
PRODUCT DISCLOSURE STATEMENT (*PDS*)

For public offering of EA Shares

BARRHILL CHERTSEY IRRIGATION LIMITED

Dated: 20 July 2017

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on www.business.govt.nz/disclose, offer number (OFR12045). Barrhill Chertsey Irrigation Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.

1 Key Information Summary

1.1 What is this?

This is an offer of EA Shares. The EA Shares give you a stake in the ownership of Barrhill Chertsey Irrigation Limited (BCI). You could receive a return reflecting the performance of BCI through benefitting from reduced charges for water.

If BCI runs into financial difficulties and is wound up you will be paid after all creditors and holders of preference shares have been paid. You may lose some or all of your investment.

1.2 About BCI

BCI is a co-operative company and holds a 50% undivided share in an irrigation distribution network situated in the area between the Rangitata and Rakaia Rivers, Mid Canterbury. This is held in an equal unincorporated joint venture with Electricity Ashburton Limited (*the JV*). Water Utilities Ashburton Limited is a custodian company which holds assets as trustee for the joint venture.

BCI otherwise operates as a service company providing water to shareholders and recovering all costs from shareholders.

1.3 Purpose of this Offer

The purpose of the offer is for BCI to:

- Raise up to \$33,761,000 by the offer of EA shares;
- Ensure a minimum of \$17,692,500 is raised by the offer;
- Purchase from EAL its 50% share of the JV business and EAL's right to preferred income from the JV for an aggregate of \$26 million;
- Assume liability for all the debts and obligations of the JV;
- Borrow up to \$11 million from a bank and up to \$7.5 million from EAL (if required) to complete the purchase.

\$1.2 million is to be held as a debt servicing and maintenance reserve. If the full \$33,761,000 is raised \$11 million of borrowings will not be required and the surplus will be used to implement works to improve the reliability of water supply.

1.4 Key Terms of the Offer

Issuer	Barrhill Chertsey Irrigation Limited
Description of EA Shares	The EA Shares have the right to receive a reduction in water charges equivalent to an 8% gross rate of return on the amount invested in the EA Shares. That return will be calculated monthly from 1 October 2017 and will be credited against the monthly water charges.
PDS Lodged	Thursday 20 July 2017
Voting Rights	Each EA Share has one vote.
Entitlement to EA Shares	BCI Shareholders who hold I Class Shares in BCI and who currently take irrigation water from BCI are offered the EA Shares (<i>Entitled Shareholders</i>) with

	2,000 EA Shares offered for every 670 I Shares held. (<i>the Proportionate Amount</i>).
Consideration for Shares	Each EA Share is offered at \$1.75 per EA Share.
Number of Shares being offered under the Offer	A maximum of 19,292,000 EA Shares.
Percentage of EA Shares	The EA Shares will comprise 100% of the total EA Shares on issue.
Fees or charges payable	There is no liability to pay further charges or make additional payments on the EA Shares being offered.
Excess Shares	Any Entitled Shareholder may apply for EA Shares in excess of an Entitled Shareholder's proportionate entitlement. Entitled Shareholders may apply for additional EA Shares if these are available arising from other Entitled Shareholders not applying for their full allocation (<i>Excess Shares</i>). Excess Shares will be allocated at the discretion of the Board.
Return on Shares	It is not BCI's intention to provide shareholders with a financial return in the form of dividends or other payments from BCI. A shareholder will receive a return from the EA Shares as a reduction in water charges equivalent to an 8% gross rate of return on the amount invested in the EA Shares.
Restricted Offer	Only Entitled Shareholders can apply for EA Shares.
Minimum Amount	If BCI does not receive applications on or before Monday 21 August 2017 for at least 10,110,000 EA Shares with commitments to pay at least \$17,692,500, and commitments to \$10.192 million by 20 September 2017, then BCI will not proceed to allot the EA Shares and all application moneys will be returned.
Voting Control	If 19,292,000 EA Shares are issued these shares will give the holders 50.3% of the total voting rights. If the minimum of 10,110,000 EA Shares are issued the voting control will be 26.3%. There is a voting cap under which no shareholder or group of associated shareholders can exercise more than 15% of the votes at a shareholder meeting.
Offer Opening Date	Thursday 20 July 2017 (see Note 1 below)
Offer Closing Date	Monday 21 August 2017
Shares Allotted	Wednesday 30 August 2017

Note 1: Pursuant to section 65(1) of the Financial Markets Conduct Act 2013 (*FMCA*) no allotment of shares may be made and no applications or subscriptions for shares may be accepted during the consideration period of the Financial Markets Authority (*FMA*). The consideration period commences on the date this PDS is registered and ends at the close of 5 working days from the date of registration. Under section 66(1) of the FMCA the FMA may extend the consideration period by no more than 5 additional working days.

1.5 How you can get your money out

BCI does not intend to quote these EA Shares on a market licensed in New Zealand and there is no other established market for trading EA Shares. This means you may not be able to sell your EA Shares. The EA Shares cannot be sold or transferred except in limited circumstances and are not easily realisable. Details of the rights to transfer are set out on page 16.

1.6 Key Drivers of returns

The key drivers for returns are:

Purchase of EAL's Stake in JV	This will terminate EAL's right to a 12% priority return from the JV. By purchasing EAL's 50% share through an equity raise, and lower cost bank funding, the moneys otherwise paid to EAL can be used to reduce water charges.
Allocation of Water	Encouraging existing and new shareholders to apply for further shares and water rights to increase revenues and spread costs over more users.
Finance	The purchase from EAL is funded with equity and \$11 million of borrowings. If more than \$26 million is raised bank funding will be reduced and the excess may be used as an equity contribution to build ponds to store water and increase reliability of water supply.

It is not BCI's intention to provide shareholders with a financial return in the form of dividends or other payments from BCI. The return that a shareholder will receive from the EA Shares is a reduction in water charges, equivalent to an 8% gross rate of return on the amount invested in the EA Shares.

1.7 Key Risks Affecting this investment

BCI considers that the most significant risk factors that could affect the returns received from holding these EA Shares are:

Description of Risk Directly Associated with this Investment	Our Assessment of Nature and Magnitude	Mitigation Strategies
Transaction Risk: BCI may not successfully transact the buyout of EAL's 50% share of the JV.	If the minimum of \$17.692 million is not raised the ongoing operation of the JV may be constrained by EAL not continuing to provide its 50% share of equity to the JV preventing the expansion of the distribution network. Consent to the assignment of key agreements may not be achieved.	Shareholders will be urged to support the capital raising to minimise this risk. Steps are being taken to obtain consents.
Financial Returns: Reduction in Water Charges	BCI may be unable to generate sufficient positive cash flow from the 50% share of the JV purchased from EAL to reduce water charges. BCI is projecting holders of EA Shares will receive equivalent to an 8% return	BCI has two methods to contain these risks being: <ul style="list-style-type: none"> • A treasury policy under which financial hedging products are used to reduce interest rate risk.

	on the amount investment in EA Shares through reduced water charges.	<ul style="list-style-type: none"> Amortisation of debt from both new share issues and water charges.
<p>Commercial and Operational Risks: BCI is seeking to take full control of the operations of the BCI Scheme.</p>	<p>The day-to-day operation of BCI involves the supply of water to shareholders and the financial management of supply costs.</p> <p>Should the acquisition of the 50% share of the JV held by EAL proceed BCI will have 5 permanent employees and will rely on various providers to assist with key operational activities.</p>	<p>BCI endeavours to ensure that core processes are robust and resilient, reflecting the risks involved, the size of BCI and the desire to operate at a low cost for shareholders.</p> <p>If operating expenses increased materially then BCI would need to increase annual water charges to shareholders.</p>
<p>Financing Risk: Borrowings to enable the purchase of EAL's JV share creates risk.</p>	<p>Any material increase in interest costs will incur additional costs for BCI and affect returns.</p> <p>The loan offer is subject to conditions.</p>	<p>To pay any increase in interest rates, water charges may need to be increased.</p> <p>BCI will endeavour to ensure all conditions are met.</p>
<p>Scheme Risks</p>	<p>Resource consents on which the delivery of water depends may be varied or cancelled.</p> <p>BCI needs to expand its water delivery infrastructure and issue more shares to use the water available to BCI.</p> <p>The delivery of water is dependent on Trustpower Limited pumping water for BCI. Pumps may fail so creating an inability to deliver water.</p>	<p>Strong oversight and monitoring of consent conditions enables this risk to be contained.</p> <p>BCI will continue to build new infrastructure where farmers require water so receiving further share capital and additional water charges.</p>
<p>Design and Construction Risk: Expansion and development of new infrastructure comes with risks</p>	<p>BCI intends to build a large storage pond at Akarana and expand its distribution infrastructure. The costs are not certain and there is a risk that costs could increase by up to 20% so requiring an increase in water charges to shareholders.</p>	<p>BCI uses endeavours to obtain fixed price contracts so the risk is known before construction commences. If the costs are too high redesign is sought.</p>

This summary does not cover all of the risks of investing in EA Shares.

You should also read references to section 8 of the PDS (risks to BCI's business and plans) and to other places in the PDS that describe risk factors (for example risks arising for investors from the nature of the product).

1.8 Where you can find BCI's financial information

The financial position and performance of BCI are essential to an assessment of this offer. You should refer to section 7 (page 18) of this PDS to obtain further information.

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CHAIRMAN'S LETTER

Dear Shareholders

The board of the Barrhill Chertsey Irrigation Ltd (BCI) are pleased to present this opportunity to take full control of your irrigation scheme via the capital raise offer outlined in this Product Disclosure Statement (PDS). A successful capital raise will see BCI purchase Electricity Ashburton Limited's (EAL) 50% stake in the scheme, currently operated as a joint venture between EAL and BCI resulting in BCI's shareholders ultimately owning 100% of the irrigation assets.

We see this as a significant step in delivering our over-arching vision of providing a robust, sustainable water supply at a lowered cost. As a board, we spend a considerable amount of time considering, analysing and developing strategies that will achieve this vision. This is because our board is made up of farmer shareholders, and as such we recognise that irrigation annual charges are a significant part of farm working expenses, and that any reduction we can achieve in this area positively impacts farm profitability. Secondly, as a board we are well aware of the numerous and varied demands on capital our irrigator shareholders experience, and we therefore understand that any proposals we make that require further farmer equity must, in equal measure, deliver a competitive return, and offer real strategic benefit to our scheme over time.

Your board believes that the EAL buyout proposal offered in this PDS delivers on both counts.

Firstly, we believe the reduction in water charges equivalent to an 8% return on capital contributed delivers the positive cashflow investment our shareholders require. It provides a clear gap between the return offered and the current cost of finance.

Secondly, and equally as importantly, this offer gives irrigator shareholders the opportunity to take full control of our scheme. Full control gives irrigator shareholders the ability to shape the future of the scheme without external influence, and to take advantage of appropriate opportunities as they arise that deliver outcomes that may further reduce annual charges. Be assured that your board will continue to identify and explore such opportunities, and be further assured that we will fully communicate with you regarding the form, extent and shareholder benefit offered. Ultimately a successful capital raise, and subsequent buyout of EAL's stake in the joint venture, puts the future direction of our scheme firmly in the hands of our irrigator shareholders. Continuation of the status quo will likely make it more difficult to undertake further investments that will deliver value to our irrigator shareholders in the form of reduced charges.

Our bankers are providing funding support subject to a number of conditions being satisfied. BCI will need to amend the terms of the water supply agreement to give rights to seek additional payments as water charges to meet all bank commitments.

It is important to recognise and acknowledge the contribution EAL has made to the development and successful growth of the Barrhill Chertsey Irrigation scheme. Quite simply, their initial capital contribution was critical in ensuring the scheme commenced. The commercial disciplines and balance sheet strength EAL have contributed have been important in facilitating the rapid and successful growth that the scheme has experienced. The BCI board view the cessation of the joint venture as a natural progression, and one that was envisaged by both partners at the commencement of the joint venture at some future point.

Please read the attached offer documents carefully, and consider the risks set out in Section 8, and seek professional advice where required. John Wright, Chief Executive, and all BCI Board members are available to answer any questions you may have. We have structured the offer in terms of spread payment and opportunity for excess shareholding to encourage fullest shareholder participation.

Finally, the board of BCI hope you see the opportunity this offer represents, in terms of both the benefits from holding EA Shares and full control over the future of all irrigation assets in the BCI scheme. As such, we encourage you to take up the further shares on offer as outlined in this PDS

Yours sincerely,

Malcolm Cairns
Chairman
Barrhill Chertsey Irrigation Limited

2 Name of Issuer and What It Does

2.1 Overview

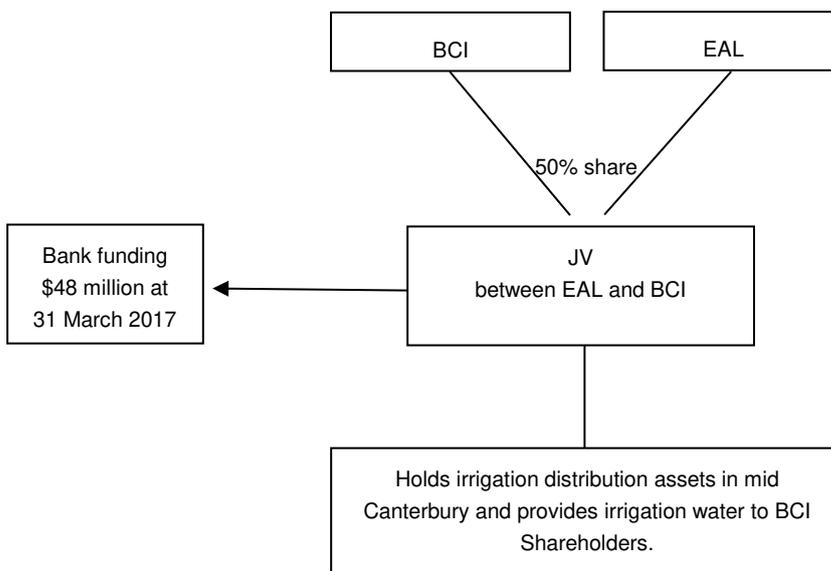
BCI was formed in 1998 to obtain a resource consent to extract 17 cumecs of water from the Rakaia River and then use that water in the area between the Rakaia and Rangitata Rivers for irrigation purposes. BCI is a co-operative company registered under the Co-operative Companies Act 1996. BCI entered into an equal joint venture with Electricity Ashburton Limited (*EAL*) to construct the irrigation infrastructure and those assets are owned equally by EAL and BCI under an unincorporated joint venture. The charges collected by the JV for the supply of water to shareholders of BCI includes a rate of return that is payable to EAL, in priority to other payments, on the amount invested by EAL in the JV. That JV raised moneys to build the infrastructure and to commence distributing water to farmers in the above area in the 2010/2011 irrigation season.

EAL and BCI each own a 50% share in all joint venture assets and:

- EAL and BCI each contribute 50% of the equity.
- EAL receives a priority 12% return on its amount invested in the JV.
- BCI receives the same return (subject to surplus cash being available) as EAL, only after EAL receives its return. BCI's return is passed on to shareholders by a reduction of the charges for water.
- Surplus returns are paid in cash to EAL (as to 50%) and the remaining 50% is used to reduce BCI's shareholder's water charges.
- BCI and EAL enter into securities to obtain bank loans for the joint venture.

The JV operate a custodian company, Water Utilities Ashburton Limited, to hold some assets as trustee for the JV parties.

The diagram below sets out the above existing structure:



Since the irrigation scheme was implemented it has been expanded so it is now delivering water for irrigation purposes to 136 shareholders in respect of an area of 20,000 hectares.

The current arrangements which the JV has for distributing water to its shareholders are as follows:

- The JV has entered into a pumping deed with Trustpower Limited under which Trustpower Limited owns and operates pumps adjacent to the Highbank Power Station on the Rakaia River and uses these pumps to pump water up into the Rangitata Diversion Race so it can then be extracted by the JV and distributed to farmers through a series of piped systems.
- The JV has an access agreement with Rangitata Diversion Race Management Limited (RDRML) under which it can utilise water in the Rangitata Diversion Race by either pumping water into the race from the Rakaia River and/or implementing a water swap arrangement under which it delivers water to Ashburton Lyndhurst Irrigation Limited (ALIL) and utilises water from the Rangitata River that would have otherwise been delivered to ALIL to supply BCI irrigators upstream of the ALIL scheme. Also, in lieu of pumping water it uses water which is not otherwise taken from that race by other irrigation companies.
- The JV has constructed a further intake and distribution network from the Rakaia River at Barrhill, including a hydro generation facility, to deliver water to farmers.

2.2 Changes in Operations / Activities

The major proposed change in the activities of BCI is to acquire the 50% share of the JV business from EAL and assume liability for all liabilities of the JV.

BCI will then assume ownership and direct responsibility for managing and administering the JV business.

BCI intends, by September 2018, to construct a large water storage pond at Akarana to provide a higher level of reliability in the supply of water. The approximate cost is \$10.175 million for the pond to be constructed. The funding is subject to further bank approvals.

2.3 Assets being Acquired

There are two agreements between EAL and BCI these being;

- (a) An agreement under which \$17,588,988 is payable by BCI to EAL in consideration of EAL giving up its rights to a 12% priority return on its 50% share in the Joint Venture so reducing the returns required to be earned by the Joint Venture;
- (b) An agreement under which BCI purchases from EAL its 50% share in all Joint Venture assets and accepts liability and responsibility for EAL's 50% shares of the liabilities of the Joint Venture. The total amount payable is \$33,240,440 less the liabilities to be assumed by EAL being \$24,829,440 to give a net payable of \$8,411,012. These amounts will be adjusted to the actual amounts owing on the proposed settlement date of 29 September 2017.

The combined effect of the two agreements is that EAL sells all of its 50% interest under the Joint Venture for a net \$26 million with BCI assuming liability for all amounts owing by the Joint Venture. EAL's share of those liabilities as at 31 March 2017 was \$24,829,440.

The assets owned by the JV, the remaining 50% share of which will be acquired by BCI from EAL, are:

- 8 offtakes from the RDR which supplies a number of shareholders with irrigation water.

- A pipeline and pond along the Rakaia River which supplies irrigation water to shareholders in the Barrhill Chertsey area.
- A hydro generation facility as part of the Rakaia River pipeline.
- Approximately 200km of pipes plus plant and equipment to supply shareholders with water under pressure by utilising the resource consent held by BCI to take up to 17 cumecs of water from the Rakaia River.

The Bank of New Zealand has offered continued funding to BCI to assist with the acquisition from EAL. The funding proposal is subject to a number of conditions which have to be met by BCI to draw down that funding including a successful capital raise under this PDS. This creates uncertainty in the availability of bank funding.

The Bank of New Zealand has offered a comprehensive funding package under which:

- (a) \$48,590,855.88 is to refinance the debt currently owed by the Joint Venture.
- (b) \$11,000,000 is to assist in the purchase of EAL's 50% share in the Joint Venture.
- (c) \$10,000,000 is set aside, subject to conditions that are required to be met relating to construction costs, to construct a new storage pond at Akarana.

The estimated cost of the Akarana Pond is \$10.175 million of which \$10 million will be funded from bank debt with the balance from operational cash flows.

The facilities from the bank are subject to conditions that a minimum of \$17.692 million is raised from the issue of shares. Any moneys raised above this amount must be applied in reduction of the loan of \$11 million as in (b) above. The loan is for a term to be selected between 3 and 5 years at the 90 day bank bill rate plus a margin based on the term of the loan. The bank requires changes to the water supply agreement as set out on page 14.

The funding of the acquisition from EAL is by:

- (a) Raising at least \$17.692 million of new share capital through the issue of EA Shares with a minimum of \$10,192,500 being received (or committed to be paid by 20 September 2017) by the Closing Date.
- (b) Borrowing the balance required (including a reserve for debt serving) of \$11 million.

2.4 Industry Sector

BCI operates in the farming sector providing water to farmers who need that water to irrigate properties. It has no other business.

2.5 Impacts on Future Performance, Key Strategies and Plans

Impacts on Future Performance	Key Strategies and Plans	Future Plans
Purchase of 50% share of EAL in Joint Venture	To raise equity under this PDS to enable the 50% share of EAL in the JV to be purchased.	This will terminate EAL's priority right to a 12% return on its investment so freeing up the outgoings to be used to reduce water charges to

		holders of EA Shares and give a benefit from the capital invested in EA Shares.
Annual reset of water charges for shareholders	Annual charges will be reset to meet all outgoings. The purchase of the EAL Shares in the JV will terminate a 12% payment to EAL so providing reduced outgoings to provide a reduction in water charges to those holding EA Shares.	To ensure all costs of operating BCI are met by a water charge. BCI will encourage further uptake of water and shares to ensure fixed charges are spread over more shareholders.
Operating Costs of the Scheme	A major cost is the pumping charge paid to Trustpower. Minimising any increase in volume of water to be pumped will reduce operating charges as the scheme expands. Encourage other farmers to become shareholders in BCI so providing share capital and spreading the charges over a wider base so creating efficiencies in overhead costs.	Construction of more storage to mitigate pumping of water with ability to access stored water when required.
Implementation of Major Capital Works	To construct more storage to increase reliability of delivery of water to shareholders.	Proposal to construct major pond at Akarana. This is subject to bank approvals.
Nutrient discharge limits for use of land	To engage with environmental agencies to ensure necessary land use consents are available.	To require reports and monitoring from shareholders to enable efficient use of nutrient discharge as part of land use consents.

BCI has determined that based on the current financial information available to BCI holders of EA Shares will be able to receive a reduction of water charges equivalent to an eight percent return on the amount invested in EA Shares. The basis for this calculation is that:

- (a) The current priority income paid to EAL is approximately \$2,400,000 per annum.
- (b) If EAL sells its share of the JV business to BCI for \$26 million this is funded by BCI raising \$17.695 million of equity and borrowing \$11 million. The \$27.695 million is used to pay \$26 million to EAL and hold \$1.2 million as a debt repayment reserve.
- (c) The cost of the funding is approximately \$700,000 per annum on current interest rates.
- (d) BCI also requires cashflow as a buffer and to allow for bank amortisation. This also allows for interest at 7% on short term funding of \$7.5 million from EAL.
- (e) This leaves \$1,415,000 per annum to reduce water charges which is approximately 8% on \$17.695 million.

If the acquisition of the 50% share of EAL in the JV business proceeds then the water charges payable by shareholders to BCI will be reviewed. The charges as set out below form the revenue on which the financial projections are based. It is estimated that the water charges will be as set out

below and the reduction in water charges to reflect investment in fully paid EA Shares will apply from 1 October 2017.

Annual Water Charges	Pipe Delivery		RDR Scheme Delivery	
	\$/lps	\$/ha (0.45lps/ha)	\$/lps	\$/ha (0.45lps/ha)
Estimated 2017/18 season fixed charge (from 1 September 2017)	1,306.00	587.70	965.00	434.25
2017/18 season fixed charge for EA share holders (from 1 October 2017)	1,026.00	461.70	685.00	308.25
Other charges payable by all shareholders				
	c/m ³	\$/ha (255mm)	c/m ³	\$/ha (255mm)
Variable Charge	6.90	175.95	5.03	128.27
	c/m ³	\$/ha (819m ³ , 21 days)	c/m ³	\$/ha (819m ³ , 21 days)
Storage Charge	8.50	69.62	8.50	69.62

The above table shows that for shareholders of BCI who do not invest the annual charges will be as set out on the orange line indicated above from 1 September 2017. For those shareholders who hold fully paid EA Shares, the charges as from 1 October 2017 are set out on the line marked in green. This demonstrates the reduced charge for those holding EA Shares. In addition to the above charges there are other charges payable by all shareholders which are the variable and storage charges, which are also set out above.

2.6 Directors, senior managers, and individual relevant parties

Directors	Robert Malcolm Cairns (Chairman) Robert Ewan McDowell Jan Rosemary Early Jeremy John Casey William Joseph Grayling Jeremy Brendan Smith
Senior Managers	John Wright (Chief Executive)

2.7 Relevant Interest on Shares

BCI is a co-operative company and all of the shares issued by BCI are held by transacting shareholders.

2.8 Options to acquire securities of Issuer

There are no options to acquire securities of BCI.

2.9 Other Equity Securities of Issuer

The I Shares give access rights to the primary delivery infrastructure owned by the JV and the D Shares give rights to the distribution of water. The EA Shares will give a right to a reduction in water charges.

Otherwise all I Shares, D Shares and EA Shares rank equally for voting.

All shares have one vote for each share subject to a voting restriction in the Constitution of BCI which caps voting rights to 15% of the votes cast by any one shareholder and any associated persons of that shareholder.

On the liquidation of BCI all shareholders share equally on a per share basis for any distribution notwithstanding the different classes of shares.

The class rights attached to each class of shares cannot be changed unless all shareholders, and the class of shares affected, vote separately to change the rights attached to a class of shares.

As BCI does not pay dividends, or distribute rebates, no class of shares has a different right to any rebate or distribution.

The EA Shares to be issued under this PDS will at any general meeting of BCI have the same right to vote as any other class of shares in BCI and the same rights on liquidation of BCI.

BCI can issue further I Shares, D Shares and EA Shares to any farmer who wishes to acquire these shares and rights to water to irrigate a property. These shares do not have to be first offered to existing shareholders.

BCI has also issued shares to farmers in the Acton irrigation area to the East of State Highway 1. 3 cumecs of water is supplied to the Acton irrigation scheme. Holders of the Acton shares have one vote each at a meeting of shareholders of BCI. The Acton Shares give holders of those shares a right to receive a water agreement from Acton Farmers Irrigation Co-operative Limited and to receive part of the 3 cumecs allocated by BCI for the Acton Scheme.

2.10 **Interests of Directors, Senior Managers**

In respect of each Director of BCI the following are the details of the remuneration and total value of other benefits received by those directors in respect of the last annual period.

Director Fees for the period 1 May 2016 to 30 April 2017

Malcolm Cairns	\$20,500.00
Robert McDowell	\$16,166.62
Jan Early	\$13,666.62
Jeremy Casey	\$12,166.62
William Grayling	\$12,166.62
Jeremy Smith	\$20,000.00

No remuneration over \$100,000 has been paid to employees for the period 1 May 2016 to 30 April 2017. BCI employs a Chief Executive Officer who also acts as the Chief Executive Officer for the JV. The remuneration paid to that Chief Executive Office by BCI is less than \$100,000 per annum.

All directors of BCI (excluding Jeremy Smith) have an interest, being direct or indirect material interest, in BCI and its subsidiaries in any agreement entered into on behalf of or in respect of BCI or its Subsidiary as they are all shareholders of BCI and are transacting shareholders with BCI by having a water supply agreement with BCI. The Chief Executive is also a shareholder of BCI and has entered into a water supply agreement with BCI.

2.11 Other Material Governance Disclosures

- (a) There are restrictive provisions contained in the constitution of BCI which are as follows:
- A shareholder of BCI must be a transacting shareholder by having entered into a contract or agreement under which services are provided by BCI in exchange for payments by the shareholder. All shareholders of BCI have entered into a water agreement under which in exchange for the provision of water and access to BCI's irrigation distribution network, charges are payable to BCI.
 - When a shareholder sells a farm to which water is supplied by BCI then the shareholder usually sells the shares in BCI to the purchaser of that farm and that purchaser enters into a new water agreement with BCI. There is also an opportunity for that farmer to shift the supply of water to another property, subject to BCI having the infrastructure to deliver water to that alternative property.
 - Under the constitution of BCI there are voting provisions which provide as follows:
 - No shareholder and associated persons of that shareholder can exercise more than 15% of the votes that can be cast on any shareholders' resolution.
 - No shareholder and associated persons can hold more than 15% of the total voting shares (excluding non-voting preference shares).
- (b) BCI is currently reviewing its Water Supply Agreements with shareholders with a view to introducing a revised agreement. BCI will be undertaking consultation with its shareholders on the proposed changes with a view to introducing these at an early date. The proposed revisions are to address the following matters:
- A successful capital raise under this PDS and subsequent buyout of the EAL 50% share of the JV will require reference to the JV to be removed from the Water Supply Agreements.
 - The regulatory framework relating to nutrient discharges and compliance has changed significantly since the last review of the Water Supply Agreements and the agreements need to reflect the latest policies and requirements of the regulator. This includes that charges for water will continue notwithstanding restrictions on farming arising from controls on nutrient discharges.
- (c) BCI has negotiated with its lenders a facility under which the repayments of the loan may not repay the principal owing by the date on which resource consents expire. To enable any residual debt to be repaid the lenders have required changes to BCI's Water Supply Agreement to be made within 18 months to include:

- A right to levy charges to repay all bank debt if resource consents are not renewed, even though water may not be available.
- The ability to adjust water charges at any time to ensure income from water charges will meet all obligation of BCI.

In addition, the Water Supply Agreement will only be capable of termination by BCI.

The above changes will be included in the revised Water Supply Agreement as part of the conditions for funding. There will be consultation with shareholders on these changes.

- (d) The offer of EA Shares has not been made to shareholders who do not receive irrigation water directly from BCI. This includes shareholders of Acton Farmers Irrigation Co-Operative Limited (*Acton*) who receive their water from Acton and also hold shares in BCI.
- (e) BCI has negotiated an extension of the period over which funding from lenders must be repaid and this results in significant savings in annual charges in the medium term. If water resource consents are not renewed BCI has the right to levy charges to ensure that the lending facilities are repaid.

3 Purpose of the Offer

The moneys to be raised under this PDS are to be used by BCI to provide share capital to enable BCI to purchase the 50% share of EAL in the JV business for \$26 million.

The minimum number of EA Shares that must be subscribed for under the offer is set out on page 17.

If only the minimum amount of \$17,692,500 is committed from applications BCI may not have sufficient financial capacity under bank funding to implement the storage pond and other works.

In the event that the application moneys received by BCI by 20 September 2017 on application for the EA Shares is not at least \$10,192,500 in payment for EA Shares, from applications received for 10,110,000 EA Shares, and with application moneys plus future calls on those shares being at least \$17.692 million then EAL has offered to leave up to \$7.5 million owing unsecured pending the application moneys payable on the shares being received by BCI. This arises as BCI's shareholders can elect to pay application moneys in full by 20 September 2017 or pay 40% of the amount payable by that date with the balance by two equal annual payments. This will only apply if a number of shareholders pay in full for EA Shares on application so that BCI receives a minimum amount of \$10,192,500 by 20 September 2017.

All moneys paid to BCI will be held in a separate account until the commitments for the minimum amount have been received.

If commitments under share applications for EA Shares are not at least \$17,692,500 then all moneys received from applicants will be returned no later than 10 business days following the closing date for applications but no interest will be paid on those moneys.

The offer of shares is not underwritten.

4 Key Dates and Offer Process

The key dates for the offer are as follows:

Date offer opens	Thursday 20 July 2017 (see Note 1 below)
Date offer closes	Monday 21 August 2017
Issue Date for Shares	Wednesday 30 August 2017

Note 1: Please see the period for the FMA to approve this PDS as set out on page 2.

5 Terms of the Offer

The terms of the offer are set out on pages 15 to 18 of this PDS.

The EA Shares are offered pursuant to the Constitution of BCI. A copy of the Constitution can be found on the disclose register at www.companiesoffice.govt.nz/disclose.

6 Key Features of EA Shares

The key features of the EA Shares that are to be issued by BCI are as follows:

EA Shares	
Issue Price	\$1.75 for each EA Share.
Issue Amount	\$33,761,000
Description – number of shares offered	19,292,000 EA Shares are offered to existing shareholders (excluding holders of “Acton” shares) on the basis of 2,000 EA Shares for every 670 I Shares held. Currently there are 6,462,820 I Shares on issue with the I Shares giving rights to 9,646 litres per second of water.
Entitled Shareholders	The offer is made to all shareholders of BCI who hold I Shares and take water from BCI, but excludes the holders of “Acton” shares.
Return on EA Shares	No dividends, rebates, or distributions will be paid on the EA Shares. Every holder of EA Shares will have the water charges payable by that holder to BCI reduced on an annual basis by an amount equivalent to 8% of the amount invested in EA Shares. This will apply from 1 October 2017. If interest rates payable on the debt owed by BCI materially alter this return will be adjusted to reflect the cash available to BCI after taking into account changes in interest rates.
Over Applications	All existing shareholders of BCI who hold Class I Shares and receive water (<i>Entitled Shareholders</i>) will be offered 2,000 EA Shares in proportion to existing holdings of 670 I Shares. Over applications may be made and these will only be satisfied by directors at their discretion on a proportionate

	basis if all shareholders do not take up in full their proportionate rights to EA Shares.
Moratorium on Issuing new EA Shares	During the three years from the Closing Date BCI will not issue any new EA Shares to holders of I Shares at the Closing Date unless existing holders of Excess Shares will not sell their Excess Shares to another BCI shareholder who wishes to increase their holding of EA Shares to become a proportionate shareholder. If an existing holder will not sell Excess Shares in the first three years from the Closing Date BCI may offer further EA Shares to enable a shareholder to hold a proportionate holding of EA Shares and I Shares.
Return on Excess Shares	If a shareholder applies for Excess Shares then the same reduction in water charges will be provided on the amount invested until those shares are redeemed by BCI. The shares will only be redeemed if existing shareholders take up EA Shares to make up their proportionate number of shares.
Nominal Value	For the purposes of the constitution of BCI all shares (notwithstanding their class) including the EA Shares have a nominal value of \$1.00.
Transfer of Shares	<p>The EA and I Class Shares are transferable as follows:</p> <ul style="list-style-type: none"> • With the land owned by the shareholder to which irrigation water is delivered together with any other BCI Shares giving rights to water. • If a shareholder who holds Excess Shares wishes transfer those shares to a person or entity who holds other shares in BCI and who needs to acquire EA Shares to enable 2,000 EA Shares to be held for every 670 I Shares held. • If requested by BCI following a minimum hold period of three years a shareholder who holds Excess Shares will transfer those shares to a person or entity who holds other shares in BCI and who needs to acquire EA Shares to enable 2,000 EA Shares to be held for every 670 I Shares held. • Initially the holder of Excess Shares will be requested to reach agreement on the price of the EA Shares to be transferred from the Excess Shares with the buyer nominated by BCI. If agreement cannot be reached then BCI will surrender the relevant Excess Shares. <p>When an EA Share, or an I Share, are transferred the relevant number of the other class of shares (being I Shares, D Shares and EA Shares) must be transferred at the same time.</p>

	EA Shares can only be held by shareholders of BCI and cannot be transferred to a person except a shareholder of BCI who has an existing water agreement with BCI.
Alteration of Rights	The rights attached to the EA Shares can only be altered by a special resolution of the holders of that class of shares.
Further Issues of Shares	BCI reserves the right to issue further EA Shares to enable persons applying for shares in BCI carrying entitlements to water to also apply for a proportionate holding of EA Shares.
Voting Rights	The EA Shares have the same right to vote at a shareholders meeting of BCI as the holders of D Class and I Class Shares on issue. The EA Shares have one vote for each EA Share.
Stapled Securities	Each EA Share is stapled to each Ordinary I Share so that every time 2,000 EA Shares or 670 I Shares are transferred, redeemed or surrendered both classes of shares must be transferred, redeemed or surrendered at the same time and in the same proportions. In addition, those shareholders who use BCI's distribution network must also hold D Shares. If a holder of I Shares does not hold EA Shares then the transferee can purchase EA Shares from a holder or BCI will issue EA Shares to enable the proportionate amount of shares to be held. Where both I and D Shares are required to be held, I Shares are stapled to D Shares which must be transferred at the same time. These provisions do not apply to excess Shares which are allotted at the discretion of BCI.
Minimum Amount to be Raised	The minimum amount to be committed under applications for EA Shares is \$17.692 million. BCI must receive as payment for those shares at least \$10,192,500 by 20 September 2017. This is the amount required to meet the payment to Electricity Ashburton Limited and to create a debt service reserve account of \$1.2 million, in conjunction with \$11 million bank debt funding, on account of the purchase price of \$26.0 million for the one half share in the JV business.
Payment Dates	<p>The EA Class of Shares are offered in multiples of 2,000 EA Shares in proportion to 670 existing I Class Shares held. Applications will be considered for Excess Shares. An initial payment of 10% of the application price is sought on application for the shares prior to Monday 21 August 2017 with the remainder due on 20 September 2017. There is an optional payment plan where the remainder can be paid over three further payments of 30% of the total amount payable on:</p> <ul style="list-style-type: none"> • 20 September 2017 • 20 September 2018 • 20 September 2019

	The rebate on water charges equivalent to 8% is calculated on the application moneys received by BCI and will be paid from 1 October 2017.
Surrender of Excess Shares	If a holder of EA and I Shares is requested to transfer Excess Shares then if the holder refuses to do so BCI may surrender the Excess Shares with the EA Shares being surrendered for \$1.75 or the last issue price of EA Shares, whichever is the higher.
Future Holding of EA Shares	For every 2,000 EA Shares held 670 I Shares are to be held. For shareholders of BCI holding I Shares, and who cannot apply for EA Shares, it is expected they will acquire EA Shares over time to reach their proportionate holdings. All new shareholders will be required to apply for EA Shares in addition to I Shares.
Ranking of EA Shares	The amount paid up on each EA Share shall at all times rank equally with all other classes of shares on issue for repayment, redemption or on liquidation.
Alteration of Rights	If any alteration to the rights attached to the EA Shares is proposed the holders of EA Shares shall have the right to vote on that proposal as a separate class of shares. The rights attached to the EA Shares can only be altered by a special resolution of the holders of that class of shares and a resolution of all other classes of shares voting together.
Liquidation	If BCI should be liquidated the holders of the EA Shares, after the rights of all secured and unsecured creditors, will participate in the distribution of any surplus equally with the holders of any other class of shares on issue on an equal basis based on the number of shares on issue.

7 BCI's Financial Information

These tables provide key financial information about BCI. Full financial statements are available on the offer register at www.companies.govt.nz/disclose. If you do not understand this financial information, you can seek advice from a financial adviser or an accountant.

7.1 Selected Financial Information

Set out below is the selected financial information for BCI required to be provided under clause 35(1) of Schedule 3 of the Financial Markets Conduct Regulations 2014 (*the Regulations*).

	2018 Forecast \$	30-Sep-17 Forecast \$	2017 Actual \$	2016 Actual \$	2015 Actual \$	2014 Actual \$
Revenues	10,912,758	75,000	151,831	171,162	170,162	133,153
EBITDA Note 1	863,868	(160,573)	(1,896,185)	(1,783,613)	(1,119,827)	(831,833)
Net Profit (Loss) After Tax	(2,860,725)	(887,227)	(2,747,879)	(1,526,598)	(9,232)	(832,658)
Dividends	-	-	-	-	-	-

Total Assets	106,540,144	15,595,057	15,914,526	16,569,726	15,653,286	6,258,414
Cash & Cash Equivalents	496,364	246,281	343,026	270,637	4,308,136	221,654
Total Liabilities	83,828,005	1,101,921	1,112,567	306,752	757,891	51,163
Total Debt	76,383,171	-	-	-	-	-
Net Cash Flows from Operating Activities	(1,322,489)	(96,745)	(13,556)	(28,878)	46,032	13,832

Note 1: The EBITDA figures include BCI's 50% share of the losses incurred by the Joint Venture.

Set out below is the selected financial information for the JV required to be provided under clauses 35(1) and 35(3) of Schedule 3 of the Financial Markets Conduct Regulations 2014 (*the Regulations*).

	2018 ^{Note 1}	30-Sep-17 ^{Note 2}	2017	2016	2015	2014
	Forecast \$	Forecast \$	Actual \$	Actual \$	Actual \$	Actual \$
Revenues	5,969,000	5,969,000	14,741,209	13,568,888	10,020,921	7,352,669
EBITDA						
Note 1	1,849,000	1,849,000	2,378,436	1,252,799	214,585	267,087
Net Profit (Loss) After Tax	(1,453,000)	(1,453,000)	(3,780,020)	(3,554,646)	1,731,460	(1,426,813)
Dividends	-	-	-	-	-	-
Total Assets	-	84,739,819	86,768,159	88,995,089	50,591,929	31,951,623
Cash & Cash Equivalents	-	(199,884)	808,249	39,542	512,566	(131,693)
Total Liabilities	-	56,950,027	58,525,058	58,747,581	28,949,775	18,574,190
Total Debt	-	47,929,856	47,990,856	47,380,614	16,403,115	12,195,316
Net Cash Flows from Operating Activities	355,000	355,000	578,426	443,929	(59,787)	(298,656)

Note 1: This shows the position after the assets have been sold to BCI and BCI owns 100% of the JV business.

Note 2: This is the financial position immediately prior to the sale of EAL's 50% share in the JV business to BCI.

Additional Financial Information

BCI has entered into two agreements with EAL under which the purchase prices determined after commercial negotiation with EAL were:

\$8,411,012 for the assets net of liabilities; and

\$17,588,988 for the termination of EAL's right to receive a fixed 12% return on its investment in the JV.

As BCI previously held a 50% share of the unincorporated JV, this transaction represents a business combination achieved in stages – a 'step acquisition' which is governed by NZ IFRS 3.

Financial Reporting Standards also require the directors to determine the fair value of the assets and liabilities acquired at the date of acquisition. At the date of this PDS those fair values (by reference to an independent valuer) have not been determined. Upon acquisition, an independent valuation

will take place to determine the fair value of the assets and liabilities being purchased. In the opinion of the Directors the most appropriate value to recognise the assets is the net book value of those assets at the date of the transaction and that the values represented in the PFI are the directors' best estimate. The directors of BCI consider that the value attributed to those assets, in the prospective financial information as at 30 September 2017 (assuming the completion of the acquisition), of \$84.739 million reflects the most appropriate value for those assets, in the absence of an independent valuation.

The directors of BCI are obtaining independent advice to confirm the values attributable to those assets on a fair value basis for inclusion in the year end financial statements to 31 March 2018. The independent valuation of those assets may result in an increase in the value of the assets, or a diminution in value, which may affect the figure for goodwill and the final value attributed to those assets at year end on 31 March 2018, and these values may be different to those disclosed in the PFI.

That value has been confirmed by the directors of BCI as being the fair value for those assets.

A summary of the transaction is as follows:

	Fair value on acquisition
Property, plant & equipment	77,292,080
Intangible assets	5,842,488
Other current assets	1,601,252
Irrigo Shares	4,000
Bank debt	(47,929,856)
Other liabilities	(9,020,172)
Total identifiable net assets at fair value	27,789,792
Fair value of previously held interest immediately prior to acquisition	13,894,896
Purchase consideration transferred	26,500,000
Goodwill arising on acquisition	12,605,104

8 Risks to BCI's Business and Plans

8.1 Risks

Below are a description of the circumstances of which BCI is aware that are likely to arise that may significantly increase the risk to BCI's financial position, financial performance or future plans.

Description of Risk Directly Associated with this Investment	Our Assessment of Nature and Magnitude	Mitigation Strategies
Financial Return Risk: BCI may not be able to give a reduction in	The JV currently pays EAL a 12% return on the equity it has	BCI has a treasury policy which directs management to utilise

<p>water charges equivalent to an 8% return on EA Shares</p>	<p>contributed. The proposed buyout of the 50% share in the JV held by EAL replaces the equity held by EAL with a combination of new lender borrowings and equity from this capital raise. BCI's financial model indicates the cash available from owning 100% of the JV business will enable water charges to holders of EA Shares to be reduced by 8% of the amount invested. However, an increase in interest rate on the component of the purchase price funded by lender funding could jeopardise that return.</p> <p>Those interest rates would need to increase significantly to jeopardise the reduction in water charges for holders of the EA Shares.</p> <p>Assuming only the minimum amount was raised in this capital raise, and interest rates increased 3.5% over time, BCI would have increased costs associated with the buyout of \$385,000. This could reduce the return on the equity raised for the issue of EA Shares to 5.6%.</p> <p>This is equivalent of \$19 per hectare irrigated.</p> <p>If \$33.761 million is raised this could give additional equity of over \$16 million above the minimum to be raised at an extra cost to BCI of 2.8% or \$450,000.</p> <p>This is equivalent of \$22.50 per hectare irrigated.</p>	<p>financial products to manage interest rate risks. The current policy is to fix interest rates by taking out swaps to ensure at least 50% of the forward risk is covered.</p> <p>BCI has also conservatively financially modelled the buyout of the 50% share of EAL so that the reduction in charges can be achieved provided the minimum amount is raised of \$17.692 million.</p>
	<p>The extra equity raised of up to \$11 million above \$17.692 million will be used to reduce bank debt. Any excess above \$27.692 million, with the bank's approval will be applied to new infrastructure including the construction of a new pond. This amount of approximately \$4.869 million (after allowing for a reserve of \$1.2 million) will improve reliability of the supply of water.</p> <p>The construction of a storage pond gives the increase in reliability to expand the Scheme so generating additional water charges.</p>	<p>BCI has plans to build a large storage pond and has conditional lender funding available to finance the construction.</p> <p>Debt funding has a repayment requirement which adds further cashflow burden on BCI.</p> <p>This can be mitigated by reducing water delivery costs and increasing income from additional areas irrigated.</p>

<p>Transaction Risk: BCI may not successfully transact the buyout of the EAL 50% share of the JV.</p>	<p>There is a risk that BCI may not be successful in raising \$17.692 million in share capital under this PDS or meet any conditions precedent with lenders or EAL.</p> <p>If BCI does not raise \$17.692 million the JV will continue with EAL to provide its 50% share of additional equity to the JV. If EAL declines to provide additional equity, this will prevent the JV expanding the distribution network.</p> <p>EAL would continue to receive a 12% return on its investment in the JV and this increasing return to EAL would need to be funded through irrigation charges.</p> <p>Financial modelling shows charges under the 100% irrigator owned scenario, if the JV business is acquired by BCI, could be reduced by \$126 per hectare. Accounting for a cost of irrigator funding of \$87 per hectare, the margin of \$39 per hectare is at risk.</p> <p>To enable BCI to settle the purchase from EAL it must have commitments to meet payments for EA Shares at a minimum of \$17.692 million from BCI Shareholders. Without applications for shares at this level BCI would be unable to complete the transaction with EAL or to obtain bank funding. A further condition is obtaining approvals from Trustpower Limited and Rangitata Diversion Race Management Limited to assign contracts to BCI (being an access deed and a pumping deed (see Disclose Register)) that are essential for the operations of the Joint Venture.</p>	<p>Shareholders will be urged to support the capital raising to minimise this risk.</p> <p>New projects are only considered if they provide value to the JV so will have positive net present values when future revenues are analysed.</p> <p>If the minimum amounts are not raised under the share issue or the consents are not obtained then the agreements to purchase the interests of EAL in the Joint Venture will not proceed. This will result in BCI Shareholders having to fund, through water charges, the 12% priority return to EAL.</p>
<p>Commercial and Operational Risks: BCI is seeking to take over all of the operations of the BCI Scheme.</p>	<p>The day-to-day operation of the BCI scheme involves the supply of water to shareholders and the financial management of those activities.</p> <p>Should the acquisition of the 50% share of the JV held by EAL proceed BCI will have 5 permanent employees and will rely on various providers to assist with key operational activities.</p>	<p>BCI endeavours to ensure that core processes are robust and resilient, reflecting the risks involved, the size of the company and the desire to operate at a low cost for shareholders.</p> <p>BCI will have a \$1.2 million reserve account to access in events of breach of banking covenants.</p>

	<p>System failure, key personnel departure, equipment failure, and major issues with the delivery infrastructure, might result in BCI being unable to operate for a period of time, being unable to deliver water or suffering a significant loss of income.</p> <p>One month of annual charges in the scheme provides revenue of an average of \$1.3 million. If BCI was unable to provide water and gather charges for a month approximately \$1 million of standing charges would not be able to be met.</p> <p>This amounts to \$50 per hectare that would need to be recovered from shareholders in the future from water charges.</p>	<p>BCI also procures business interruption insurance to the value of \$2 million.</p> <p>Water charges are required to be paid even when water cannot be delivered.</p> <p>A maintenance programme materially reduces the risk of plant failure.</p>
<p>Financing Risks: BCI has negotiated a finance facility with a bank that is conditional upon a number of matters, including the successful raising of equity funding under this PDS. This finance facility is not certain as to all conditions being met. The bank funding also creates an interest rate risk and a servicing of capital repayment risk.</p>	<p>The main risk to obtaining bank funding is raising sufficient equity capital under this PDS. If sufficient capital is not raised the purchase from EAL cannot proceed. There is also a finance servicing cost as interest rates fluctuate over time and BCI will be exposed to higher costs of debt servicing. The impact of sustained higher interest rates is that water charges will need to be higher.</p> <p>An increase of 1% in interest rates on all of the borrowings of BCI will cost \$680,000.</p> <p>To recover this increase charges would need to increase by \$34 per hectare.</p>	<p>BCI has received strong shareholder support at a special meeting called to consider the acquisition from EAL. BCI has indications from shareholders that the EA Shares will be applied for under this PDS.</p> <p>BCI has spread its capital repayments on loans so these can be managed. It also covers interest rate risk to ensure that these do not have an immediate impact and can be brought in over time.</p> <p>BCI will use any capital raised from the issue of EA Shares above \$17.692 million to reduce debt owing to BNZ up to \$11 million.</p>
<p>Scheme Risk / Resource Consent Risks</p>	<p>There are risks under resource consents held by both BCI and Rangitata Diversion Race Management Limited (<i>RDRML</i>). Under the resource consents held by BCI these could be varied by Environment Canterbury (<i>ECan</i>) to limit where water can be used for irrigation and limit nutrient discharges. Regular review of consents and consent conditions is a risk.</p>	<p>The terms under which BCI provides water allows BCI to impose any regulatory requirements on its shareholders. This includes environmental monitoring and plans which if provide for improving environmental performance will support ongoing access to the resource.</p> <p>BCI addresses this by requiring all shareholders to provide a Farm Environment Plan, including an Overseer™ nutrient budget, to manage nutrients.</p>

		Shareholder properties are audited to ensure they are on a path to achieve good management practice.
Maintenance and Expansion of Infrastructure	BCI depends on constructing infrastructure and adding to the area to be irrigated. This requires farmers to apply for shares in BCI. As the number of farmers seeking irrigation water for farming reduces this becomes a material future cashflow risk for BCI.	BCI is promoting the benefit of water to all farmers. It has constructed the infrastructure required to materially increase the water it can distribute without any major additional cost. The scheme is not reliant on significant expansion to meet its operational and compliance costs.
Stable Electricity Pricing	BCI's scheme depends on long term stable electricity prices. This is needed for pumping water up from the Rakaia River and operating the scheme.	To mitigate the impact of the cost of electricity rising BCI uses fixed price supply contracts in the short term and has invested in hydro generation to provide a long term natural hedge against increasing energy prices.
Pumping Charge Risk	Water is pumped up into the Rangitata Diversion Race (<i>RDR</i>) and RDRML charges BCI for use of the RDR. These costs could be increased and affect water charges. Current RDRML costs are \$170,000. As an example, based on a high increase to those charges. If those costs were to double the increase in cost to BCI would be \$170,000. The cost increase would be equivalent to \$9 per hectare.	BCI works with RDRML, other RDRML shareholders and Trustpower to ensure appropriate processes are in place to manage this financial exposure.
Design and Construction Risks: Development of new infrastructure is inherently risky.	BCI constructs piped distribution systems to deliver pressurised water. Any project to extend the existing pipelines has risks on design, timing and delivery of the works within budget. This could affect the date for delivery of water. There are general risks in operating a piped scheme under pressure to deliver a high volume of water.	BCI engages competent contractors to design and build the system and has a monitoring programme to contain risks. There are risks that this programme will not be met or the system is not constructed to the optimum design. BCI also requires fixed price contracts (subject to variations) to ensure there are no cost overruns. This is also a bank requirement

9 Tax

Tax can have significant consequences for investments and if an investor has queries or questions relating to the tax consequences of the investment, the investor should obtain independent professional advice on those consequences.

BCI has operated its business on the basis that the water charges required to be paid under the Water Supply Agreements meet all cash outgoings of BCI for the relevant year. As a result, it is

unlikely that BCI will make any profit and make any distribution to shareholders. If this continues to apply the impact of tax is likely to be minimal for BCI.

10 **Where you can find more information**

Further information relating to BCI and the shares is available on the offer register (for example, BCI's constitution and financial statements). A copy of information on the offer register is available on request to the Registrar. The offer register can be accessed at www.business.govt.nz/disclose, offer number 12045.

Further information relating to BCI is also available on the public register at the Companies Office of the Ministry of Business, Innovation and Employment. This information can be accessed on the Companies Office website at www.busines.govt.nz/companies.

Further information about BCI is also available free of charge on its website www.bciwater.co.nz.

11 **How to Apply**

11.1 **How to Apply**

The process to apply for shares under this Offer Document is:

- (a) An Applicant must be a transacting shareholder of BCI receiving water from BCI (not Acton).
- (b) An Applicant must complete the application form. That application form and payment can be made or returned as follows:
 - (i) by hand delivering the application form and the cheque made payable to Barrhill Chertsey Irrigation Limited to the office of the company at Irrigo Centre, 18 Kermod Street, Ashburton 7700; or
 - (ii) posting the application form and your cheque to Barrhill Chertsey Irrigation Limited, Irrigo Centre, 18 Kermod Street, Ashburton 7700;
 - (iii) posting your application form to the above address and making payment of your application moneys by direct credit to the trust account establish by Barrhill Chertsey Irrigation Limited being 02-0868-0033755-026.

All application forms and payments must be paid or received by BCI on or before the Closing Date which is 5pm on 21 August 2017 or such extended date as the directors may determine.

- (c) **Payment Dates:** The application moneys for the EA Shares can be paid:
 - On application for the EA Shares; or
 - By an initial payment of 10% of the application moneys and by three further payments of 30% of the total application moneys payable on 20 September 2017, 2018 and 2019.

All amounts are payable to BCI: by payment into:

Bank of New Zealand
304 East Street
Ashburton

Account Number: 02-0868-0033755-026.

This is a trust account established by BCI with the Bank of New Zealand which bank has been advised that the application moneys paid into this account are trust moneys. Application moneys can only be released from this bank account if applications for shares that will raise \$17,692,500 are received by BCI.

- (d) The application form must be accompanied by 10% of the moneys payable for the shares as set out on the application form. This amount will be held in the account of Barrhill Chertsey Irrigation Limited with the Bank of New Zealand and will only be paid out to BCI if commitments for the minimum amount are received. If commitments for the minimum amount are not received by BCI applications will be refunded with no interest. The refund will be made within 10 business days following the closing date for applications. All interest earned will be held for BCI.

On receiving all applications BCI will determine for each application:

- (i) the number of EA Shares to be issued;
- (ii) whether any application for Excess Shares has been approved by the Board and if so what number of Excess Shares will be allotted.

11.2 Privacy Policy

If you apply for EA Shares you will be asked to provide personal information to BCI, the Share Registrar (Link Market Services Limited), and their respective agents who will collect and hold the personal information provided by you in connection with your Application.

Your personal information will be used:

- For considering, processing the corresponding with you about your Application;
- In connection with your holding of EA Shares, including sending your information concerning BCI, your EA Shares and other matters BCI considers may be of interest to you by virtue of your holding of EA Shares; and
- For conducting an audit or review of the activities contemplated above.

To do these things, BCI or the Share Registrar may disclose your personal information to:

- each other;
- their respective related companies; and
- agents, contractors or third party service providers to whom they outsource services such as mailing and registry functions.

However, all of these parties will be bound by the same privacy policy as BCI and the Share Registrar.

Failure to provide the required personal information may mean that your application form is not able to be processed efficiently, if at all.

Where BCI and the Share Registrar hold personal information about you in such a way that it can be readily retrieved, you have a right to obtain from BCI and the Share Registrar confirmation of whether or not they hold such personal information, and to access and seek correction of that personal information under the Privacy Act 1993 by contacting the privacy officer of BCI and the Share Registrar at their respective addresses shown in the Directory.

You can also access your information on the Share Registrar's website: linkmarketservices.co.nz

12 Contact Information

Barrhill Chertsey Irrigation Limited	c/- Irrigo Centre 18 Kermode Street Ashburton website: www.bciwater.co.nz Phone: 03 928 8321
Privacy Officer	John Wright c/- Irrigo Centre 18 Kermode Street Ashburton john@ bciwater.co.nz Phone: 03 928 8321
Share Registrar	Link Market Services 138 Tancred Street Ashburton Phone: 09 375 5998
Legal Adviser	David Stock Level 3, White Fox and Jones House 22 Moorhouse Avenue Christchurch Phone: 03 353 1036
Auditor and Tax Adviser	PricewaterhouseCoopers, Chartered Accountants Level 4, 60 Cashel Street PO Box 13244 Christchurch Phone: 03 374 3000
Accountant / Registered Office	Croys Limited, Chartered Accountants Somerset House, Level 2, 161 Burnett Street P O Box 582, Ashburton Ashburton 7700 Phone: 03 308 8353

BARRHILL CHERTSEY IRRIGATION LIMITED

(the Company)

APPLICATION FORM FOR CLASS EA SHARES

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

Entitlement to EA Shares (Note 1) :

Name(s) of Applicant(s):

Surname: Given Name:

Surname: Given Name:

Name of Company:

Address:

Email: Telephone: Fax:

IRD No:

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I/we hereby make application for the number of EA Shares set out below which shares shall be allotted on the terms and conditions set out in the Product Disclosure Statement dated 20 July 2017 [PDS] of which this application forms part. I/we confirm that the information provided by me/us is correct.

- A. Application for _____ EA Shares at \$1.75 each = \$ _____ (A) (Note 1)
- B. Application for Excess EA Shares over Entitlement at \$1.75 each = \$ _____ (B) (Notes 1 and 2)
- C. Total amount payable (A + B): \$ _____ (C)
- D. 10% payable on application (Note 3) \$ _____

Bank Details: - Account No: 02-0868-0033755-026

Please tick box if applicant elects to pay 90% of application moneys over three years [see Note 3 below]

A 10% deposit on the total amount payable (C) is required on application on or before 21 August 2017 with 90% payable on 20 September 2017. The applicant can elect to pay 10% on 21 August 2017 and the balance by three equal payments of 30% of the total payable on 20 September 2017, 2018 and 2019.

Cheques must be payable to Barrhill Chertsey Irrigation Limited and deposited to the above bank account number, or if moneys are held by the Company I/we authorise the Company to apply those moneys in payment of the above shares (See Note 1.2 in Terms and Conditions on page 2).

Return this form to Barrhill Chertsey Irrigation Limited, 18 Kermod Street, Ashburton on or before 5pm on 21 August 2017.

Signature Date: Signature Date:

Note 1: 2000 EA Shares are offered for every 670 I Shares held in BCI [the Entitlement]. EA Shares in excess of this entitlement may be applied for on the terms set out in the PDS. Applications must be in multiples of 2,000 EA Shares.

Note 2: Any Excess Shares have restrictions attached to them as set out on pages 15 to 18 of the PDS.

Note 3: A shareholder may pay 10% of application moneys on or before 20 August 2017. The balance is payable on 20 September 2017 or if so chosen by the applicant by three equal payments on 20 September 2017, 2018 and 2019.

1 TERMS AND CONDITIONS OF APPLICATION

- 1.1 By signing this Application Form the applicant:
 - offers to subscribe for EA Shares on the terms and conditions set out in the PDS dated 20 July 2017, this Application Form and the application instructions in respect of the Application Form;
 - acknowledges that this form was distributed with the PDS;
 - acknowledges that he/she/it has read and understood the PDS;
 - agrees to be bound by the Constitution of BCI.
- 1.2 Applicants must pay for the Shares applied for in this Application Form by attaching a cheque to the Application Form or direct crediting the Bank Account of BCI as shown on the Application Form. All moneys are held in that bank account until such time as applications have been received by BCI for a minimum of 10,110,000 EA Shares.
- 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 comply with the application instructions in the section of the PDS 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 EA 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 PDS have the same meaning in this Application Form. This Application Form, the offer of EA Shares by the Company and any contract arising out of its acceptance is governed by New Zealand Law.

2 APPLICATION INSTRUCTIONS

- 2.1 **Complete Details:**
 - 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.
- 2.2 **Signing:**
 - 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.
- 2.3 **Closing Date:**
 - The Closing Date for the offer is 5pm on Monday 21 August 2017 or such earlier date as determined by the Board.

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)

I _____ of _____

 NAME OF ATTORNEY ADDRESS AND OCCUPATION OF ATTORNEY

hereby certify that:

By Power of Attorney Dated: _____

Date of Power of Attorney *Name of Person for Whom Attorney is Signing ('the Donor')*

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 EA 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 _____ 2017