
Prospectus

Barrhill Chertsey Irrigation Limited

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BARRHILL CHERTSEY IRRIGATION LIMITED

SUMMARY POSITION

The Company has entered into a joint venture with Electricity Ashburton Limited to construct and own on an equal basis five separate irrigation schemes to provide irrigation water to the areas shown on the attached maps. These schemes are now substantially complete. Farmers who own farms in these areas, and who do not hold rights to water, are now approaching the Company for shares and access to water. Accordingly the Company has decided to offer shares under an annual prospectus, until all the allocated water that is available has been fully allocated. This will enable farmers in the five serviced areas to apply for shares in the Company.

There is no guarantee that water will be available, or there will be a water connection available to the property of an applicant for shares. Any applicant should first discuss with the Company the availability of water and any costs relevant to connecting a property to one of the five distribution systems.

DIRECTORY

Directors:

J A Wright – Chairman
R A Bonifant
C J Bell
R T Mason
C R Maw
M C Robinson
B R Sim

Accountant:

Croys Limited
Chartered Accountants
Level 2, 161 Burnett Street
P O Box 582,
Ashburton

Solicitor:

D J Stock
3rd Floor
22 Moorhouse Avenue
P O Box 29443
Fendalton
CHRISTCHURCH

Auditors:

Myers Co
Chartered Accountants
201-213 West Street
ASHBURTON

Documents Attached for Registration

A copy of this prospectus signed by or on behalf of the Directors of the Company, has been delivered to the Registrar of Companies for registration under Section 42 of the Securities Act 1978. The material contracts referred to in this Prospectus have previously been filed with the Registrar of Companies and are available for inspection on the Companies Office website www.business.govt.nz/companies. These documents are as follows:

- (a) The Water Agreement to be signed by all applicants for shares;
- (b) The material contracts referred to in Clause 8.4 entered into comprising:
 - (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 is intended for use in New Zealand only and the offer is only available for acceptance by farmers within the five distribution areas and who will become shareholders of the Company. The offer is not to be made to any person outside New Zealand.

This Prospectus is dated 16 March 2011.

Glossary:

The following definitions are used in this Prospectus:

applicant and shareholders means an existing or prospective shareholder of the Company at the date of this Prospectus who will become a transacting shareholder;

BCI and Company means Barrhill Chertsey Irrigation Limited;

Board means the board of directors of the Company;

Closing Date means the 30th day of June 2011;

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 the Company if the Consumer Price Index (All Groups) ceases to exist or is varied from that applicable as at the date of this Deed;

Distribution Systems means each of the five distribution systems set out on the attached maps;

D Shares means a maximum of 966,910 shares offered for application the proceeds from which will be used to meet part of the capital costs incurred in constructing a water distribution system to distribute water for irrigation from the Rangitata Diversion Race to properties of shareholders;

Exemption Notice means the Securities Act (Co-operative Companies) Exemption Notice 2002 (SR2002/403);

I Shares means a maximum of 487,090 shares offered for application the proceeds from which will be used to meet part of the capital costs incurred in providing the infrastructure to make water available from the Rangitata Diversion Race including the costs of making modifications to that race;

Joint Venture means the joint venture entered into between the Company and Electricity Ashburton Limited to construct and own in equal shares the five irrigation distribution systems as set out on the attached maps;

l/s means litres of water per second;

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 infrastructure provided 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 areas 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 \$1.66 each, and to obtain water for irrigation D Shares, being offered at \$1 each, to farmers who wish to connect to one of the Distribution Systems and hold or have applied to be issued with shares in the Company or such other persons as may be selected by the Board. The nominal value of all D Shares and I Shares is \$1.00 notwithstanding their issue price.
- 1.3 The Company is offering for application:
 - (i) up to 966,910 D Shares relating to meeting the costs incurred for the distribution infrastructure;
 - (ii) up to 487,090 I Shares relating to the costs for the infrastructure to pump water into, and distribute water from, the Rangitata Diversion Race.

All shares of each class set out above will rank equally in all respects with any ordinary D Shares and I Shares on issue with all shares having a nominal value of \$1.00 each. Those shares being offered for application have attached to them, in aggregate, the right to 727 litres per second of water.

- 1.4 There is no minimum amount which is required to be raised under this offer. The Shares being offered have a nominal value of \$1.00 and any amount above the nominal value is a premium for late entry into the Scheme.
- 1.5 The price payable for the I Shares is \$1.66 per share and the D Shares is \$1.00 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 \$500.49 per hectare for the I Shares and \$598.50 per hectare for the D Shares (at .45 l/s per hectare) or \$1112.20 per litre/second for the I Shares and \$1330 per litre/second for the D shares.
- 1.6 The amount payable for each I share and for each D share is payable on application.
- 1.7 This offer is only open to those farmers who own properties within the areas covered by the Distribution Systems and who already hold or acquire ordinary shares in the Company. The Company may allot shares as determined by the Board and may allot shares and create rights to the water in the order in which applications for those shares are received by the Company, and to applicants who have been approved by the Board.
- 1.8 Applicants for shares will be advised by the Company if their land is within the proposed water Distribution System area and are entitled to water if they are allotted I Shares and D Shares. Preference shareholders are not entitled to apply for the shares under this offer.

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. All documents and other papers are available from the Companies Office website www.business.govt.nz/companies or by telephoning the Companies Office, Business Service Centre on 0508 266 726.

2.3 Contact can also be made with the Companies Office through a new email recently established which is: info.bod@emol.govt.nz.

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, and who is allotted shares by the Company, will be entitled to an allocation of water to irrigate land. 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 applicant for shares under 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 Systems 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 fund the costs that have been incurred in obtaining all resource consents, meeting all legal and consultancy costs incurred to enable the Scheme to proceed, and 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 are 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 fund 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)

A Joint Venture has been entered into with EAL to own the infrastructure assets comprising the Distribution System to deliver water from the RDR to farmers. Initially 5 distribution systems have been constructed as set out on the maps on pages 21 to 23.

The estimated costs to complete the Scheme, including the costs in connecting properties of new shareholders to the Scheme, are estimated to be \$29.8 million. Additions will be made to the Scheme as additional water is taken up in the Scheme Area. It is anticipated that this amount, subject to a reduction if all of the shares are not taken up under this issue, will be provided in the following manner:

- (a) Borrowing \$7 million from a bank;

- (b) An equity contribution of \$10 million from EAL;
- (c) An contribution of \$6.8 million from the Company being approximately \$5 million already contributed and approximately a further \$1.8 million being raised under this offer of shares;
- (d) Up to \$6 million being received over the next five (5) years from the sale of part of the water entitlement under the Resource Consents to take 17 cumecs of water from the Rakaia River.

Accordingly the moneys raised under this Prospectus will all be used as a contribution to the Joint Venture with EAL, or to reduce debt or meet other costs relating to the Scheme. If all shares are not issued under this Prospectus the Company will not incur all of the additional costs and accordingly the above estimated costs will be adjusted by the reduction in amount raised and the same reduction in the costs incurred in adding to the Scheme.

4.4 **Timing for Delivery of Water**

The Company will be using all efforts to ensure that all the Distribution Systems and other works needed to connect any new shareholders to the Scheme are completed as soon as possible. It is intended that applicants for shares under this prospectus will be delivered water for the commencement of the 2011/2012 irrigation season on 10 September 2011. This delivery date will be dependent upon the date of allotment of shares and any additional works required to enable the delivery of water to the relevant property. No certainty can be given that water will be available to a particular property by a specified date and applicants for shares must take this into account when assessing their farming operations.

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. The minimum application is for 10,050 I Shares and 19,950 D Shares and this is further referred to in clause 4.10.

4.6 **Sensitivity of Shares to Water**

The above proposal relates shares to water volumes to be delivered. A table is set out in clause 4.9 to give an indication of the level of shareholding required for differing volumes of water. The relationship of shares to the delivery of certain volumes of water 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. For instance if 5000 ordinary shares are held \$5,000 can be credited towards the payment due for I Shares and D Shares applied for under this Prospectus. Only that number of ordinary shares that relate 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 then if that shareholder wishes to take up shares to irrigate 50 hectares 50% or 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 and the number of ordinary shares that must be held to obtain the volume of water set out below:

I Shares	D Shares	Application Moneys \$	Water Volume Attached to Shares l/s	Ordinary shares required to be held
10,050	19,950	36633	15	4,995
20,100	39,900	73266	30	9,990
33,500	66,500	122110	50	16,650
53,600	106,400	195,376	80	26,640
67,000	133,000	244,220	100	33,300
80,400	159,600	293,064	120	39,960
100,500	199,500	366,330	150	49,950
117,250	232,750	427,385	175	58,275
134,000	266,000	488,440	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 (3.9mm per day) multiply the water volume by 2.22.

4.10 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 both 10,050 I shares and 19,950 D shares to be held.

4.11 Ordinary Shares to be held

An applicant must hold the requisite number of ordinary shares in the Company when applying for I Shares and D Shares. The requirement is to hold 333 ordinary shares for every l/s of water applied for.

4.12 Assumption on Water Usage/Risks

The Company has a total of 17 cumecs of water available under its resource consents. Of this 17 cumecs 3 cumecs have been allocated to the Acton Scheme. The Distribution Systems have has been designed

around a maximum capacity of 8 cumecs of water so that is the maximum volume of water that BCI will be capable of supplying through the RDR to the areas shown on the attached maps. The Distribution Systems 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 first 8 cumecs available under the Resource Consents.

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 14,985 ordinary shares, 30,150 I Shares at \$1.66 each and 59,850 D Shares at \$1.00 each.

4.13 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 water 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).

4.14 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.

4.15 Infrastructure Annual Charges

- (a) Associated with the I Shares there will be further annual charges payable under the Water Agreement for the delivery of water by pumping water from the Rakaia River into the RDR, and delivery to the buffer ponds. These charges are expected to be, for the first four years commencing in the 2010/2011 irrigation season, \$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 commencing in the 2010/2011 irrigation season, \$400 per litre per second (\$180 per hectare) with a CPI adjustment.

4.16 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 or bank confirmation of electronic transfer of the amount payable for the shares payable on that date, or by electronic transfer to the Company into the Bank of New Zealand, Methven Branch, Account No. 02-0868-0033755-00;
- (c) The water agreement signed by the applicant with all details having been completed by the applicant.

4.17 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 one of the areas for the Distribution Systems, as set out on the attached maps.

4.18 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.

4.19 Priority Position

Those farmers who already hold ordinary shares will, in applying for shares in this issue 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 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. Ordinary shares may be bought from existing shareholders who have not applied for water to meet the ordinary share requirement of 333 ordinary shares per l/s of water required.

4.20 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.

4.21 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 further D Shares and/or I Shares in the Company. 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 will close at 5.00 pm on the Closing Date.

6 FINANCIAL STATEMENTS

6.1 The audited financial statements and annual report of the Company for the year ended 31 March 2010 have been circulated and provided to all shareholders. These were approved at the annual meeting of shareholders held on 28 September 2010.

- 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, earthquake, 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 rank 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.

An Agreement has been entered into with Acton Farmers Irrigation Co-operative Limited to sell and transfer cumecs 9, 10 and 11 (in order of priority) held under the Resource Consents and to hold that part of the consents for the benefit of Acton (subject to certain management rights retained by the Company). This will realise \$6 million for the Company.

7.3 Acton Area

There is a risk that all of the moneys expected from Acton Farmers Irrigation Co-operative 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. These risks have been materially reduced as construction of the Scheme and supporting infrastructure is practically complete.

7.5 Financing Risks

There are a number of financial risks including:

- (a) interest rates increasing beyond the expected range of rates contained in the assumptions made by the Company;
- (b) 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;
- (c) the uptake of water by farmers not being at the times expected by the Company;
- (d) 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.
- (e) The Company not being able to receive income from the temporary trading of water until the full volume is delivered to shareholders.

7.6 Shortfall Risk

A shortfall of capital may arise 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 other areas 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 deliver 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 not being detrimentally affected by the use 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. There is 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 given effect to by taking water from the Rakaia River on 13 September 2010.

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 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 Joint Venture if determined to be necessary for the financing and operation of the Joint Venture.
- (c) Acton having rights to 3 cumecs of water under those consents (see clause 8.6).

8.3 Joint Venture Distribution Systems

A Joint Venture has been 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 has entered into arrangements for the use of up to 3 cumecs of water within 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 **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.

8.6 **Acton Agreement**

From the 17 cumecs of water available under the Resource Consent, three (3) cumecs are set aside so that water will be delivered in the Acton area. The Company has agreed with Acton Farmers Irrigation Co-operative Limited (*AFIC*) that under the resource consent held by the Company cumecs 9, 10 and 11 in order of priority available under those resource consents will be held for AFIC so that AFIC can access and use that water subject to reliability. For the benefit of that part of the Company's resource consents AFIC is required to pay \$6 million (plus GST) for the right to use the Company resource consent to take that water. The payment is due to be paid on or before 15 September 2015 and interest is payable pending payment.

8.7 **Application of Funds**

The money raised from the issue of shares under this prospectus will be used:

- (a) first to meet the costs of constructing new irrigation infrastructure; and
- (b) secondly in respect of any surplus to reduce the borrowings of the Joint Venture.

9 **OUTLINE OF SCHEME SHARE STRUCTURE**

9.1 **Proposed Water Distribution Area**

The Board of the Company considers that it can distribute within scheme areas adjacent to the RDR 8 cumecs of water, from the 17 cumecs held under the consents. That 8 cumecs of water is available to properties in the within the distribution area 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 within the five proposed areas set out on the maps attached to this Prospectus

Only shareholders who are within the above areas, or who wish to purchase land that falls within the above areas, 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 areas that have been reticulated to deliver water by 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 taken up in full by the Closing Date then in respect of any surplus shares available under this Prospectus the Board has the right to offer those shares on such terms and conditions as determined by the Board.

10 SECURITIES REGULATIONS 2009

The Company has elected to register this Prospectus under the Securities Regulations 2009 and those regulations apply to the offer of equity securities under this Prospectus.

11 SECURITIES REGULATIONS

11.1 The shares being offered under this Prospectus are being offered under the Securities Act (Co-operative Companies) Exemption Notice 2002. For the purposes of this Prospectus the Securities Act (Transition to Securities Regulations 2009) Exemption Notice 2010 is also applicable.

11.2 The Securities Regulations 1983 apply to the offer under this Prospectus subject to the Notice referred to in clause 11.1 being the Securities Act (Transition to Securities Regulations 2009) Exemption Notice 2010.

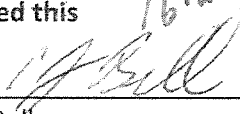
11.3 To the extent possible the same information that would have been provided under the equivalent provision in the Securities Regulations 2009 has been provided in this Prospectus.

12 INSPECTION OF DOCUMENTS

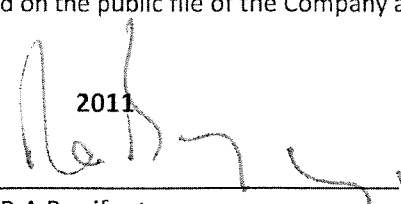
12.1 The constitution of the Company and all material contracts set out in clause 8.4 may be inspected during normal office hours at the registered office of the Company at Croys Limited, P O Box 582, Level 2, 161 Burnett Street, Ashburton, without payment of a fee.

12.2 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.business.govt.nz/companies.

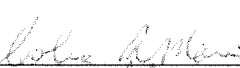
Dated this 16th day of March 2011



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 16 March 2011 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. Volume of water required l/s _____
- B. I shares applied for A x 670 x \$1.66 = \$ _____ (B) (Notes 1 & 2)
- C. D shares applied for A x 1,330 x \$1.00 = \$ _____ (C) (Notes 1 & 2)
- D. Total share application (I share + D share) (B + C) \$ _____ (D)
- E. Less Credit for Ordinary Shares held 333 x A x \$1.00 \$ _____ (E) (Note 3)
- F. Balance required on application (=D – E): \$ _____ (Note 4)

Bank Details: Bank of New Zealand, Methven Branch – Account No: 02-0868-0033755-00

Payments must 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.

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 clause 4.8 of the Prospectus. 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).

Note 4: For every 20 litres per second of water required an applicant must apply for 13,400 I Shares (\$22,244) and 26,600 D Shares (\$26,600) as well as hold 6660 ordinary shares.

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 16 March 2011, 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-REVOCAION 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.

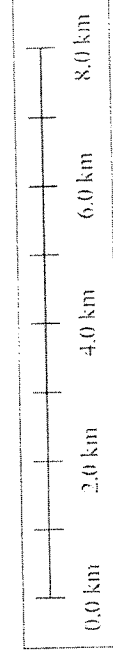
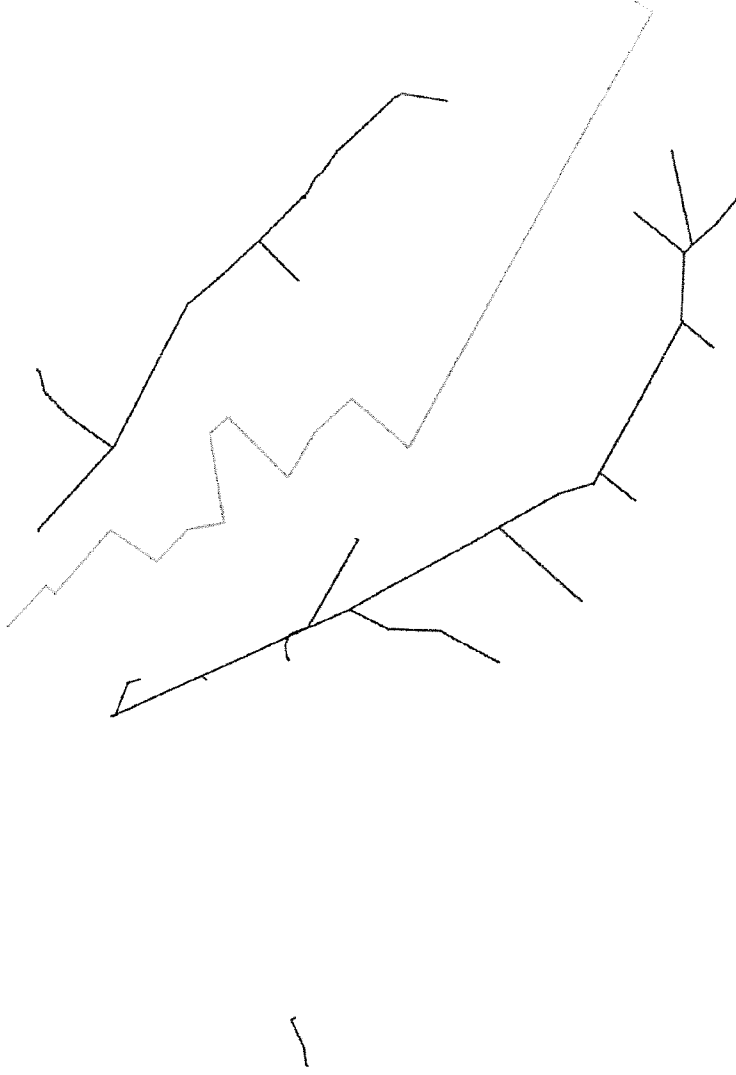
- I have completed and executed this application for I Shares and D Shares as attorney under that Power of Attorney and pursuant to the powers thereby conferred upon me.
- At the date of this certificate I have not received any notice or information of the revocation of that Power of Attorney, whether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

SIGNATURE OF ATTORNEY

Signed at _____ this _____ day of _____ 2011

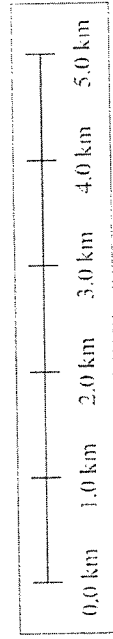
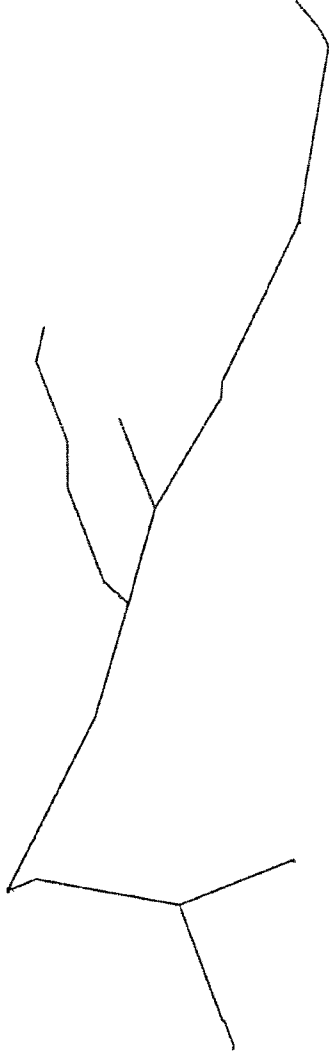
APPLICATION INSTRUCTIONS	
<p>1 Complete Details.</p> <ul style="list-style-type: none"> • Insert your title, full name(s), address and telephone numbers. • Applications must be in the name(s) of natural persons, companies or other legal entities. • Applications by a minor, trust, fund, estate, business, 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 initial closing date for the offer is 30 June 2011. 	

Methven, Highbank and Holmes Bend Capacity Areas



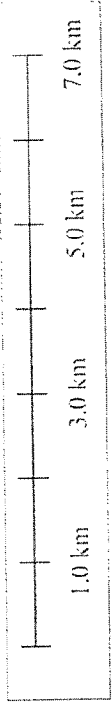
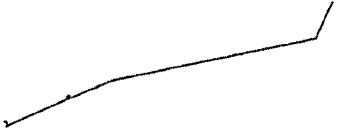
Tyco Flow Control NZ - BCI Distribution Network

Mayfield Capacity Areas



Tyco Flow Control NZ - BCI Distribution Network

Forks and Buccleugh Capacity Areas



Tyco Flow Control NZ - BCI Distribution Network