

SCFIS LIMITED

Investment Statement and Prospectus
for Merger Proposal

IMPORTANT INFORMATION

(the information in this section is required under the Securities Act 1978)

**Investment decisions are very important. They often have long term consequences.
Read all documents carefully. Ask questions.
Seek advice before committing yourself.**

Choosing an investment

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

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In addition to the information in this document, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus on request.¹

¹ This is the wording required by section 13 to the Securities Regulations, which contemplates a separate investment statement and prospectus. This Offer Document comprises both an investment statement and a prospectus, and accordingly the prospectus available on request is identical to this document.

The Financial Markets Authority Regulates Conduct in Financial Markets

The Financial Markets Authority regulates conduct in New Zealand's financial markets. The Financial Market Authority's main objective is to promote and facilitate the development of fair, efficient, and transparent financial markets.

For more information about investing, go to <http://www.fma.govt.nz>

Financial Advisers can help you make investment decisions

Using a financial adviser cannot prevent you from losing money, but it should be able to help you make better investment decisions.

Financial advisers are regulated by the Financial Markets Authority to varying levels, depending on the type of adviser and the nature of the services they provide. Some financial advisers are only allowed to provide advice on a limited range of products.

When seeking or receiving financial advice you should check:

- the type of adviser you are dealing with;
- the services the adviser can provide you with; and
- the products the adviser can advise you on.

A financial adviser who provides you with personalised financial adviser services may be required to give you a disclosure statement covering these and other matters. You should ask your adviser about how he or she is paid and any conflicts of interest he or she may have.

Financial advisers must have a complaints process in place and they, or the financial services provider they work for must belong to a dispute resolution scheme if they provide services to retail clients. So if there is a dispute over an investment, you can ask someone independent to resolve it.

Most financial advisers, or the financial services provider they work for, must also be registered on the financial service providers register. You can search for information about registered financial service providers at <http://www.fspr.govt.nz>.

You can also complain to the Financial Markets Authority if you have concerns about the behaviour of a financial adviser.

Right to Withdraw Application

Every Shareholder for shares who did not receive an investment statement before applying for the shares may, within 10 working days of the date on which the investment statement is sent to the Shareholder,

withdraw the application by written notice to the Company.

Note: *This is a requirement of the Exemption Notice. As this document contains both an investment statement and prospectus it will not apply. Also no shares are being applied for as all shares are being allocated or distributed under the Merger Proposal.*

Important Notice

This Offer Document relates to the Offer of water shares and infrastructure shares in the Company. It also relates to shares to be issued by the Company and then distributed by the holder of shares in circumstances where compliance with the legislation is required. A description of the offer and the shares being offered is set out on page 32. The offer document is a combined investment statement and prospectus for the purposes of the Securities Act 1978 and the Securities Regulations and is prepared as at, and dated 27 May 2014.

The purpose of this Offer Document is to provide certain key information that is likely to assist you to decide whether or not to vote for the Merger Proposal by voting in favour of the various resolutions to implement that proposal. If all necessary special resolutions are passed by all of the Merging Entities you will receive shares under the Merger Proposal.

You should read all of this Offer Document and the accompanying documentation before deciding whether or not to apply for shares under this Offer.

No person is authorised to give any information or make any representation in connection with this Offer which is not contained in this Offer Document or in other communications from the directors of the Company. Any information or representation not so contained may not be relied upon as having been authorised by the directors.

If you are in any doubt as to any aspect of the Offer you should consult your financial or legal adviser.

You should seek your own taxation advice on the implications of making an application for the Offer Shares.

No Guarantee

No person guarantees the shares offered under this Offer Document.

Registration

A copy of this Offer Document duly signed by or on behalf of the directors of the Company and Opuha Water Limited for the purposes of the Securities Act 1978, and having endorsed thereon or attached thereto

copies of the documents and other materials required by section 41 of the Securities Act, has been delivered to the Registrar of Financial Service Providers for registration in accordance with section 42 of the Securities Act.

The documents required by section 41 of the Securities Act to be endorsed on or attached to the copy of this Offer Document delivered to the Registrar of Financial Service Providers are the audited financial statements for the Company for the year ended 30 June 2013.

Also attached are:

- (a) the current water agreement and terms of supply which must be signed by all shareholders taking water from the Company;
- (b) a map showing where the Company distributes irrigation water (*the Scheme Area*).

Further documents are available on the website www.opuhawater.co.nz being:

- (a) the two sale and purchase agreements between the Company and Kakahu and Totara respectively;
- (b) a copy of the Merger Proposal under which the Company is the continuing company under the Merger Proposal that will:
 - (i) hold all of the assets within the Opuha irrigation scheme including generation assets;
 - (ii) enter into water supply agreements with shareholders.
- (c) the proposed constitution of the Company.

No Listing of Shares

The shares in the Company being offered will not be listed on any exchange and are not traded or capable of being sold except as part of the sale of a property to which water is supplied by the Company, or to another property owner in the Scheme Area, or otherwise as set out in the constitution of the Company.

Consideration Period

Pursuant to section 43C of the Securities Act, the Financial Markets Authority will be notified once this Offer Document is registered with the Registrar of Financial Service Providers. The Financial Markets Authority will have the opportunity to consider whether the Offer Document:

- (a) complies with the Securities Act and the Securities Regulations;
- (b) contains any material misdescription or error or any material matter that is not clearly legible; and
- (c) is false or misleading as to a material particular or omits any material particular.

Nothing in this section or in any other provision of the **Securities Act limits the Financial Markets Authority's** power to consider or reconsider these matters in respect of this Offer Document at any time.

To avoid any doubt, the Financial Markets Authority has not approved, and will not at any time approve, this Offer Document and does not guarantee the shares being offered for application.

The Financial Markets Authority may, if it considers that it is desirable in the public interest, exercise its powers to:

- (a) make an order prohibiting the allotment of shares under this Offer Document for a period not exceeding 18 months; and/or
- (b) cancel the registration of this Offer Document.

If the Financial Markets Authority makes an order prohibiting the allotment of shares under this Offer Document, no allotment may be made of any shares subscribed for (whether before or after the order is made) during the period in which the order is in force and all subscriptions received for shares that have not been allotted before the order is made must be immediately repaid to subscribers. If the Financial Markets Authority cancels the registration of this Offer Document, no allotment may be made of any shares subscribed for (whether before or after the order is made) and all subscriptions received for shares that have not been allotted before the cancellation must be immediately repaid to subscribers.

The nature and extent of the consideration (if any) that the Financial Markets Authority gives to this Offer Document is at **the Financial Markets Authority's** discretion. Pursuant to section 43D of the Securities Act, no allotment of shares may be made and no applications or subscriptions for shares may be accepted **during the Financial Markets Authority's consideration period**. The consideration period commences on the date this Offer Document is registered and ends at the close of five working days from the date of registration. The Financial Markets Authority may shorten the consideration period, or extend it by no more than five additional working days.

Restriction on Distribution

This Offer Document is intended for use in New Zealand only. The offer is not to be made outside New Zealand.

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CHAIRMAN'S LETTER

SCFIS Ltd

Dear Investors

The proposed offer of shares under this Offer Document is to give effect to a complex proposal under which a number of amalgamations of companies will take place, with the intention of creating one entity by amalgamating the existing irrigation schemes that take water from the Opuha river systems. SCFIS Holdings, Opuha, Levels Plain, Levels Holdings, and Levels Irrigation will all amalgamate into SCFIS Limited (*the surviving Company*) (which will be renamed Opuha Water Limited). Then the Company will acquire and assume liability for the assets and liabilities of Kakahu Irrigation Limited and Totara Valley Irrigation Limited.

The proposal involves the following:

- Existing shares in SCFIS Limited remain but with the shares in that Company held by Kakahu being distributed to the Kakahu shareholders.
- The assets and liabilities of Kakahu and Totara being sold and transferred to the Company in exchange for issues of new shares.
- Other companies, being SCFIS Holdings, Opuha, Levels Plain, Levels Holdings and Levels Irrigation, amalgamating into the Company and all shares in those companies being cancelled and new shares being issued.

Under the merger proposal shares will be issued by the Company after shareholders of each company have passed resolutions approving the amalgamation proposal. Eventually, on completion of the various transactions, the shares in the Company will be held individually by the various shareholders in the Company as follows:

- By the Levels Plain Shareholders:
 - 3,296 Water Shares
 - 3,296 L Shares
 - 526 D Shares
- By the Totara Shareholders:
 - 1,902 Water Shares
 - 2,664 T Shares

- By the Kakahu Shareholders:
 - 3,208 Water Shares
 - 3,208 K Shares
- Existing Shares held by farmer shareholders in SCFIS
 - 7,594 Water Shares

Initially after the merger is implemented it is anticipated that the water and other charges for all shareholders will remain at the same levels as for the last irrigation season. These charges will then be reviewed annually to enable all costs of operating the schemes to be recovered. This means that the Kakahu, Levels Plain and Totara Shareholders will continue to pay charges for infrastructure as well as water.

All shareholders as part of the Merger Proposal will be required to enter into new water agreements (a copy is attached to this Offer Document) to maintain their current rights to be provided with water by the Company.

It is important to note that no moneys are payable by any shareholders. The reconstruction of the shares on issue arises out of a number of amalgamations and transactions. In effect, existing shares are exchanged for, or received as part of, the overall merger proposal.

The current Board of Directors of the Company, whom also comprise the current Board of Directors of Opuha (with the exclusion of Jeremy Boys) will continue as the directors of the Company but will be subject to re-election at the next annual meeting of the Company.

All shareholders of the various entities should understand that unless each shareholders meeting approves the special resolutions by a 75% majority vote the proposals will not be implemented. All shareholders are urged to vote.

Yours sincerely



Chairman

TIMETABLE

Implementation Date	8.00am Tuesday 1 st July 2014
Allotment of Shares	1 July 2014

SUMMARY OF SHARES TO BE ISSUED OR DISTRIBUTED

Share Offers under this Document

There are a number of offers of shares, and subsequent distributions of shares which are contemplated by the Merger Proposal and these documents:

- The Company will issue to the following the number of shares set out below:
 - To Levels Plain shareholders 3,296 Infrastructure Shares, 3,296 Water Shares and 526 D Shares so those shareholders will become shareholders of the Company pursuant to the various amalgamations.
 - To Totara 2,664 Infrastructure Shares which will then be distributed to the shareholders of Totara.
 - To Kakahu 3,208 Infrastructure Shares which will then be distributed to the shareholders of Kakahu.
- In addition 3,208 existing Water Shares in the Company held by Kakahu will be distributed to the shareholders of Kakahu.

NO PAYMENT REQUIRED FOR SHARES

No consideration is being payable for any of the shares to be issued except that the existing shares in the Merging Entities (other than the Company) held by the shareholders will be cancelled, either by amalgamation or liquidation, and replaced by shares in the Company.

SHARES BEING ISSUED

On completion of the Merger Proposal and settlement of two sale and purchase agreements the position will be as follows:

Water Shares – there will be 16,000 Water Shares on Issue

Every Water Share that is held by a shareholder is issued on the following terms and conditions:

- (a) The Shareholder will be required to be a party to a new Water Agreement with the Company. There are requirements under this agreement and imposed under resource consents, and by regulatory and statutory bodies as to the maximum volume of water, including both irrigation and bore water, that can be taken and used for irrigation. Shareholders should make themselves aware of any restrictions on the use of water.

- (b) For every 1 Water Share held by a Shareholder that Shareholder will be entitled (subject to reliability) to receive water at a standard flow rate of 0.41336 litres per second based on an application rate equivalent to 25mm of water per hectare per week and with a seasonal cap of 5,625m³ for each Irrigation Season with the right of the Board at its discretion to vary the application rate at the request of a Shareholder or such other rate as may be determined by the Board.

D Shares

There are 526 shares in Levels Plain where the holders have no right to water. The shares have been held for many years and give voting rights and other rights similar to those held by the Levels Plain shareholders but no rights to water. The shares have historically been referred to as '*dry shares*'.

It is intended that the holders of the dry shares in Levels Plain will receive, on amalgamation, 526 D Shares in the Company. The rights attached to those shares will be:

- (a) 1 vote for every 4 D Shares held and if a shareholder holds 3 or less D Shares there will be no right to vote.
- (b) No requirement to hold Water Shares or L Shares or to sign a Water Agreement, except as set out in (c) below.
- (c) A holder of D Shares may convert its D Shares into L Shares within one year after the Implementation Date, (at a conversion rate of four D Shares to one L Share) provided that it complies with the terms of L Shares, including the requirement to be a party to a Water Agreement (or such other agreement with the Company) under which that holder has agreed to pay all charges relating to the right to use and access the Levels Plain Infrastructure. Water Shares would be required to be acquired to obtain water and the holder would need to be a party to a Water Agreement.
- (d) On a liquidation to receive a similar distribution to the L Shares but with every 4 D Shares being deemed to be one (1) L Share or a proportionate part.

If the holders of the D Shares wish to surrender or redeem their shares within 1 year of the Implementation Date they may do so at \$50 for each D Share. If they decide to hold the D Shares then if the shares are surrendered by the Company or the holder under the Co-operative Companies Act 1993 then the higher of fair value or nominal value of \$1.00 will be paid for those shares. Fair value for any D Shares will be determined by a suitably qualified person appointed by the Company (in its sole discretion) who has no association with, or interest in, the Company.

Holders of D Shares can be charged by the Company an annual service fee of \$1.00 for each D Share for the services provided to those holders.

Infrastructure Shares

There will be three classes of Infrastructure Shares on issue. These will be held by the shareholders of Levels Plain, Totara and Kakahu and reflect the value of the infrastructure of

those three companies transferred to the Company by amalgamation and under the sale and purchase agreements. The Infrastructure Shares:

- (a) will only have a right to vote at a class meeting of the holders of that class of shares;
- (b) will only have a right to a distribution if the Company is wound up;
- (c) will have no rights to water.

In the event that the Company is liquidated at some time in the future the proposal is to protect the position of the shareholders that will hold Infrastructure Shares. At the present time the annual charges made to the shareholders of Kakahu and Totara include provision for paying interest and principal on moneys raised to pay for enhanced irrigation infrastructure. Those charges will continue after the Merger Proposal is implemented. For this reason if all of the assets are sold and the Company is liquidated the holders of the Infrastructure Shares will receive, on a liquidation distribution, the proportion of any residual amount to be distributed based on the following formula:

$$\left(\frac{A-B}{\$81.002 \text{ million}} \right) \text{ times } \quad (\text{Residual amount to be distributed})$$

A is the total value of either Levels Plain, Kakahu or Totara fixed as determined by the merger valuation.

\$81.002 million is the aggregate of all of the values of the assets of the merged entities fixed as determined by the merger valuation

B is the residual debt owing by the relevant entity at the date of distribution
(Note: as the annual charges are paid the debt will be amortised)

The relevant values for A are:

\$1.230 million for those persons holding T shares

\$2.631 million for those shareholders holding L shares and D Shares

\$10.683 million for those shareholders holding K shares

For Levels Plain (which has no debt) the calculation will also take into account the D Shares and be as set out below:

Holders of L Shares and D Shares shall have the right to participate in a share in the distribution of surplus assets of the Company on the basis that the aggregate number of the L Shares together with 4 D Shares or a proportionate part thereof representing 1 L Share shall receive on liquidation for distribution between the shareholders a share in the surplus assets

available for distribution by dividing 2.631 into 81.002 of the amount representing the surplus assets.

SUMMARY OF MERGER PROPOSAL

Present Position

The assets used in the Scheme are owned as follows:

- Opuha owns the Opuha Dam and hydroelectric facility to generate approximately 7.0MW of power. It also holds the resource consents enabling water to be held in Lake Opuha and released into the Opuha River when needed for river flow and irrigation purposes.
- Totara owns intakes, pipes and other irrigation infrastructure in the area shown on the attached map, along with some related resource consents.
- Kakahu owns intakes, pipes and other irrigation infrastructure in the area shown on the attached map, along with some related resource consents.
- Levels Plain owns intakes, races and other irrigation infrastructure in the area along with some related resource consents.

The only companies within the Group that are being amalgamated, or whose assets are being acquired by the Company, which hold assets used to distribute water for irrigation or which own electricity generation assets are Opuha, Kakahu, Totara and Levels Plain. All other companies being amalgamated are non trading companies with no assets or liabilities except intra group transactions.

The secured liabilities of the above asset owning companies, excluding all inter company liabilities which will be extinguished by the Merger Proposal, were as follows as at 31 March 2014:

Opuha Water Limited	\$25,171,140
Kakahu	\$8,390,000
Totara	\$238,488
Levels Plain	\$Nil

These amounts were owing to banks. All normal trade creditors and debtors and any cash balances held are excluded as these to a material extent balance each other. These liabilities are expected to be materially the same on the Merger Proposal being implemented as at 1 July 2014. On the merger date of 1 July 2014 the net working capital of each company will be determined and if required will be adjusted through the banking facilities. A new banking facility is to be entered into to consolidate all debt and a funding proposal from ANZ Bank New Zealand Limited has been accepted.

An independent valuation has been obtained from Peter Seed of the companies which will sell or merge their assets and liabilities into the Company. Set out on pages 18 to 20 is a summary of the valuation of Peter Seed which was to determine relative values between the Merging Entities. The valuation has been prepared on a consistent basis and these values and how they are treated are set out below:

Opuha Water assets were valued at \$66.457 million

All shareholders of the Group own (directly or indirectly) interests in these assets. No shares will be issued.

Kakahu assets were valued at \$10.683 million

The liabilities will be assumed by the Company and 3,208 K Shares will be issued under a sale and purchase agreement.

Totara assets are valued at \$1.230 million

The liabilities will be assumed by the company and 2,664 T Shares will be issued under a sale and purchase agreement.

Levels Plain assets are valued at \$2.631 million

There are no liabilities. 3,296 L Shares, 3,296 Water Shares and 526 D Shares will be issued on amalgamation.

The total proposal, which will require shareholder consents by a special resolution of each Merging Entity, will result in:

- Totara selling all of its assets to the Company and assigning its liabilities to the Company in exchange for the issue of 2,664 T Shares.
- Kakahu selling all of its assets (except the Water Shares it holds in the Company) to the Company and assigning its liabilities to the Company in exchange for the issue of 3,208 K Shares.
- All other companies of the Opuha Group amalgamating into the Company with the shareholders of Levels Plain being issued 3,296 L Shares, 526 D Shares and 3,296 Water Shares.
- After the issue of infrastructure shares to Kakahu and Totara those companies will be liquidated and the following shares will be distributed:
 - 3,208 Water Shares at present held by Kakahu in the Company plus the 3,208 K Shares to be issued by the Company to Kakahu.
 - 2,664 T Shares to be issued to Totara.
- The Company consolidating all bank debt of all the above entities so the liabilities are owed by the Company.

Effect on Shareholders

The effect of the above on all shareholders of the various entities will be:

- The shareholders of the Company will in total hold 16,000 Water Shares in the Company in proportion to their present entitlements to water.
- The shareholders will receive Infrastructure Shares if they take water from the pre merger irrigation schemes operated by Levels Plain, Totara and Kakahu.

- The shareholders of Levels Plain will receive D Shares representing dry shares held prior to the Implementation Date.
- No moneys will be paid or required from those Shareholders.
- All shareholders will be required to sign a new Water Agreement.

Sutherlands Area

There is an area within the Scheme known as Sutherlands where the land owners irrigate approximately 635 hectares using resource consents held by Totara and hold sufficient existing shares in Totara to irrigate 635 hectares. Those arrangements will continue after the merger proposal is implemented. The annual charges for water and services reflects this shareholding arrangement.

Copy of Merger Proposal

A full copy of the Merger Proposal is attached.

The amalgamation of companies forming part of the Merger Proposal does not affect Kakahu or Totara. The Merger Proposal has three distinct parts, these being:

- (a) The sale by both Kakahu and Totara of all of their assets, and the transfer of their liabilities to the Company in exchange for the issue of the following shares:
 - To Kakahu 3,208 K Shares
 - To Totara 2,664 T Shares
- (b) The distribution on the liquidation of Kakahu of the 3,208 Water Shares, held in the Company, to Kakahu shareholders and the 3,208 K Shares. On the liquidation of Totara the 2,664 T Shares will be distributed to its shareholders. The Totara shareholders already hold Water Shares in the Company.
- (c) The amalgamations of all companies except Kakahu and Totara into the Company. Under the proposed amalgamations the only shares being issued will be 3,296 Water Shares, 3,296 L Shares, and 526 D Shares to Levels Plain shareholders.

DESCRIPTION OF THE OPUHA SCHEME AND OPERATIONS

Set out below is a brief description of the assets held, and the operations carried on, by each of the operating companies that are participating in the Merger Proposal. There are four companies taking part in the Merger Proposal that hold assets and carry out operations. The rest of the companies forming part of the Merging Entities are non trading companies that do not hold any assets which are used as part of the operations of the Scheme.

The non trading entities are:

- Levels Plain Holdings Limited
- Levels Irrigation Limited
- SCFIS Holdings Limited

The operating companies are:

- Opuha Water Limited
- Levels Plain Irrigation Co. Limited
- Kakahu Irrigation Limited
- Totara Valley Irrigation Limited

SCFIS Limited, as the Company, is being used as the vehicle for the merger proposal. It will become a trading entity, change its name to Opuha Water Limited and assume the current website www.opuhawater.co.nz.

Opuha Water Limited

Opuha was the company that was instrumental in obtaining all of the resource consents and resources to construct a dam west of Fairlie in South Canterbury. The dam forms the storage facility known as Lake Opuha that stores water for release into the Opuha River for environmental flows, to provide for irrigation and commercial water supply and for the generation of electricity.

The principal assets of Opuha are the dam, the power station and associated generation equipment to generate approximately 7MW of electricity, and the infrastructure and resource consents relating to those assets. Opuha also owns the Sutherlands irrigation scheme comprising storage ponds, pumping facilities and water distribution pipelines.

All of the shares in Opuha are held either directly or indirectly through other companies within the Merging Entities so that the ultimate shareholders of Opuha are farmers who take water for irrigation purposes and pay charges for the use of that water. The current charges levied by Opuha against the farmers are set at levels which will enable all of the costs and expenses relating to the operations of Opuha to be met together with interest on debt and any amortisation of that debt.

Income is derived from electricity generated at the power station facility owned by Opuha and this is used to offset the costs and expenses of the overall operation of Opuha and therefore reduce the charges levied to farmers.

Irrigation Sub-Schemes

There are three irrigation sub-schemes that operate as part of the Opuha group. Each of these sub-schemes own their own separate irrigation distribution infrastructure comprising river diversion intakes, headworks, control structures, distribution channels including pipe sections, and electronic control and telemetry systems. Each sub-scheme holds resource consents related to the operation of the sub-scheme and in particular the diversion of water from the river into the distribution network. Specific aspects of each of the sub-schemes is presented below.

Kakahu Irrigation Limited (*Kakahu*)

Kakahu diverts water from the Opuha River at Skipton and distributes the water to the area south east of the Opuha Dam, towards Geraldine, with an irrigated area of approximately 3,200 hectares.

The shareholders of Kakahu pay a charge for the use of water distributed to those shareholders from Opuha and in addition pay a further charge which relates to the costs of maintaining and operating the Kakahu scheme including the financial cost of the debt raised to construct the scheme.

Levels Plain Irrigation Limited (*Levels Plain*)

Levels Plain diverts water from the lower Opihi River below Pleasant Point and distributes the water throughout the Levels area south of the Opihi River towards Timaru with an irrigated area of approximately 3,300 hectares.

Levels Plain has repaid all of its debt and therefore the charges payable by the current shareholders of Levels Plain reflect the costs of operating and maintaining the Levels Plain scheme as well as the cost of water supply by Opuha. There is no requirement as at the present time for those shareholders to service any debt payments.

Totara Valley Irrigation Limited (*Totara*)

Totara diverts water from the Opihi River at Raincliff and distributes the water down through the Totara Valley area to irrigate approximately 2,200 hectares (including the 635 hectare Sutherlands scheme owned by Opuha which runs off the bottom of the Totara scheme).

Totara only has a small amount of debt relating to some scheme upgrades so the charges payable by the Totara shareholders reflect the costs of debt servicing and operating and maintaining the Totara scheme as well as the cost of water supply by Opuha.

Overall Scheme

The total Opuha irrigation scheme covers all of the above sub-schemes within its area and water is also distributed to other shareholders and entities within the Opuha Dam distribution area. The resource consents held by Opuha and the other companies are a valuable asset as these permit the following:

- Water to be released from the Opuha Dam to maintain a minimum water flow in the Opuha and Opihi rivers so that at all times there is water available in those rivers for environmental and ecological purposes.

- Where farmers require water for irrigation, for additional water to be released into those rivers so that such water can be extracted by farmers for irrigation purposes, subject to a minimum flow being maintained in those rivers.
- Water in the lake to be used, when available for release, for generation purposes to operate the 7MW electricity generation turbine forming part of the Opuha Dam complex. The sale of power from this power station is an important part of the total operations.

SUMMARY VALUATION



PETER SEED LTD
Financial Economics

27 May 2014

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| peter.seed@psltd.co.nz

Opuha Water and Related Scheme Enterprise Values

As requested, the following report provides a summary of my earlier report on the Opuha Water and related scheme enterprise values.

Thank you for the opportunity to work with you on this engagement. If you have any questions about any aspect of the report please contact me on 03 325 7752 or at peter.seed@pslt.co.nz.

Introduction

We have been instructed to determine the Enterprise Values (EVs) and the implied fixed asset values of Opuha Water Limited (OWL), Levels Plain Irrigation Limited (LPIC), Kakahu Irrigation Limited (KIL) and Totara Valley irrigation Limited (TVIL). We have also been instructed to estimate separately the value of the resource consents held by OWL. This is a summary of a full report prepared for OWL and sets out the key assumptions and conclusions.

Background

The Opuha Dam lies around 17 km north east of Fairlie at the junction of the North and South Opuha Rivers. The Dam provides water to maintain minimum flows in the downstream catchment and for irrigation. Water is released into the Opuha River and flows into the Opihi River, so as to maintain minimum flows especially in times of drought or low natural flows. As well as irrigation, water is released from the dam to generate electricity through a 7.0MW single turbine power station and river control gate owned by OWL but operated by TrustPower Limited.

The Opuha Dam scheme covers farms above and below the dam site plus three other independent schemes comprising LPIC, KIL and TVIL, which although participating in the overall scheme have separate boards and governance structures. On a day-to-day basis OWL provides management and operational services to the three other schemes. The relative size and water allocations for each scheme, in total and per ha, are summarised in the following table.

	Hectares	Water (million m3/year)	m3/ha/year
OWL	7,430	39.52	5,318
Kakahu	3,208	17.91	5,583
Totara Valley	2,445	15.63	6,393
Levels Plain	3,296	19.90	6,038
Total	16,379	92.96	5,675

The consents

As at 30 October 2013 OWL held 23 consents related to the Opuha Dam. Of these, five key consents were associated with the construction of the dam and the storage and discharge of water into the Opuha River. The consents associated with the Levels Plain, Kakahu and Totara Valley schemes are conditional upon the consents held by OWL. The resource consents held by down stream irrigators include conditions that **require them to be shareholders in the “Dam Company” i.e. OWL. As well the consents make the taking of water conditional on the “unmodified” and actual flows in the Opihi River, and the level of the Opuha Dam** being greater than prescribed minimum flows. The unmodified flow is an estimate of the river flows as if the dam did not exist.

In general the unmodified flow in the Opihi River is lower and more variable than the river flows when water is being released from the Opuha dam. The dam increases the river flow and improves the reliability of irrigation. Without the OWL consents the allowed water take by the Levels Plain, Kakahu and Totara Valley schemes would be less reliable and more variable. Therefore the consents associated with OWL can be seen as augmenting the consents held by the Levels Plain, Kakahu and Totara Valley schemes as the **OWL consents increase the reliability of the downstream schemes’ water take.**

The approach to estimating the value of the OWL consent has been to estimate the hypothetical deprival value of the OWL resource consents based, where possible, on available (albeit limited) market evidence. The analysis is based on the premise that what irrigators would notionally pay for avoiding water outages through contracted storage is a reasonable proxy for the value of the OWL water consents.

The improvement in reliability has been estimated as the water take that would occur under the unmodified flow compared to the take that occurs with the dam in place. Analysis of historic water flow data suggested that the reliability would be around 30% less than having the dam in place.

The “price” or value of this reliability to irrigators has been based on the prices disclosed by Barrhill Chertsey Irrigation (BCI) in its recently revised Standard Water Agreement. The base estimates of the key inputs produced a consent value of approximately **\$9.281 million**. The consent value was allocated between the schemes on the basis of the scheme EVs.

Enterprise value

The second part of the analysis involves estimating the Enterprise Value (EV) of the individual schemes. EV estimates the implied market value of the on-going operations of a business. This may differ from the value **of the business’s fixed assets depending on the prices charged and the business’s cost structure.** The approach that has been used to estimate the value of the fixed assets of OWL, LPIL, KIL and TVIL is summarised below:

Enterprise Value	
Less	Allocated value of OWL consents
Less	Other intangible values
Equals	Implied Fixed Asset Value

The EVs of Levels Plain Irrigation, Kakahu Irrigation and Kakahu Valley irrigation have been estimated as single entities. The EV of Opuha Water Limited has been estimated in two parts: that involved in irrigation and that involved in electricity generation.

	Enterprise Value	Allocated Consent Value
OWL Excluding Generation	\$47.220m	\$7.095m
OWL Generation	\$19.238m	
Total Opuha Water Limited	\$66.457m	\$7.095m
Kakahu Irrigation Limited	\$10.683m	\$1.605m
Totara Valley Irrigation Limited	\$1.230m	\$0.185m
Levels Plain Irrigation Limited	\$2.631m	\$0.395m
Total	\$81.002m	\$9.281m

After taking into account the value of the OWL consents and the implied goodwill of OWL's generation business the implied values of fixed assets for the schemes are:

	Enterprise Value	OWL Consent Value	Other Intangibles	Implied Fixed Assets
OWL irrigation	\$47.220m	\$7.095m		\$40.124m
OWL Generation	\$19.238m		\$8.002m	\$11.236m
Total OWL	\$66.457m	\$7.095m	\$8.002m	\$51.360m
Kakahu Irrigation Limited	\$10.683m	\$1.605m		\$9.078m
Totara Valley Irrigation Limited	\$1.230m	\$0.185m		\$1.045m
Levels Plain Irrigation Limited	\$2.631m	\$0.395m		\$2.236m
Totals	\$81.002m	\$9.281m	\$8.002m	\$63.719m

Yours sincerely



Peter Seed
Director

Peter Seed has given his consent to this valuation appearing in the Offer Document and has not prior to the registration of this Offer Document withdrawn that consent.

INVESTMENT STATEMENT RELATING TO THE OFFER OF SHARES

Why you should read this section - Important Information

This section contains the answers to questions prescribed by the Securities Regulations and required to be included in an offer of shares. They are set out to help you make your investment decision.

(The information in this section is required under the Securities Act 1978)

Choosing an Investment

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the following pages.

What sort of investment is this?

1 Description of Securities

1.1 The securities that will be issued and/or distributed under the Merger Proposal are shares in the capital of SCFIS Limited (to be renamed Opuha Water Limited) (*the Company*). The shares are:

3,296 Water Shares

3296 L Shares

3208 K Shares

2664 T Shares

526 D Shares

All Water Shares will have a right to receive a supply of water as set out below. The Infrastructure Shares have no voting rights (except at a class meeting) and are to protect existing rights relating to the infrastructure that conveys water in particular areas of the Scheme. The D Shares are issued to protect the existing position of persons holding dry shares, with no water rights, issued by Levels Plain. Further details of the rights attached to the shares are set out on pages 8 to 11.

1.2 The Company is offering shares to a number of entities in respect of the Merger Proposal. The shares being offered are:

3208 K Shares to Kakahu in exchange for the acquisition of the assets (except the Water Shares in the Company held by Kakahu) and assumption of liabilities of Kakahu. Those shares will then be distributed to the shareholders of Kakahu on the liquidation or strike off of Kakahu.

2664 T Shares to Totara in exchange for the acquisition of the assets and assumption of liabilities of Totara. Those shares will then be distributed to the shareholders of Totara on the liquidation or strike off of Totara.

3,296 Water Shares, 526 D Shares and 3,296 L Shares to the shareholders of Levels Plain as part of the amalgamation proposal under which the existing shares in Levels Plain will be cancelled and the above new shares will be issued by the Company.

1.3 Distribution of Existing Securities or Securities to be Issued

The Company has 12,704 existing Water Shares on issue to various entities. Of those shares 3,208 Water Shares are held by Kakahu and will be

distributed and transferred to the Kakahu Shareholders on the winding up of Kakahu. The remaining 9,496 Water Shares are held by irrigators within the Scheme Area, including irrigators that are shareholders of Totara.

Kakahu and Totara will be liquidated and on the liquidation of those companies the shares held in the Company, including the further shares issued as set out in clause 1.2, will be distributed to their shareholders for no consideration.

1.4 Further Water Shares

The Company will issue a further 3,296 Water Shares and 3,296 L Shares as part of the merger proposal to Levels Plain.

Who is involved in providing it for me?

2 Names and Addresses

2.1 The name and address of the issuer (*the Company*) is:

SCFIS Limited
C/- Quantum Advantage Limited
4C Sefton Street East, Timaru

The current directors of the Issuer are:

- Thomas Craig Lambie
- William Dermott O'Sullivan
- Alvin John Reid
- Nigel James Gormack
- Antony Charles Howey
- Nicola Alice Orbell Hyslop

2.2 Prospective investors should be aware that the persons acting as directors of the Company, and the address of the Company, may change. The names of the current directors of the Company, and the current address of the Company, may be obtained by searching the public register website maintained by the Companies Office: www.business.govt.nz/companies.

2.3 The directors of Opuha Water Limited, as the Promoter, are:

- Thomas Craig Lambie
- William Dermott O'Sullivan
- Jeremy William Boys
- Alvin John Reid
- Nigel James Gormack
- Antony Charles Howey
- Nicola Alice Orbell Hyslop

2.4 Opuha is a promoter of the shares being offered. Its registered office is 875 Arowhenua Road, RD 4, Timaru 7974.

2.5 The persons acting as directors of Opuha Water Limited as the Promoter may also change, as may its registered office. The names of the current directors of Opuha Water Limited and its registered office may be obtained by searching the public register website maintained by the Companies Office: www.business.govt.nz/companies.

3 Activities

3.1 The Company will operate the Opuha Dam and lake and distribute water into the Opuha and Opihi Rivers to service a defined area of farm land, as set out on the map attached, with water for irrigation within that area. That water will also be used to generate electricity from the 7MW power station forming part of the Opuha Dam infrastructure. The Board of the Company may extend or amend the area to be supplied with irrigation water but will only do so if surplus water is available and it is economical to provide a distribution system to the extended area.

3.2 The Company, on the Merger Proposal being completed, will hold all of the resource consents needed to operate the Scheme. The consents include those that cover:

- (a) the taking and storing of water in the Opuha Lake;
- (b) the Opuha Dam;
- (c) the extraction of water from the Opuha Lake;
- (d) the extraction of water from the Opuha and Opihi Rivers after it is released from the Opuha Lake.

3.3 Shares Required to Receive Water

Under the Constitution of the Company and the Water Agreement the Directors can determine how many shares in the Company must be held for each hectare of land for which water is required for irrigation. The current requirement is 1 Water Share to receive water at a standard flow rate of 0.41336 litres per second based on an application rate equivalent to 25mm of water per hectare per week with a seasonable cap of 5,625m³ for each Irrigation Season.

3.4 The shares under this offer are transferable with the property to which water is delivered. A shareholder may also transfer the shares to another property owner in the Scheme Area. The purchaser, to obtain the continued delivery of water, must enter into a Water Supply Agreement with the Company and, hold Water Shares in the Company. These shares are normally transferred by the seller of the property to the purchaser. All share transfers are subject to Board approvals.

How much do I pay?

4 Moneys payable by existing shareholder Subscribers

Because the shares are being issued pursuant to a Merger Proposal there are no moneys payable for the Water Shares, D Shares and Infrastructure Shares. The effect of the Merger Proposal is that shareholders in Levels Plain will exchange their shares in that company for 3,296 Water Shares,

526 D Shares and 3,296 L Shares in the Company. The shareholders of Kakahu and Totara will receive 3,208 K Shares and 2,664 T Shares respectively and the shareholders of Kakahu also receive 3,208 Water Shares on the liquidation of Kakahu, on the assets of Kakahu and Totara being distributed.

Each Shareholder must be a party to or sign a Water Agreement with the Company or otherwise receive or have the right to services from the Company. A copy of the short form water agreement is attached to this Offer Document or is available on request. A copy of the terms on which water is supplied is attached and is also on the website of the Company being www.opuhawater.co.nz.

What are the charges?

5 Types of Charges

There are no entry, administration, management or other charges payable in respect of the shares.

All holders of shares are required to meet water charges levied on an annual basis to meet all costs of the Company. As at the date of this Offer Document those annual costs are different for each area of the Scheme. The charges for the 2013/2014 Irrigation Season were:

- For Levels Plain Shareholders per hectare \$237.92
- For Totara Shareholders (per hectare) range between \$239 - \$289.36
- For Kakahu Shareholders (per hectare) \$473.72
- For SCFIS Shareholders (per hectare) \$197
- For Sutherlands (per hectare) \$387.58 - \$456.53

From the information available to the Company it is anticipated that the charges for the next Irrigation Season commencing September 2014 will remain the same as set out above.

What returns will I get?

6 Returns

6.1 The Company seeks to manage charges for the supply of water to shareholders to minimise charges while at the same time retaining sufficient funds to ensure reliability of the irrigation network and expansion of services. The Company also receives moneys from the sale of electricity and this is used to offset operating costs. As a result of this supply efficiency rather than maximisation of profit and distributing surplus moneys is a key issue for the Company.

6.2 The only returns that are likely from the Water Shares of this issue is the right to receive water for irrigation.

6.3 The Company has no intention to pay rebates or make distributions on any shares issued under the Merger Proposal.

6.4 The Company is the entity legally liable to pay dividends and rebates. The Company is entitled, under its constitution, to withhold from rebates and dividends such amounts as are necessary to pay unpaid calls on any shares held by

shareholders and also to meet any other liabilities which may be payable by shareholders.

- 6.5** Rebates, dividends or other distributions can be payable to the Company to set off amounts owing to the Company under a Water Agreement or on shares.

What are my risks?

7 Risks

There are a number of risks for Shareholders of the Company and in receiving shares Shareholders should take account the risks set out below. The risks set out below are those which the directors foresee could or may arise for the Company. There may be other unforeseen risks that also arise.

7.1 Financial Risks

(a) Availability of Capital

The Company requires capital from time to time to undertake projects required to enhance the Scheme and to meet a regulatory environment that is rapidly changing. Capital is required for land acquisition for ponds, construction of ponds, piping within the scheme, upgrading of water channels, carrying out work on the Opuha Dam and infrastructure for that dam and Opuha Lake, upgrading telemetry and computer systems and other similar works. Although the Company can borrow moneys it only has one source of equity capital, being existing shareholders applying for new shares in the Company. There can be difficulty in obtaining the required equity capital from shareholders as most shareholders perceive they should allocate their capital where it gives the best return. This creates constraints on the Company being able to carry out capital works on an optimum basis.

(b) Borrowing Constraints

It can be difficult to raise loans on satisfactory terms and conditions under adverse market conditions. Most lending institutions require the shareholders to contribute equity capital before they will provide loan funds. From time to time the Company may have difficulties in accessing loan moneys on terms and conditions that are satisfactory to the Company.

(c) Interest Rate Risk / Forward Cover

The Company may be detrimentally affected by any significant increase in interest rates and bank charges. The bank debt of the Company is at a high but sustainable level on current interest rates. If there was a significant increase in interest rates this will require higher charges to shareholders. There is a risk that on expiry of bank facilities these will not be renewed or the terms may be onerous. As it is likely that farmer shareholders may sustain similar increases in interest costs, at the same time, this can affect the ability of the Company to recover on a timely basis any increased costs arising from interest rate rises or other bank charge increases. There are additional risks if forward cover is taken by the Company to fix or cover future interest rates. These may not perform as expected when entered into so creating additional costs for the Company.

(d) Construction Cost Risks / Developments

From time to time the Company undertakes material contracts relating to upgrades to its irrigation network dam infrastructure and other works. These contracts involve risk for the Company including:

- (a) timing risks in completing contract works;
- (b) cost risk in ensuring the contract is completed within budget amounts;
- (c) performance risks relating to the performance of the works undertaken.

(e) Charges payable by Shareholders

The Company is dependent on its shareholders paying water charges when due. If there was a major economic downturn within the farming industry the shareholders may have difficulties in paying these charges to the Company. This would affect the ability of the Company to meet its outgoings on a timely basis and may create penalties for late payment.

(f) Ability to Sell Assets

The assets of the Company, being irrigation delivery assets and a dam are not readily realisable. In the event these have to be sold there is a limited market and they may not be able to be realised.

7.2 Shareholder Farming Risks

(a) Water Risk

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

- (i) a reliability of supply risk as the ability to draw water from Opuha Lake and deliver it for irrigation, is dependent on seasonal water flows and the terms of the resource consents held by the Company;
- (ii) failure of the delivery mechanism for water including the pumping equipment, monitoring equipment, gates and the plant used to distribute water to farms;
- (iii) the use of the Opuha Dam and spillways being restricted arising from maintenance or other performance matters;
- (iv) a flood, other act of god or mechanical failure so affecting the delivery infrastructure that water cannot be delivered through that infrastructure;
- (v) losses arising from leakage, evaporation and other events during conveyance of water to a farm;
- (vi) land use consents that may be required to use water for irrigation.

(b) Land Use Change Risk

The Canterbury Land and Water Regional Plan (**LWRP**) is legally effective and regulates nitrogen leaching according to nutrient allocation zones (see ECan website www.ecan.govt.nz). Within the Scheme Area there are orange and red nutrient allocation zones. The LWRP has an immediate impact for those contemplating a change in land use or farming operations that may lead to an increase in nitrogen loss; this is now

prohibited in the red zone and constrained in the orange zone. The LWRP nutrient management rules will be reviewed through the Orari-Opihi-Pareora Sub-Regional Plan process, which is due to be notified in 2017/2018.

(c) **Resource Consent Risk**

Resource consents will be held by the Company in relation to the holding of water in the Opuha Lake, the release of that water for irrigation and other necessary purposes to operate the Scheme. ECan are engaged in a planning process which may determine or result in some changes to the conditions that affect the use of that consented water. All consents utilised by the Company are subject to review and variation by ECan.

(d) **Farm Profitability Risk**

Prices available for milk, grain, livestock or other farm production could materially reduce, so affecting the ability of water users to pay charges due to the Company. In addition on farm costs could increase creating cashflow issues for shareholders.

There is a risk that farming will not maintain current levels of profitability which results in the annual charges for water use not being paid on time to the Company so resulting in a default by the Company on its obligations. This could result in agreements, which are fundamental to the operation of the Scheme, being terminated so leading to water not being available to shareholders.

(e) **No Guarantee on Water Supply**

The Company gives no assurance that water will be available to a particular property. Each Shareholder must ensure that the property to which the Shareholder requires water to be delivered is within the water distribution scheme areas as disclosed by the Company, as set out on the attached map, or is in a new area approved by the Board. The Board has absolute discretion on approval of applications for water as to whether the Company can deliver that water.

7.3 Operational Risks

(a) **Resource Consent Risk / Environmental Approvals**

The Government or ECan could review and materially change the resource consents that enable water to be extracted and used for irrigation in the Scheme Area. The Company resource consents within the Scheme Area and the use of water within that area are subject to a regulatory regime and conditions imposed by ECan in the Scheme Area.

Changes to the conditions attached to resource consents can materially increase the compliance costs for the Company and impose restrictions on the use of water. This can affect the operations of the Company. There is also a risk that the Company may breach the conditions of its consents or not hold all required consents for its activities. The consequences of such breaches or failure to hold consents can include abatement notices by the relevant authority or enforcement orders by the Environment Court requiring that the non compliant or non

consented activities cease, remedial work be undertaken or compensation be paid. Breaches of relevant consents or enforcement orders may also result in the Company being prosecuted.

(b) **Regulatory Position on Water Supply**

After the Merger Proposal is implemented resource consents will be held by the Company to take and use, and dam and discharge water. The provision of water is subject to a regulatory regime under the Opihi River Regional Plan (**ORRP**). The ORRP provisions will be reviewed through the Orari-Opihi-Pareora Sub-Regional Plan process, which is due to be notified in 2017/2018. It is unknown whether this will result in amendments to the existing flow and allocation regime for water. The Company's principal operating consents will not expire until 2030, though Environment Canterbury does have the ability to review consent conditions to align them with a new regional planning regime.

(c) **Compliance Charges**

Any increase in compliance costs, or if a charge was imposed for taking water, could have a material impact on the operations of the Scheme.

(d) **Availability / Reliability of Water**

The operations of the Company, being the delivery of water to Shareholders, and the generation of electricity, is dependent on water being available from the Opuha Lake. If there is a significant issue in the ability to access that water, or the rainfall results in water not being available for extraction, the Company would be unable to deliver to shareholders the water at the volume expected by those shareholders and gain income from electricity generation. The Company and its shareholders are dependent on the reliability and availability of water in the Opuha Lake.

(e) **Insurance Risk**

Arising from the Canterbury earthquakes it has become more expensive to insure the assets of the Company against acts of god and other external risks. This limits the extent of the cover which the Company can afford to take. Some elements of the scheme may not be insured. If there was a major catastrophic event the Company may not have sufficient insurance cover protection to fully replace or repair the infrastructure of the Company.

If a material claim is made new insurance may be difficult to obtain.

(f) **Acts of Vandalism**

The Company's operations may be adversely affected by an act of vandalism to any of its infrastructure.

(g) **Catastrophic Events**

A catastrophic event such as a major earthquake, dam failure, landslide, fire, flood, cyclone, explosion, act of terrorism or other disaster, could adversely affect or cause a failure of any or all of the scheme infrastructure or operations. Such an event

could also affect the shareholders of the Company. It is possible that the insured amounts will not provide sufficient cover under situations where a single catastrophic event occurs or multiple catastrophic events occur in succession or where insurers contest or delay paying an insurance claim.

(h) **Contamination**

If the water in the Opuha Lake or the irrigation infrastructure of the Company became contaminated there could be significant cost, and loss of income, for cleaning up the contamination and not receiving income while the Company stops delivery of water during the clean up period.

7.4 Government Risks

(a) **Changes to Legislation**

The Government is reviewing the use and value of water to the farming community. Other political parties have indicated that if they are in power they may introduce legislation to regulate water use and/or impose charges on water as a form of tax. These are all risks as any tax, cost or other charge is normally passed on to the users of the water.

(b) **Health and Safety Requirements**

The Company employs a number of contractors and employees who carry out operations, projects and works for the Company. There is a risk that an accident can be serious or lead to a fatality so resulting in substantial costs and fines for the Company.

(c) **Freshwater Reforms / Charges for Water**

The Government is in the process of developing a package of reforms for freshwater and resource management systems. The Company could be adversely affected by these reforms to the extent that they include mechanisms to recognise Maori rights and interests in freshwater, impose a pricing regime on water or impose restrictions, conditions or other additional costs on its irrigation activities.

7.5 Power Station / Dam Risks

The Company's ability to generate electricity is dependent on the continued efficient operation of its power stations. The viability, efficiency or operability of the Company's power generation could be adversely affected by a range of factors, including:

(a) **Plant Failure**

The Company relies upon various pieces of equipment and technology at its power station. If any pieces of material equipment or technology, including, for example, turbines or control gates, suffer failures requiring the Company's ability to generate electricity may be reduced.

(b) **Commercial Risk**

There are a number of risks relating to the generation and sale of electricity from the plant of the Opuha Dam. These risks include:

- (i) the wholesale price of electricity;
- (ii) power line availability risk;

- (iii) water not being available to generate electricity;
- (iv) Tiwai Point smelter closing and surplus electricity being sold;
- (v) renewal of the contract with Trustpower Limited or negotiating a contract with a power purchaser.

(c) **Design Risks**

In respect of the Opuha Dam there is a risk that the earth works relating to the dam may require material maintenance or become unstable. The design of a dam of the type appropriate to the Opuha Dam has risks inherent in that design. In 2006 major work was carried out to mitigate identified risks. There is no assurance whether or not further repairs may be needed. There are also risks in ensuring the irrigation scheme can deliver water at the expected volumes to enable the benefits to be available to water users to irrigate farms. If any of the delivery systems do not meet their expected performance criteria this would be detrimental to the effectiveness and/or economics of the irrigation scheme.

(d) **Generation Technology**

If significant advances in generation technology occur the power generation at Opuha Dam may be rendered relatively less competitive or obsolete, due to the reduced marginal cost of a new entrant plant.

(e) **Catastrophic Events**

A catastrophic event such as a major earthquake, landslide, fire, flood, cyclone, explosion, act of terrorism or other disaster, could adversely affect or cause a failure of the Company's power station, dams, or failure of the national high voltage transmission grid or the local network. Such an event could also affect Trustpower Limited as the company purchasing electricity from the Company's generator, which could have an adverse effect on income for the Company. That failure could also result in irrigation water not being available. It is possible that insurance will not provide sufficient cover under situations where a single catastrophic event occurs or multiple catastrophic events occur in succession or where insurers contest or delay paying an insurance claim.

(f) **Reliance on Third Party Providers**

There is a risk that goods and services that are required for plant maintenance, repair and operation are difficult to procure, or will not be delivered on time or to the necessary quality or expected cost.

7.6 Other Risks

(a) **Demand Factors**

In some areas of the Scheme, water is required to be rostered and, where necessary, allocated over peak periods of demand due to capacity constraints of the delivery infrastructure. Where there are catchment wide restrictions on the volume of water available, due to low storage level in the Dam, the Company may be required to

reduce the amount of water distribution by proportionately allocating the water available.

(b) **Climatic / Economic Factors**

If there was a major drought, and water could not be accumulated in Lake Opuha and extracted from the rivers, the Company may be compelled to stop delivering water to shareholders and generating electricity. Climate change could increase this risk.

(c) **Accounting / Tax Risk**

Because the Company is a co-operative and does not pay dividends the tax risks for the Company are less significant.

If the laws on how co-operatives are taxed were changed this could have an impact on the tax position of the Company.

(d) **Consolidation of Irrigation Schemes**

By bringing the separate irrigation schemes into one scheme there are advantages and some disadvantages. The risks could be spread over all shareholders rather than shareholders in a particular area. All shareholders may share in the financial and other risks through the wider scheme area.

8 Consequences of Insolvency

8.1 If the Company becomes insolvent, or is placed in liquidation, the benefits each shareholder receives from the delivery of water may be stopped. All creditors of the Company will be repaid and if any balance remains this will be distributed to all shareholders in proportion to the number of Water Shares held.

8.2 Prior to that distribution the holders of Infrastructure Shares will receive a proportionate right to part of the surplus proceeds. There may be no moneys available to shareholders.

8.3 Shareholders will not be required to pay any moneys to the Company except charges due and payable under a water supply agreement and unpaid amounts due on the shares.

Can the investment be altered?

9 Alteration of Securities

9.1 Under the Merger Proposal there is no obligation to pay any amount to the Company by the Shareholders for the shares. The separate parts of the Merger Proposal must be approved by special resolution (75% majority vote) so any change to those terms would require the same vote to approve the change.

9.2 The rights attached to the Water Shares can only be changed by a special resolution of the holders of the shares passed at a meeting called for that purpose. If the rights attached to any class of Infrastructure Shares are to be altered this can only occur by special resolution of that class of shares. In order to be passed, a special resolution requires a majority of 75% of the votes cast at the meeting either in person or by proxy to be in favour of the resolution.

9.3 The Board can determine that shareholders must hold a certain number of Water Shares to be entitled to a certain volume of water and/or to qualify for a rebate or discount. If a shareholder is required to hold more Water Shares, then these may be paid up from dividends, rebates or other

distributions otherwise payable to that shareholder.

How do I cash in my investment?

10 Early Termination

The Nominal Value of each Water Share and D Share is \$1.00 for each Water Share and D Share.

The nominal value for each Infrastructure Share is \$1.00 for each share. The Infrastructure Shares, and D Shares, have additional rights in the event the assets of the Company are sold. This is based on a formula so that a proportion of the value of the assets of Levels Plain, Totara and Kakahu as a proportion of the total assets of the Merging Entities, after taking into account debt, is paid to the holders of Infrastructure Shares and D Shares with the balance being distributed to the holders of the Water Shares.

11 Right to Sell Securities

11.1 Board may Restrict Access

There is no right to transfer shares in the Company except if a transfer is permitted by the Board.

However the terms of the Water Agreement and Constitution of the Company permit the Board to approve transfers of shares and rights to water:

- (a) when transferred with a property;
- (b) on a subdivision of a property;
- (c) by transfer to another property;
- (d) under a licensing agreement.

11.2 Transfer of Shares with Farm

Shares are normally transferable with the farm land to which they relate as they are issued to persons who have the potential to become connected to the distribution system and when a shareholder sells a farm the shares are transferred at the same time to the purchaser.

11.3 Transfer of Shares where Farm Sold to Trust/Company

Transfers can also arise when an existing farm which at the time has the right to take supply from the distribution system is transferred to another member of the same family or a new owner or where the shares are transferred by a shareholder to a trust or company and at the same time the shares in the Company will be transferred.

Who do I contact with enquiries about my investment?

12 Enquiries about Securities

The name of the employee of the Company to whom enquiries about the shares can be made, and the address and business telephone number of that person is:

Tony McCormick
Opuha Water Limited
875 Arowhenua Road
RD 4
Timaru 7974
Phone: 03 614 7801
Email: office@opuha.co.nz

Is there anyone to whom I can complain if I have problems with the investment?

13 Complaints about Securities

The name of the employee of the Company to whom complaints about the shares can be made, and the address and business telephone number of that person is:

Tony McCormick
Opuha Water Limited
875 Arowhenua Road
RD 4
Timaru 7974
Phone: 03 614 7801
Email: office@opuha.co.nz

Complaints about the shares cannot be made to an ombudsman.

What other information can I obtain about this investment?

14 Conditions under Exemption Notice required in this Investment Statement

This Investment Statement, as part of the Offer Document, is available on the website of the Company www.opuhawater.co.nz.

Every Shareholder for securities who did not receive an investment statement before applying for the securities may, within 10 working days of the date on which the investment statement is sent to the Shareholder, withdraw their application by written notice to the Company. Under the processes for implementing the Merger Proposal a shareholder could vote against the proposal and then require that shareholder's shares to be repurchased by the issuing company.

15 Offer Document and Financial Statements

Other information about the shares and the Company is contained or referred to in this Offer Document and Merger Proposal issued by the Company, and in the most recent audited financial statements of the Company to 30 June 2013 attached to this Offer Document.

The audited financial statements to 30 June 2013 did not consolidate the assets and liabilities of Opuha Water Limited as directors appointed by the Company did not control the board of directors of Opuha Water Limited. If that consolidation had occurred it will not affect the financial position arising from the Merger Proposal as the opening statement of financial position for the Company as at 1 July 2014 includes that consolidation.

A copy of this Offer Document, the Merger Proposal and of the most recent audited financial statements of the Company can be obtained, free of charge, from:

Opuha Water Limited
875 Arowhenua Road
RD 4
Timaru 7974
Phone: 03 614 7801
Email: office@opuha.co.nz

or can be accessed (as can this investment statement) on the website of the Company at www.opuhawater.co.nz.

This Offer Document, financial statements and other documents of, or relating to, the Company are filed on a public register at the Companies Office of the Ministry of Commerce and copies are available from the Companies Office website www.business.govt.nz/companies.

16 Further Financial Information

Because this is the first offer of shares by the Company under a prospectus a significant amount of further information is contained in this Prospectus. This information includes:

- (a) Audited financial statements for the year ended 30 June 2013;
- (b) The opening statement of financial position of the Company as at 1 July 2014 prepared on the basis the Merger Proposal had been implemented;
- (c) The prospective statement of financial performance and prospective statement of cashflows for the Company for the period from 1 July 2014 to 30 June 2015 prepared in accordance with FRS-42.
- (d) A summary of the independent valuation obtained from Peter Seed (see pages 18-20).

17 Information Required Under Exemption Notice

The Securities Act (SCFIS Limited) Exemption Notice requires this Investment Statement to include certain information. The relevant information is set out below.

(a) Details of Merger Proposal

The merger proposal involves the shareholders of each merging entity passing special resolutions by a 75% majority vote to approve the following amalgamations and transactions:

- (i) To Kakahu entering into a major transaction to sell all of its assets (except the Water Shares it holds in the Company) and assign all of its liabilities to the Company with the consideration being the issue by the Company of 3,208 K Shares to Kakahu.
- (ii) To Totara entering into a major transaction to sell all of its assets and assign all of its liabilities to the Company with the consideration being the issue by the Company of 2,664 T Shares to Totara.
- (iii) All of the other companies which are part of the Merging Entities passing special resolutions to amalgamate into the Company with the shareholders of Levels Plain being issued by the Company with 3,296 L Shares, 3,296 Water Shares and 526 D Shares.

- (iv) The Company assuming responsibility and taking over liability for all of the debt of the Merging Entities including the bank debt so all of the liabilities and obligations of the Merging Entities are consolidated into and owed by the Company.

After completion of the above the Company will own and hold all assets relating to the Opuha Irrigation Scheme and assume responsibility for all liabilities. The name of the Company will then be changed to Opuha Water Limited.

(b) Effect on Shareholders of Merger Proposal

If all the resolutions are passed to approve the Merger Proposal and the shareholders of Kakahu and Totara pass special resolutions to approve the sale and purchase agreements to sell all of the assets and transfer all of the liabilities of Kakahu and Totara to the Company the following will be the effect:

- (i) The shareholders of Levels Plain will receive Water Shares, Infrastructure Shares and D Shares in the Company in exchange for their shares in Levels Plain and will be required to enter into Water Agreements with the Company. Their existing shares in Levels Plain will be cancelled.
- (ii) The shareholders of Opuha, Levels Plain Holdings Limited and Levels Irrigation Limited will have their shares cancelled and no shares will be issued.
- (iii) The shareholders of Kakahu and Totara will in due course, after the liquidation of those companies, have a direct shareholding in the Company arising from shares being issued by the Company to Kakahu and Totara being distributed in specie to those shareholders on the liquidation of those companies. In addition the existing 3,208 shares held by Kakahu in the Company will also be distributed to the Kakahu shareholders. The shareholders of Kakahu and Totara will then become direct shareholders in the Company.

(c) Consideration Payable for Amalgamations / Acquisitions

There are no moneys being paid by the Company as the consideration for the amalgamations and acquisitions. The Company is issuing shares as the consideration for the acquisitions and amalgamations and the shares which will be issued are as follows:

- (i) The shareholders of Kakahu will receive 3,208 K Shares in the Company.
- (ii) The shareholders of Totara will receive 2,664 T Shares in the Company.
- (iii) The shareholders of Levels Plain will receive 3,296 L Shares, 3,296 Water

Shares and 526 D Shares in the Company.

- (iv) The further consideration is the assumption by the Company of all liabilities of the Merging Entities including bank debt which liabilities need to be taken into account in assessing the consideration payable.

(d) Brief Description of Businesses Carried Out

The businesses carried out by each of the Merging Entities during the last 12 months are as follows:

- (i) Opuha carries on a business of operating and selling electricity and providing water for irrigation purposes. Opuha owns and operates the Opuha Dam, and the electricity generation equipment within that dam, and all of the resource consents which entitles it to retain water in the Opuha Lake behind the Opuha Dam and to release that water when required for environmental and irrigation purposes.
- (ii) Levels Plain, Kakahu and Totara each operate a business of delivering water through infrastructure owned by those companies, to their respective shareholders, for irrigation purposes.
- (iii) Totara, Kakahu and Levels Plain each own irrigation infrastructure assets, including races, pipes and other equipment, and hold resource consents, needed to deliver irrigation water to shareholders.

(e) Assets / Liabilities of Merging Entities

The assets and liabilities of the Merging Entities are set out below:

- (i) Opuha owns the Opuha Dam, electricity generation equipment, resource consents and the Sutherlands irrigation scheme assets.
- (ii) Totara, Kakahu, and Levels Plain own irrigation infrastructure including canals, pipes, races, and other irrigation equipment including resource consents needed to take and distribute water for irrigation and other purposes.
- (iii) The remaining Merging Entities do not carry on any business or own or hold any assets for operating purposes.

(f) Summary Valuation

A valuation carried out by Peter Seed, and obtained for the purposes of determining the relativity of values between the Merging Entities, is set out on pages 18 - 20.

(g) Particulars of other material matters relating to the offer

There are no other material matters relating to the offer of the shares contained in this Offer Document, other than those set out elsewhere in the Offer Document.

(h) **Plans of Directors for 12 months**

The directors have no plans to change the operations of the Merging Entities over the next 12 months. The Company will continue the operations currently being undertaken by the Merging Entities by operating the Opuha Dam, releasing water from the Opuha Lake, managing the electricity generation activities, and distributing water for environmental and irrigation purposes.

The sources of finance for carrying out these plans will be income received from the shareholders of the Company to cover all costs and expenses of the Company and to provide such reserves for the Company as the directors consider fit and appropriate. The directors consider that the current charges payable by the shareholders of the Merging Entities will not materially change from the charges that were payable by those shareholders for the past financial year. The Company is arranging a financial facility through ANZ Bank Limited to refinance the liabilities of all of the Merging Entities and to provide working capital for the Company.

(i) **Proceeds of Issue**

There are no cash proceeds from the issue of shares pursuant to this offer document as the Company is issuing shares in exchange for the acquisition of assets, and the assumption of liabilities, or is issuing shares pursuant to amalgamation proposals.

(j) **Prospective Financial Information**

The prospective finance information required under the exemption notice is set out on pages 31 to 52 of this offer document.

(k) **Material Transactions**

(i) There are two material transactions being entered into by the Company, these being under two agreements for sale and purchase dated 20 May 2014 under which the Company is acquiring from Kakahu and Totara certain assets and also assuming the liabilities of those companies.

(ii) The key terms of those transactions and the consideration payable is set out below:

- All of the assets of each of Kakahu and Totara, including all irrigation infrastructure and resource consents will be transferred (except the Water Shares held by Kakahu in the Company) and assigned to the Company. In addition the Company will assume all of the liabilities of Kakahu and Totara, including all current liabilities and bank debt owing by those Companies. The consideration payable by the Company to Totara and Kakahu

for the acquisition of the assets, and the assumption of liabilities is:

- o The issue of 2,664 T Shares in the Company to Totara.
- o The issue of 3,208 K Shares in the Company to Kakahu.

(iii) The nature and implication of these transactions is that in due course Totara and Kakahu will be either liquidated or struck off as companies and the shares being issued by the Company to those companies, as the consideration under the agreements for sale and purchase, will then be distributed to the shareholders of Kakahu and Totara so they will become direct shareholders in the Company. The Company will also become the owner and operator of the irrigation infrastructure assets owned and operated by Kakahu and Totara and will charge the shareholders of those two companies annual charges relating to the delivery of irrigation water, the operational and financial costs of operating those assets and the charges for meeting commitments for the liabilities of those companies which are to be assumed by the Company.

18 Annual Information

In each year every shareholder of the Company is sent a copy of the Annual Report of the Company. This Annual Report includes the summary audited financial statements of the Company for the relevant financial year.

19 On Request Information

The information that is available on request from the Company is a copy of this Offer Document incorporating all information required under an investment statement and prospectus, and the latest Annual Report of the Company. Any request for such information should be made to the Company at 875 Arowhenua Road, RD 4, Timaru, or by telephoning 03 614 7801. No charge will be made for the information provided to each Shareholder.

In addition, a shareholder is entitled to request information from a company in accordance with section 178 of the Companies Act 1993. The Company is permitted to charge a reasonable amount for supplying that information in accordance with section 178.

The Offer Document is dated 27 May 2014

DIRECTORS' CERTIFICATES

DIRECTORS CERTIFICATE

As required by the Securities Act (SCFIS Limited) Exemption Notice 2014

We the undersigned directors of the Company hereby certify as required by the provisions of the Securities Act (SCFIS Limited) Exemption Notice 2014, that:

- (a) This investment statement contains all of the information required under the Exemption Notice.
- (b) All material matters relating to the offers of equity securities required to be contained in this Investment Statement under the said Exemption Notice are contained in this Investment Statement.

Dated this 27th day of May 2014



Thomas Craig Lambie



Alvin John Reid

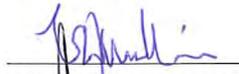


Nigel James Gormack

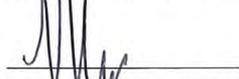


Antony Charles Howey

(by his authorised agent W D O'Sullivan)



William Dermott O'Sullivan



Nicola Alice Orbell Hyslop

DIRECTORS CERTIFICATE

Clause 8 Securities Act (Co-operative Companies) Exemption Notice 2013

(S.R. 2013/54)

Background

The Directors Statement set out below is an attachment to the Offer Document dated 27 May 2014 issued by SCFIS Limited (*the Company*).

Directors Statement

1. No material adverse matters have arisen relating to the offer of equity securities (shares) by the Company, in accordance with the Merger Proposal dated 27 May 2014 from 30 June 2013 to the date of this Offer Document (the "Offer") other than:
 - a. matters set out elsewhere in this Offer Document relating to the Offer, or the most recent financial statements of the Company; and
 - b. contracts entered into in the ordinary course of business of the Company.
2. In the opinion of the Directors, after due enquiry by them, none of the following has materially and adversely changed during the period between the date of the Company's most recent statement of financial position dated 30 June 2013 and the date of this directors statement:
 - a. the trading or profitability of the Company;
 - b. the value of the assets of the Company;
 - c. the ability of the Company to pay its liabilities due within the next 12 months.



Thomas Craig Lambie



Alvin John Reid

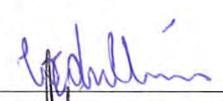


Nigel James Gormack

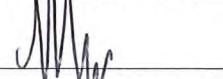


Antony Charles Howey

(by his authorised agent W D O'Sullivan)



William Dermott O'Sullivan



Nicola Alice Orbell Hyslop

PROSPECTIVE FINANCIAL STATEMENTS

Attached.

Introduction and Basis of Preparation

Prospective Financial Statements for 1 July 2014

The prospective Financial Statements for 1 July 2014 include only a Statement of Financial Position.

The prospective Statement of Financial Position has been prepared for the purpose of providing potential investors with a guide to the Company's potential financial position based upon certain economic and operating assumptions, including the proposed acquisition and amalgamation transactions, being met and to comply with the Securities Regulations 2009. The information may not be appropriate for other purposes.

The assumptions disclosed within include future events and other information which has not yet occurred and may not necessarily occur. The actual results achieved for the periods covered by the prospective Financial Statements may vary from the information presented, and the variations may be materially positive or negative.

The Directors are responsible for the statements presented, including the appropriateness of the underlying assumptions and all other disclosures. The prospective Financial Statements were authorised for issue by the Board of Directors on 27 May 2014.

There is no present intention to update these prospective Financial Statements. The Company will report actual financial results against prospective financial information in accordance with the NZ Equivalent of International Accounts Standard 1: "Presentation of Financial Statements".

It is noted that as at the date of the issue of the Prospectus the Company name is SCFIS Limited. However it is the intention that on 1 July 2014, the Company will change its name to Opuha Water Limited.

Prospective Statement of Financial Position

As at 1 July 2014

	Assumption Note	2014 \$
Current Assets		
Cash & Bank Balances	2.14	306,249
Sundry Debtors	2.5	754,908
Prepayments	2.8	357,829
Total Current Assets		1,418,986
Non Current Assets		
Property, Plant & Equipment	2.1	57,769,178
Resource Consents	2.1	2,185,000
Shares - CRT Farmlands Co-operative		1,880
Term Deposit - ANZ (LPIC)		79,043
Total Non Current Assets		60,035,101
Total Assets		61,454,087
Current Liabilities		
Sundry Creditors	2.6	427,150
Interest Payable	2.7	178,708
Tax Payable	2.3, 2.4	204,086
Derivatives	2.12	2,317,410
Total Current Liabilities		3,127,354
Non Current Liabilities		
Term Loans - Secured	2.2	33,224,613
Deferred Tax Liability	2.3	4,890,413
Total Non Current Liabilities		38,115,026
Total Liabilities		41,242,380
Net Assets		20,211,707
Equity		
Paid up Share Capital - 16,000 Ordinary "Water" Shares	2.1, 2.15	16,000
Paid up Share Capital - 3,296 "L" Class Shares	2.1, 2.15	3,296
Paid up Share Capital - 3,208 "K" Class Shares	2.1, 2.15	3,208
Paid up Share Capital - 2,664 "T" Class Shares	2.1, 2.15	2,664
Paid up Share Capital - 526 "D" Class Shares	2.1, 2.15	526
Accumulated Losses		(6,122,315)
Reserves		26,308,854
Total Equity		20,211,707

These financial statements are to be read in conjunction with the accompanying Assumptions

Assumptions to and forming part of the Prospective Financial Statements

As at 1 July 2014

Assumptions to the Prospective Financial Statements

The prospective Financial Statements are presented in accordance with the requirements of the Securities Act (SCFIS Limited) Exemption Notice 2014. As such included is the prospective opening Statement of Financial Position of the merged entity following the proposed acquisition and amalgamation transactions as outlined in the Offer document pages 8 to 14.

The prospective Statement of Financial Position at 1 July 2014 is an additional disclosure to that required under "FRS42 Prospective Financial Statements".

1 GENERAL ASSUMPTIONS

Reporting Entity

SCFIS Limited is domiciled in New Zealand registered under the Companies Act 1993. The Company's principal activities are the coordination and supply of water for industrial and domestic consumption, environmental river flows, irrigation supply and electricity generation.

Measurement Basis

The prospective Statement of Financial Position as at 1 July 2014 has been based on actual unaudited balance sheets as at 31 January 2014 and the prospective transactions for five months through to 30 June 2014 for each entity subject to the Merger Proposal. These entities have then either been acquired by or amalgamated into the Company as at 1 July 2014 based upon the respective entity's position as at 30 June 2014 and adjusted on acquisition to reflect the fair values determined by an external party. The actual operating results for February, March and April 2014 were broadly consistent with the forecast operating results for all entities.

Functional and Presentation Currency

The prospective Statement of Financial Position is presented in New Zealand Dollars (\$NZD) which is the Company's functional currency and has been rounded to the nearest dollar.

Economic Environment

The prospective Statement of Financial Position assumes there will be no material change in the general economic environment of New Zealand.

Competitive Environment

The prospective Statement of Financial Position assumes there will be no material change to the competitive markets in which the Company operates, nor any change in competitor activity and that no new entrants will materially change the competitive environment.

Industry Conditions

The prospective Statement of Financial Position assumes there will be no material change to the industry structure, general industry conditions, employee and independent contractor environments in the markets in which the Company operates.

Legislative and Regulative Environment

The prospective Statement of Financial Position assumes there will be no material change in the legislative or regulatory environment in which the Company operates.

Going Concern

The prospective Statement of Financial Position has been prepared using the going concern assumption. The Company is dependant on the continuing support of its shareholders and financiers.

2 SPECIFIC ASSUMPTIONS

The following specific assumptions, which materially affect the measurement of financial performance and the financial position of the Company have been applied:

2.1 Property, Plant & Equipment

Property, plant and equipment within the prospective Statement of Financial Position as at 1 July 2014 is recorded as set out in the acquisition and amalgamation notes below.

Assumptions to and forming part of the Prospective Financial Statements (continued)

As at 1 July 2014

a) Acquisition and Amalgamation**Acquisition of Net Assets****(i) Kakahu Irrigation Limited**

As per the Agreement for Sale and Purchase of Assets and Business dated 13 May 2014 between the Company and Kakahu Irrigation Limited the Company is to acquire the net assets and business activities of Kakahu Irrigation Limited for \$2,688,802, achieved through the issue of 3,208 "K" Class Infrastructure shares.

The acquisition includes the fixed assets and resource consents, whose value has been assessed by an external independent party, together with the working capital and associated term debt. The increase in the value of the implied fixed assets, as determined by the external valuation, over the previous carrying value has been apportioned over each individual identified fixed asset.

The estimated net working capital position of Kakahu Irrigation Limited of \$395,802 as at the date of acquisition has been applied to the reduction of the associated term debt.

It is assumed that the fair value of the consideration given of "K" Class infrastructure shares, is the same as the fair value of net assets acquired. Therefore no goodwill has been recognised.

(ii) Totara Valley Irrigation Limited

As per the Agreement for Sale and Purchase of Assets and Business dated 13 May 2014 between the Company and Totara Valley Irrigation Limited the Company is to acquire the net assets and business activities of Totara Valley Irrigation Limited for \$1,170,725, achieved through the issue of 2,664 "T" Class Infrastructure shares.

The acquisition includes the fixed assets and resource consents, whose value has been assessed by an external independent party, together with the working capital and associated term debt. The increase in the value of the implied fixed assets, as determined by the external valuation, over the previous carrying value has been apportioned over each individual identified fixed asset.

The estimated net working capital position of Totara Valley Irrigation Limited of \$174,504 as at the date of acquisition has been applied to the reduction of the associated term debt.

It is assumed that the fair value of the consideration given of "T" Class infrastructure shares, is the same as the fair value of net assets acquired. Therefore no goodwill has been recognised.

Amalgamation**(iii) SCFIS Limited**

As at 1 July 2014, SCFIS Holdings Limited, a 100% subsidiary of SCFIS Limited, is to be amalgamated into SCFIS Limited. Upon completion of the amalgamation the shares in SCFIS Holdings Limited will be cancelled and the Company itself de-registered.

(iv) Levels Plain Irrigation Co Ltd

As at 1 July 2014, Levels Plain Holdings Limited and Levels Irrigation Limited, both 100% subsidiaries of Levels Plain Irrigation Co Ltd, are to be amalgamated into Levels Plain Irrigation Co Limited. Upon completion of the amalgamation, the shares in Levels Plain Holdings Limited and Levels Irrigation Limited will be cancelled and the companies themselves de-registered.

As at 1 July 2014, the shareholders of Levels Plain Irrigation Co Ltd resolved to amalgamate into SCFIS Limited. This is achieved through the issue of 3,296 Ordinary ("Water") shares, 526 "D" Class Dry shares and 3,296 "L" Class Infrastructure shares.

All fixed and intangible assets have been amalgamated at fair value based on an external valuation. All other assets and liabilities have been amalgamated at their actual carrying values at 30 June 2014, based upon the unaudited prospective Statement of Financial Position.

The estimated net working capital position of \$79,044 as at the date of amalgamation has been allocated to a separate Term Deposit to be used as and when required to meet any capital works in relation to the Levels Plain Irrigation scheme.

(v) Opuha Water Limited

As at 1 July 2014 the shareholders of Opuha Water Limited, being Levels Plain Holdings Ltd and SCFIS Holdings Limited, resolved to amalgamate Opuha Water Limited into SCFIS Limited as at 30 June 2014, based on the unaudited prospective Statement of Financial Position.

Opuha Water Limited as at the date of amalgamation, and following the above amalgamation of Levels Plain Irrigation Co Limited into SCFIS Limited, is 100% owned by SCFIS Limited. All fixed assets have been amalgamated at historical cost less accumulated

Assumptions to and forming part of the Prospective Financial Statements (continued)

As at 1 July 2014

depreciation to date of amalgamation. All other assets and liabilities have been amalgamated as at their actual carrying value at 30 June 2014, based on the unaudited prospective Statement of Financial Position.

b) Property, Plant and Equipment

Fixed Assets	Cost Price	Accumulated Depreciation	Opening Book Value	Additions	Closing Book Value
Land & Buildings	259,158	42,922	216,236	-	216,236
Plant & Equipment	158,404	29,558	128,846	-	128,846
Motor Vehicles	231,718	146,174	85,544	-	85,544
Office Equipment	196,195	57,811	138,384	-	138,384
Dam Non-Mechanical	36,670,959	5,003,125	31,667,834	-	31,667,834
Dam Mechanical	906,638	194,050	712,588	-	712,588
Power Station Non-Mechanical	6,300,969	1,334,498	4,966,471	-	4,966,471
Power Station Mechanical	7,470,192	1,650,613	5,819,579	-	5,819,579
Gardners' Pond	860,853	80,268	780,585	-	780,585
Sutherlands Pipeline	1,139,309	245,197	894,112	-	894,112
Kakahu Irrigation Scheme	-	-	-	9,077,999	9,077,999
Levels Plain Irrigation Scheme	-	-	-	2,236,000	2,236,000
Totara Valley Irrigation Scheme	-	-	-	1,045,000	1,045,000
	54,194,395	8,784,216	45,410,179	12,358,999	57,769,178

2.2 Secured Liabilities

Term Loan - ANZ National Bank Limited

It is assumed that the Company will put in place a flexible rate term loan facility of \$43,000,000 with ANZ National Bank Limited as per offer dated 19 November 2013. As at 1 July 2014, it is assumed that \$33,224,613 will be drawn on the facility, comprising the balances below.

The following are subject to Interest Swap Rates (including credit margin of 1.65%)

Terms of Repayment - Interest only

\$10,800,000 - interest rate: 8.91% p.a. - maturity date 2 April 2019

\$10,800,000 - interest rate: 8.80% p.a. - maturity date 7 January 2019

Floating - \$4,829,544 - interest rate 4.21% p.a. (including credit margin of 1.50%)

Fixed 2 Years - \$1,998,550 - interest rate 5.03% p.a. (including credit margin of \$1.50%)

Fixed 4 Years - \$2,797,969 - interest rate 5.67% p.a. (including credit margin of 1.50%)

Fixed 5 Years - \$1,998,550 - interest rate 6.06% p.a. (including credit margin of 1.65%)

2.3 Taxation

a) Current Tax

The prospective Financial Statements assume there will be no changes to the NZ tax legislation which would materially affect the tax position of the Company. The tax rate applied is 28 cents in the dollar as this became effective from 1 April 2012.

Income Tax Payable	\$147,516
Total Tax Payable	\$147,516

b) Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts for tax purposes. Deferred tax assets and liabilities are assumed to be attributable to the following:

Assets	
Derivatives	\$648,875
Tax Assets / (Liabilities)	\$648,875

Assumptions to and forming part of the Prospective Financial Statements (continued)

As at 1 July 2014

Liabilities	
Property, Plant and Equipment (PPE)	(\$5,539,288)
Tax Assets / (Liabilities)	<u>(\$5,539,288)</u>
Net	
Derivatives	\$648,875
Property, Plant and Equipment (PPE)	(\$5,539,288)
Tax Assets / (Liabilities)	<u><u>(\$4,890,413)</u></u>

2.4 Goods and Services Tax (GST)

The Financial Statements are prepared on a GST exclusive basis except in respect of Sundry Debtors and Sundry Creditors, which the amounts include GST.

GST Payable	\$56,570
Total GST Payable (Receivable)	<u><u>\$56,570</u></u>

2.5 Sundry Debtors

Sundry Debtors are recognised at the transaction price. In relation to the prospective Financial Statements it is assumed that 90% of sundry debtors are collected within 30 days of month end and the balance within 60 days.

Sundry Debtors - Trade	\$741,708
Sundry Debtors - Other	\$13,200
Total Sundry Debtors	<u><u>\$754,908</u></u>

2.6 Sundry Creditors

Sundry Creditors are recognised at the transaction price. In relation to the prospective Financial Statements it is assumed that 100% of sundry creditors are paid the month following.

Sundry Creditors - Trade	\$400,408
Provision for Holiday Pay	\$26,742
Total Sundry Creditors	<u><u>\$427,150</u></u>

2.7 Interest Payable

Interest payable represents one month accrual based on the assumed debt position of the Company as detailed in note 2.2.

ANZ National Bank - Term Loans	\$178,708
Total Interest Payable	<u><u>\$178,708</u></u>

2.8 Prepayments

Prepayments are recognised initially at the transaction price and subsequently amortised over the appropriate period.

Insurance Premium	\$357,829
Total Prepayments	<u><u>\$357,829</u></u>

2.9 Contingencies and Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of past events. It is assumed no contingencies or provisions are required.

2.10 Impairment

Impairment - Non-Financial Assets

As at the date of amalgamation/acquisition an independent valuer assessed the Enterprise Value of the Company at \$81.002m inclusive of an Implied Fixed Assets value of \$63.719m. It is assumed that no impairment loss is required to be recognised.

Assumptions to and forming part of the Prospective Financial Statements (continued)

As at 1 July 2014

Impairment - Financial Assets

All financial assets are stated at their assumed fair value and no impairment loss is required to be recognised.

2.11 Financial Instruments and Assets

Financial Instruments

The Company is a party to financial instruments to meet its financing needs.

2.12 Derivatives

Derivatives include interest rate swaps and are initially recognised at fair value on the date a contract is entered into and are subsequently remeasured to their value at each reporting date. The assumed value of the derivatives have been provided by ANZ National Bank using implied market rates as at the date of preparation of the prospective Financial Statements.

Any movements have been reflected in the Statement of Comprehensive Income.

2.13 Employee Entitlements

Annual leave is recorded at the amount expected to be paid for the entitlement earned.

2.14 Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less.

ANZ National Bank - Cheque Account	\$306,150
Petty Cash	\$99
Total Cash & Bank Balances	<u><u>\$306,249</u></u>

2.15 Share Capital (upon completion of the Merger Proposal)

Paid up Share Capital - 16,000 Ordinary "Water" Shares	16,000
Paid up Share Capital - 3,296 "L" Class Shares	3,296
Paid up Share Capital - 3,208 "K" Class Shares	3,208
Paid up Share Capital - 2,664 "T" Class Shares	2,664
Paid up Share Capital - 526 "D" Class Shares	526
Total Share Capital	<u><u>25,694</u></u>

All Ordinary "Water" Shares have equal voting rights. The shares have a nominal value of \$1.00 each. The shares issued to farmers within the scheme have contracts to receive water covering 16,000 hectares. It is intended that each shareholder holds one paid "Water" share for each hectare of irrigated land held within the scheme area.

2.16 Contingent Liabilities

It is assumed that the Company has no contingent liabilities as at 1 July 2014.

2.17 Capital Commitments

It is assumed that the Company has no capital commitments as at 1 July 2014.

3 ACCOUNTING POLICIES

The Company's accounting policies will remain consistent throughout the periods covered by the prospective Financial Statements and are in line with that previously adopted by Opuha Water Limited. This does represent a change in accounting policies of SCFIS Ltd due to the change in extent of operations following the proposed amalgamation and acquisition transactions. However, this is not expected to have a significant effect on the prospective financial accounts.

It is assumed that there will be no material change in the Companies Act, Financial Reporting Act and the Financial Reporting Order during the periods.

Introduction and Basis of Preparation

Prospective Financial Statements for the Year Ending 30 June 2015

The prospective Financial Statements for 30 June 2015 include the following:

- Statement of Comprehensive Income
- Statement of Movements in Equity
- Statement of Financial Position
- Statement of Cash Flows

The prospective Financial Statements have been prepared for the purpose of providing potential investors with a guide to the Company's potential financial performance based upon certain economic and operating assumptions being met and to comply with the Securities Regulations 2009. The information may not be appropriate for other purposes.

The assumptions disclosed within include future events and other information which has not yet occurred and may not necessarily occur. The actual results achieved for the periods covered by the prospective Financial Statements may vary from the information presented, and the variations may be materially positive or negative.

The Directors are responsible for the statements presented, including the appropriateness of the underlying assumptions and all other disclosures. The prospective Financial Statements were authorised for issue by the Board of Directors on 27 May 2014.

There is no present intention to update these prospective Financial Statements. The Company will report actual financial results against prospective financial information in accordance with the NZ Equivalent of International Accounts Standard 1: "Presentation of Financial Statements".

It is noted that as at the date of the issue of the Prospectus the Company name is SCFIS Limited. However it is the intention that on 1 July 2014, the Company will change its name to Opuha Water Limited.

Prospective Statement of Comprehensive Income

For the Year Ending 30 June 2015

	Assumption Note	2015 \$
Operating Revenue		
Water Supply & Operational Revenue	2.2	3,082,497
Electricity Generation Sales	2.2	1,922,788
TDC Water Abstraction Charges	2.2	322,994
Scheme Infrastructure Charges	2.2	1,381,680
Gross Revenue from Trading		6,709,959
Other Income	2.2	13,895
Gross Revenue after Other Income		6,723,854
Less Expenses		
Administration Expenses		166,560
Operating Expenses	2.3	2,638,456
Finance Expenses	2.4	2,527,293
Non Cash Expenses		
Depreciation	2.1	1,856,230
Revaluation of Interest Rate Swaps	2.16	(718,493)
		1,137,737
Total Expenses		6,470,046
Surplus before Income Tax		253,808
Income Tax Expense	2.6	83,804
Net Surplus		170,004

Prospective Statement of Movements in Equity

For the Year Ended 30 June 2015

	Assumption Note	2015 \$
Reserves		
Movement in Revenue Reserves		(5,524,060)
Net Surplus (Deficit)		170,004
Share Revaluation Reserve acquired from Opuha Water Ltd		20,587
Capital Reserve acquired from Levels Plain Irrigation Co Ltd		6,483,888
Share Premium Reserve on Issued Shares		4,182,222
Total Recognised Reserves		5,332,641
Contributions and Distributions		
Contributions		
Share Capital issued at a Nominal Value of \$1.00	2.19	19,194
Distributions		
Equity at the Beginning of the Year		15,029,876
Equity at the End of the Year		20,381,711
Movements in Retained Earnings		
Opening Balance		(598,256)
Plus:		
Net Surplus (Deficit)		170,004
Less:		
Accumulated Losses acquired from Opuha Water Ltd		4,894,593
Accumulated Losses acquired from Levels Plain Irrigation Co Ltd		629,467
		5,524,060
Retained Earnings Closing Balance		(5,952,312)

Prospective Statement of Financial Position

As at 30 June 2015

	Assumption Note	2015 \$
Current Assets		
Cash & Bank Balances	2.18	540,112
Sundry Debtors	2.9	640,654
Tax Receivable	2.6, 2.8	16,152
Prepayments	2.12	357,826
Total Current Assets		1,554,744
Non Current Assets		
Property, Plant & Equipment	2.1	58,865,949
Resource Consents	2.1	2,185,000
Shares - CRT Farmlands Co-operative		1,880
Term Deposit - ANZ National Bank (Levels Plain)		80,767
Total Non Current Assets		61,133,596
Total Assets		62,688,340
Current Liabilities		
Sundry Creditors	2.10	200,593
Interest Payable	2.11	208,289
Derivatives	2.16	1,598,916
Total Current Liabilities		2,007,798
Non Current Liabilities		
Term Loans - Secured	2.5	35,324,613
Deferred Tax Liability	2.7	4,974,218
Total Non Current Liabilities		40,298,831
Total Liabilities		42,306,629
Net Assets		20,381,711
Equity		
Paid up Share Capital - 16,000 Ordinary "Water" Shares	2.19	16,000
Paid up Share Capital - 3,296 "L" Class Shares	2.19	3,296
Paid up Share Capital - 3,208 "K" Class Shares	2.19	3,208
Paid up Share Capital - 2,664 "T" Class Shares	2.19	2,664
Paid up Share Capital - 526 "D" Class Shares	2.19	526
Accumulated Losses		(5,952,312)
Reserves		26,308,329
Total Equity		20,381,711

These financial statements are to be read in conjunction with the accompanying Assumptions

Prospective Statement of Cash Flows

For the Year Ending 30 June 2015

	Assumption Note	2015 \$
Cash Flows from Operating Activities		
Cash was provided from:		
Water Revenue & Generation		7,834,305
		<u>7,834,305</u>
Cash was disbursed to:		
Payments to Suppliers, Directors & Employees		3,293,489
Bank Fees		9,430
Interest Paid		2,488,282
Tax Paid		521,190
		<u>6,312,391</u>
Net Cash Flows from Operating Activities		1,521,914
Cash Flows from Investing Activities		
Cash was provided from:		
Dividend Received		7,900
		<u>7,900</u>
Cash was disbursed to:		
Fixed Assets Additions		3,395,951
		<u>3,395,951</u>
Net Cash Flows from Investing Activities		(3,388,051)
Cash Flows from Financing Activities		
Cash was provided from:		
Acquisition/Amalgamation		306,249
Loan Drawdowns		2,100,000
		<u>2,406,249</u>
Net Cash Flows from Financing Activities		2,406,249
Net Increase in Cash Held		540,112
Cash at the Beginning of the Year		-
Cash at the End of the Year		<u><u>\$ 540,112</u></u>
Comprising		
ANZ National Bank - Cheque Account	2.16	540,112
		<u><u>\$ 540,112</u></u>

Assumptions to and forming part of the Prospective Financial Statements

As at 30 June 2015

Assumptions to the Prospective Financial Statements

The prospective Financial Statements are presented in accordance with the requirements of the Securities Act (SCFIS Limited) Exemption Notice 2014.

The Prospective Financial Statements for the year ending 30 June 2015 include the impact of the proposed merger transaction which is assumed to occur on 1 July 2014. Therefore, the proposed acquisition and amalgamation as reflected in the 1 July 2014 Prospective Statement of Financial Position is also reflected in the Prospective Financial Statements for the year ending 30 June 2015.

The prospective Financial Statements for the year ended 30 June 2015 have been prepared in accordance with and comply with the requirements of FRS 42 *Prospective Financial Statements* and assume the following:

1 GENERAL ASSUMPTIONS

Reporting Entity

SCFIS Limited is domiciled in New Zealand registered under the Companies Act 1993. The Company's principal activities are the coordination and supply of water for industrial and domestic consumption, environmental river flows, irrigation supply and electricity generation.

Functional and Presentation Currency

The prospective Financial Statements are presented in New Zealand Dollars (\$NZD) which is the Company's functional currency and has been rounded to the nearest dollar.

Economic Environment

The prospective Financial Statements assume there will be no material change in the general economic environment of New Zealand.

Competitive Environment

The prospective Financial Statements assume there will be no material change to the competitive markets in which the Company operates, nor any change in competitor activity and that no new entrants will materially change the competitive environment.

Industry Conditions

The prospective Financial Statements assume there will be no material change to the industry structure, general industry conditions, employee and independent contractor environments in the markets in which the Company operates.

Legislative and Regulative Environment

The prospective Financial Statements assume there will be no material change in the legislative or regulatory environment in which the Company operates.

Going Concern

The prospective Financial Statements have been prepared using the going concern assumption. The Company is dependant on the continuing support of its shareholders and financiers.

2 SPECIFIC ASSUMPTIONS

The following specific assumptions, which materially affect the measurement of financial performance and the financial position of the Company have been applied:

2.1 Property, Plant & Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation.

Historical cost includes any Fair Value adjustments as a result of the acquisition and amalgamation assumed in the prospective Statement of Financial Position as at 1 July 2014.

a) Resource Consents

Resource Consents in the prospective Financial Statements have been stated at Fair Value as determined by an external valuation.

Kakahu	\$1,605,000
Levels Plain	\$395,000
Totara Valley	\$185,000
Total Resource Consents	\$2,185,000

Assumptions to and forming part of the Prospective Financial Statements (continued)

As at 30 June 2015

b) Fixed Assets	Cost Price	Accumulated Depreciation	Opening Book Value *	Additions	Depreciation for the Year	Closing Book Value
Land & Buildings	259,158	42,922	216,236	220,000	6,112	430,124
Plant & Equipment	158,404	29,558	128,846	90,001	14,791	204,056
Motor Vehicles	231,718	146,174	85,544	50,000	49,465	86,079
Office Equipment	196,195	57,811	138,384	-	29,177	109,207
Dam Non-Mechanical	36,670,959	5,003,125	31,667,834	2,520,000	700,905	33,486,929
Dam Mechanical	906,638	194,050	712,588	-	28,188	684,400
Power Station Non-Mechanical	6,300,969	1,334,498	4,966,471	60,000	190,769	4,835,702
Power Station Mechanical	7,470,192	1,650,613	5,819,579	-	231,989	5,587,590
Gardners' Pond	860,853	80,268	780,585	-	21,416	759,169
Sutherlands Pipeline	1,139,309	245,197	894,112	-	62,374	831,738
Kakahu Irrigation Scheme	-	-	-	9,084,499	418,552	8,665,947
Levels Plain Irrigation Scheme	-	-	-	2,242,500	63,500	2,179,000
Totara Valley Irrigation Scheme	-	-	-	1,045,000	38,992	1,006,008
	54,194,395	8,784,216	45,410,179	15,312,000	1,856,230	58,865,949

* Prior to the proposed merger transaction as outlined on pages 8 to 14 of the Offer document

c) Depreciation

Property, Plant and Equipment is recorded at cost less depreciation provided to date. Depreciation is charged using the straight line method. Depreciation is charged to the Statement of Comprehensive Income. The range of rates associated with assets are:

Buildings	3.00 - 30.00%	SL
Plant and Equipment	3.00 - 40.00%	SL
Motor Vehicles	17.50 - 40.00%	SL
Office Equipment	8.50 - 67.00%	SL
Dam (Mechanical/Non-Mechanical)	1.50 - 30.00%	SL
Power Station (Mechanical/Non-Mechanical)	3.00 - 30.00%	SL
Gardner's Pond & Sutherlands Pipeline	3.00 - 13.50%	SL
Irrigation Schemes - Kakahu, Totara Valley	3.00 - 40.00%	SL
Irrigation Schemes - Levels Plain	3.00 - 30.00%	SL

2.2 Revenue

Revenue is recognised on an accruals basis.

Operating Revenue

Water Supply & Operational Revenue	\$3,152,640
Less - Direct Debit Discount 2.5%	(\$70,143)
Electricity Generation Sales	\$1,922,788
TDC Water Abstraction Charges	\$322,994
Scheme Infrastructure Charges	\$1,381,680

Total Operating Revenue \$6,709,959

Other Income

Dividends Received	\$7,900
Interest Received	\$2,395
Sundry Income	\$3,600

Total Other Income \$13,895

Total Revenue \$6,723,854

Electricity Generation Sales

Opuha's current Power Purchase Agreement (PPA) with Trustpower expires on 30 September 2014 with an option to extend the current PPA for a further two year period. It is assumed this option to extend is implemented.

Electricity prices have been based on external expert advice on likely forward prices. Generation volume forecast is based on the 10 year average of recorded historical generation from the Opuha Power Station. These generation records are not audited.

Assumptions to and forming part of the Prospective Financial Statements (continued)

As at 30 June 2015

Water Supply Revenue

Based on subscribers totaling 16,000 hectares, an annual water supply charge of \$197.04 plus GST per hectare is received. Water charges are proposed to remain at the same level as 2013/2014. A 2.5% discount on water supply charges is offered if the water user is on direct debit. It is assumed that the number of users on direct debit remains consistent with prior year levels.

Water Abstraction Charges

TDC water abstraction and additional water charges are subject to an annual CPI increase. At June 2014 quarter an annual increase of 0.7% is assumed.

Scheme Infrastructure Charges

Infrastructure charges are received from those irrigators that receive water through a company owned sub-scheme and are based on the 2013/2014 irrigation season current charges. Scheme charges are assumed to remain at the same level as 2013/2014. A 2.5% discount on scheme infrastructure charges is offered if the water user is on direct debit. It is assumed that the number of users on direct debit remains consistent with prior year levels.

Levels Plain	\$139,969
Kakahu	\$887,718
Totara Valley	\$161,342
Less - Direct Debit Discount 2.5%	(\$25,857)
	<u>\$1,163,172</u>
Sutherlands	\$218,508
Total Scheme Infrastructure Charges	<u><u>\$1,381,680</u></u>

2.3 Expenses

Expenses are recognised on an accruals basis. Prospective expenses are based on the assumption that the contracts, levels of service and staffing existing previously in the merging entities will continue with the Company's operation. It is assumed that inflationary increases will apply to existing contracts and that any additional project services are procured at these adjusted rates.

Operating Expenses

Consultancy & Project Services	\$412,500
Inspection & Survey Costs	\$66,000
Insurance	\$438,000
Motor Vehicle Expenses	\$60,100
Power Station Operations Management Fee	\$288,999
Repairs and Maintenance	\$221,000
Wages & Salaries	\$620,876
Water Measurement, Consent & Compliance R&M	\$111,400
Other Operating Expenses	\$419,581
Total Operating Expenses	<u><u>\$2,638,456</u></u>

2.4 Finance Costs

Finance costs represent interest expense on borrowings. Refer Note 2.5 for assumed interest rates used.

Bank Fees & Charges	\$9,430
Interest Paid - Other	\$14,271
Interest Paid - Loans	\$2,503,592
Total Finance Expenses	<u><u>\$2,527,293</u></u>

2.5 Secured Liabilities

The Company will have available a flexible rate term loan facility of \$43,000,000 with the ANZ National Bank Ltd. At 30 June 2015, the prospective Financial Statements assume that \$35,324,613 will have been drawn on the facility.

The following amounts are assumed to remain subject to Interest Swap Rates (including credit margin of 1.65%)

\$10,800,000 - interest rate: 8.91% p.a. - maturity date 2 April 2019

\$10,800,000 - interest rate: 8.80% p.a. - maturity date 7 January 2019

Assumed Terms of Repayment - Interest only

Assumptions to and forming part of the Prospective Financial Statements (continued)

As at 30 June 2015

Floating - \$6,929,545 - interest rate 4.21% p.a. (including credit margin of 1.50%)
 Fixed 2 Years - \$1,998,550 - interest rate 5.03% p.a. (including credit margin of \$1.50%)
 Fixed 4 Years - \$2,797,969 - interest rate 5.67% p.a. (including credit margin of 1.50%)
 Fixed 5 Years - \$1,998,550 - interest rate 6.06% p.a. (including credit margin of 1.65%)

2.6 Taxation

a) Current Tax

The prospective Financial Statements assume there will be no changes to the NZ tax legislation which would materially affect the tax position of the Company. The tax rate applied is 28 cents in the dollar as this became effective from 1 April 2012.

(a) Statement of Comprehensive Income

Current Income Tax Expense	\$
Profit (Loss) before Income Tax	\$253,808
<u>Add Back Non-Taxable Adjustments</u>	
Revaluation of Interest Rate Swaps	(\$718,493)
Timing Difference in Depreciation	\$419,193
Non-Deductible Restructure Expenses	\$50,000
Net Effect of Imputation Credits on Dividends	\$3,072
Taxable Income	\$7,580
Losses Brought Forward	-
Taxable Profit/(Loss)	<u>\$7,580</u>
Current Income Tax Expense	\$2,122
Deferred Income Tax Expense	\$
Movement in Temporary Differences	\$299,300
Deferred Income Tax Expense 28%	\$83,804
Total Tax Expense	<u>\$85,926</u>

(b) Statement of Financial Position

Income Tax Liability	
Tax on Taxable Income	\$0
Taxation Opening Balance	\$147,516
Less Terminal Tax Paid	(\$147,516)
Resident Withholding Tax Paid	-\$671
Income Tax Payable (Receivable)	<u>(\$671)</u>

2.7 Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts for tax purposes. Deferred tax assets and liabilities are assumed to be attributable to the following:

Assets	\$
Derivatives	\$447,696
Tax Assets / (Liabilities)	<u>\$447,696</u>
Liabilities	
Property, Plant and Equipment (PPE)	(\$5,421,914)
Tax Assets / (Liabilities)	<u>(\$5,421,914)</u>
Net	
Derivatives	\$447,696
Property, Plant and Equipment (PPE)	(\$5,421,914)
Tax Assets / (Liabilities)	<u>(\$4,974,218)</u>

Assumptions to and forming part of the Prospective Financial Statements (continued)

As at 30 June 2015

2.8 Goods and Services Tax (GST)

The Financial Statements are prepared on a GST exclusive basis except in respect of Sundry Debtors and Sundry Creditors, which the amounts include GST.

GST Receivable	(\$15,481)
Total GST Payable (Receivable)	<u>(\$15,481)</u>

2.9 Sundry Debtors

Sundry Debtors are recognised at the transaction price. In relation to the prospective Financial Statements it is assumed that 90% of sundry trade debtors are collected within 30 days of month end and the balance within 60 days.

Sundry Debtors - Trade	\$627,454
Sundry Debtors - Other	\$13,200
Total Sundry Debtors	<u>\$640,654</u>

2.10 Sundry Creditors

Sundry Creditors are recognised at the transaction price. In relation to the prospective Financial Statements it is assumed that 100% of sundry creditors are paid the month following.

Sundry Creditors - Trade	\$168,704
Provision for Holiday Pay	\$31,889
Total Sundry Creditors	<u>\$200,593</u>

2.11 Interest Payable

Interest payable represents one month accrual based on the assumed debt position of the Company as detailed in note 2.5. Interest is assumed to be paid monthly in arrears.

ANZ National Bank - Term Loans	\$208,289
Total Interest Payable	<u>\$208,289</u>

2.12 Prepayments

Prepayments are recognised initially at the transaction price and subsequently amortised over the appropriate period.

Insurance Premium	\$357,829
Total Prepayments	<u>\$357,829</u>

2.13 Contingencies and Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of past events. It is assumed no contingencies or provisions are required.

2.14 Impairment

Impairment – Non-Financial Assets

As at the date of amalgamation/acquisition an independent valuer assessed the Enterprise Value of the Company at \$81.002m inclusive of an Implied Fixed Assets value of \$63.719m. It is assumed that the Enterprise Value has not reduced such that no impairment loss is required to be recognised.

Impairment – Financial Assets

All financial assets are stated at their assumed fair value and no impairment loss is required to be recognised.

2.15 Financial Instruments and Assets

Financial Instruments

The Company is a party to financial instruments to meet its financing needs.

Assumptions to and forming part of the Prospective Financial Statements (continued)

As at 30 June 2015

2.16 Derivatives

Derivatives include interest rate swaps and are initially recognised at fair value on the date a contract is entered into and are subsequently remeasured to their value at each reporting date. The assumed value of the derivatives have been provided by ANZ National Bank using implied market rates as at the date of preparation of the prospective Financial Statements. Any movements have been reflected in the Statement of Comprehensive Income.

2.17 Employee Entitlements

Annual leave is recorded at the amount expected to be paid for the entitlement earned. Staffing levels, salaries and any salary increases are assumed to remain consistent with previous periods.

2.18 Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less.

ANZ National Bank - Cheque Account	\$540,013
Petty Cash	\$99
Total Cash & Bank Balances	<u>\$540,112</u>

2.19 Share Capital (upon completion of the Merger Proposal)

Paid up Share Capital - 16,000 Ordinary "Water" Shares	16,000
Paid up Share Capital - 3,296 "L" Class Shares	3,296
Paid up Share Capital - 3,208 "K" Class Shares	3,208
Paid up Share Capital - 2,664 "T" Class Shares	2,664
Paid up Share Capital - 526 "D" Class Shares	526
Total Share Capital	<u>25,694</u>

All Ordinary "Water" Shares have equal voting rights. The shares have a nominal value of \$1.00 each. The shares issued to farmers within the scheme have contracts to receive water covering 16,000 hectares. It is intended that each shareholder holds one paid "Water" share for each hectare of irrigated land held within the scheme area.

2.20 Statement of Cash Flows

Cash and cash equivalents include cash on hand and at the bank. The following terms are used in the statement of cash flows:

Operating activities are activities of the Company and any activities that do not constitute financing or investing activities.

Financing activities are activities that will result in changes to the size and composition of the contributed equity and borrowings of the Company.

Investing activities are activities that will result in changes to the size and composition of both Fixed and Current Assets.

2.21 Directors' Fees

Total Directors' Fees are assumed to remain unchanged.	\$90,000
	<u>\$90,000</u>

2.22 Contingent Liabilities

It is assumed that the Company has no contingent liabilities as at 1 July 2014.

2.23 Capital Commitments

It is assumed that the Company has no capital commitments as at 1 July 2014.

3 ACCOUNTING POLICIES

The Company's accounting policies will remain consistent throughout the periods covered by the prospective Financial Statements and are in line with that previously adopted by Opuha Water Limited. This does represent a change in accounting policies of SCFIS Ltd due to the change in extent of operations following the proposed amalgamation and acquisition transactions. However, this is not expected to have a significant effect on the prospective financial accounts.

Assumptions to and forming part of the Prospective Financial Statements (continued)

As at 30 June 2015

It is assumed that there will be no material change in the Companies Act, Financial Reporting Act and the Financial Reporting Order during the periods.

Specific Accounting Policies**3.1 Property, Plant & Equipment**

The stated cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted retrospectively if appropriate, if there is an indication of a significant change since the last reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other gains/(losses) net in the Statement of Comprehensive Income.

Subsequent Costs

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when the cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be reliably identified. All other costs are recognised in the Statement of Comprehensive Income as an expense when incurred.

3.2 Revenue

Revenue is recognised on an accruals basis. Revenue from the sale of goods is recognised when the Company has transferred to the buyer the significant risks and rewards of ownership of goods. Risks and rewards are considered transferred to the buyer at the delivery of the goods to the customer. Interest revenue is recognised on an accruals basis using the effective interest method.

3.3 Expenses

Expenses are recognised when it is probable that any future economic benefit associated with the item will flow from the Company, and, when the item has a cost or value that can be measured reliably. Expenses have been classified by nature.

3.4 Finance Costs

Finance costs represent interest expense on borrowings and fair value movements on derivatives designed as effective hedges. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the Statement of Comprehensive Income using the effective interest method.

3.5 Research and Development Costs

Research expenditure is recognised in the profit and loss in the period in which it is incurred. Development costs are capitalised if future benefits are expected to exceed those costs.

3.6 Income Tax**a) Current Tax**

Tax expense comprises current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, adjusted for tax payable in respect of previous years. The prospective Financial Statements assume there will be no changes to the NZ tax legislation which would materially affect tax position of the Company. The tax rate applied is 28 cents in the dollar as this became effective from 1 April 2012.

b) Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts for tax purposes. Deferred tax is measured at tax rates that are expected to apply to temporary differences when they reverse using tax rates enacted or substantially enacted at year end. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they will be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the tax related benefit will be realised.

3.7 Goods and Services Tax (GST)

The Financial Statements are prepared on a GST exclusive basis except where the expenditure incurring the GST charge is one in respect of which a claim for recovery of the GST is not allowed by the Inland Revenue. In these cases and in respect of Sundry and Sundry Creditors, the amounts include GST.

Assumptions to and forming part of the Prospective Financial Statements (continued)

As at 30 June 2015

3.8 Sundry Debtors

Sundry Debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of sundry debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Bad debts are written off as incurred. In relation to the prospective Financial Statements it is assumed that 90% of sundry debtors are collected within 30 days of month end and the balance within 60 days.

3.9 Sundry Creditors

Sundry Creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method. Sundry Creditors are stated at the full amount required to satisfy the legal obligations to the supplier. Due to their short term nature they are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition. Due to their short term nature their carrying value is assumed to approximate their fair value. In relation to the prospective Financial Statements it is assumed that 100% of sundry creditors are paid the month following.

3.10 Prepayments

Prepayments are recognised initially at the transaction price and subsequently amortised over the appropriate period.

3.11 Contingencies and Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that a transfer of economic benefits will be required to settle the obligation, and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting future cash flows. Where discounting is used, the increase in the provision for the passage of time is recognised as a finance cost.

3.12 Impairment

a) Impairment – Non-Financial Assets

Assets other than deferred tax assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the Statement of Comprehensive Income. The recoverable amount is determined as the higher of value in use less costs to sell. Any reversal of the impairment loss is recognised in the Statement of Comprehensive Income.

b) Impairment – Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows. All impairment losses are recognised in the Statement of Comprehensive Income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the loss was recognised.

3.13 Financial Instruments and Assets

a) Financial Instruments

Financial instruments are recognised when the Company becomes partner to a financial contract. They include bank funds, bank overdrafts, receivables, payables, investments, derivatives and term borrowings. The Company is a party to financial instruments to meet its financing needs.

b) Financial Assets

Financial assets are recognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. The estimated fair value of the Company's financial instruments and assets are considered to be materially the same as their carrying amounts as disclosed in the Statement of Financial Position.

c) Standard and Interpretations In Issue Not Yet Adopted

At 1 July 2014, a number of standards and interpretations were in issue but not yet effective. Initial application of the following standard applicable to SCFIS Limited is not expected to have any material impact to the prospective Financial Statements.

NZ IFRS 9 - Financial Instruments

Effective Date 1 January 2017

Assumptions to and forming part of the Prospective Financial Statements (continued)

As at 30 June 2015**d) Financial Liabilities and Equity Instruments**

Financial liabilities are recognised if the Company's obligations specified in the contract expire, are discharged or are cancelled. Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.14 Interest Bearing Liabilities and Borrowing

Interest bearing borrowings are initially recognised at fair value net of attributable transaction costs incurred. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost using the interest method which allocates the cost through the expected life of the borrowings.

3.15 Derivatives

Derivatives are initially recognised at fair value on the date a contract is entered into and are subsequently remeasured to their fair value at each reporting date. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. The fair value of derivatives is based on valuations prepared by the counterparty, based on prevailing market rates. Changes in fair values of derivatives are recognised in the profit and loss within finance expenses. The net differential paid or received on interest rate swaps is recognised as a component of interest expense or revenue over the period of the Agreement.

3.16 Employee Entitlements

Liabilities for annual leave are accrued and recognised in the Statement of Financial Position. Annual leave is recorded at the amount expected to be paid for the entitlement earned.

3.17 Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown in current liabilities on the Statement of Financial Position.

3.18 Finance Expenses

Finance expenses comprise interest expense on borrowings that are recognised in the Statement of Comprehensive Income. All borrowing costs are recognised in the Statement of Comprehensive Income using the effective interest method.

3.19 Fair Value

The Directors consider that the carrying amounts of financial assets and liabilities recognised in the prospective Financial Statements approximate their fair values.

AUDIT REVIEW LETTER



Independent auditor's report

To the Readers of the Prospectus of SCFIS Limited

As auditor of SCFIS Limited (the Company) we have prepared this report pursuant to clause 9(6) of the Securities Act (SCFIS Limited) Exemption Notice 2014 for inclusion in the prospectus dated 27 May 2014.

Report on the prospective financial information

Directors' responsibility for the prospective financial information

The Directors are responsible for the preparation and presentation of prospective financial information, including the assumptions on which the prospective financial information is based, in accordance with the requirements of clause 9(3) of the Securities Act (SCFIS Limited) Exemption Notice 2014.

This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and presentation of the prospective financial information that is free from material misstatement, whether due to fraud or error. It also includes selecting the assumptions and policies upon which it is based, making judgements and estimates that are reasonable in the circumstances, and maintaining adequate records in relation to the prospective financial information.

Auditor's responsibility for the prospective financial information

Our responsibility is to examine the prospective financial information and express a reasonable assurance opinion on whether the prospective financial information, so far as the accounting policies and calculations are concerned, has been properly compiled, in all material respects, on the footing of the assumptions made or adopted by the group, as set out on pages 34 to 38 and pages 44 to 49 of this prospectus, and is presented, in all material respects, on a basis consistent with the accounting policies adopted by the Company.

Our engagement was conducted in accordance with International Standard on Assurance Engagements (New Zealand) (ISAE (NZ)) 3000, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the External Reporting Board of New Zealand. That standard requires that we comply with ethical requirements, including independence requirements, and plan and perform our procedures to obtain reasonable assurance about whether the Company's prospective financial information has been properly compiled in all material respects, on the footing of the assumptions made or adopted by the Company, as set out on pages 34 to 38 and pages 44 to 49 of the Prospectus and is presented, in all material respects, on a basis consistent with the accounting policies normally adopted by the Company.

The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the prospective financial information for the Company, whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the prospective financial information in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the preparation and presentation of the prospective financial information.



Prospective financial information relates to events and actions that have not yet occurred and may not occur. It is likely that actual results will vary from those forecasted. Accordingly, we are not in a position to express an opinion as to whether the results shown in the prospective financial information will be achieved.

Opinion on the prospective financial information

In our opinion, the prospective financial information, so far as the accounting policies and calculations are concerned, has been properly compiled, in all material respects, on the footing of the assumptions made or adopted by the Company, as set out on pages 34 to 38 and pages 44 to 49 of this prospectus, and is presented, in all material respects, on a basis consistent with the accounting policies to be adopted by the Company, as set out on pages 49 to 52.

We do not express any opinion as to whether the results shown in the prospective financial information will be achieved.

Other matters

Independence

Our firm has also provided other services to the Company in relation to taxation. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditors of the Company. The firm has no other relationship with, or interest in, the Company.

Responsibility for updating

We have no responsibility to update our opinion on the prospective financial information for event and circumstances occurring after the date of this report.

Restriction on use

This report has been prepared for inclusion in the prospectus for the purpose of meeting the requirements of clause 9(6) of the Securities Act (SCFIS Limited) Exemption Notice 2014. We disclaim any assumption of responsibility for reliance on this report or the amounts included in or the prospective financial information for any purpose other than that for which they were prepared. In addition, we take no responsibility for, nor do we report on, any part of the prospectus not specifically mentioned in this report.

Auditor's consent

In accordance with regulation 18(1)(c)(ii) of the Securities Regulations 2009, we hereby give our consent to the inclusion of this report in the prospectus in the form in which it appears. We also confirm that we have not, before delivery of this prospectus, withdrawn our consent to the issue thereof.

27 May 2014
Christchurch

PROSPECTUS INFORMATION

DETAILS OF OFFER OF SHARES

SCFIS Limited (*the Company*) is a co-operative company registered under the Co-operative Companies Act 1996. This Offer Document is issued in compliance with the provisions of the Securities Act (Co-operative Companies) Exemption Notice 2013 as amended by the Securities Act (SCFIS Limited) Exemption Notice 2014.

1 MAIN TERMS OF OFFER

1.1 The issuer is SCFIS Limited whose registered office is at Quantum Advantage Limited, 4C Sefton Street East, (PO Box 869), Timaru 7910.

1.2 The promoter is Opuha Water Limited. The registered office is 875 Arowhenua Road, RD 4, Timaru 7974.

1.3 The securities that will be issued under the Merger Proposal are shares in the capital of SCFIS Limited (to be renamed Opuha Water Limited) (*the Company*). The shares are:

3,296 Water Shares

3,296 L Shares

3,208 K Shares

2,664 T Shares

526 D Shares

All Water Shares will have a right to receive a supply of water as set out below. The Infrastructure Shares have no voting rights (except at a class meeting) and are to protect rights relating to the infrastructure that conveys water in particular areas of the Scheme. Further details of the rights attached to the Infrastructure Shares and D Shares are set out on pages 9 and 9.

1.4 The Company is offering shares to a number of entities under the Merger Proposal. The shares being offered are:

3,296 Water Shares, 526 D shares and 3,296 L Shares to Levels Plain as part of the amalgamation proposal under which the existing shares in LPIC will be cancelled and the above new shares will be issued by the Company to the shareholders of Levels Plain.

3,208 K Shares to Kakahu in exchange for the acquisition of the assets and assumption of liabilities of Kakahu. Those shares will then be distributed to the shareholders of Kakahu on the liquidation or strike off of Kakahu.

2,664 T Shares to Totara in exchange for the acquisition of the assets and assumption of liabilities of Totara. Those shares will then be distributed to the shareholders of Totara on the liquidation or strike off of Totara.

1.5 The shares issued as set out in clause 1.4 to Kakahu and Totara will in due course be distributed to the shareholders of Kakahu and Totara on the liquidation of those companies. At the same time 3,208 Water Shares held in the Company by Kakahu will also be distributed to the shareholders of Kakahu. The shares to be distributed will be:

(a) by Kakahu 3,208 existing Water Shares held in the Company and 3,208 K Shares to be issued as above;

(b) by Totara 2,664 T Shares to be issued as above.

1.6 The Water and Infrastructure Shares being offered under this Offer Document have a nominal share value of one dollar (\$1.00) each

The holders of the D Shares have a right for one year from the Implementation Date to surrender each D Share for \$50. On the expiry of that one year period each D Share will have a nominal value of \$1.00 each.

The nominal value only applies where shares are surrendered or repurchased. In the event of a liquidation of the Company then on a distribution of any surplus assets the surplus will be distributed first to the holders of the Infrastructure Shares and D Shares and then to the holders of the Water Shares. The amount distributable to the holders of Infrastructure Shares and D Shares will be limited to 14.544/81.002 of the distributable amount. Further details are set out on pages 9 and 9 of this Offer Document and in the Merger Proposal.

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 registered under those Acts on 12 November 2013. Previously the Company was registered as an Industrial and Provident Society under the Industrial and Provident Societies Act 1908.

2.2 The registered number of the Company is 4776799 and the public file of the Company can be accessed on the public register at the Companies Office of the Ministry of Economic Development and documents and other papers are available from the Companies Office website www.business.govt.nz/companies.

3 OTHER TERMS OF OFFER

3.1 Share Requirement for Water Supply

Under the Constitution of the Company and the Water Agreement the Directors can determine how many shares in the Company must be held for each hectare of land for which water is required for irrigation. The current requirement is 1 Water Share to receive water at a standard flow rate of 0.41336 litres per second based on an application rate equivalent to 25mm of water per hectare per week with a seasonable cap of 5,625m³ for each Irrigation Season. In addition Infrastructure Shares must be held to access the relevant infrastructure. The directors have the right to change the number of shares which must

be held in order to qualify for the supply of water from the Company.

3.2 Requirement for Water Supply Agreement

All shareholders are required to enter into a Water Agreement with the Company in order to receive water. If there should be a breach of the terms and provisions of that Water Agreement by a shareholder then the Company has the right to either cease supplying water, or to suspend the supply of water, or to cancel the Water Agreement and surrender the shares of that shareholder. In this event the shares are surrendered at the Nominal Value.

3.3 Dividends and Rebates

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

3.4 Transfer of shares (including both existing shares and the shares contained under this offer)

Shareholders are permitted to transfer shares under the provisions of the Constitution of the Company, and the right to water under the Water Agreement, provided those shares and/or water are transferred as set out below:

- (a) **Sale of Property:** Where the property to which the shares relate is being transferred the shares held by the transferring shareholder and which relate to the property are transferred to the transferee of that property and the transferee also signs a Water Agreement and holds the property and shares in the same names; or
- (b) **Transfer to another property:** The rights to water attached to shares are transferred to another property owned or farmed by the Shareholder with the prior written consent of the Company, which consent may be withheld without giving any reason or be given on such conditions as the Company determines, provided that the property to which the water is delivered is within the Scheme Area and can be served from the Distribution System; or
- (c) **Transfer of Shares and Water Rights:** The shares and the rights to water attached thereto may be transferred to a person or entity that owns or farms a property in the area serviced by the Distribution System subject to the prior written consent of the Company which consent may be withheld without giving any reason or may be given on such conditions as the Company determines including the entering into of a Water Agreement.
- (d) **Licensing of Water:** A Shareholder may license the right to water to a person who farms a property within the Scheme Area which is serviced by the Distribution System subject to a number of matters

set out in the Water Agreement including the prior written consent of the Company.

- (e) **Subdivision of Property:** If the property is subdivided, and provided a water connection to the Scheme is available, the shareholder may make arrangements with the Company for the water rights to be varied so that they are reallocated over the subdivided property. The Company will only enter into such an arrangement where it is practical and economic to do so and the minimum number of shares continue to be held.

3.5 Annual Charges

The Company sets annual charges for all shareholders as part of its budget for each year. The prospective financial statements forming part of this Offer Document sets out the basis for these charges. Where debt has been incurred for infrastructure costs relating to a particular part of the irrigation infrastructure, or additional costs are incurred for part of the infrastructure, the shareholders who take water in that area have included in their annual charges the costs, including interest and amortisation of debt, relating to that part of the distribution system. Accordingly there are variable charges payable by shareholders depending on the part of the infrastructure from which they take and receive water.

The charges payable per hectare for the current Irrigation Season are:

- For Levels Plain Shareholders per hectare \$237.92
- For Totara Shareholders (per hectare) range between \$239 - \$289.36
- For Kakahu Shareholders (per hectare) \$473.72
- For SCFIS Shareholders (per hectare) \$197
- For Sutherlands (per hectare) \$387.58 - \$456.53

It is not expected that as a result of the Merger Proposal there will be any change to the method of charging or to the current charges for the next Irrigation Season being the 2014/2015 season.

3.6 Water Availability

The constitution of the Company and the Water Agreement restrict the amount of water to which a shareholder is entitled. In addition the resource consents affecting the land may impose conditions under which if a shareholder also has bore water the aggregate amount of water which a shareholder can use, including the water provided by the Company, may be restricted. This is determined under the terms of the resource consents and may arise from directions given by ECan. For every 1 Water Share held a shareholder will receive, subject to reliability and the availability of water under resource consents, water at a standard flow rate on the days specified by the Company or such other rate as may be determined for all shareholders taking water from the Scheme. The current arrangement to receive water for irrigation is

that for every 1 Water Share held the shareholder will receive water at a standard flow rate of 0.41336 litres per second based on an application rate equivalent to 25mm of water per hectare per week with a seasonable cap of 5,625m³ for each Irrigation Season. Infrastructure Shares must also be held to access the infrastructure through which water is delivered.

4 **RISKS**

There are a number of risks for Shareholders of the Company and in applying for Shares Shareholders should take account the risks set out on pages 23 to 26. The risks are those which the directors foresee could or may arise for the Company. There may be other unforeseen risks that also arise.

5 **MATERIAL MATTERS RELATING TO COMPANY**

5.1 In the 12 months prior to the date of registration of this Offer Document the assets held, and the operations carried on by each of the Merging Entities are as follows:

(a) Levels Plain, Kakahu and Totara were the only companies which owned irrigation distribution infrastructure. This included pipes, races, gates, measuring equipment and other infrastructure. This was used to distribute water to shareholders. The business of the companies was to take water, under resource consents held for that purpose, from various rivers, and distribute that water to shareholders.

(b) Opuha owned a dam, electrical generation equipment and various resource consents to create Lake Opuha and use that water for environmental, generation and irrigation purposes. The business of Opuha was to use the water for generation and irrigation but a requirement was also to release water for environmental purposes to maintain river flows.

5.2 The Company has entered into a sale and purchase agreement dated 20 May 2014 with Kakahu under which the Company will purchase all of the assets of Kakahu (other than the Water Shares in the Company that it holds), and will assume all of the liabilities of Kakahu, as at 1 July 2014. The assets of Kakahu comprise a number of pipes, races, and other infrastructure together with resource consents required to distribute water available from the Opuha Lake to the shareholders of Kakahu. The current assets and current liabilities of Kakahu are approximately the same, and in addition Kakahu owes to its bankers as at 1 April 2014 (which amount will be owing on settlement) \$8,390,000. That amount will be refinanced by the Company as part of the Merger Proposal. The consideration payable by the Company to Kakahu for the acquisition of those assets (after taking into account the assumption of the liabilities) is 3,208 Infrastructure Shares which will be classified as K Shares.

5.3 The Company has entered into a sale and purchase agreement dated 20 May 2014 with Totara under which the Company will purchase

all of the assets of Totara, and will assume all of the liabilities of Totara, as at 1 July 2014. The assets of Totara comprise a number of pipes, races, and other infrastructure assets including resource consents required to distribute water available from the Opuha Lake to the shareholders of Totara. The current assets and current liabilities of Totara are approximately the same and in addition Totara owes to its bankers as at 1 April 2014 (which amount will be owing on settlement) \$238,488. That amount will be refinanced by the Company as part of the Merger Proposal. The consideration payable by the Company to Totara for the acquisition of those assets (after taking into account the assumption of the liabilities) is 2,664 T Shares.

5.4 Copies of the above agreements for sale and purchase are available on the website of the Company www.opuhawater.co.nz.

5.5 Under the Securities Act (SCFIS Limited) Exemption Notice 2014 further information is required to be provided to all persons who are participating in the Merger Proposal as potential shareholders of the Company. This information includes:

(a) Audited financial statements for the year ended 30 June 2013.

(b) The opening statement of financial position of the Company as at 1 July 2014 preparing on the basis the Merger Proposal has been implemented.

(c) The prospective statement of financial performance and prospective statement of cashflows for the Company for the period from 1 July 2014 to 30 June 2015 prepared in accordance with FRS-42.

(d) A summary of the independent valuation from Peter Seed as set out on pages 15 and 16.

6 **RELEVANT DATES**

Meetings of the shareholders of the Company, Levels Plain, Totara and Kakahu will be called to vote on various resolutions to implement the Merger Proposal. All of the meetings are to be held on 25 June 2014 commencing at 1pm for the meeting of shareholders of Levels Plain, with the meeting of shareholders of the Company to be held at 1.45pm, for Totara shareholders at 3pm and Kakahu shareholders at 3.30pm.

If any meeting is delayed the times for the other meetings will be similarly delayed.

If each of the resolutions relating to the Merger Proposal are passed then the Merger Proposal will be implemented at 8am on 1 July 2014

7 **FINANCIAL STATEMENTS**

7.1 Attached to this Offer Document are the audited financial statements of the Company for the year ending 30 June 2013. These financial statements have been sent to all shareholders and are available to be viewed on the Company website, www.opuhawater.co.nz.

7.2 The audited financial statements to 30 June 2013 did not consolidate the assets and liabilities of Opuha Water Limited as directors appointed by the Company did not control the board of

directors of Opuha Water Limited. If that consolidation had occurred it will not affect the financial position arising from the Merger Proposal as the opening statement of financial position for the Company as at 1 July 2014 includes that consolidation.

7.3 The audited annual financial statements of the Company to 30 June 2013 are available free of charge from the Company.

8 STATEMENT FROM DIRECTORS

8.1 The directors state that no material adverse matters relating to the offer of the securities have occurred or arisen between 1 July 2013 and the date of this Offer Document.

8.2 The directors state, that in their opinion, after they have made due inquiry in relation to the period from 1 July 2013 to the date of registration of this Offer Document, no circumstances have arisen other than those set out in the Merger Proposal that materially adversely affect:

- (a) the trading or profitability of the Company;
- (b) the value of the assets of the Company;
- (c) the ability of the Company to pay its liabilities due within the next twelve months.

9 SECURITIES REGULATIONS/EXEMPTION NOTICE

9.1 The shares being offered under this Offer Document are being offered under the Securities Act (Co-operative Companies) Exemption Notice 2013 and the Securities Act (SCFIS Limited) Exemption Notice.

9.2 The Securities Regulations 2009 apply to the offer under this Offer Document subject to the exemption notices referred to in clause 9.1.

10 INSPECTION OF DOCUMENTS

10.1 The constitution of the Company and the audited financial statements for the Company for the year ended 30 June 2013 may be inspected during normal office hours of 8.30 am to 5 pm at the registered office of the Company at Quantum Advantage Limited, 4C Sefton Street East, Timaru 7910, without payment of a fee.

10.2 The constitution and the audited financial statements to 30 June 2013 can also be examined on the website of the Company at www.opuhawater.co.nz and on the public file of the Company at the Business Registries Division of the Ministry of Economic Development website www.business.govt.nz/companies.

Signed by the directors of Opuha Water Limited as Promoter:



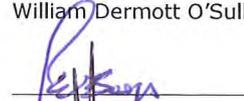
Thomas Craig Lambie



William Dermott O'Sullivan



Alvin John Reid



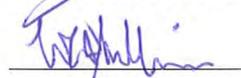
Jeremy William Boys



Nigel James Gormack



Nicola Alice Orbell Hyslop



Antony Charles Howey

(by his authorised agent W D O'Sullivan)

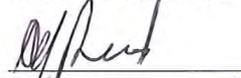
Signed by the directors of SCFIS Limited as the Issuer:



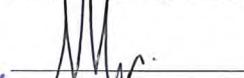
Thomas Craig Lambie



William Dermott O'Sullivan



Alvin John Reid



Nicola Alice Orbell Hyslop



Nigel James Gormack



Antony Charles Howey

(by his authorised agent W D O'Sullivan)

Dated this 27th day of May 2014

DIRECTORY

Directors of SCFIS Limited as Issuer:

T C Lambie
W D O'Sullivan
A J Reid
N J Gormack
A C Howey
N A O Hyslop

Accountant:

Quantum Advantage Limited
4C Sefton Street East
PO Box 869
Timaru 7940

Solicitor:

Tavendale & Partners
255 Havelock Street
PO Box 100
ASHBURTON 7740

Solicitor to Offer:

D J Stock
Level 3, White Fox & Jones House
P O Box 29443
22 Moorhouse Avenue
CHRISTCHURCH

Directors of Opuha Water Limited as Promoter:

T C Lambie
W D O'Sullivan
A J Reid
J W Boys
N J Gormack
A C Howey
N A O Hyslop

Auditors to the Offer:

KPMG
Level 3, 62 Worcester Boulevard
PO Box 1739
Christchurch

Auditors to 2013 Annual Financial Statements:

Mitchell McCleary
Chartered Accountants
PO Box 40
TIMARU

Promoter

Opuha Water Limited
875 Arowhenua Road
RD 4
Timaru 7974

GLOSSARY:

Definitions

Capitalised terms used in this Offer Document have the specific meaning given to them in the Glossary, which can be found at page 59.

All references to dates and time are to dates and times in New Zealand.

All references to \$ are to New Zealand dollars.

This Offer Document refers to various legislation in force in New Zealand from time to time. Copies of any such legislation may be viewed online at www.legislation.govt.nz free of charge.

The following definitions are used in this Offer Document:

Act means the Securities Act 1978;

Business Day means a day of week other than Saturday, Sunday or a public holiday, on which banks are open for normal banking business in Ashburton;

the Company and **Company** means SCFIS Limited;

cumecs means cubic metres per second;

Distribution System means the ponds, canals, races and other infrastructure to deliver water within the Scheme Area;

D Shares are the 526 shares issued to holders of dry shares in Levels Plain;

ECan means Environment Canterbury;

Exemption Notice is the Securities Act (Co-operative Companies) Exemption Notice 2013;

Group means the Merging Entities;

Implementation Date is the date on which the merger is to take effect;

Infrastructure Shares means the following shares to be issued by the Company:

- 3,208 K Shares
- 2,664 T Shares
- 3,296 L Shares

Irrigation Season means the period from 1 September to the following 31 May;

Kakahu means Kakahu Irrigation Limited;

Levels Holdings means Levels Plain Holdings Limited;

Levels Irrigation means Levels Irrigation Limited;

Levels Plain means Levels Plain Irrigation Co. Limited;

LWRP means the Canterbury Land and Water Regional Plan;

l/s is litres per second;

Merger Proposal means the proposal under which the following will occur:

- (a) Levels Holdings, Levels Irrigation, Levels Plain, SCFIS Holdings and Opuha will be amalgamated into the Company and under that amalgamation Water Shares and a special class of Infrastructure Shares (**L Shares**) and D Shares will be issued by the Company to the shareholders of Levels Plain.
- (b) The Company will acquire the assets of Kakahu, and assume all liabilities of Kakahu and a special class of infrastructure shares (**K Shares**) will be issued by the Company to Kakahu with Kakahu then being liquidated and those shares distributed to the shareholders of Kakahu.
- (c) The Company will acquire the assets of Totara, and assume all liabilities of Totara and a special class of infrastructure shares (**T Shares**) will be issued by the Company to Totara with Totara then being liquidated and those shares distributed to the shareholders of Totara.
- (d) The existing Water Shares held by Kakahu in the Company will be distributed to the shareholders of Kakahu as a result of a liquidation of Kakahu.

Merging Entities means each of SCFIS, SCFIS Holdings, Totara, Kakahu, Opuha, Levels Plain, Levels Holdings and Levels Irrigation;

Offer means the offer of shares under this combined prospectus and investment statement;

Offer Document means the Prospectus and Investment Statement contained in this document;

Offer Shares means shares offered for application under this Offer Document which will be distributed as part of the Merger Proposal;

Opuha means Opuha Water Limited;

Opuha Dam means the dam created on the Opuha River outside Fairlie;

Opuha Lake means the body of water behind the Opuha Dam;

ORRP means the Opihi River Regional Plan;

pro forma financial statements means condensed unaudited pro forma financial statements prepared under FRS-42 for the Merging Entities;

Promoter means Opuha Water Limited;

SCFIS means:

- SCFIS Limited; and
- includes the industrial and provident society that was converted into SCFIS Limited

SCFIS Holdings means SCFIS Holdings Limited;

Scheme means the irrigation distribution system supplying water for irrigation to farmers in the Scheme Area who are also shareholders of the Company;

Scheme Area means the area of the Scheme within which water is delivered as set out on the attached map.

Securities Act means the Securities Act 1978;

Securities Regulations means the Securities Regulations 2011;

Shareholder means a shareholder or property owner in the Scheme Area who is entitled to be issued with shares under this Offer Document;

specified date is the date of registration of the Prospectus;

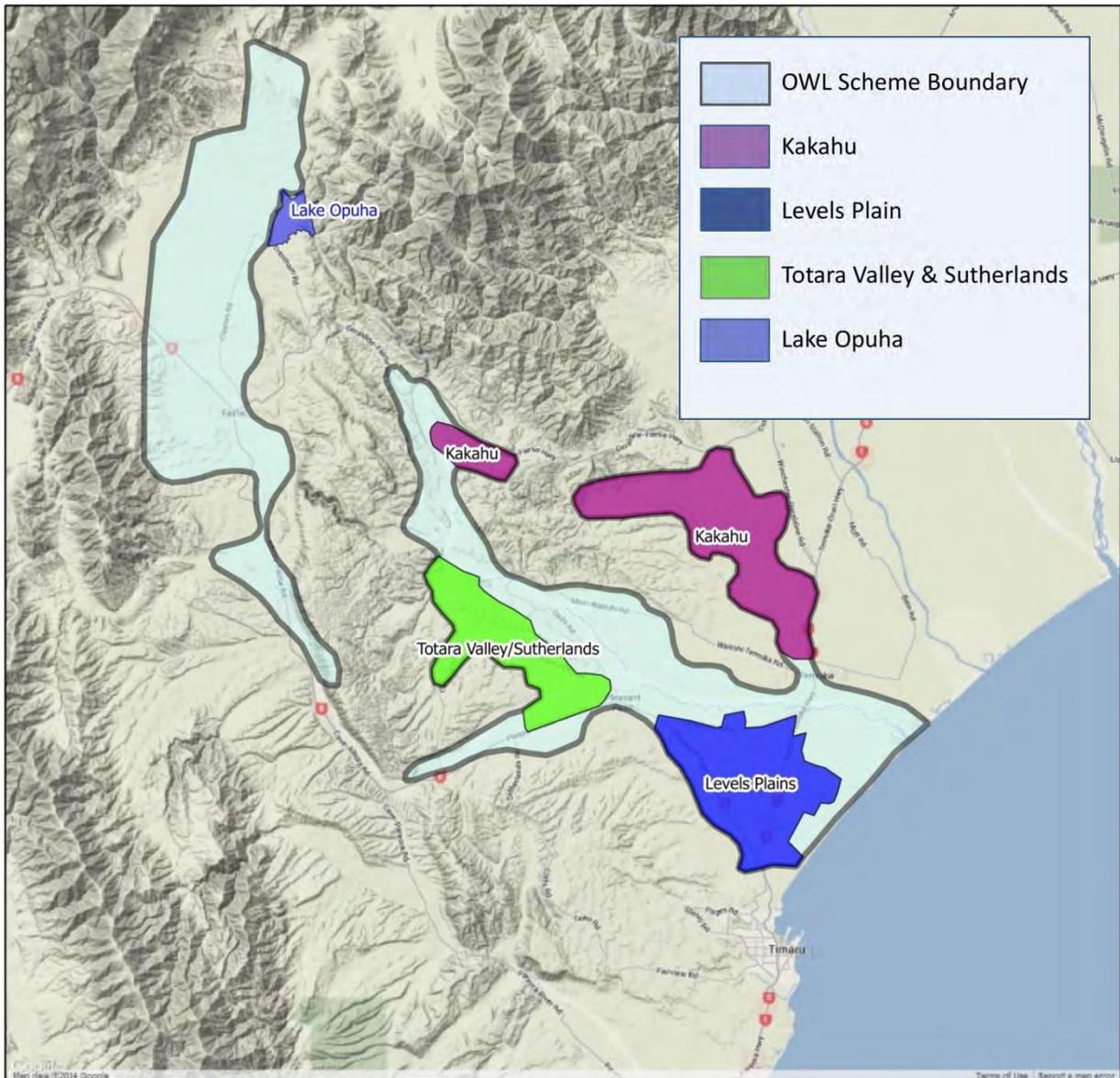
Totara means Totara Valley Irrigation Limited

Water Agreement comprises the agreement and terms of supply attached to this Offer Document;

Water per Share is the right to receive (subject to reliability) a delivery rate of 0.41336 litres per second of water for every one Water Share held in the Company based on an application rate equivalent to 25mm of water per hectare per week and with a seasonal cap of 5,625m³ for each Irrigation Season and with the right of the Board at its discretion to vary the application rate at the request of a Shareholder or such other rate as may be determined by the Board;

Water Shares means the 16,000 water shares on issue in the Company;

MAPS OF SCHEME AREA



Opuha Scheme Area
showing irrigation
sub-schemes

**SOUTH CANTERBURY FARMERS
IRRIGATION SOCIETY LTD**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2013**

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DIRECTORY

BOARD OF DIRECTORS

Thomas George Henderson (Chairman)
William Dermott O’Sullivan (Vice-Chairman)
Thomas Craig Lambie
Quintin Mitchell
Jeffrey John Warne Pearse
John Edward (Stan) Taylor
Alvin John Reid

ACCOUNTANTS

Quantum Advantage Ltd
269 Stafford Street
PO Box 869
Timaru 7940

SOLICITORS

RSM Law Limited
Barristers and Solicitors
17 Strathallan Street
PO Box 557
Timaru 7940

AUDITORS

Mitchell Audit
Chartered Accountants
57A Theodosia Street
Timaru 7910

REGISTERED OFFICE

269 Stafford Street
Timaru 7910

POSTAL ADDRESS

PO Box 869
Timaru 7940

ANNUAL REPORT: ADDITIONAL DISCLOSURES

Your Directors have pleasure in submitting their 2013 Report and Financial Statements.

PRINCIPAL ACTIVITIES

The group's principal activity was to hold on behalf of its Shareholders an 81.30% investment in Opuha Water Limited, an infrastructure company that predominantly generates electricity and supplies water for irrigation purposes.

RESULTS AND DISTRIBUTIONS

The groups profit / (loss) net of tax for the financial year was \$(2,560). There were no dividends paid during the year.

REVIEW OF OPERATIONS

Background

On 10 October 1995 the group signed an agreement to participate in the construction of the Opuha Dam. The group's commitment was for 6.04% of the equity required to complete the project. It is estimated that this would be in the region of \$812,500. This amount was fully paid over the construction period.

Prior to Christmas 1998 the group joined two other parties to acquire the shares held by the Timaru District Council in the Opuha Dam Partnership. This brought the groups holding up to 8.60%.

On the 2nd April 2007 the Group participated with Levels Plain Irrigation Ltd to acquire 100% of the Opuha Dam project through Opuha Water Limited. As a result the Group now effectively owns 81.30% of the entire project.

This holding, together with those held by Levels Plain Irrigation Company Ltd, has been combined into one entity called Opuha Water Limited. Since then the Group has become fully operational with all shares being fully allocated and generating an appropriate revenue stream.

DIRECTORS

Mr Allan James Hubbard passed away tragically in September 2011 and the Board of Directors on behalf of the shareholders have acknowledged Mr Hubbard's contribution to the Opuha scheme.

The Directors, in recognition of the possible restructure of Opuha Water Limited, recommend that all Directors be reappointed for the ensuing year and to not replace Mr Hubbard as at this time.

DIRECTORS INTERESTS

Directors declare that they have had no interest in any transactions with the group during the year.

DIRECTORS REMUNERATION

No Directors Remuneration has been paid during the year

ANNUAL REPORT: ADDITIONAL DISCLOSURES (Continued)

GENERAL

As per section 211(3) of the Companies Act 1993, the shareholders have unanimously agreed that the annual report need not comply with paragraphs (e) to (j) of section 211(1) of the Companies Act 1993.

AUDITORS

It is proposed that the Auditor, Mitchell Audit, continue in office in accordance with Section 200 of the Companies Act 1993.

For and on behalf of the Board of Directors:

T G Henderson
Director

J J W Pearse
Director

Date of Authorisation

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

South Canterbury Farmers Irrigation Society Ltd Consolidated is a reporting entity for the purposes of the Financial Reporting Act 1993.

The group consists of South Canterbury Farmers Irrigation Society Limited and its 100% owned subsidiary, SCFIS Holdings Limited.

The financial statements have been prepared in accordance with the requirements of the Industrial and Provident Societies Act 1908, the Companies Act 1993 and the Financial Reporting Act 1993.

MEASUREMENT BASE

The Company has followed the accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on the historical cost basis.

GOING CONCERN

The Company has prepared the financial statements on the basis of a going concern.

SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies have been applied:

- Accounts Receivable are stated at their estimated realisable value.
- Investments are recorded at cost.
- The Financial Statements have been prepared on a GST inclusive basis.
- Income tax expense charged to the statement of financial performance includes both the current year's tax provision and the income tax effects of timing differences calculated using the liability method.
- Tax effect accounting has been applied on a comprehensive basis to all timing differences or income tax benefits from income tax losses, is only recognised if there is virtual certainty of realisation.
- The consolidated financial statements include the holding company and its subsidiary, SCFIS Holdings Ltd, accounted for using the purchase method. All significant inter company transactions are eliminated on consolidation.

CHANGES IN ACCOUNTING POLICY

Accounting Policies remain unchanged from the previous period.

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS (Continued)

2. INVESTMENTS	Percentage Held		Balance Date	
	<i>This Year</i>	<i>Last Year</i>		
(i) <u>Investments in other Entities</u>				
Opuha Water Ltd	81.30%	81.30%		30 June
Opuha Water Partnership	0%	0%		30 June
(ii) <u>Current Accounts</u>			2013	2012
Opuha Water Limited			\$15,031,684	\$15,034,244
3. TAXATION			2013	2012
Net Profit/(Loss) Before Tax			\$(2,560)	-
Less Losses Brought Forward			(1,198,443)	(1,198,443)
Taxable Income			<u>(1,201,003)</u>	<u>\$(1,198,443)</u>
TAXATION OWING/(REFUND)			<u>\$-</u>	<u>\$-</u>
<u>Total Losses to Carry Forward</u>			<u>\$1,201,003</u>	<u>\$1,198,443</u>
As the company does not have a bank account, income tax refunds are banked into Opuha Water Limited and are recognised in the current account balance.				
4. IMPUTATION CREDIT ACCOUNT			2013	2012
Balance 1 st April 2012			37,182	37,182
Balance 31 st March 2013			<u>37,182</u>	<u>\$37,182</u>
5. RETAINED EARNINGS			2013	2012
Opening Balance 1 st July 2012			(593,888)	(593,888)
Profit/(Loss) for the Year			\$(2,560)	-
Closing Balance 30 June 2013			<u>\$(596,448)</u>	<u>\$(593,888)</u>

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS (Continued)

6. SHARE IN OPUHA WATER LIMITED

	2013	2012
Opening Balance	15,031,684	15,034,244
Closing Balance per Opuha Water Limited Financial Statements	<u>\$15,031,684</u>	<u>\$15,034,244</u>

7. CAPITAL COMMITMENTS

There are no capital commitments at this time.

8. CONTINGENT LIABILITIES

There are no known contingent liabilities at balance date.

9. RELATED PARTY TRANSACTIONS

The Directors do not consider that any one party had the ability, either directly or indirectly, to control or exercise significant influence, over the Company in making operating, investing and financing decisions.

10. CAPITAL

All authorised shares have been issued and fully paid. All ordinary shares have equal voting rights and share equally in dividends and surplus on winding up. The shares have no par value.

11. CEASED TRADING

South Canterbury Farmers Irrigation Society Ltd (SCFIS) is no longer trading. All operations and transactions on behalf of the SCFIS shareholders now go through Opuha Water Limited. Any such transactions are reflected in the Opuha Water Limited current account balance.

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS (Continued)

12. OPUHA WATER LIMITED

On 1st July 2010, Opuha Water Limited took over the operations of Opuha Water Partnership which effectively ceased trading on this same date. The investment in Opuha Water Partnership was transferred to Opuha Water Limited on 1st July 2010 and was transferred at the same value shown in the financial statements. The investment is represented by shares and current account balance in Opuha Water Limited.

The assets and liabilities recorded in the balance sheet of Opuha Water Partnership were transferred across at net realisable value to Opuha Water Limited and treated as funds introduced based on the company's shareholding of 81.30%.

<u>Transfer from Opuha Water Partnership</u>		
Fixed Assets	39,161,068	
Investments – Term Deposit & Shares	150,719	
ANZ Bank Cash Funds	1,351,152	
Accounts Receivable	16,781	
ANZ Term Loan	(21,937,500)	
KIL & LPIC Current Accounts	(63,298)	
Preliminary Company Expenses	(9,582)	
Accounts Payable	(130,928)	
		18,538,412
<u>Plus (Less) Transactions:</u>		
Tax Refund Received on Behalf	4,152	
Share Capital Paid	(813)	
Less Adjustment for Deferred Tax Liability not Previously Recognised	(3,507,507)	
Audit and Accountancy Fees paid ex Opuha Water Limited	(2,560)	
		(3,506,728)
Closing Balance of Current Account		\$15,031,684

13. EVENTS OCCURRING AFTER BALANCE DATE

A restructuring process has been scheduled to be completed and implemented by November 2013. The end result of this will mean that South Canterbury Farmers Irrigation Society Ltd (SCFIS) will be converted to a company. SCFIS Holdings Ltd will be amalgamated into SCFIS. SCFIS will convert its current account debt in Opuha Water Ltd (OWL) to equity. OWL will repay that debt by way of the issue of shares in OWL. SCFIS will then have no debt to OWL and SCFIS will hold further shares in OWL. Because its only assets are the shares in OWL, there is no reason for it to continue to exist so SCFIS will be struck off as a solvent company and the shares in OWL will be distributed to SCFIS Shareholders.

The restructure process requires ratification from shareholders in all of the companies. A vote has not been conducted as yet. The financial statements therefore have been prepared on the going concern assumption and no adjustments have been made regarding the restructure process.

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2013

EXPENSES		
2012		2013
-	Accountancy & Secretarial Fees	1,790
-	Audit Fees	770
-	TOTAL EXPENSES	<u>2,560</u>
-	Net Profit/(Loss) for the Period	<u><u>\$(2,560)</u></u>

STATEMENT OF MOVEMENTS IN EQUITY
FOR YEAR ENDED 30 JUNE 2013

2012	STATEMENT OF MOVEMENTS IN REVENUE RESERVES	2013
(593,888)	Opening Balance	(593,888)
-	Net Profit/(Loss) after Taxation	\$(2,560)
<u>\$ (593,888)</u>	Closing Balance	<u>\$ (596,448)</u>

2012	STATEMENT OF MOVEMENT IN CAPITAL RESERVES	2013
14,662,235	Opening Balance	14,662,235
<u>\$14,662,235</u>	Closing Balance	<u>14,662,235</u>

2012	STATEMENT OF MOVEMENTS IN EQUITY	2013
15,034,244	Opening Balance	15,031,684
<u>\$15,034,244</u>	Closing Balance	<u>\$15,031,684</u>

STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2013

2012		2013
	ASSETS	
	<u>Non-Current Assets</u>	
	Investments	
15,034,244	Current Account: Opuha Water Limited	15,031,684
<u>15,034,244</u>		<u>15,031,684</u>
<u>\$15,034,244</u>	TOTAL ASSETS	<u>\$15,031,684</u>
	LIABILITIES AND CAPITAL	
-	<u>Current Liabilities</u>	-
-	<u>Non-Current Liabilities</u>	-
<u>-</u>		<u>-</u>
	<u>Shareholders Equity</u>	
6,500	3,250 Ordinary Shares	6,500
959,397	Share Premium Reserve	959,397
(593,888)	Retained Earnings	(596,448)
14,662,235	Capital Reserves	14,662,235
<u>15,034,244</u>		<u>15,031,684</u>
15,034,244	Total Shareholders Equity	<u>15,031,684</u>
<u>15,034,244</u>	TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	<u>15,031,684</u>

Signed for and on behalf of the Directors:

 T G Henderson
 Director

 J J W Pearse
 Director

 Date of Authorisation

**SCFIS HOLDINGS LIMITED
TIMARU**

**FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2013**

SCFIS HOLDINGS LIMITED

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5	Statement of Movements in Revenue Reserves
6	Statement of Financial Position

SCFIS HOLDINGS LIMITED

DIRECTORY

BOARD OF DIRECTORS

Thomas George Henderson (Chairman)
William Dermott O'Sullivan (Vice-Chairman)
Thomas Craig Lambie
Quintin Mitchell
Jeffrey John Warne Pearse
John Edward (Stan) Taylor
Alvin John Reid

SHAREHOLDERS

South Canterbury Farmers Irrigation Society Ltd
1,000 Ordinary Shares

ACCOUNTANTS

Quantum Advantage Ltd
269 Stafford Street
PO Box 869
Timaru 7940

SOLICITORS

RSM Law Limited
Barristers and Solicitors
17 Strathallan Street
PO Box 557
Timaru 7940

AUDITORS

Mitchell Audit
Chartered Accountants
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Timaru 7910

REGISTERED OFFICE

269 Stafford Street
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PO Box 869
Timaru 7940

SCFIS HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	\$	\$
Net Profit (Loss) for the Year	\$(2,560)	-
Retained Earnings at 30 June 2012	(1,757,901)	(1,757,901)
Capital Reserves	14,661,235	14,661,235
Leaving Available for Appropriation	<u>\$1,757,901</u>	<u>\$1,757,901</u>
Proposed Dividend	-	-
Leaving Retained Earnings at 30 June 2013	<u>\$12,900,774</u>	<u>\$12,903,334</u>

The Directors recommend that no dividend be paid. It is not proposed to make any transfer to reserves. The state of the Company's affairs at 30 June 2013 as:

	2013		2012	
	\$		\$	
Assets Totalled	15,031,684		15,034,244	
<i>These were financed by:</i>				
Shareholders' Equity of	12,900,774	88%	12,903,334	88%
Shareholders' Advances of	2,130,910	12%	2,130,910	12%
	<u>\$15,031,684</u>	<u>100%</u>	<u>\$15,034,244</u>	<u>100%</u>

The Company is a non-trading entity. The nature of the Company's business has not changed during the period under review.

Directors' Interests: The Directors of the Company have not entered into any transactions for which statutory disclosure is required.

Use of Company information: The Board received no notices during the year from Directors requesting to use Company information received in their capacity as Directors which would not have been otherwise available to them.

Share Dealing: No Director acquired or disposed of any interest in shares in the Company during the period.

Remuneration and other benefits: No Directors Remuneration was paid during the year.

For and on behalf of the Board of Directors:

T G Henderson
Director

J J W Pearse
Director

Date of Authorisation

SCFIS HOLDINGS LIMITED

STATEMENT OF OTHER MATERIAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2013

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

SCFIS Holdings Limited is a Company registered under the Companies Act 1993.

The Company is a reporting entity for purposes of the Financial Reporting Act 1993 and the financial statements have been prepared in accordance with that Act.

Measurement Base

The Company has followed the accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on the historical cost basis.

SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies have been applied.

- The taxation expense charged against the profit for the year is the estimated total tax for the year in accordance with the taxation return filed with the Inland Revenue Department.
- The financial statements have been prepared on a GST inclusive basis.
- The Company qualifies for differential reporting as it is not publicly accountable and it does not meet the criteria to be classified as a large Company. The Company has taken advantage of all available differential reporting exemptions.

CHANGES IN ACCOUNTING POLICY

Accounting Policies remain unchanged from the previous period.

2. NON-CURRENT LIABILITIES

Loan: South Canterbury Farmers Irrigation Society Ltd - \$2,130,909 (2012: \$2,130,909).

This is an unsecured loan repayable on demand at an interest rate of 0%.

3. CAPITAL COMMITMENTS

There are no known capital commitments at balance date.

4. CONTINGENT LIABILITIES

There are no known contingent liabilities at balance date.

5. EVENTS OCCURRING AFTER BALANCE DATE

A restructuring process has been scheduled to be completed and implemented by November 2013. The end result of this will mean that South Canterbury Farmers Irrigation Society Ltd (SCFIS) will be converted to a company. SCFIS Holdings Ltd will be amalgamated into SCFIS. SCFIS will convert its current account debt in Opuha Water Ltd (OWL) to equity. OWL will repay that debt by way of the issue of shares in OWL. SCFIS will then have no debt to OWL and SCFIS will hold further shares in OWL. Because its only assets are the shares in OWL, there is no reason for it to continue to exist so SCFIS will be struck off as a solvent company and the shares in OWL will be distributed to SCFIS Shareholders.

The restructure process requires ratification from shareholders in all of the companies. A vote has not been conducted as yet. The financial statements therefore have been prepared on the going concern assumption and no adjustments have been made regarding the restructure process.

SCFIS HOLDINGS LIMITED

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2013

EXPENSES		
2012		2013
-	Accountancy & Secretarial Fees	1,790
-	Audit Fees	770
-	TOTAL EXPENSES	2,560
-	Net Profit/(Loss) for the Period	(\$2,560)

SCFIS HOLDINGS LIMITED

STATEMENT OF MOVEMENTS IN REVENUE RESERVES
FOR THE YEAR ENDED 30 JUNE 2013

2012		2013
(1,758,901)	Opening Balance	(1,758,901)
-	Net Profit/(Loss) after Taxation	(2,560)
-	Net Revenue and Expenses for the Year	-
<u>\$(1,758,901)</u>	Closing Balance	<u>\$(1,761,461)</u>

STATEMENT OF MOVEMENTS IN CAPITAL RESERVES
FOR THE YEAR ENDED 30 JUNE 2013

2012		2013
14,661,235	Opening Balance	14,661,235
<u>\$14,661,235</u>	Closing Balance	<u>\$14,661,235</u>

STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

2012		2013
12,903,334	Opening Balance	12,900,774
<u>\$12,903,334</u>	Shareholders Equity At End of Year	<u>\$12,900,774</u>

SCFIS HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

2012		2013
ASSETS		
CURRENT ASSETS		
1,000	Accounts Receivable	1,000
NON CURRENT ASSETS		
15,034,244	Current Account: Opuha Water Limited	15,031,684
<u>15,034,244</u>		<u>15,031,684</u>
LIABILITIES		
NON CURRENT LIABILITIES		
2,130,910	Loan: SC Farmers Irrigation Society Ltd	2,130,910
SHAREHOLDERS' EQUITY		
1,000	1,000 Ordinary Shares (with a call attached of \$1)	1,000
(1,758,901)	Revenue Reserves	(1,761,461)
14,661,235	Capital Reserve Account	14,661,235
<u>12,903,334</u>		<u>12,900,774</u>
<u>\$15,034,244</u>		<u>\$15,031,684</u>

Signed for and on behalf of the Directors:

T G Henderson
Director

J J W Pearse
Director

Date of Authorisation

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of South Canterbury Farmers Irrigation Society Limited and Group

Report on the Financial Statements

We have audited the financial statements on pages 6 to 12 which comprise the statement of financial position as at 30 June 2013, the statement of financial performance, the statement of movements in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company or Group.

Opinion

In our opinion, the financial statements on pages 6 to 12

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of South Canterbury Farmers Irrigation Society Limited and Group as at 30 June 2013, and the results of its operations for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993, we report that:

- We have obtained all the information and explanations that we have required.
- In our opinion proper accounting records have been kept by the Company and Group as far as appears from our examination of those records.



mitchell audit

3 October 2013
P O Box 40, Timaru

SHORT FORM WATER AGREEMENT

Parties

- (1) Opuha Water Limited, company number 4776799 (*the Company*)
- (2) The person or entity named and described in Schedule 1 (*the Shareholder*)

Background

- A The Company holds resource consents enabling the Company to deliver water for irrigation during each irrigation season and also delivered to approved users out of season.
- B The Company also owns infrastructure in different areas in South Canterbury that are utilised for the delivery of water to farmers or other entities.
- C The water available to the Company is supplied to farmers or other entities for irrigation and other purposes subject to the Shareholder holding a required number of Water Shares in the Company and entering into a water supply agreement with the Company.
- D Where the Company owns infrastructure it has on issue infrastructure shares divided into different classes of Infrastructure Shares (*I Shares*) giving rights to access and use certain specified infrastructure within the scheme area of the Company.
- E It is a requirement that the Shareholder holds such Water Shares and/or I Shares in the Company, as agreed with the Company as a condition of being entitled to delivery of water to which the Shareholder is entitled (subject to reliability), and if required to access certain specified infrastructure and that the Shareholder holds all of those shares, and the water agreement in the same name.

Now the parties agree as follows:

- 1 **Defined Terms**
The definitions and other defined terms set out in the Terms shall apply to this agreement as if set out herein in full.
- 2 **Terms of Water Agreement Binding**
The parties agree that the terms of the Water Agreement (*the Terms*) as posted on the website of the Company shall be binding as between the Company and the Shareholder and pursuant to the Terms the Company agrees to supply to the Shareholder, and the Shareholder shall be entitled to take (subject to the Terms and reliability on supply of water), the volume of water set out in Schedule 1 for use on a property approved by the Company and within the scheme area at the water charges (and any other applicable charges) as notified to all shareholders of the Company on the website of the Company. That supply of water shall be on the terms and conditions, and subject to the requirements, set out in the Terms as notified from time to time on the website of the Company.

3 **I Shares**

In the event that the Shareholder wishes to access and use certain infrastructure within the Scheme Area (as defined in the Terms) to take delivery of water as set out in clause 2 the Shareholder shall only access and use that infrastructure by holding I Shares as specified by the Company except as otherwise approved by the Board. The use of that infrastructure shall be on the terms and conditions set out in the Terms.

4 **Holding of Shares**

The Shareholder agrees with the Company that it is a requirement for the supply of water to the Shareholder that the Shareholder holds that number and classes of Shares in the Company as set out in Schedule 1 as a precondition to water being available at the volume set out in Schedule 1 which water will be supplied by the Company to the Shareholder (subject to reliability) and that the said Shares and this agreement being held in the same name. The Shareholder agrees at all times to comply with this requirement.

5 **Ordering of Water**

Unless otherwise specified in Schedule 1 or the Board of the Company determines otherwise, the water to which the Shareholder is entitled for each share held in the Company is 0.41336 litres per second of water based on an application rate equivalent to 25mm per hectare per week and with an annual volumetric cap for each irrigation season of 5,625m³ per share. That water is to be delivered as ordered by the Shareholder in accordance with an ordering system as determined by the Company which can be accessed on the website of the Company. Water charges are based on usage of 80% of the water entitlement with any water allocated to a Shareholder in excess of 80% of allocated water being subject to additional Water Charges.

6 **Breach**

The Shareholder acknowledges that a breach of the Terms and/or in making payment of all charges on due date can result in the Shares held by the Shareholder being surrendered for \$1.00 for each Share after the giving of default notices (and the opportunity for the Shareholder to remedy any default where applicable) as set out in the Water Agreement between the Shareholder and the Company and with that Water Agreement being cancelled.

7 **Variation to Terms**

The Company may vary the Terms from time to time by:

7.1 giving notice of the altered terms to the Shareholder; and / or

7.2 posting the new Terms on the website of the Company and giving notice of that posting to the Shareholder.

8 **Effective Date**

8.1 This agreement and the Terms shall come into full force and effect or be deemed to be effective on and from the date on which the various amalgamations and transactions contemplated to create one company to issue water shares and infrastructure shares to manage water from the Opuha, Opihi and other contiguous rivers and from the Opuha Dam are completed and implemented.

- 8.2 Once effective, this agreement and the Terms supersede and replace any other agreement between the Shareholder and the Company relating to the supply of water by the Company to the Shareholder (including any agreement the Shareholder may have had with any companies of which the Company is a successor or assignee) provided that any outstanding payments or obligations due by the Shareholder in respect of any such other agreement must be met by the Shareholder.
- 8.3 By signing this agreement the Shareholder consents to becoming the holder of the shares described in the Schedule to the extent the Shareholder does not hold such shares as at the date of entering into this agreement.

Signed by **Opuha Water Limited** by:

Signed by **the Shareholder** by:

 Director

 Director / Authorised Person

Note:

- *If the Shareholder is a trust, all trustees should sign*
- *If the Shareholder is a partnership, all partners should sign*
- *If the Shareholder is a company, at least one director should sign*

SCHEDULE 1

Full name of Shareholder:

*If a company put in full name of company. If a trust put in full names of all trustees.
If individual(s) put in full names of individual(s).*

Address of Shareholder:

.....

Primary contact name:

Telephone Number: Email Address:

Details of Property (Property Rapid Number):

.....

Total area of Property (ha):

Water Shares to be held:

I Shares to be held (if any)

Flow Rate and Annual Volume (at 100%) of Water to be supplied:

Flow Rate: Annual Volume:

Requested Commencement Date

Terms and provisions for
supply of water by
Opuha Water Limited to Shareholders

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TERMS OF SUPPLY

These terms and conditions apply to every water agreement entered into between Opuha Water Limited (company number 4776799) and any farmer or other person receiving irrigation water from Opuha Water Limited.

1 DEFINITIONS

1.1 In these Terms unless the context otherwise requires:

Board means the Board of Directors of the Company;

Business Day means any day of the week, other than Saturday, Sunday or statutory holidays, on which banks are open for business in Timaru;

Charges includes all charges payable for both Water Charges and Infrastructure Charges as may be applicable to the Shareholder;

Commencement Date means the date on which delivery of Water is requested by the Shareholder or such later date on which the Company can commence the delivery of Water;

Company means Opuha Water Limited (company number 4776799) and includes the Company acting through the Board;

Connection Point means each point designated by the Company where the Distribution System connects to the Shareholder's Works or water is extracted from the Scheme by a Shareholder and unless otherwise specified means the delivery point from the Distribution System.

Default Interest means interest at 6% above the Company's total cost of borrowing (including interest, bank charges, interest rate swaps and other like charges) calculated on the last business day of each calendar month and compounded from the last date in each month. Interest at such rate shall be payable to the Company on and as from the date of default and thereafter on the last business day of each calendar month;

Distribution System means the electronic systems, telemetry, races, pipes, valves, gates, ponds and other infrastructure owned by or constructed and installed by the Company to and including the relevant Connection Point and includes where the said infrastructure only services a Specified Area the infrastructure within that Specified Area used to deliver water to Shareholders in that area;

Excess Water means any Water to which the Shareholder is entitled and which that Shareholder has not taken as part of that Shareholder's entitlement;

Farm Environment Plan means any farm environment plan required to be observed by the Shareholder (including a Scheme Management Plan) in respect of the Shareholder's farm practices and management, compliance with environmental or regulatory requirements, as to the use of Water supplied by the Company implemented from time to time:

(a) by the Company, and provided to the Shareholder; or

(b) By the Company requiring the Shareholder to provide that plan to the Company for approval.

Force Majeure Event means any event or circumstance, or combination of events and circumstances:

- (a) that causes or results in preventing or delaying a party from performing any of its obligations under the Short Form Agreement or these Terms; and
- (b) which is beyond the reasonable control of that party and could not, or the effects of which, could not have been prevented or delayed, overcome or remedied by the exercise by the party of a standard of care and diligence consistent with Good Management Practice,

which occurs after the date of the Short Form Agreement and these terms and, provided that the event or circumstance or combination of events or circumstances meets the foregoing criteria, includes:

- (a) an act of God;
- (b) strike or lockout, act of public enemy, war (whether declared or undeclared), blockade, revolution, riot, insurrection, malicious damage, civil commotion;
- (c) lightning, landslide, cyclone, storm, flood, fire, earthquake, explosion, tidal wave, epidemic or freezing;
- (d) action, inaction, demand, restraint, restriction, requirement, prevention, frustration or hindrance by any Governmental Agency, local authority, or other competent authority;
- (e) order of the Court;
- (f) embargo, unavailability or shortage of essential equipment, or other materials, goods, labour or services, lack of transportation or communication;
- (g) any breakage of plant, equipment, machinery, lines or pipes, , or , washout, subsidence or cave in or water pressure stoppages; or
- (h) restraint on access to property;

Good Management Practice means the exercise of that degree of skill, diligence, prudence, foresight and management which would reasonably and ordinarily be expected from a skilled and experienced person engaged in the use of water and farming operations utilising water, the same as or similar to those provided by irrigation companies and farmers using irrigation water under the same or similar circumstances as apply at that time in New Zealand;

I Shares means shares of a class as specified by the Company that give the right to access certain specified infrastructure within the Scheme and which require Infrastructure Charges to be paid to the Company by the holder for having access rights to that specified infrastructure;

Infrastructure Charges means charges levied from time to time relating to specific infrastructure within the Scheme that services or conveys water to and for certain categories of properties within the Scheme;

Irrigation Season means the period beginning on 1 September in any given year and concluding on 31 May in the following year or such other period as the Company may from time to time reasonably determine;

l/s means litres per second of water;

Maximum Supply Rate means the delivery of 0.41336 litres per second of water for every one share held (or such other rate determined by the Board in respect of any Shareholder or Shareholders from time to time) in the Company based on an application rate equivalent to 25mm of water per hectare per week and with a seasonal cap of 5,625m³ for each Irrigation Season and with the right of the Board at its discretion to vary the application rate and/or seasonal cap at the request of a Shareholder or such other rate or cap as may be determined by the Board.

Metering Equipment means the metering equipment including any electronic telemetry at the Shareholder's Connection Point for the purpose of measuring, recording and transmitting the total quantity of Water supplied by the Company to the Shareholder's Connection Point;

Nominal Value in relation to shares in the Company means for each share \$1.00 per share;

Property means the property set out in the Short Form Agreement;

Regulatory Authority means any regulatory authority, statutory body, regional or local council or other body that can impose rules, conditions or requirements on the Company;

Regulatory Policies means any policies, guidelines, or requirements introduced or imposed by any statutory authority having jurisdiction that is applicable to the taking, storing, use and distribution of water for irrigation;

Resource Consents and Consents means the Resource Consents held by the Company together with all renewals, replacements, variations or amendments to the consents and includes where required all conditions relating to those consents and where a Shareholder holds any resource consent that is subject to conditions which are also applicable to the Company or the water provided by the Company the relevant terms of that consent.;

Scheme includes the water storage facility at Lake Opuha, the tributaries that feed into the lake, the rivers and streams downstream of the lake and their tributaries and the water distribution infrastructure owned by the Company, that are all associated with the provision of water for irrigation in the Scheme Area.

Scheme Area means the area north and west of Timaru to which the Company distributes irrigation water through existing water distribution networks and those other properties as determined by the Board to which irrigation water can be economically delivered;

Scheme Management Plan is a plan prepared by the Company for the management and operation of the Scheme and may include an audited self-management environmental programme as may be posted from time to time on the Company's website which is to be observed by the Shareholder;

Shareholder's Works means the works to be constructed by the Shareholder that connect at the Connection Point to the Distribution System to enable the Shareholder to take Water from the Distribution System and where a Shareholder owns the Metering Equipment and where the Company installs meters and/or telemetry excludes that telemetry and those meters;

Shares means the Shares in the Company set out in the Short Form Agreement and includes where the context requires both Water Shares and I Shares;

Short Form Agreement means the agreement between the Company and the Shareholder under which those parties agree to be bound by the provisions set out in these terms;

Special Charges means any charges which the Board determines should be paid by all shareholders or by any group of shareholders relating to the Scheme including any charge payable on particular shares, or payable by a specified group of shareholders;

Specific Infrastructure is infrastructure owned or controlled by the Company that is utilised to deliver water to farmers or other persons in a Specific Area;

Specified Area means an area within the Scheme that is serviced by particular infrastructure that is only available to Shareholders in that area;

Statutory Requirements means all requirements to be met by the Company and the Shareholder in relation to the Resource Consents or under any other regulations, by-laws, directions or plans introduced by any local authority, regional council, Government department or other statutory body;

Stored Water means any water stored by the Company and available to Shareholders for irrigation or other purposes;

Terms means the terms of supply set out in this document as included in an agreement to supply irrigation Water by the Company to the Shareholder and includes any variations and replacement to these Terms that may be applicable from time to time;

Water means any Water supplied under these Terms for irrigation purposes and except where approved by the Board excludes any Water supplied for the right to generate electricity from Water;

Water Charges means the aggregate charges fixed under these Terms from time to time as determined from time to time by the Board;

Water Shares means the shares issued to the Shareholder giving an entitlement to water at the Maximum Supply Rate during the Irrigation Season or such other share requirement as may be determined by the Company from time to time;

Year means each 12 month period commencing on the 1st day of July in each year and ending the following 30 June;

1.2 In the construction of this deed, unless the context requires otherwise:

Clauses: reference to a section, clause, sub-clause, schedule or a party is a reference to that section, clause, sub-clause, schedule or party to this deed unless stated otherwise;

Headings: headings appear as a matter of convenience and do not affect the construction of this deed;

Inclusion: referring to anything after the word “including” does not limit what else might be included and any such reference is without limitation to what else might be included;

Joint and several: any covenant or deed on the part of two or more persons shall bind those persons jointly and severally;

Legislation: a reference to any legislation or to any provision of any legislation (including regulations and orders) includes that legislation or provision as from time to time amended, re-enacted or substituted and any statutory instruments, regulations and orders issued under any such legislation or provision;

Negative obligations: a reference to a prohibition against doing anything includes a reference to not permitting, suffering or causing that thing to be done;

Parties: a reference to a party to this deed or any other document includes that party's successors and permitted assigns;

Person: a reference to a person includes a corporation sole and also a body of persons, whether corporate or unincorporate;

Related terms: where a word or expression is defined in this deed other parts of speech and grammatical forms of that word or expression have corresponding meanings;

Schedules: the schedules and any annexures to this deed form part of this deed;

Singular, plural and gender: the singular includes the plural and vice versa, and words importing one gender include the other gender.

2 PRECONDITIONS TO SUPPLY OF WATER

- 2.1 These Terms come into force when the Shareholder has entered into a Short Form Agreement and holds 1 share (or such other number of Shares determined by the Board from time to time) for every 0.41336 litres per second of water being the maximum volume of water to be supplied for irrigation at the Maximum Supply Rate with the Company delivering that water in each Irrigation Season to the Property specified by the Shareholder set out in the Short Form Agreement but subject at all times to the other provisions of these Terms and the availability of water under Resource Consents.

- 2.2 The Company may at any time give notice that is applicable to some or all Shareholders taking water from the Company that:
- (a) the number of Water shares required to be held by each Shareholder to obtain a specified quantity of water has been altered; and/or
 - (b) the volume of Water available for distribution has been altered; and/or
 - (c) the number of I Shares required to access infrastructure in a Specified Area has been altered; and/or
 - (d) there is a minimum area of land to which the Company is prepared to deliver Water.

2.3 Rostered Water

The Company may deliver the required volumes of Water on a rostered basis as determined by the Board when Shareholders request the Company to make supply, and the Company makes supply of Water, for irrigation.

2.4 Surplus Water

The Company has had transferred to it certain resource consents for specified areas, within the Scheme Area, where there may be surplus Water available for future irrigation. Where the Board in its discretion determines such surpluses exist the Company will give Shareholders within the specified area a first priority right to use that Water so that a particular area can benefit from that available water before any other shareholder of the Company. This clause 2.4 does not apply to any water available to the Company under resource consent CRC011898B.

3 HOLDING OF SHARES

- 3.1 The supply of Water by the Company to the Shareholder is conditional upon the Shareholder holding one share (or such other number of Shares determined by the Board in respect of any Shareholder or Shareholders from time to time) for every 0.41336 l/s of Water to be supplied at the Maximum Supply Rate for a property within the Scheme Area (as approved by the Board) to be irrigated together with a specified number of I Shares where that Shareholder wishes to access, use and obtain the benefit of Specific Infrastructure, or such other number of shares as specified by the Board as provided for in clause 3.2.
- 3.2 The Company may change the number and classes of shares required to be held by a Shareholder to qualify for the supply of Water or to access Specific Infrastructure provided the same standard as to the number of shares to be held shall apply to all Shareholders taking water from any specified part of, or area within, the Scheme Area.
- 3.3 The supply of Water under these Terms is conditional upon the Shareholder continuing to hold the Shares as set out in the Short Form Agreement or specified under clause 3.2 to the intent that if the Shareholder shall at any time cease to hold those Shares, or cease to use the Water to irrigate an approved Property, except as provided for under clause 3.4(d), then the Company may exercise a number of rights including suspending the supply of water, preventing access to Specific Infrastructure, varying that supply or terminating the supply of Water to the Shareholder. If the Company ceases to supply Water to a Property except where a Shareholder requests a suspension in the supply of water for a specified period, then the Company may surrender those shares at their Nominal Value.

3.4 The volume of Water to which a Shareholder is entitled shall be transferable by the Shareholder only in the circumstances set out below:

(a) **Sale of Property**

Where the shares and the Water rights attached to those shares relate to a specified approved Property the Board may require that the Water continues to be supplied to that Property as a precondition to the transfer of the shares.

(b) **Transfer to another Property**

Where shares are being transferred to a transferee who wishes to use the Water relating to those shares on a property that is not currently irrigated using that Water then the Board may refuse to transfer the usage of that Water except to a property approved by the Board and on such conditions as the Board may reasonably impose and provided further that the property to which the Water is delivered is within the Scheme Area or a Specified Area and can be economically serviced from the Distribution System; or

(c) **Transfer of Shares and Water Rights**

The Shares and the right to Water attached thereto may be transferred to a person or entity that owns or farms a property in the Scheme Area or any other person or entity approved by the Board subject to:

- (i) the prior written consent of the Company which consent may be withheld without giving any reason or may be given on such conditions as the Company determines including the entering into of a Short Form Agreement; and
- (ii) the Distribution System having the capacity and capability of delivering that water to the property in the Scheme Area as requested by the proposed transferee of shares; and
- (iii) where there is Specific Infrastructure for the delivery of water within a Specified Area that both the Water Shares and I Shares are transferred together and in the same proportions so that the Shareholder has the right to receive water through the specific infrastructure;

(d) **Licensing of Water**

A Shareholder may license the right to Water to a person who farms a property within the Scheme Area which is serviced by a Distribution System (or may be serviced pursuant to clause 3.5) subject to:

- (i) the prior written consent of the Company; and
- (ii) that licensee signing such documents as may be required by the Company; and
- (iii) the Shareholder holding that right to Water continuing to be liable to pay all Charges and being responsible for compliance by that licensee with all obligations under these Terms; and
- (iv) any licensing of that Water being notified to the Company prior to the start of an Irrigation Season or as approved by the Board; and

- (v) such other terms and conditions as the Company considers appropriate;
- (vi) the licensing is for a specified term as notified to and approved by the Company; and
- (vii) the distribution of that Water will comply with and meet the requirements of all Statutory Requirements and any Regulatory Policies;
- (viii) the Distribution System having the capacity and capability of delivering that Water to the farm of that licensed person.

3.5 **Delivery to Property not Connected**

Where a Shareholder requests the Company to deliver Water to a Property within the Scheme Area that is not connected to a Distribution System then the following provisions shall apply:

- (a) the Company may decline or accept such request on such terms and conditions as the Company determines;
- (b) as part of the terms and conditions in giving approval the Company may require the Shareholder making such request to:
 - (i) pay all costs and expenses in installing a Connection Point or other connection and any race or pipeline, including any Metering Equipment as specified by the Company, from the Distribution System to the relevant Property; and
 - (ii) obtain all easements, consents and approvals (to be registered in favour of the Company) required to install, lay, maintain and replace any structure, race or pipeline; and
 - (iii) vest all easements and any new structures including the extended races and pipelines in the Company; and
 - (iv) obtain and implement all electricity and media easements including the installing of all media lines, electricity lines, water meters, and telemetry needed or required to support the delivery of water; and
 - (v) pay all charges in connecting the Shareholders Works to the Connection Point for delivery of water.
 - (vi) obtain all resource consents, and other statutory and regulatory consents required or necessary to carry out and implement that extension to the Distribution System;
- (c) The consent and approval of the Company may be given subject to such other terms and conditions (including any variation to the requirements of sub-clause 3.5(b)) as the Company considers appropriate.

3.6 **All Assets Owned by Company**

Where under clause 3.5 the Company is required to upgrade any part of the Distribution System then notwithstanding that the Shareholder may be required to meet the cost of upgrading the

Distribution System all rights to, and property in, the upgrade, up to the Shareholder's side of the Connection Point, shall be the property of the Company.

4 SUPPLY OF WATER

4.1 Volume of Water to be Supplied

The volume of Water that will be supplied by the Company to the Shareholder is at a delivery rate not exceeding 0.41336 l/s of Water for every one Water Share held (or such other rate determined by the Board in respect of any Shareholder or Shareholders from time to time) with that Water to be delivered to the Property to be irrigated by the Shareholder. The total volume of Water that can be taken per share for each Irrigation Season shall not exceed 5625 m³ (or such other cap as determined by the Board in respect of any Shareholder or Shareholders from time to time) provided that with the prior approval of the Board the times or periods within which that Water may be taken may be varied. Otherwise the rate for taking water shall be based on an equivalent rate of 25mm per hectare per week (or such other equivalent rate determined by the Board in respect of any Shareholder or Shareholders from time to time) with an annual volume cap as aforesaid.

4.2 Water to be used for complying purpose

The water to be supplied by the Company to the Shareholder is to be used for irrigation purposes and such other purposes that comply with all conditions of any Resource Consent and any further purposes which are approved by the Board in any relevant policy statement posted on the Website of the Company. Water for purposes other than irrigation may be taken during each Year as determined by the Board.

4.3 Provision of Water Subject to Conditions

The supply of Water is always subject to the availability of Water under the Resource Consents, compliance with the Resource Consents, any Farm Environment Plan that has been implemented, the requirement of a Shareholder to provide to the Company a Farm Environment Plan, any Scheme Management Plan and with all Statutory Requirements. The Company will use all reasonable endeavours, but does not guarantee, to provide to the Shareholder the volume of Water as set out in the Short Form Agreement during the Irrigation Season. The Company will give all Shareholders the priority right to Water which the Company is entitled to take for irrigation purposes during the Irrigation Season from the Stored Water.

4.4 Entitlement to volume in Short Form Agreement

The supply of Water to which the Shareholder is entitled under these Terms is set out in the Short Form Agreement and such Water is to be supplied at such intervals as the Company may from time to time determine in accordance with Clause 5.

4.5 Water only available in Irrigation Season

Except where approved by the Board Water shall only be supplied during the Irrigation Season and no Shareholder shall be entitled to or shall seek the delivery of Water outside the Irrigation Season, except as approved by the Board.

4.6 Water may not be available

The Company agrees that subject to availability of Water from the Stored Water, and any restrictions that may be placed on that supply of Water, the Company will provide to the Shareholder during each Irrigation Season the volume of Water set out in the Short Form

Agreement subject to any restrictions on the volume of Water that can be supplied under the Resource Consents. The Company does not guarantee that Water will be supplied at the delivery rate referred to in the Short Form Agreement and specified elsewhere in these Terms.

4.7 No assurance on water pressure

If water can be delivered under pressure the Company will use reasonable endeavours to deliver water under pressure but the Company shall have no liability in the event that certain levels of pressure are not attained or cannot be consistently maintained.

5 DELIVERY SYSTEM FOR WATER

5.1 Policies on Water Delivery

The Company shall on a regular basis and from time to time provide to all Shareholders who are entitled to Water from the Scheme a policy relating to the ordering of water from the Company, how the infrastructure of the Company on each Property must be protected and other rules on the processes relating to the ordering, delivery and supply of that Water, which policies must be complied with by all Shareholders, taking into account the following factors:

- (a) the restrictions that may be placed on the supply of that Water due to insufficient Water being available for take from the Stored Water under the Resource Consents and the requirement for that Water to be equitably distributed to all farmers and other persons entitled to that Water over each Irrigation Season;
- (b) the utilisation of water from ponds established by the Company;
- (c) any requirements under any Statutory Requirements for restricting the supply of that Water;
- (d) the right to manage the supply of that Water so it is supplied at varying intervals and rates and for varying periods during the Irrigation Season to meet as far as may be practicable the requirements of farmers during the Irrigation Season.

5.2 No liability for failure to deliver water

The Company shall not be liable to any Shareholder for any failure to deliver Water at any time during an Irrigation Season provided the Company shall use all reasonable endeavours to ensure Water will be supplied if available.

5.3 Company has right to store water

The Company shall have the right, in priority to Shareholders, to take water for the purposes of storing that water in Lake Opuha or storage ponds controlled by the Company. In respect of any water stored in those ponds the Company:

- (a) shall have a discretion as to how and when that stored water is released to Shareholders; and
- (b) the Company shall ensure that all Shareholders have the first right to utilise that stored water that is available for irrigation in priority to any other user of that water;

5.4 **Storage Ponds must be approved**

The Shareholder will not create any storage ponds to store water taken under these Terms except as approved by the Company.

5.5 **Water to be fairly distributed**

The Company will at all times seek to act in an equitable manner as between all farmers and other persons entitled to Water so that they all receive a fair proportion of Water, based on the volume to which they are entitled, during each Irrigation Season.

5.6 **Right to suspend supply**

If the Shareholder acts in a way that could prejudice or breach in any manner the Resource Consents held by the Company, or acts in breach of any Farm Environment Plan or the Scheme Environmental Plan of the Company then the Company may restrict or suspend the supply of Water to that Shareholder from the Distribution System, the Stored Water or from ponds owned by the Company. This restriction or suspension will only apply after the Company has given reasonable notice to that Shareholder of the requirement to remedy those breaches and the Shareholder has failed to do so.

6 **EXCESS WATER**

6.1 **Board can manage excess water**

For the avoidance of doubt this clause applies to any Water which the Board determines is Water to which a Shareholder is entitled that is not being taken and utilised by that Shareholder and this excess water has been ascertained on a consistent basis from records taken over a number of years. That water being Excess Water may be dealt with by the Company provided that the right of the Shareholder to take a full allocation of Water under these Terms is not detrimentally affected but subject to the provisions of clause 6.2. The Company may enter into arrangements relating to Excess Water by:

- (a) allocating or licensing the right to use that Excess Water on such terms and conditions as the Company considers appropriate;
- (b) establishing a trading platform or system (including policies and guidelines for implementing the same) for trading rights to any Excess Water;
- (c) determining the terms and conditions under which that Excess Water is allocated and/or distributed within the Scheme Area.
- (d) requiring those Shareholders who are allocated Excess Water to pay such charges as the Board determines for the supply of that water including any water taken above the weekly allocation of water at the Maximum Supply Rate.

6.2 **Shortfall can be caught up**

Where, due to the mechanical failure or other inability to deliver water in respect of the Scheme, a Shareholder fails to receive an equitable quantity of available water then that shortfall shall be made up before Excess Water is made available to other Shareholders.

6.3 **Excess Water Allocation at Board Discretion**

The allocation of Water under clause 6.1 is entirely at the discretion of the Company and there shall be no right of the Shareholder to demand the supply of any Excess Water. The Company shall use reasonable endeavours to act in an equitable manner when allocating Excess Water.

7 **INSTALLATION OF SHAREHOLDER'S WORKS**

7.1 **Shareholder must install own works**

The Shareholder shall be responsible for installing and maintaining all of the Shareholder's Works as may be required by the Shareholder to take and distribute Water beyond the Connection Point.

7.2 **Ownership of Infrastructure**

The Shareholder acknowledges that:

- (a) the infrastructure up to the Connection Point on each Shareholder's Property shall be the property of, and owned by, the Company including all improvements made to the Distribution System up to the Connection Point notwithstanding any payment made by the Shareholder for those improvements.; and
- (b) the Metering Equipment on the Property may be owned by the Shareholder or if supplied by the Company shall be owned by the Company. The Company may also install telemetry relating to the delivery of Water and notwithstanding ownership of the Metering Equipment the Shareholder shall be responsible and liable for all calibration and regular testing of the Metering Equipment and its maintenance;
- (c) If the Shareholder installs any Metering Equipment that relates to the supply of water from the Company then if reasonably and properly required for the purpose of monitoring the supply of Water under these Terms the Company shall be entitled to all data from that metering equipment for monitoring purposes with all such data to remain confidential unless otherwise required to be disclosed by law; and
- (d) The Company shall be entitled at any time to enter the Property of the Shareholder for the purposes of checking any Metering Equipment including the accuracy of the Metering Equipment. If any equipment is out of calibration by more than 5% the Company may adjust charges retrospectively based on the actual reading of that Metering Equipment
- (e) All Metering Equipment must meet the national water standards for equipment which calculates the volume of Water delivered.

7.3 **Damage to Metering Equipment**

The Shareholder shall be responsible for any damage caused to the Metering Equipment and telemetry (fair wear and tear excepted) and shall pay the costs in replacing the Metering Equipment or telemetry when required if owned by the Shareholder as required by the Company provided the Company will be responsible if the Company or its agent damage or destroy that equipment.

7.4 Information from meters provided to Company

The information available from the Metering Equipment, or from telemetry shall be provided to the Company at such intervals as the Company determines by electronic or other means showing the volume of water used. The information from the metering or telemetry equipment shall be taken to be correct unless there is a manifest error in that information.

7.5 No operations to damage infrastructure

The Shareholder shall not operate any plant, equipment or other works on the Shareholder's Property in a manner that could affect the distribution of Water by the Company damage any part of the Scheme or the Distribution System or in a manner that may be detrimental to the Scheme or the Distribution System.

8 FARM ENVIRONMENT PLANS

8.1 Regulatory Authority Requirements

Each Shareholder shall comply with and meet the requirements of any Regulatory Authority to provide such farm environment plan, farm operating plan or other plans as determined by that Regulatory Authority and in accordance with the requirements of that Regulatory Authority.

8.2 Audit

The Company may implement for each Property an audited self-management programme approved by the relevant Regulatory Authority under which the following shall occur:

- (a) an audit of the farm practices and environmental management for the relevant Property shall be carried out ; and
- (b) the Shareholder will provide such information, questionnaires and reports to the Company as reasonably required by the Company;
- (c) such audit may be subject to such external audit as determined by the Company to audit the Shareholder's compliance with all Regulatory Policies;
- (d) the Shareholder shall comply with any requirements of any Regulatory Authority and the Company in respect of farm and water management policies required and imposed on all Shareholders taking water from the Company and conveyed using any of the Distribution System.

8.3 Farm Environment Plan

If required by the Company each Shareholder who has the right to receive Water from the Company shall prepare and implement a Farm Environment Plan for irrigated land to demonstrate how the Shareholder is actively managing the use of the Water to achieve high standards of environmental management consistent with the farming practices on the relevant Property. That plan shall include such matters as the Company may require from time to time and shall be provided within a time period required by the Company.

8.4 Shareholder must comply with quality standards

Each Shareholder shall also in addition to the requirements of any approved Farm Environment Plan comply with all other industry quality assurance programmes, codes of practices, specific Regulatory Policies and legal requirements, and all other requirements to ensure Good

Management Practice is maintained in respect of the operation of irrigation on the Shareholder's Property.

8.5 Scheme Environmental Plan

The Company may post on its website a Scheme Environmental Plan for management of the irrigation Scheme. The Company will at all times be responsible for the enforcement of any applicable Scheme Management Plan and, to the extent required, the Shareholder will comply with the terms and provisions of the Scheme Management Plan. The Shareholder acknowledges that the Scheme Management Plan is an essential element for the continuity of the Resource Consents held by the Company and must be complied with in all material respects.

8.6 Notice of Breach of Plans

In the event that the Shareholder breaches any of the terms and conditions of the Short Form Agreement or these Terms or any of the provisions contained in the Farm Environment Plan (if applicable) or any Scheme Management Plan then the Company may give notice of breach to the Shareholder as set out in clause 19 and if necessary terminate the Short Form Agreement and these Terms as set out in clause 20.

8.7 Must use water in accordance with policies

The Shareholder acknowledges that in respect of any water released to the Shareholders Property that the Shareholder shall:

- (a) only use and distribute that Water in accordance with Good Management Practice in compliance of the Resource Consents and the requirements of any statutory body;
- (b) utilise a system and equipment, and apply and use methodologies as may be prescribed by the Company as being Good Management Practice from time to time;
- (c) comply with any Farm Environment Plan approved by the Company under Clause 8 and any Scheme Management Plan;
- (d) comply with the policy notified to Shareholders under clause 5.1;
- (e) comply with the requirements in clauses 8.1 and 8.2.

8.8 Shareholder must comply with good management practice

The Shareholder shall ensure that all irrigation on the Property to which Water is distributed shall be carried out in accordance with Good Management Practice and also in accordance with any Farm Environment Plan and related environmental requirements from time to time applicable to the distribution of Water. Those matters shall include and traverse all terms and provisions of Resource Consents, Statutory Requirements, Good Management Practice and company policies that may be applicable from time to time including any Scheme Management Plan.

9 MANAGEMENT OF THE SUPPLY OF WATER

9.1 Company information on water availability

The Company shall have the right to post on the website of the Company at such intervals as the Company may determine or provide that information by other electronic means the volumes of

Water which are likely to be available for any specified period and any restrictions on the availability of Water due to reliability of supply or other factors. If during that period the volume of Water available shall change then a further notification shall be made on the website of the Company. Postings of the likely river flows and the volume of water that may be available for extraction shall be subject to climatic conditions and other relevant factors. Notices available on the website of the Company shall be deemed sufficient notice to the Shareholder.

9.2 Shareholder must verify supply

The Shareholder acknowledges and accepts in respect of the supply of Water by the Company that:

- (a) It is the obligation of the Shareholder to determine from the Company the volume of Water available and whether any restrictions apply; and
- (b) the Water may not be potable and may not be suitable for use by stock or for any purpose except irrigation.

9.3 System for Ordering Water

All Shareholders will comply with the requirements of the Company for the ordering of water for irrigation. This will include Shareholders giving sufficient notice for the commencement or cessation of supply. The Company will specify the system for water ordering and information on the water ordering system will be maintained and available to all Shareholders on the Company's website;

9.4 Reduction of Supply if Water Unavailable

If during the Irrigation Season the availability of Water to the Company for distribution to farmers and other persons is diminished or must be suspended in any way then the Company shall make Water available to the Shareholder only insofar as it is practicable for it to do so and in an equitable manner between all farmers and other persons entitled to that Water. If the Company has to reduce supply or suspend then it shall be entitled to do so in such manner and in such shares and proportions as in its sole discretion the Company may determine;

9.5 Restrictions if property has own supply and irrigation water

If under any Resource Consents relating to the Property there is a restriction as to the volume of water that can be applied per hectare on that Property during a specified period or any other like restriction then if the Shareholder has more than one supply of water for irrigation and breaches any such restriction the Company may reduce or suspend the volume of water delivered to the Shareholder or cease supplying water until that restriction is met.

9.6 No right of action against Company

The Shareholder shall have no right of action against the Company nor any entitlement for damages or compensation of any nature whatsoever in any of the following circumstances:

- (a) a failure by the Company to supply Water in terms of these Terms; or
- (b) as a result of any reduction in the supply or suspension in delivery of Water; or

- (c) if there shall be any matter relating to the quantity or quality of Water supplied to the Shareholder; or
- (d) any failure of any part of any infrastructure or any part of the Distribution System that prevents the delivery of water to a Property;
- (e) if damage occurs to crops or livestock arising from any toxicity or other harmful elements in or relating to the Water supplied to Shareholders.

9.7 Multiple Connection Points

The Water may be delivered to the Shareholder at one or more Connection Points on the Property of the Shareholder. Additional Connection Points may be constructed with the prior approval of the Company and with such Metering Equipment and telemetry as reasonably required by the Company.

9.8 Must not take above entitlement to water

The Shareholder shall not take from a Connection Point more Water than the Shareholder's entitlement pursuant to these Terms (including any Excess Water allocated to that Shareholder) or otherwise than in accordance with any Resource Consent, Farm Environment Plan or Scheme Management Plan including the right to any water stored by the Company for release, or as otherwise agreed in writing with the Company.

10 INTERRUPTION TO SUPPLY OF WATER

10.1 The Company may interrupt or reduce the supply of Water at any time the Company reasonably considers it necessary to do so for planned and unplanned interruptions in accordance with this clause.

Planned Interruptions

- (a) In situations where the Company determines the need for the interruption in accordance with Good Management Practice to:
 - (i) enable the Company to inspect, and to effect alterations, maintenance, repairs or additions to any part of the Irrigation Infrastructure; or
 - (ii) avoid the risk of danger to persons, damage to Property or interference with the regularity or efficiency of the supply of Water; or
 - (iii) preserve and protect the proper working of the Distribution System.

Unplanned Interruptions

- (b) In situations where the Company does not know of the need for the interruption in advance, including without limitation:
 - (i) faults in the Distribution System caused by equipment failure, accident, storm or similar event; or
 - (ii) wilful or reckless damage to the Distribution System; or

(iii) emergencies; or

(iv) an event of Force Majeure.

10.2 Notice of planned interruptions

Where the Company interrupts delivery pursuant to clause 10.1(a) the Company shall give prior notice to the Shareholder, by electronic means including email or texting, and the Company shall liaise with the Shareholder over the timing of the interruption to minimise inconvenience to the Shareholder. The parties agree that where reasonably practicable planned interruptions shall occur outside of the Irrigation Season.

10.3 Emergency Interruptions

Where the Company interrupts supply pursuant to clause 10.1(b), as soon as it is practicable the Company shall advise the Shareholder of:

- (a) the area affected by the interruption;
- (b) the reasons for the interruption; and
- (c) the expected duration of the interruption.

10.4 Minimisation of interruption period

In all situations of interruptions the Company shall use reasonable endeavours to minimise the period of interruption.

11 RESPONSIBILITY OF SHAREHOLDER

11.1 Shareholder responsible for works on Property

The Shareholder shall be responsible for all work carried out on the Shareholder's Property beyond the Connection Point including the installation of all plant, equipment, pipes, electrical connections and other works to distribute Water on the Shareholder's Property provided that the Company shall be responsible for maintaining and replacing all Company infrastructure on the Property of the Shareholder.

11.2 Maintenance of Company Works on Property

If so required or directed by the Company the Shareholder shall be responsible for maintaining, keeping clear, and managing all land above any pipelines within the Property of the Shareholder so that no damage occurs to the pipeline. The Company shall have rights of access to the Property to ensure the obligations under this clause are being met.

11.3 Access to Property for Company

The Shareholder shall give access to the Company, its contractors, agents, and employees at all reasonable times for the purpose of carrying out maintenance, repairs and replacements of all Company infrastructure on the Shareholder's Property. The Company will seek to minimise any disturbance to the farming operations of the Shareholder.

11.4 Installation of Improvements on Property

The Company may require the Shareholder to install, at the cost of the Shareholder, plant and equipment to prevent or control among other matters backflow, pressure relief, measurement

of water and such other matters reasonably required by the Company. In addition, the Company may require a Shareholder to install, at the cost of the Shareholder, Metering Equipment.

11.5 Certain connection Shareholders Responsibility

Where Water is made available to the Shareholder away from the Property boundary the Shareholder shall be responsible at the Shareholder's cost for arranging all pipes, connections and other equipment to deliver Water to and over the Property or to and over any adjacent property to that point of supply and for obtaining any easements or rights necessary for the delivery of such Water.

11.6 Special Arrangements for Infrastructure

The Company may enter into special arrangements with a Shareholder or group of shareholders on the construction of infrastructure, the ownership of that infrastructure, and the charges to be made for the use of that infrastructure.

11.7 Shareholder liable for damage

The Shareholder agrees that if any damage is caused to the property of the Company situated on the Shareholder's Property other than by Force Majeure then the Shareholder is liable for all costs relating to any repairs, replacement and reinstatement of that damaged property. If the Company or the agent or contractor of the Company causes the damage the Company is liable.

11.8 Notice to comply with Company policies

The Company may require the Shareholder to comply with policies and rules relating to the use of the Water. The policies may be posted on the website of the Company and, if so posted, shall be complied with at all times by the Shareholder. The Company may replace those policies and rules at any time by giving notice to the Shareholder and placing the new rules and policies on the website of the Company.

11.9 Shareholder must hold shares if required

The Shareholder shall at all times hold the number and classes of shares if and as specified from time to time by the Company. Such Shares must be held at all times while the Short Form Agreement and these Terms remain in force.

11.10 Transfer of Property

If part of the Property, and/or the rights to Water, or the Shares, are to be transferred the Shareholder must agree with the Company the basis for a new Short Form Agreement to be executed by the new Shareholder or the owner of the interest in the Property to which Water is to be supplied by the Company. The Company may withhold the supply of Water until an agreement is entered into, with the Purchaser of a Property or any part of a Property or of any rights to Water until the rights are contained in an executed Short Form Agreement on such terms and conditions as approved by the Company.

11.11 Company may withhold supply

The Company may withhold the supply of Water if the Shareholder sells the Shares, or the Property, without at the same time complying with the foregoing provisions.

11.12 Uneconomic water supply may be terminated

If the continuity of the supply of Water becomes uneconomic for the Company to deliver water to the property of a transferee the Company may refuse to consent to the transfer of any rights to Water.

11.13 Restriction on taking water if Consents require them

If under any Statutory Requirements the volume of water available to the Shareholder for irrigation under any consents, including the Resource Consents, is restricted or limited then the Shareholder agrees to limit the water taken under all consents to ensure the Statutory Requirements or any other conditions or requirements of any consents (including the Resource Consents) are met and complied with in all respects.

11.14 Use of Water only for Irrigation / Approved Uses

The Shareholder shall only use the Water for irrigation and will not use the Water for any other purpose (including as potable water, for generation of electricity or any other purpose) except with the prior written consent of the Company which consent may be arbitrarily withheld.

12 CHARGES

12.1 Board Determines Charges

The Company shall in each year prior to the commencement of the Irrigation Season determine and fix Charges at such figures as the Company shall in its sole discretion determine, having regard to the amounts required to fund its funding and operational requirements for that year which Charges shall be charged to, invoiced and paid by the Shareholder monthly or at such other time or times as the Company may require. The charges shall include all charges payable by the Company for the fixed costs relating to the Distribution System, including the costs for access to, holding Water in and maintaining the Opuha Lake and dam, and to cover all administration costs of the Company and may include such other charges as are reasonable.

12.2 Charges may be separated

The Charges may include separate Charges for:

- (a) the supply of water;
- (b) the use of the Distribution Infrastructure;
- (c) the use, maintenance and capital works on any Specific Infrastructure within the Scheme Area.

12.3 Different Charges

The Charges shall be separated out into:

- (a) A Water Charge that shall be determined for each Year and advised to all Shareholders and applicable from 1 July in each year. The Water Charge shall be payable by all Shareholders in proportion to their holdings of Water Shares. The Water Charge may be determined by levying a charge for 80% of the water to which the Shareholder is entitled (or such other percentage as the Board determines) and making a further charges for water taken above that percentage level;

- (b) Any Infrastructure Charge that shall be payable as determined by the Board and may be a charge payable by all Shareholders, or different charges payable by a specified group of Shareholders who only use Specific Infrastructure in a Specified Area and in such manner and proportions as the Board determines is equitable.
- (c) The decision by the Board on the allocation and recovery of the Water Charges and Infrastructure Charges shall be final and binding on the Shareholder and all shareholders of the Company.
- (d) The Company may levy Special Charges on all farmers or a particular group of farmers if that charge is fair and equitable.

12.4 **Infrastructure Charges**

The Company and Shareholder agree that where I Shares are held and those I Shares give the right to use Specific Infrastructure that Charges levied as Infrastructure Charges in respect of those I Shares may be reviewed by the Company from time to time to reflect and determine the annual charges on the I Shares to:

- (a) meet all operating, maintenance, repair, reconstruction, and other costs and expenses relating to that Specific Infrastructure; and
- (b) meet the cost of interest and debt amortisation relating to any debt incurred to construct, alter, extend or repair that Specific Infrastructure;
- (c) carry out any capital works on that Specific Infrastructure.

12.5 **Annual Review of Charges**

All Water Charges may be reviewed annually and may vary as a charge on the Water Shares by such sum as the Company shall determine having regard to the costs (excluding the Infrastructure Charges) to meet:

- (a) the annual cost of the Scheme including financing costs and debt repayments; and
- (b) any necessary capital works required in respect of common infrastructure within the Scheme; and
- (c) external factors such as interest rates, contract charges for use of other facilities or similar charges;
- (d) all operating expenses.

12.6 **Direct Debit**

The Company may require the Shareholder to pay all Charges by direct debit from the bank account specified by the Shareholder and the parties will sign all forms necessary to enable Charges to be paid by this method.

12.7 **Charges for Excess Water**

Charges for Excess Water shall be on a litre per second basis or such other basis as the Company shall determine from time to time.

12.8 Charges for using Water for Generation

The Company may determine fees payable by Shareholders for utilising the water within the Scheme for generating mechanical or electrical power from turbines or such other use as may be approved by the Board. All fees for the same type of approved use shall be consistent for all Shareholders.

12.9 Interest on Overdue Charges

If the Shareholder does not make payment of Charges on due date then, (provided written demand has been made) the Company shall be entitled to charge the Shareholder interest on any amount outstanding from due date until payment in full at the Default Interest Rate. Such sum may be recovered as a liquidated debt due by the Shareholder to the Company and is a secured payment under this encumbrance.

12.10 Charges not affected by Supply

The Shareholder acknowledges that the Charges shall be payable by the Shareholder notwithstanding that:

- (a) the Shareholder may not have consumed any Water during the relevant period for charging the Shareholder; or
- (b) used any Specific Infrastructure; or
- (c) the Company may have been unable to supply Water to the Shareholder for all or part of the relevant period for charging the Shareholder (provided that such non-supply was not due to the wilful default of the Company).

12.11 GST Exclusive

All charges shall be on a plus GST basis.

13 ADJUSTMENTS TO CHARGES

Throughout the term of the Short Form Agreement and these Terms the Company may vary the prices which give rise to any charges to effect an equitable pass through of any increase or decrease in the prices charged to the Company in respect of any of the components of the Charge (including without limitation charges relating to the supply of electricity necessary to operate the Scheme or the finance costs for debt) where any increase or decrease in price may occur.

14 EASEMENTS

14.1 Grant of Easement

The Shareholder agrees to grant such easements in gross over the Shareholder's Property as the Company may reasonably require in relation to the laying of races, canals, pipes, concrete structures, electricity lines, telemetry, communications and the installation of plant, equipment and measuring devices relating to the Distribution System including any repairs, extension or renewal thereof as needed for the Scheme from time to time. Such easements shall be granted with the Company having no obligation to pay compensation to the Shareholder. The Company will prepare at its cost any easements and survey plans necessary for those easements and the Shareholder will ensure the owner of the Property promptly executes and facilitates registration of those easements. The Company will bear any reasonable costs pre-approved by the Company and incurred by the Shareholder in relation to the registration of those easements.

14.2 Consultation prior to requiring easement

The Company will give notice to the Shareholder of the requirement to obtain any easements and consult with the Shareholder in respect thereof. The Company will only exercise its power under this clause to obtain such easements as may be reasonably required for the effective operation of the Scheme and will take into account the reasonable requirements of any Shareholder in exercising the said rights. The Company will act reasonably in exercising rights under clause 14.

14.3 Failure to Sign Easements

If the Shareholder shall fail to sign any easement or documents reasonably required by the Company pursuant to these Terms then after giving 10 business days notice of its intention to do so any two directors of the Company may sign those easements or documents on behalf of the Shareholder and the Shareholder hereby irrevocably appoints each director of the Company as the attorney of the Shareholder for those purposes.

14.4 Soil taken during construction

The Company and its agents and contractors may remove such soil and gravels (material) as required to construct any infrastructure on the Property as provided for in the easement. The Shareholder may request the Company to transfer that material and utilise the material within the Property in proximity to the location where the material is extracted. Otherwise the Company shall remove the material from the Property and ownership of that material shall pass to the Company. The parties may by agreement determine other methods of disposal of that material.

14.5 Storage and Reinstatement of Soil

If any material is extracted as set out in clause 14.4 the Company may temporarily store that material on the Property adjacent to the area from which the material is extracted. The Company shall reinstate as near as may be reasonably practicable to its original state the area on which the material is stored after its removal.

15 ELECTRICITY LINES

The parties acknowledge that it may be necessary to upgrade and to construct and maintain electricity cables to enable the Company to establish, extend and operate the Scheme. The Shareholder will not unreasonably withhold consent to such electricity lines and, where necessary, will grant the persons nominated by the Company reasonable access to the Shareholder's land for the purpose of building and operating such electricity line and creating any necessary easements. The Company will install such lines and cables to work in with the farming operation of the Shareholder and to create minimal interference for those operations.

16 TERM OF AGREEMENT

These Terms shall come into force and effect on the Commencement Date and subject to the rights to terminate these Terms shall continue until the date on which the Company cannot provide water to the Shareholder. If the Resource Consents held by the Company are not renewed or extended so that Water can continue to be delivered on the terms and conditions of these Terms then the Short Form Agreement and these Terms shall be terminated.

17 RIGHT OF ENTRY

17.1 Company right to enter property

The Company and its servants, agents, employees, contractors and workmen, shall have the right at any time and from time to time without being deemed to commit a trespass, taking due care and attention to minimise any loss or damage for the Shareholder and without payment of compensation for damages to enter upon the land of the Shareholder or any land connected or associated with the Shareholder for all or any of the following purposes without thereby restricting those purposes:

- (a) to gauge or otherwise determine the quantity of Water used by the Shareholder;
- (b) to view the condition of races, canals, structures, pipes, works telemetry, and Metering Equipment at the Connection Points;
- (c) to enter the Property to carry out inspections, maintenance and replacement of any Company infrastructure;
- (d) to construct any electricity connections or other easement works as permitted by easements to which the Company is entitled under these Terms;
- (e) to repair and replace any works carried out on the Property necessary for the operations of the Distribution System;
- (f) to determine if the policies of the Company or the provisions of a Farm Environmental Plan are being met.

17.2 Infrastructure available for inspection

The Shareholder shall ensure that access to any pipeline, water race or other structure or device used in the control and management of the Water conveyed in the delivery infrastructure for the Scheme is kept open and available for use by the Company and its agents and contractors. In respect of any future structures, works or developments on the Shareholder's land carried out by the Shareholder these shall not be constructed to impede or prevent any future access as aforesaid. The Shareholder will ensure that such development does not impede, restrict, limit or otherwise in any way inhibit or impair access or adversely affect access to or any such pipelines, water races, structures or devices.

18 ACCESS TO SHAREHOLDER'S WORKS

18.1 Access to Shareholders Property and Works

The Shareholder also agrees to provide the Company at all reasonable times with safe and unobstructed access to any part of the Shareholder's Works:

- (a) to install, replace, modify, repair or maintain equipment and associated fittings and any other pipes or equipment forming or to form part of the Shareholder's Works;
- (b) examine, read or test any metering equipment, measuring supply of Water under these Terms;

- (c) to protect or prevent danger or damage to persons or property;
- (d) to ascertain and remedy the cause of any interference to the supply of Water;
- (e) to disconnect or reconnect the supply of Water;
- (f) any other purpose reasonably connected to the supply of Water by the Company to the Shareholder.

18.2 **Company must minimise interference**

In exercising its rights of access the Company shall use all reasonable endeavours to ensure that:

- (a) where practicable the Shareholder is given reasonable notice of intention to, and the purpose for which right of access will be exercised;
- (b) as little interference to the Shareholder's farming requirements as practicable occurs in carrying out such works; and
- (c) Good Management Practice is complied with.

19 **BREACH OF AGREEMENT**

19.1 In the event of the Shareholder committing any breach of the terms of these Terms and such breach continues for 20 Business Days after written notice from the Company requiring such breach to be remedied, the Company may without payment of any damages or compensation to the Shareholder or any other person:

- (a) reduce the supply of Water to the Shareholder either permanently or until such time as such breaches have been made good provided that the Shareholder shall nevertheless remain liable to continue paying the Charges and any unpaid calls on shares in accordance with these Terms.
- (b) stop the supply of Water to the Shareholder either permanently or until such time as all breaches have been made good provided that the Shareholder shall nevertheless remain liable to continue paying the Charges and any call on Shares in accordance with these Terms.
- (c) after the breach has continued for 60 Business Days forfeit the Shareholder's Shares in the Company.

19.2 The liability of the Shareholder for interest on any Water Charges and any other payments not paid on due date shall be calculated to the end of each month and shall be payable by the 20th day (or the nearest Business Day thereto) in the next month.

20 **TERMINATION**

20.1 **May terminate supply if shares not held**

The Company shall be entitled at any time immediately to terminate the Short Form Agreement and these Terms if the Shareholder ceases to be a shareholder in the Company

or ceases in the opinion of the directors of the Company to be associated or connected with Shares in the capital of the Company sufficient to warrant supply in terms of the Constitution of the Company but the Shareholder shall remain liable for payment of all monies owing and for any antecedent breach of these Terms up to the date of termination of the Short Form Agreement and these Terms and for payment of all Charges until such liability is taken over by another Shareholder or Shareholders.

20.2 May terminate if unauthorised water taken

The Company shall be entitled at any time to immediately terminate or suspend the supply of Water under the Short Form Agreement and these Terms by notice given to the Shareholder if the Shareholder takes Water to which the Shareholder is not entitled without prior authorisation from the Company as set out in clause 6.1, and may then give 30 Business Days notice that it intends to terminate the Short Form Agreement and these Terms if that breach reoccurs but the Shareholder shall remain liable for all monies owing and for any antecedent breach of the Short Form Agreement or these Terms up to the date of such notice or termination as aforesaid.

20.3 May terminate if matters fail and not fixed

The Company shall be entitled to terminate or suspend the Short Form Agreement and these Terms if there is a failure of any metering equipment owned by the Shareholder and relied on by the Company to provide data on the volume of water supplied by the Company to the Shareholder and that failure continues for 30 Business Days after notice thereof is given to the Shareholder.

20.4 May terminate if call on shares not paid

In the event the Shareholder has failed to pay a call due on any Share allotted to the Shareholder in the Company in accordance with any demand made for such outstanding amount as shall be due on such Shares, such demand remaining unsatisfied for not less than 30 Business Days after being due and payable, the Company may immediately terminate the Short Form Agreement and these Terms but the Shareholder shall remain liable for all monies owing and for any antecedent breach of these Terms up to the date of termination and for payment of all Charges on a continuing basis until such liability is taken over by another Shareholder or Shareholders.

20.5 May terminate if charges not paid

In the event that a Shareholder fails to pay Charges on the due date for payment and that default continues for 30 business days then the Company may by giving 20 Business Days' notice to that effect cancel the Short Form Agreement and these Terms and terminate the supply of Water and deny access to infrastructure but reserving the right to recover all Charges and interest thereon.

20.6 Costs payable if termination occurs

In the event of the Company terminating the Short Form Agreement and these Terms for any reason then the Company shall not be liable to the Shareholder for any costs, damages, claims or compensation of any kind or nature whatsoever nor shall the Shareholder have any right of action against the Company.

21 ASSIGNMENT

21.1 Assignment by Shareholder with Prior Approval

The Shareholder shall not assign transfer mortgage or charge the Shareholder's interest in the Short Form Agreement or these Terms without the prior written approval of the Board of the Company (which consent shall not be unreasonably withheld). No such consent will be granted where there is any actual or contingent breach of the Short Form Agreement or these Terms or payment or liability outstanding and due to be met by the Shareholder, until such breach or default is remedied and no such consent to transfer will be provided unless the transferee qualifies as a shareholder according to the requirements contained in the constitution of the Company, holds the required shares in the Company, and has executed a Short Form Water Agreement agreeing to be bound by these Terms.

21.2 Change of Trustees

If there is a change of trustees of a trust who are parties to a Short Form Agreement then the rights are assignable to the new trustees.

21.3 Change of control

Where the Shareholder is a company, then any change in the legal or beneficial ownership of its shares or the shares of its shareholder or issue of new capital in the company or its shareholder where in any case there is a change in the effective management or control of the company will require the written consent of the Company (which consent shall not be unreasonably withheld).

21.4 Guarantor

In the case of any approval or consent required to be given by the Company under this clause 21, the Company may in its discretion require in the case of an assignment to a company that the principal shareholders of the company (or such other persons as the Company may approve) provide a guarantee (and enter into a deed of guarantee in a form approved by the Company) as security for the performance by that company of its obligations under the Short Form Agreement and these Terms. The Company will not be unreasonably withholding its consent under the provisions of this clause 21 where it requires the provision of a guarantee as contemplated by this clause 21.4.

22 ASSIGNMENT BY THE COMPANY

22.1 Assignment by Company

The Company may at any time assign and transfer the benefit of any Short Form Agreement. Thereupon that assignee shall be required to comply with the obligations of the Company thereunder and these Terms. The Company may assign by way of mortgage the benefit of any payments due and payable under any Short Form Agreement and these Terms to any financier (including a bank) which has lent moneys to the Company.

22.2 Consequent Changes of Assignment

If any assignment occurs under clause 21.1 all references in any Short Form Agreement and the Terms to the 'Company' shall thereafter be interpreted and construed as if that reference was to the relevant assignee of that benefit.

23 NON-WAIVER

The failure of either party to insist in any one or more instances upon a strict performance of any of these Terms or the waiver by either party of any provision or right hereunder or any default by the other party shall not be deemed or construed as a waiver by such party of any such term, right or default in the future.

24 FORCE MAJEURE

24.1 If either party is unable to carry out any of its obligations under these Terms because of any event or circumstance of Force Majeure, these Terms shall remain in effect but except as otherwise provided, both parties' obligations, (other than obligations as to payment of Water charges), shall be suspended without liability for a period equal to the circumstance of Force Majeure provided that:

- (a) the non-performing party gives the other party prompt notice describing the circumstance of Force Majeure including the nature of the occurrence and its expected duration and, where reasonably practicable, continues to furnish regular reports with respect thereto during the period of Force Majeure;
- (b) the suspension of performance is of no greater scope and of no longer duration than is required by the Force Majeure;
- (c) no obligations of either party that accrued before the Force Majeure caused the suspension of performance are excused as a result of the Force Majeure;
- (d) the non-performing party uses all reasonable efforts to remedy its inability to perform as quickly as possible.

24.2 If the event or circumstance of Force Majeure is of such magnitude or will be of such duration that it is either impracticable or unreasonable for either party to resume its obligations under the Short Form Agreement and these Terms, the parties agree to negotiate in good faith as to how that agreement and these Terms may be varied or terminated having regard to the financial obligations then remaining or continuing that need to be met, utilising if necessary the Dispute Resolution procedures set out in clause 24.

25 DISPUTE RESOLUTION

25.1 Negotiation

The Shareholder and the Company shall actively and in good faith negotiate to achieve the speedy resolution of any dispute or difference which may arise between them concerning any matter arising under the Short Form Agreement and/or these Terms.

25.2 Mediation

Every dispute or difference that is not resolved by discussion between the Shareholder and the Company may be referred by either party to mediation.

25.3 If a dispute has been referred to mediation then the parties shall endeavour to agree on a mediator and shall submit the matter in dispute to the mediator. The mediator shall discuss the matter with the parties and endeavour to resolve it by agreement between the

parties. All discussions in mediation shall be without prejudice, and shall not be referred to in any later proceedings. The parties shall each bear the party's own costs in the mediation, and shall each pay half the costs of the mediator.

25.4 Arbitration

The matter in dispute shall be referred to arbitration if:

- (a) the parties have been unable to agree upon a mediator within 10 Business Days of the dispute being referred to mediation; or
- (b) mediation has taken place and no agreement has been reached.

25.5 The dispute or difference shall be referred to a sole arbitrator for resolution if the Shareholder and the Company agree on one, or if they cannot agree on the appointment of an arbitrator within 10 Business Days, an arbitrator will be appointed by the President for the time being of the Canterbury Branch of the New Zealand Law Society at the request of either or both of them.

25.6 Where the matter has previously been referred to mediation, the mediator shall not be called by either party as a witness, and no reference shall be made to the determination, if any, issued by the mediator in respect of the matter in dispute, during any subsequent arbitration on the matter in dispute.

25.7 The Arbitration Act 1996 will apply in the case of any difference or dispute referred to an arbitrator in accordance with this clause and the decision of the arbitrator will be final and binding on the parties.

26 PARTLY PAID SHARES

26.1 The Company may issue partly paid shares and may require a Shareholder who takes up partly paid shares to pay interest at such rate as the Board considers is reasonable on any unpaid calls on those partly paid shares. In the event that any calls are not paid on due date Default Interest shall be payable on any unpaid calls from the due date. The Board may impose other terms and conditions on the issue of partly paid shares.

27 VARIATION/REPLACEMENT TO AGREEMENT

The Company reserves the right to vary or replace the Short Form Agreement and /or these Terms by introducing alterations to or a new agreement or new terms that will apply to all farmers and other persons taking Water from the Distribution System. Any such variation or replacement shall be carried out in the following manner:

27.1 The Company shall post a notice of the variation, new agreement or new terms on the website of the Company;

27.2 Notice that a new agreement or new terms are posted on the website of the Company shall be sent by post or email to the last known address, or email address, of the Shareholder;

27.3 On request from any Shareholder a copy of the new agreement or new terms shall be posted to that Shareholder at the last known address of that Shareholder;

27.4 The variation, new agreement or new terms shall come into effect 20 Business Days after sub-clauses 27.1 and 27.2 have been complied with by the Company or such later date as specified by the Company.

There shall be no requirement for the Shareholder to execute a new agreement or variation and notice as set out in clause 27.1 above shall be sufficient to create a variation to these Terms, and new binding terms between the Shareholder and the Company.

28 REORGANISATION OF RESOURCE CONSENTS

In the event that the manner in which Water is stored in the Opuha dam lake or is delivered into the Distribution System is materially changed then the Company may restructure and alter the provisions of these Terms to give effect to any such change. The Company will consult with all Shareholders prior to making any such change.

29 RESOURCE CONSENTS

The Shareholder agrees and covenants that no action will be taken and no omission made that might or could detrimentally affect the Resource Consents held by the Company at any time.

30 TRUSTEES LIABILITY

Where a Short Form Agreement is entered into by the trustees of a trust then any independent trustee under that trust, who has no financial or beneficial interest in the trust, shall have no personal liability for any moneys or other monetary liabilities payable or to be complied with under the Short Form Agreement or these Terms.

31 CONSUMER GUARANTEES ACT 1993

Water is being supplied to the Shareholder for the purposes of a business and the Shareholder agrees, pursuant to section 43(2) of the Consumer Guarantees Act 1993 to exclude the application of that Act for the benefit of the Company.

32 SEVERABILITY

Should any part or portion of any Short Form Agreement or these Terms be held invalid, the remainder of the agreement and these terms shall continue in force and effect as if the invalid provision had been deleted provided however that the parties shall negotiate in good faith a valid and enforceable provision and replacement of the invalid provision to achieve as near as reasonably practicable the same effect as the deleted provision.

33 DELEGATION

The Company may at any time and from time to time to delegate any of its powers rights or discretions hereunder to any person or persons, and the exercise of such power right or discretion by any such person or persons shall be deemed to be a valid exercise thereof by the Company.

34 COSTS

Each party shall bear its own costs relating to any Short Form Agreement. If a Shareholder shall seek any changes to such agreement or these Terms the costs of the Company in considering those changes

shall be paid by the Shareholder and recoverable from the Shareholder. Each new party agrees to pay all reasonable costs incurred in becoming a party to any Short Form Agreement.

35 EXECUTION

35.1 A Short Form Agreement may be executed in any number of counterparts and shall include by reference these Terms. Once the parties have executed the counterparts, and each party has received a copy of each signed counterpart which that party did not execute, each counterpart shall be deemed to be as valid and binding on the party executing it as if it had been executed by all the parties.

35.2 The parties may execute a counterpart copy of A Short Form Agreement by photocopying the agreement, executing that photocopy and transmitting that signed copy by pdf email. The transmission by pdf email by a party of a signed counterpart copy of that agreement to the other parties shall be deemed proof of signature of the original and the signed pdf email so transmitted shall be deemed an original for the purposes of these Terms.

36 NOTICES

Any notice given by the Company relating to any operational matter may be given by email to the last known email address of the Shareholder or by text message to the last cell phone number provided to the Company. General notice may be given on the website of the Company with advice by email to all Shareholders. If a Shareholder does not have an email address that Shareholder may request notice be given by post to the last known address of that Shareholder. Any notice shall be deemed to have been received on the day it is sent electronically or the third day after posting if posted. Any formal notice shall be given as required by these Terms or if in respect of a default under these Terms shall be sent by post as aforesaid

37 ENTIRE AGREEMENT

The Short Form Agreement, these Terms and the schedules embody the entire agreement between the parties in respect of the supply of Water and infrastructure and no representation or statement, whether written or oral, other than those expressly embodied therein shall be binding upon the Shareholder or the Company unless accepted by that party in writing.

38 GOVERNING LAW

The Short Form Agreement and these Terms shall be governed and shall take effect in accordance with the laws of New Zealand and the parties hereto submit to the non-exclusive jurisdiction of the New Zealand Courts.

Dated this day of 20