applications for those shares were received by the Company, and who have also been approved by the Board. Those I Shares and D Shares shall also carry with them the rights to water available with those shares as set out in clauses 4.1 to 4.5.
- 1.12 Existing shareholders will be advised by the Company if their land is within the proposed water distribution system area and are entitled to water if they apply for I Shares and D Shares. Preference shareholders are not entitled to apply for the shares under this offer.

1.13 The Board reserves the right, up to the Closing Date, to make arrangements with an entity or entities to apply for and hold I Shares and D Shares, on such terms and conditions as the Board may determine. Such issue of shares will be for the purposes of ensuring any shortfall in applications for I Shares and D Shares is met. Those entities applying for shares will be able to hold those shares until such time as farmers in the Scheme Area wish to take a transfer of those shares and receive water from the Company.

2 **DETAILS OF INCORPORATION OF ISSUER**

2.1 The Company is registered under the Companies Act 1993 and the Co-operative Companies Act 1996 and was initially registered on the 27th day of August 1998.

2.2 The registered number of the Company is 922777 and the public file of the Company can be accessed on the public register at the Companies Office of the Ministry of Economic Development and documents and other papers are available from the Companies Office website www.companies.govt.nz or by telephoning the Companies Office Call Centre on 0508 266 726.

3 **SUBSIDIARIES**

There are no subsidiaries of the Company.

4 **OTHER TERMS OF OFFER**

4.1 **Restriction on application for Shares**

Each person who applies for shares will be entitled to an allocation of water to irrigate land. Only existing holders of Ordinary Shares may apply for I Shares and D Shares under this offer. The number of I Shares and D Shares which each existing shareholder may apply for is set out in the letter of entitlement attached to this Prospectus. If you are not on the distribution system only I Shares will be stated in your application form. The entitlement letter also sets out the water allocation that will be available if those shares are applied for under the offer. Every applicant for I Shares and D Shares will also be required to enter into a water agreement with the Company, a copy of which will be sent to each shareholder with this Prospectus.

If the Board determines to offer shares to other persons it may vary or waive the above requirements.

4.2 **Classes of Shares and Description**

The Board has given careful consideration as to how the long term capital needed to fund the distribution infrastructure to deliver water to the RDR canal and from that canal to individual farms can be raised. Two classes of shares are offered under this Prospectus. These are:

- (a) Infrastructure shares (*I Shares*) which are issued to raise the cost of obtaining all resource consents, meet all legal and consultancy costs incurred to enable the Scheme to proceed, the costs incurred for capital and other expenses to modify the RDR Canal including the buffer ponds to enable water to be delivered into a distribution system. Those on that system will have as part of their charges the costs of paying interest and capital repayments of debt. Also included in the charges will be annual charges payable to TrustPower Limited for constructing and operating infrastructure to pump water from the Rakaia River into the RDR. The holders of the I Shares will be required to meet the annual costs of delivering that water to the RDR, servicing, operating and

maintaining the delivery infrastructure up to the intakes from the RDR into the distribution system.

- (b) Distribution System shares (*D Shares*) which are issued to raise the costs relating to the construction of the distribution system. The holders of these shares will be required to pay a water charge to cover the cost of maintaining and operating the distribution system as well as the cost of servicing bank debt.

4.3 **Joint Venture with Electricity Ashburton Limited (EAL)**

The proposed capital raising is based on a joint venture being entered into with EAL to own the infrastructure assets comprising the distribution system to deliver water from the RDR to farmers. It is proposed that initially 5 distribution systems will be constructed as set out on the maps on pages 25 to 27.

The joint venture will meet the estimated construction costs of the Scheme of \$25 million by:

- (a) Borrowing \$7 million from a bank;
- (b) An equity contribution of \$10 million from EAL;
- (c) An initial contribution of \$4.8 million from the Company;
- (d) An initial amount of \$3.2million, with a total amount of \$6.0 million, to be received by the joint venture, either initially or within a maximum period of five years, from licensing water rights. Pending receipt of these moneys the amount will be bank funded.

Accordingly the moneys raised under this Prospectus will all be used as a contribution to the joint venture with EAL.

4.4 **Timing for Delivery of Water**

The Company will be using all efforts to ensure the distribution systems and other works are completed as soon as possible. Indications are that subject to no adverse events it will take up to 12 months to construct the distribution systems. Some of the five proposed distributions systems as set out on the attached maps may be finished earlier than others. No certainty can be given that water will be available by a specified date and applicants for shares must take this into account when assessing their farming operations. The Company cannot confirm contracts for construction unless this share offer has been successful.

4.5 **Relationship of Shares to Water**

Every shareholder who wishes to receive water from the Company or a person selected and approved by the Board must apply for six hundred and seventy (670) I Shares and one thousand three hundred and thirty (1330) D Shares for each one (1) litre per second of water required at 100% operating capacity for the Scheme provided that shareholders who do not require connection to the distribution system may apply for I Shares only with the prior approval of the Board. It is estimated that of the shareholders taking water 75% of the water allocated to be taken by shareholders will be provided through the distribution infrastructure with the balance being taken directly from other irrigation companies having access to the RDR distribution system. If this occurs then the capital raised under this Prospectus will comprise 5,360,000 I Shares and 7,980,000 D Shares to utilise the full

8 cumecs of water to be available for delivery through the Scheme (8 cumecs equals 8000 litres per second). The minimum application is for 10,050 I Shares and 19,950 D Shares and this is further referred to in clause 4.12.

4.6 Sensitivity of Shares to Water

The above proposal relates shares to water volumes to be delivered. A table is set out below to give an indication of the level of shareholding required for differing volumes of water. This differs from the previous issue of shares where applications were made based on the area of land to be irrigated. The different approach is required because different soil types, methods of farming or rainfall areas require differing volumes of water.

4.7 Maximum Use of all Water for irrigation

The maximum amount of water that any shareholder may take will be determined as follows:

- (a) where the Scheme is the only available supply of water the maximum amount of water that can be delivered to, or used on, any property is 0.6 l/s/ha [5.2mm/day].
- (b) Where the shareholder has an alternative source of water such as a well or another water scheme supply the maximum aggregate amount that can be delivered to, or used on, any property from all available sources is 0.6 l/s/ha [5.2mm per day] and if this is exceeded the Company will have the right to reduce or terminate the supply of water to a shareholder.

The regulatory authority will determine how much water can be taken and how this is regulated in respect of irrigation and other water sources.

4.8 Credit Available from Existing Shares

A shareholder holding existing shares (but not preference shares) may use those shares to obtain a credit at \$1.00 for each ordinary share as part of the payment which a shareholder must make in applying for I Shares and D Shares to obtain water from the Company. The right to do this is set out in each Shareholders entitlement letter. For instance if 5000 ordinary shares are held \$5,000 can be credited towards the first payment due for I Shares and D Shares applied for under this Prospectus. This is set out in the application form for shares attached to this Prospectus. Only that number of ordinary shares that relates to the number of I shares and D shares being applied for can be credited (333 ordinary shares per litre per second or 150 ordinary shares per hectare). By way of example if a shareholder holds 15,000 ordinary shares giving a right to water for 100 hectares that if that shareholder wishes to take up shares to irrigate 50 hectares or 50% (7,500) of those ordinary shares can be used as a credit for the initial payment for shares taken up under this Prospectus.

4.9 Table of Shares to Water Rights

Set out below is a table showing the number of I Shares and D Shares that must be applied for to obtain the volume of water set out below:

I Shares	D Shares	Application Moneys \$	Water Volume Attached to Shares l/s	Maximum ordinary shares available as a credit
10,050	19,950	30,000	15	4,995
20,100	39,900	60,000	30	9,990
33,500	66,500	100,000	50	16,650
53,600	106,400	160,000	80	26,640
67,000	133,000	200,000	100	33,300
80,400	159,600	240,000	120	39,960
100,500	199,500	300,000	150	49,950
117,250	232,750	350,000	175	58,275
134,000	266,000	400,000	200	66,600

l/s = litres per second of water

To convert the above volumes of water into area usage at 0.45 l/s/ha (3.9 mm per day) multiply the water volume by 2.22.

4.10 Right of Board to allocate Shortfall in Applications

If the offer of shares under this Prospectus is successful then this will affect the rights attached to existing ordinary shares on issue. The Board may exercise all or any of the following rights:

- (a) If a shareholder is within an area to which water can be distributed by the Company then the Board may give notice to that shareholder advising that the water rights attached to the ordinary shares will be lost if an application is not made for additional shares by a date specified in that notice; or
- (b) As an alternative to (a) above the Board may surrender at their nominal value, ordinary shares which have a right to water, after giving notice as in (a) above, and reissue those shares to a person who wishes to obtain a supply of water from the Company; or

- (c) permit the shareholder to continue to hold those shares and give notice to that holder when they are required to apply for further shares if they wish to exercise their right to take water. If the further shares are not taken up when notice is given the provision of (a) and (b) will then apply;

4.11 Transfer of Shares

During the period up to the Closing Date if a shareholder does not wish to take up I Shares and D Shares under this Prospectus the shareholder may arrange with the Board to transfer those shares to a farmer in the Scheme area who wishes to take up shares under this offer. The Board has the right to refuse any transfer of shares where water is unlikely to be available from the distribution system being constructed by the Company.

4.12 Minimum Number of I and D Shares to be held

Each applicant for shares will be required to hold sufficient I Shares and D Shares to enable a specific volume of water to be available, when reliability is maximised, to a connection point on a specified farm. The minimum volume required to be taken is 15 litres per second which requires 10,050 I shares to be held and 19,950 D shares to be held. The Company may agree to an applicant holding only the minimum number of I Shares if the holder will not be connecting into the distribution system of the joint venture.

4.13 Assumption on Water Usage/Risks

The Company has a total of 17 cumecs of water available under its resource consents for distribution in the area shown as shaded on the attached maps. Initially it is intended to seek share applications from farmers who can take up to 8 cumecs of that water. The distribution system contemplated by the directors will initially only be able to provide water for 17,800 hectares and based on a formula for water useage this will fully utilise the initial 8 cumecs.

The right to use the 17 cumecs is subject to other persons also having concurrent rights to take water from the Rakaia River. As the volume of water take increases the reliability of delivery reduces. Although the Company will seek to reduce the impact of the reduced reliability as increased water is taken no assurances can be given as future reliability on the delivery of water.

The assumptions made are that:

- Each hectare will require 0.45 litres per second per hectare which is approximately 3.9mm per day;
- It is possible that farmers who own lighter soil types in lower rainfall areas may require up to 5.2 mm per day (0.6 litres per second per hectare) and those with some groundwater supply may only require, for example, 2.6 mm per day (0.3 litres per second per hectare).
- An initial share requirement for each 100 hectares to be irrigated within the Scheme Distribution Area at 0.45 litres per second (45 litres per second) is 30,150 I Shares at \$1 each and 59,850 D Shares at \$1 each.

4.14 Farmers who require more or less than the assumed volume of water per hectare should accordingly vary the share number applied for. Applications should be made for the number of I and D shares that equates to the volume of supply required to the property in litres per second (670 I shares per litre per second and 1,330 D shares per litre per second).

4.15 **Water Agreement**

Applicants applying for shares under this Prospectus will be required to enter into a water agreement with the Company when making this application for shares. The form of that agreement is attached to this Prospectus and is also available on the Company's website www.bciwater.co.nz. Under this agreement unless specific arrangements have been made with the Company the shareholder will have an obligation to pay the annual services charges to the Company relating to the operations of the Scheme.

4.16 **Infrastructure Annual Charges**

- (a) Associated with the I Shares there will be further annual charges payable under the Water Agreement for the delivery by pumping water to the RDR, and delivery to the buffer ponds. These charges are expected to be, for the first four years after commencement of the Scheme, \$1025 per litre per second (\$460 per hectare) with a CPI adjustment. After the first 4 years an additional fee will be payable for the following 16 years for access rights to the RDR. This is likely to be approximately \$17 per hectare CPI adjusted (or \$37 per litre of water).
- (b) Associated with the D Shares there will be further annual charges payable under the Water Agreement for delivery of water under pressure from the buffer ponds to the property, and the cost of servicing debt associated with the distribution network. These charges are expected to be, for the first four years after commencement of the scheme, \$400 per litre per second (\$180 per hectare) with a CPI adjustment.

4.17 **Applications for Shares**

Applications will only be accepted by the Company where the shareholder has returned to the Company.

- (a) An application form properly completed;
- (b) A cheque (which may be post dated) or bank confirmation of post dated electronic transfer of the initial amount payable for the shares. The first instalment of application moneys must be paid no later than Friday 29 January 2010, or by cheque payable on that date, or electronic transfer to the Company into the Trust Account of Croys Limited; National Bank of New Zealand, Ashburton Branch, Account No. 06-0837-0150625-02;
- (c) The water agreement signed by the applicant with all details having been completed by the applicant.

4.18 **No Guarantee on Water Supply**

The Company gives no assurance that water will be available to a particular property. Any applicant must ensure that the property to which the applicant requires water to be delivered is within the water distribution scheme areas as disclosed by the Company, as set out on the attached maps, and as indicated on the entitlement letter. If there is a lack of applications for shares from a particular area, so affecting the economics of supplying that area, the Company may decline the application and return the applicants funds.

4.19 Regulatory Position on Water Supply

The provision of water will be subject to a regulatory regime or a policy statement that may be required by Environment Canterbury relating to the use of water in the proposed Scheme area. Full details of the above are not known and those who apply for shares should be aware of the changing regulatory environment for the use of water in Canterbury.

4.20 Priority Position

Those farmers applying for shares in this issue will be making the further capital contribution indicated when taking up their original shares in the company under an earlier Prospectus. The further capital contribution will enable the shareholder to exercise the priority rights attached to the ordinary shares issued by the Company to receive water. Entitlements to water of 1 litre per second will be provided to every 670 I Shares and 1,330 D Shares held as set out in the entitlement form or every 670 I Shares where the Company has waived in writing the obligation to hold D Shares.

4.21 No Dividends or Rebate

It is not intended that the Company will make distributable profits or pay rebates or dividends to its shareholders in the foreseeable future. The Company will be operated for the benefit of shareholders being supplied with water and purchasing services from the Company.

4.22 Transfer of Shares

The shares of this issue (including existing shares on issue) will be entitled to water and will be transferable together with the water rights attached to those shares. The seller and buyer of those shares will need to satisfy themselves that the Company will have the ability to deliver water under the distribution system to the farm to which those shares relate and which has been receiving water. If the shares are being transferred to a holder who wishes to receive delivery of water to another property then such a transfer is subject to Board approval. That approval may be subject to the transferee applying for D Shares in the Company. After the Scheme is in place where a farm, that has the benefit of water supplied by the Company, is sold, to transfer the rights to the water allocated to that farm, the purchaser of that farm, must also purchase the shares in the Company held by the vendor of that farm and agree to enter into a new water supply agreement with the Company.

5 RELEVANT DATES

The offer under this Prospectus to existing shareholders will close at 5.00 pm on Friday 29 January 2010. Notwithstanding the Closing Date for all shareholders the Board shall have the right, until Friday 29 January 2010, to place any shortfall of I Shares and D Shares not taken up by shareholders with shareholders who have applied for additional shares, and have not been able to purchase those shares, and other entities as set out in clause 1.13.

6 FINANCIAL STATEMENTS

6.1 The audited financial statements and annual report of the Company for the year ended 31 March 2009 has been circulated and provided to all shareholders.

6.2 The attention of all applicants for shares is drawn to the exclusion from the financial statements of the current value of the Resource Consents. This has arisen because all costs and expenses in obtaining the resource consents have been expensed. To include the resource consents as assets an independent valuation would be required. The Directors consider that all liabilities of BCI can be paid when due or are otherwise dealt with, under arrangements with creditors.

ADDITIONAL INFORMATION

7 RISKS

The risks associated with holding shares in the Company are set out below:

7.1 Water Risk

There are a number of risks in delivering water to a shareholder's land including:

- (a) a reliability of supply risk as the ability to draw water from the Rakaia River, and deliver it for irrigation, is dependent on seasonal water flows and the terms of the resource consents held by the Company which may prevent water being taken from that river;
- (b) failure of the delivery mechanism for water including the pumping equipment, monitoring equipment and the plant used to distribute water to farms;
- (c) the use of the RDR Canal being restricted arising from maintenance or other performance matters under the agreement between RDRML and the Company;
- (d) a flood, other act of god or mechanical failure so affecting the delivery infrastructure that water cannot be delivered through that infrastructure.
- (e) Losses during conveyance of water from the Rakaia River to a farm.

7.2 Take up of Water

The Company has rights to 17 cumecs of water under its Resource Consents. The financial projections for the Scheme are that 8 cumecs of water will be distributed within the first 5 years from commencement of the Scheme. It is anticipated that the full 17 cumecs available under the Consents will be used within 7 to 10 years. The volume of water taken affects the costs for the Scheme, the reliability of supply, and can have an impact on the level of costs recoverable from users of the Scheme.

The rights held by the Company to take 17 cumecs of water from the Rakaia River ranks behind consent holders who applied for consents ahead of the Company. Those consent holders can take in aggregate up to 13.25 cumecs of water prior to the Company's 17 cumecs. The right of the Company is held in the same band of rights as other consent holders who can take water at the same time.

7.3 Acton Area

There is a risk that all of the moneys expected from Acton Farm Irrigation Limited will not be received on the expected date or that the full 3 cumecs of water will not be uplifted when expected by the Company. If this occurs this will have a material affect on the future cash flows for the Company.

7.4 Construction Risks

During the construction of the infrastructure for the Scheme there are a number of risks including:

- (a) the contract price being materially exceeded due to unforeseen events occurring;
- (b) the designs failing to deliver the expected performance so resulting in the costs of delivery of water being materially higher;

- (c) a contractor failing to build the infrastructure to the standard required for it to perform to expectations;
- (d) a major flood, other external event, or equipment failure occurring which would materially affect the construction of the Scheme;
- (e) changes in prices of materials, arising from exchange rate fluctuations or other factors, causing a material increase in costs;
- (f) a contractor going into receivership, liquidation or other form of management before a contract is completed.

7.5 **Financing Risks**

There are a number of financial risks including:

- (a) the Scheme being constructed on time and within budget;
- (b) the Company being able to raise the level of equity capital sought under this Prospectus.
- (c) the Company being able to access and draw down bank funding;
- (d) interest rates increasing beyond the expected range of rates contained in the assumptions made by the Company;
- (e) the Action area farmers not paying \$3.2 million by September 2010 (refer to clause 8.8);
- (f) farmers having the capacity to pay the water charges to be levied under water agreements from the date the Company can commence delivery of water;
- (g) the uptake of water by farmers not being at the times expected by the Company;
- (h) the extension of the Scheme to the farmers in the Acton Main area not being at an uptake level as projected so that charges and costs from that source are not received by the Company.
- (i) If either the full amount of water is not taken up by farmers, or the additional water cannot be delivered, there is a risk that the annual charges will not be covered by income under the Water Agreements. If this arises the charge may need to be increased.
- (j) The Company not being able to receive income from the temporary trading of water until the full volume is delivered to shareholders.

7.6 **Equity Take Up Risk**

Farmers may not subscribe the level of capital required to enable the Company to proceed to build the Scheme or a shortfall of capital arises that has to be covered by bank loans so increasing the cost of operating the Scheme.

7.7 **Economic Risk**

There is a risk that farming will not maintain current levels of profitability which results in the annual charges for water users not being paid on time to the Company so resulting in the Company defaulting on its obligations to Rangitata Diversion Race Management Limited or TrustPower Limited. This could result in any of those agreements, which are fundamental to the operation of the Scheme, being terminated so leading to water not being available to shareholders.

Prices available for milk, grain, lambs or other farm production could materially reduce, so affecting the ability of water users to pay charges due to the Company.

7.8 **Resource Consent Risk**

The resource consent expires 28 January 2035. There is risk this consent may not be renewed or the terms of renewal may be onerous. The Company, or water users, could act in a way that creates a breach of the terms of resource consents held by the Company. This could lead to a cancellation or suspension of the resource consents including the right to take water by the Company for delivery to water users. Additional consents required for the full implementation of the Scheme, including delivery of water in the Acton Main and other areas and the granting of the use consents in the extended Scheme area, may not be given or may be given on conditions that make delivery of water impractical or uneconomic.

7.9 **Statutory Intervention**

The Government or other regulatory bodies could introduce new legislation, regulations or by-laws that affect the ability of the Company to continue to delivery water or substantially affect the ability of the Company to deliver water effectively and/or economically.

7.10 **Design Risks**

There are risks in ensuring the designs for the irrigation scheme can deliver water at the expected volumes and water pressures to enable the benefits to be available to water users to irrigate farms. If any of the designs do not meet their expected performance criteria this would be detrimental to the effectiveness and/or economics of the irrigation Scheme.

7.11 **RDR Canal Risk**

The delivery of water is dependent on using the RDR Canal to deliver water into a distribution system. The agreement with Rangitata Diversion Race Management Limited (*RDRML*) is subject to the shareholders of RDRML approving the agreement and not being detrimentally affected by the user of the RDR by the Company. If the right to use the RDR was terminated, or suspended, the Company could not deliver water to water users.

7.12 **Major Agreement Risk**

BCI has arrangements to enter into a number of major agreements and deeds that are material to the Scheme. If any of these agreements do not proceed, or the conditions under these agreements cannot be met, the Scheme may not be capable of full implementation. There is also a risk that such agreements, once entered into, could be breached resulting in their cancellation or, in implementing the terms and provisions of those agreements issues arise that materially affect the ability of the Company to ensure performance under those agreements and deeds. These factors all create contractual performance risks for BCI.

8 **RESOURCE CONSENTS/MATERIAL CONTRACTS**

8.1 **Existing Consents**

The existing Resource Consents held by the Company to take 17 cumecs of water from the Rakaia River, Canterbury have been extended in respect of the lapsing date until

14 September 2010 to enable the Company to construct the infrastructure to deliver the water.

8.2 **Assignment of Resource Consents**

The Company has entered into arrangements relating to the Resource Consents that have an impact on those Consents. The Company has agreed to:

- (a) the joint venture of EAL and the Company (*the JV*) constructing the distribution systems to deliver water to farmers in accordance with the three maps as attached.
- (b) Those Resource Consents being transferred to the JV if determined to be necessary for the financing and operation of the JV.

8.3 **Joint Venture Distribution Systems**

A joint venture will be formed between EAL and the Company to construct and own the infrastructure to deliver water from the RDR to farmers under the consents. This excludes the Acton Main area where the JV will licence up to 3 cumecs of water to an entity that will construct the Acton Main distribution system.

8.4 **Material Contracts**

The Company has negotiated a number of material contracts relating to the construction, operation and commitments of the proposed infrastructure. The infrastructure has five main agreements and construction items these being:

- (a) The formation of a joint venture arrangement with Electricity Ashburton Limited under a Heads of Agreement dated 3 December 2009. The joint venture will construct a distribution infrastructure to enable water to be taken from the Rangitata Diversion Race and then distributed to farms through a piped system.
- (b) The entering into of an agreement with TrustPower Limited for the pumping of water from the Rakaia River into the Rangitata Diversion Race by Trustpower Limited utilising the penstock at the Highbank Power Station. An agreement dated 3 December 2009 has been entered into with TrustPower Limited to facilitate the taking of water from the River and pumping of water through the penstock.
- (c) The use of the Rangitata Diversion Race to distribute water through that race to the distribution system. An agreement dated 4 December 2009 entered into with Rangitata Diversion Race Management Limited permits the use of the said race to convey water.
- (d) A contract dated 19 November 2009 has been entered into with Tyco Flow Control Pacific Pty Ltd to construct that distribution system.
- (e) A Heads of Agreement dated 30 November 2009 with Acton Farm Irrigation Limited to purchase the right to take up to 3 cumecs of the water available under the Company's Resource Consents at a price of \$2million for each one cumec for which that right is acquired.

8.5 The Ashburton District Council (*Council*) has included in its draft Long Term Council Community Plan (*LTCCP*) a proposal to provide funding to the Company during the first years of operation. The funding includes meeting operating shortfalls in the initial start up years from the Scheme as during that period income will build up as farmers commence to take water from the Company.

8.6 Banking Arrangements

To complete the Scheme the Joint Venture must borrow up to \$7 million through bank funding. The Company and EAL have received satisfactory indicative proposals from Banks, all of which are subject to the Company being successful in raising the requisite capital under this Prospectus. The Board is confident that it can obtain loans from a bank if the capital is raised based on discussion held prior to the date of this Prospectus.

There is a risk that if there is a further deterioration in banking markets that such funding may be difficult to access or that the cost of that funding may be uneconomical. If this occurs the Board will need to restructure the proposed Scheme, or delay it, until funding on satisfactory terms are available.

8.7 Declaratory Judgment

The Company has obtained a declaratory judgment from the Environment Court on 14 December 2008 that the use of the Rangitata Diversion Race to convey water for the Company and the proposed water swap arrangement with Rangitata Diversion Race Management Limited is within the law.

8.8 Acton Agreement

An agreement has been reached Acton Farm Irrigation Limited (*AFIL*), in which company the shares are held by farmers in the Acton area, to be granted a licence right for up to 3 cumecs of water. That water has a priority after 8 cumecs of water from the BCI take consent are used. AFIL must pay \$2 million for each cumec licensed for the Acton area and the minimum uptake is 1.6 cumecs for an amount of \$3.2million. If AFIL cannot pay that amount on or before 15 September 2010 the Company will provide funding for the balance amount due for the period to 15 September 2011 at the cost of borrowing and thereafter at 12% per annum. The balance due is payable, at the latest, on 15 September 2015. An initial 5% deposit is payable on the amount due. It is expected that AFIL will wish to take the full 3 cumecs of water and the Company will receive a total of \$6million for that water over a period of time that is not certain.

8.9 Costs of the Scheme

The estimated costs of the Company in constructing the scheme are \$25 million. The Company proposes that this amount be funded as set out below:

A	Equity contribution to Joint Venture by EAL	\$	10,000,000
B	Expected capital raising under this Prospectus	\$	4,800,000
C	Bank funding	\$	7,000,000
D	Licence fee for water from Acton Main farmers [Note 1]	\$	<u>3,200,000</u>
		\$	<u>25,000,000</u>

Note 1: This may be funded temporarily from bank funding

8.10 Minimum Applications

The Company now needs to receive applications for shares under which the aggregate amount payable is at least \$4 million and up to a maximum of \$13.34 million to meet all of its ongoing costs in meeting all obligations under the Material Contracts set out in clause 8.4 and the estimated costs set out in clause 8.9. The minimum amount required to be raised under this Prospectus for the initial payment for the shares is \$1.2 million and when all calls have been paid on those shares the total amount to be received will be \$4 million which is the amount required to commence the Scheme. This amount will be reduced by the amount of D Shares not taken up by holders of I Shares if clause 1.7 applies.

8.11 Application of Moneys Raised

The capital raised under the offer of shares will be used to:

- Pay costs and expenses in obtaining further reports and advice from consultants;
- Meeting legal fees;
- Paying for the costs of the Company as part of the Joint Venture in constructing the proposed infrastructure including the costs relating to:
 - (a) making modifications to the Rangitata Diversion Race;
 - (b) constructing a piped water distribution system.

9 OUTLINE OF SCHEME SHARE STRUCTURE

9.1 Proposed Water Distribution Area

The Board of the Company considers that it can distribute 8 cumecs of water, from the 17 cumecs available under the consents, with that water being available to properties in the initial Scheme distribution area. Initially up to 6 cumecs will be available for distribution in the 5 areas. 2 cumecs will remain available for distribution by the other irrigation schemes in the same area as set out on the attached maps.

9.2 Final Determination of Distribution Area

The Company has determined that for the initial distribution areas it is only economic to distribute water:

- (a) within the five proposed areas set out on the maps attached to this Prospectus; or
- (b) to farms that are adjacent to existing irrigation schemes where the owners of those farms can obtain delivery of water through that irrigation scheme.

Only shareholders who are within the above categories, or who wish to purchase land that falls within the above categories, should apply for shares under this offer. As the Company develops its proposals other areas will be reticulated with water and at that time shareholders in these areas will be offered shares and the right to water.

9.3 Ranking of Shares of this Offer/Application Rights

The D Shares contained in this offer will rank equally as between the holders of D Shares. The I Shares will all rank equally as between the holders of I Shares. Both I Shares and D Shares are available for application by ordinary shareholders of the Company, who are within the proposed distribution system area to receive water from the Company.

9.4 Transacting Shareholders

It is intended that all applicants for shares under this issue will become transacting shareholders with the Company under water supply agreements.

9.5 Allocation of Shares not Taken up

If the offer of shares is not fully applied for by the Closing Date then in respect of any surplus shares available under this Prospectus the Board has the right to offer those shares to shareholders who have not been successful in purchasing shares from other shareholders prior to the opening date of this issue (and in the order of receipt of those applications) and thereafter to institutional holders and in each case on such terms and conditions as determined by the Board.

10 **SECURITIES REGULATIONS 1983**

The Company has elected to register this Prospectus under the Securities Regulations 1983 and those regulations apply to the offer of equity securities under this Prospectus.

11 **INSPECTION OF DOCUMENTS**


11.1 The constitution of the Company and all material contracts set out in clause 8.4 may be inspected during normal office hours at the registered office of the Company at Croys Limited, P O Box 582, Level 2, 161 Burnett Street, Ashburton, without payment of a fee.

11.2 The constitution and all material contracts set out in clause 8.4 can also be examined on the website of the Company at www.bciwater.co.nz and on the public file of the Company at the Companies Office website www.companies.govt.nz.

Dated this 18th day of December 2009



C J Bell



R A Bonifant




C R Maw



M C Robinson



B R Sim



J A Wright



R T Mason

BARRHILL CHERTSEY IRRIGATION LIMITED**(the Company)****APPLICATION FORM FOR SHARES**

This application form is important. If you are in any doubt please contact your professional adviser. You should read the Prospectus before signing this form.

Name(s) of Applicant(s):

Surname:

Given Name:

Surname:

Given Name:

Name of Company:

Address:

Area of Land

Address:

ADC property number

Email:

Telephone:

Fax:

IRD No:

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I/we hereby make application for the number of shares set out below which shares shall be allotted on the terms and conditions set out in the Prospectus dated 4 December 2009 as amended by a Memorandum of Amendments dated 18 December 2009 of which this application form forms part and the Investment Statement. I/we confirm that the information provided by me/us is correct. I/we apply to surrender my/our existing ordinary shares as below and apply those moneys towards paying for I Shares and D Shares.

- A. I shares applied for [] at \$1 = \$ (A)(Notes 1 & 2)
- B. D shares applied for [] at \$1 = \$ (B)(Notes 1 & 2)
- C. Total share application (I share + D share) (=A + B) \$ (C)
- D. 30% initial application amount required (=30% of C) \$ (D)
- E. Less Existing Ordinary Shares held at \$1 nominal value: \$ (Note 3)
- F. Balance of 30% Deposit required on application: (=D - E) \$
- G. Total due for later payment (= C - D) \$

Bank Details: National Bank of New Zealand, Ashburton Branch – Account No: 06-0837-0150625-02

Further payment of 40% of the total amount on 15 February 2010, and the balance of 30% of the total amount on 15 March 2010. Payment can be made in full on application.

Cheques must be payable to Barrhill Chertsey Irrigation Limited or if moneys are held by the Company I/we authorise the Company to apply those moneys in payment of the above shares.

Your maximum entitlement to I Shares and D Shares, and the volume of water which will be supplied under those shares, is set out on the attached Entitlement Letter.

Return this form to Barrhill Chertsey Irrigation Limited, C/- Croys Limited, Chartered Accountants, Level 2, 161 Burnett Street, (P O Box 582) Ashburton together with the signed Water Agreement.

Signature

Signature

Date:

Date:

Note 1. Please refer to clause 4.9 and 4.12 of the Prospectus. Each combination of 670 I Shares and 1330 D Share gives a potential right in respect of 1 litre/second of water. The minimum application is for 10,050 I Shares and 19,950 D Shares.

Note 2 This is the number of shares which are required for the volume of water supply required. This is subject to the maximum number of shares indicated on your letter of entitlement attached. See clause 4.9 of the Prospectus.

Note 3. Refer to your existing shareholding as indicated on your letter of entitlement. This amount can be applied at \$1.00 for each existing ordinary share in paying for your I Shares and D Shares at a maximum of 333 shares for every litre per second applied for (see clause 4.8).

BARRHILL CHERTSEY IRRIGATION LIMITED
(the Company)

APPLICATION FORM FOR SHARES

TERMS AND CONDITIONS OF APPLICATION

1.1 By signing this Application Form the applicant:

- offers to subscribe for Shares on the terms and conditions set out in the Prospectus dated 4 December 2009, as amended by a Memorandum of Amendments dated 18 December 2009 the Investment Statement of the same date, this Application form and the applications instructions in respect of the Application Form;
- acknowledges that this form was distributed with the Prospectus;
- acknowledges that he/she/it has read and understood the Investment Statement and Prospectus;
- agrees to be bound by the Constitution.

1.2 Applicants must pay for the Shares applied for in this Application Form by attaching a cheque to the Application Form or authorising the Company to deduct the amount payable from moneys held for the Applicant by the Company.

1.3 An application cannot be withdrawn or revoked.

1.4 The Company reserves the right to decline any application, in whole or in part, without giving any reason. Unless otherwise expressly agreed to by the Company in its absolute discretion, Application Forms received after the Closing Time will not be accepted.

1.5 Applicants must confirm with the application instructions in the section of the Prospectus entitled 'Application Instructions'.

1.6 Joint applications must be signed by all applicants. Only the address provided on the Application Form will be recorded on the register for Shares and all notices and communications will be sent to that address.

1.7 If the Application Form is signed by an attorney or an agent, the relevant non-revocation form below must be completed.

1.8 Terms defined in the Prospectus have the same meaning in this Application Form. This Application Form, the offer of Shares by the Company and any contract arising out of its acceptance is governed by New Zealand Law.

CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY

(Complete this section if you are acting on behalf of someone for whom you have a Power of Attorney)

NAME OF ATTORNEY

ADDRESS AND OCCUPATION OF ATTORNEY

I _____ of _____

hereby certify that:

DATE OF POWER OF ATTORNEY

NAME OF PERSON FOR WHOM ATTORNEY IS SIGNING

By Power of Attorney Dated: _____

ADDRESS AND OCCUPATION OF PERSON FOR WHOM ATTORNEY IS SIGNING

(The Donor) appointed me his/her/its attorney on the terms and conditions set out in that Power of Attorney.

- I have completed and executed this application for I Shares and D Shares as attorney under that Power of Attorney and pursuant to the powers thereby conferred upon me.
- At the date of this certificate I have not received any notice or information of the revocation of that Power of Attorney, whether by the death or dissolution of the Donor or otherwise.

SIGNATURE OF ATTORNEY

Signed at _____ this _____ day of _____ 2009

APPLICATION INSTRUCTIONS	
<p>1 Complete Details.</p> <ul style="list-style-type: none"> • Insert your title, full name(s), address and telephone numbers. • Applications must be in the name(s) of natural persons, companies or other legal entities. • Applications by a minor, trust, fund, estate, business, firm or partnership, club or other unincorporated body cannot be accepted unless they are made in the individual name(s) of the person(s) who is (are) the legal guardian(s), trustee(s), proprietor(s), partner(s) or office bearer(s) (as appropriate). • Insert your IRD number. <p>2 Signing.</p> <ul style="list-style-type: none"> • Read the application form carefully and sign (and date) the form. • The form must be signed by the applicant(s) personally, or by two directors of the Company (or one director if there is only one director), or (in either case) by an attorney. • If the application form is signed by an attorney, an original or certified copy of the relevant Power of Attorney must be lodged with the application form (originals will be returned). The attorney must complete the certificate of non-revocation below. <p>3 Closing Date</p> <ul style="list-style-type: none"> • The closing date for the offer is Friday 29 January 2010. The final closing date for the offer (if extended) is 29 January 2010. 	

