



Waimakariri Irrigation Limited

PRODUCT DISCLOSURE STATEMENT

For an offer of New Water Shares
in Waimakariri Irrigation Limited

Issued by Waimakariri Irrigation Limited

Dated: 7 October 2016

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

1 KEY INFORMATION SUMMARY

WHAT IS THIS?

This is an offer of New Water Shares. New Water Shares give you a stake in the ownership of WIL.

You could receive a return reflecting the performance of WIL through rebates (if any are paid or provided arising out of water useage) or other distributions declared by the Board.

If WIL runs into financial difficulties and is wound up, you will be paid only after all creditors have been paid. You may lose some or all of your investment.

ABOUT THE WIL GROUP

The WIL Group provides irrigation and stock water supply to farmers in certain areas of the Waimakariri District between the Waimakariri and Ashley Rivers. For more information see Section 2 (WIL Group and what it does).

PURPOSE OF THIS OFFER

The purpose of this offer is to facilitate the offer and allotment of New Water Shares to persons who hold Existing Water Shares as at the Record Date.

Money raised under this offer will be used to:

- pay part of the purchase price for the Surplus Water;
- pay costs associated with that purchase and this issue, including legal, consultancy, consenting and administration costs; and
- fund capital development and/or to reduce debt.

KEY TERMS OF THE OFFER

Description of the equity securities	This is an offer of New Water Shares in WIL. The New Water Shares will have the same rights and entitlements as, and will rank equally with, all Existing Water Shares on issue. See Section 6 (Key Features of the New Water Shares) for a description of the rights attached to the New Water Shares.
Price	The New Water Shares are being offered by way of a closed tender process. WIL intends to allot the New Water Shares to those Eligible Persons who offer the highest price, however WIL may accept, reject and scale applications down at its discretion. There is no fixed price or other fixed consideration for the New Water Shares and there is no fixed or indicative range within which that price or consideration may be fixed. The nominal value of each New Water Share will be the same as the issue price (being the price offered) for that New Water Share.
Intended date offer opens	17 October 2016

Intended date offer closes	5.00pm, 15 November 2016. WIL reserves the right to refuse to accept any application or to suspend or to cease offering the New Water Shares at its discretion.
Number or amount of the equity securities being offered	The number of New Water Shares being offered is 4,546. This is the maximum number of New Water Shares being offered. This will represent 3.41% of the total number of Water Shares on issue if all the New Water Shares being offered are allotted.
Liabilities, fees and charges	<p>An annual charge is payable to WIL under the Water Supply Agreement whether or not water is taken.</p> <p>WIL will require successful applicants to meet the costs of any upgrade required to the Scheme to deliver water under the New Water Shares to the applicant. For further information, see Section 6.8(e) of this PDS.</p> <p>See Section 6.5 (Liabilities, fees and charges) for further information in relation to the financial penalties and other consequences arising from a breach of the Water Supply Agreement.</p>
Eligibility	The offer is only being made to persons who hold Existing Water Shares in WIL as at the Record Date and who will hold at least 24 Water Shares in WIL after the issue of any New Water Shares to them under this offer.
Rebates and distributions	WIL does not ordinarily pay dividends in respect of Water Shares (including the New Water Shares). WIL was established, and operates, for the principal purpose of supplying water to its shareholders. WIL has not traded, and does not expect to trade, with an objective of making a profit from supplying water to its shareholders to be returned to the shareholders by distributions (including dividends) or rebates. Rebates (if any) are determined by the Board. In practice, WIL does not ordinarily pay rebates, and has not done so to date.
Restrictions on Water	The holders of the New Water Shares will be entitled to be supplied 1,000 cubic metres of water per annum per New Water Share from the Scheme, subject to the restrictions set out in Section 6.8 (Restrictions on Water).
Water Supply Agreement	As an Eligible Person, and by applying for New Water Shares under this offer, each applicant will be subject to WIL's current Water Supply Agreement, whether or not they have signed a Water Supply Agreement, as set out in clause 9.1 of the Constitution. As a result you must meet the requirements of the Water Supply Agreement on WIL's standard form at any relevant time and, in particular, meet all the requirements of the Nutrient Management Policy.

HOW PRICING OF THE NEW WATER SHARES IS FIXED

The New Water Shares will be issued at prices determined in accordance with the closed tender process described in the above table under the heading "Price". For more information, see Section 5 (Terms of the Offer).

HOW YOU CAN GET YOUR MONEY OUT

WIL does not intend to quote these New Water Shares on a market licensed in New Zealand and there is no other established market for trading them. This means that you may not be able to sell your New Water Shares.

In general, persons investing in shares in a co-operative company do so in order to transact with the company and in some cases, to be entitled to distributions (including dividends) and/or rebates based on their trading with the company rather than to obtain capital gains in the value of the shares.

Transfer of New Water Shares

The New Water Shares are transferrable subject to the Board's ability to reject a transfer under the Constitution. In addition, any transfer is subject to WIL being satisfied that the terms of any relevant Consents, statutory or regulatory requirements, Policies and the Water Supply Agreement will be met in respect of any supply of water following the transfer.

Surrender of New Water Shares

Holders of New Water Shares can surrender such shares for their nominal value (which is their issue price) or a price otherwise determined by the Board. WIL can also require shareholders to surrender Water Shares (including the New Water Shares) in certain circumstances. Any surrender is subject to WIL being able to meet the solvency test under the Companies Act 1993 immediately after the surrender.

For further information on transfer and surrender, see Sections 6.9 to 6.12 of this PDS.

KEY DRIVERS OF RETURNS

The financial performance of WIL is important to the extent that it impacts on water charges and WIL's ability to effectively manage and operate the Scheme. The aspect of WIL's business which is likely to have the most impact on WIL's financial performance is the Storage Project. WIL intends to debt fund this project and meet associated interest and fees by significantly increasing the water charges to shareholders.

Increased resource consent compliance requirements may also affect future financial performance.

Further information and a description of key strategies and plans for these aspects of the business are in Sections 2.1 f and g of this PDS.

KEY RISKS AFFECTING THIS INVESTMENT

WIL considers that the most significant risk factors that could affect the returns received from holding these New Water Shares are as follows.

- (a) Consent risk: WIL could breach the Consents, or action or inaction by shareholders as end water users could result in WIL being in breach of the Consents resulting in enforcement action against WIL which could include a requirement to pay money as penalties or costs being imposed on WIL or the Consents being cancelled. In addition, there is a risk that a consent authority could decline to renew a Consent, or could renew or review a Consent on terms unfavourable to the operation of the Scheme.
- (b) Regulatory change: Regulatory changes to nutrient management and other aspects of farm environmental management could restrict the operation of the Scheme or increase the cost of compliance by WIL or the shareholder.
- (c) Storage: If the Storage Project does not proceed, there is a risk that WIL's shareholders will not be able to comply with the expected future targets implementing Good Management Practice. This could place subsequent renewal of the WIL Consents at risk.
- (d) Climate change: Future climate change may impact on irrigation demand and irrigation reliability.
- (e) No guarantee of water supply and/or water supply at an acceptable cost: Persons issued New Water Shares may not receive the water entitlement under the New Water Shares immediately following the allotment of the New Water Shares, or delivery may be delayed or occur at a significant cost to the shareholder. The actual date of delivery of the water entitlement under the New Water Shares, and associated costs, will vary between shareholders depending on:
 - i. whether the relevant sections of the Scheme can deliver the water and, if upgrades to the Scheme are required to deliver the water, the nature and timing of those upgrades; and
 - ii. whether and how WIL can be satisfied that the terms of any relevant Consents, statutory or regulatory requirements, Policies and the Water Supply Agreement will be met in respect of the delivery of the water entitlement under the New Water Shares to that shareholder.

This summary does not cover all of the risks of investing in New Water Shares. You should also read section 8 (Risks to WIL Group's business and plans). That section includes WIL's assessment of the nature and potential magnitude of these risks and the mitigation strategies adopted by WIL in relation to these risks.

WHERE YOU CAN FIND WIL'S FINANCIAL INFORMATION

The financial position and performance of WIL are essential to an assessment of this offer. You should also read Section 7 (WIL Group's financial information).

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LETTER FROM THE CHAIRPERSON OF WIL'S BOARD

Dear Shareholder

On behalf of the Board of Waimakariri Irrigation Limited (WIL), I am pleased to announce the offer of 4,546 new water shares to existing Shareholders by way of a competitive tender process.

As you are aware, the Waimakariri River is considered by ECan to be fully allocated, so consented water available for irrigation is very much a limited resource. For a number of years, the company has had a strategy to manage all productive water on the north bank of the Waimakariri River, so when the opportunity arose to purchase the water, the company took it. Potentially, this could be considered to be one of the last opportunities to purchase additional water.

The offer is an exciting chance to purchase additional water shares. If you have any questions about the issue of these shares, or require additional information, you are encouraged to seek professional advice, or contact WIL directly on the phone numbers provided at the back of this document.



Gavin Reed
Chairman

2 THE WIL GROUP AND WHAT IT DOES

2.1 OVERVIEW

a. The WIL Group

WIL has one subsidiary, NCLHL. NCLHL is a wholly owned subsidiary of WIL and owns land at 513 Wrights Road, Burnt Hill, which is the site of WIL's proposed Storage Project.

b. Nature of the WIL Group's operations and main activities

WIL was incorporated in 1998 as a co-operative company to construct and operate the Scheme. The Scheme opened in 1999. WIL has to date issued 128,667 Water Shares for the purpose of supplying water for irrigation.

WIL operates a "run of river" Scheme and is authorised under resource consent CRC166677 (expiry date 18 November 2031) to take up to 11,041 litres per second of water from the Waimakariri River. This includes the Surplus Water associated with this offer (341 litres per second).

The Scheme is consented to irrigate within an area of 78,000 hectares within the Waimakariri District. Water is delivered through an open system of races and head canals. The Scheme largely follows the alignment of WDC's stockwater scheme that was initially constructed in the 1890s. Under a licence granted by WDC, WIL has the right to use and operate the stockwater scheme in order to deliver Scheme water for irrigation.

Under a separate management contract with WDC, WIL manages WDC's 2.1 cubic metres per second stockwater scheme (which is operated in conjunction with the Scheme). This arrangement offers WDC and WIL operating synergies and the opportunity to reduce costs. The stockwater scheme operates year round whereas the Scheme largely operates from September to April depending on rainfall and soil moisture conditions.

To fund the site of the Storage Project, WIL has advanced \$550,172 to NCLHL as at 30 June 2016. No interest is charged on the advance. The advance is repayable by NCLHL on demand from WIL.

c. Changes to WIL's operations and activities

For the period from the start of FY2014, material changes to the operations and activities of the WIL Group are as follows.

- An arrangement with Ngai Tahu Forest Estates Limited enabled a doubling in the capacity of the river intake and a significant increase in the capacity of the main canal from the intake to the buffer pond. The twin intake was completed in September 2013 and the main race upgrade was completed in early September 2014.
- Hearings for the resource consent for the construction of the Storage Project occurred in June 2014. The Commissioners granted resource consent on 1 October 2014 and this decision was appealed by the Eyre Community Environmental Safety Society (ECESS) on 28 October 2014. That appeal has been heard. An interim decision of the Environment Court was issued on 7 September 2016, directing further detailed evidence be provided, and recording that the Court was unable to indicate whether consent would ultimately be forthcoming.
- On 10 February 2016, WIL was issued with a new consent to discharge contaminants to land (CRC142754 expiry date 10 February 2021). In summary, the discharge consent removes the obligation

for shareholders to obtain and hold their own land use consents for the discharge of contaminants from farming associated with irrigation, which would otherwise become a requirement for orange zone farmers by 1 January 2016 and red zone farmers by 2017.

- WIL's Nutrient Management Policy requires shareholders to:
 - o prepare and maintain a current Farm Environmental Management Plan and allow their Farm Environmental Management Plans and farm activities to be subject to an independent audit;
 - o by 1 September each year, advise WIL of their annual Overseer N loss calculations for the preceding period from 1 August – 31 July;
 - o by 1 September 2020, be operating at Good Management Practice and at leaching rates not exceeding their 2009 – 2013 Good Management Practice equivalent baseline land use;
 - o prepare an updated Farm Environmental Management Plan in 2017 (to be reported to WIL by 1 September 2017) which includes details of steps that will be implemented to achieve the 1 September 2020 Good Management Practice limits.
- Also on 10 February 2016, WIL was issued with a replacement consent to take and use water (expiry date 18 November 2031). The replacement consent includes the Surplus Water associated with this offer. The new water take consent removes the previous 18,000 hectare restriction on the land that could be irrigated with water from the Scheme, and the area over which water is used will now be limited by requirements to use water efficiently and to, currently, limit the leaching of nitrogen into groundwater. The consent requires that all takes greater than 20 litres per second must have a flow meter. WIL requires these flow meter records to be transmitted by telemetry. It also requires that a minimum of 90% of the total flow delivered to WIL shareholders must be measured at the farm gate.

d. Acquisitions and dispositions

For the period from the start of FY2014, assets purchased or sold by any member of the WIL Group material to this offer are described below. These acquisitions and dispositions were done in the ordinary course of the business of WIL.

- In order for WIL to increase the capacity of the Scheme, or to extend the distribution network, WIL has occasionally been required to acquire by agreement access to, or other property rights over, certain land outside the original stockwater scheme.
- From time to time, WIL is offered the opportunity to acquire rights to take and use additional water from the Waimakariri River. In 2013 the holder of a consent transferred to WIL the right to take and use 200 litres of A Class water per second from the Waimakariri River. WIL has subsequently acquired the right to take and use a further 341 litres of water per second from the Waimakariri River. This is the Surplus Water associated with this offer.

e. Business industry or sector

The WIL Group's primary purpose is to own and operate the Scheme. This is the only industry or sector in which the WIL Group operates.

f. Current and future key aspects of business

The financial performance of the WIL Group is important to the extent that it impacts on water charges and on the WIL Group's ability to effectively manage and operate the Scheme. The current and future aspects of the WIL Group's business which are likely to have the most impact on the WIL Group's financial performance, and the WIL Group's key strategies and plans for those aspects of the business, are described below.

These are dependent to a large degree on the risks associated with the relevant aspects of the WIL Group's business. These risks are discussed in Section 8 (Risks to WIL Group's business and plans).

Storage Project

The Storage Project aims to augment the reliability of supply of Scheme water.

WIL proposes to debt fund the Storage Project. Associated interest and fees, and reduction of the debt over the term of the loan, is intended to be met by a significant increase to the water charges to shareholders. The Storage Project will require shareholder approval by special resolution to proceed.

Regulatory compliance costs

The approach of consent authorities with jurisdiction over the command area of the Scheme is continually and rapidly evolving with respect to water use, nutrient management and other aspects of farm environmental management. Regulatory change, and the terms of future renewal of WIL's Consents, is likely to increase WIL's costs of regulatory compliance. For example, WIL has incurred additional costs in:

- participating in the zone committee for Waimakariri under the Canterbury Water Management Strategy;
- educating and assisting shareholders in the preparation and implementation of Farm Environmental Management Plans and other key areas of compliance; and
- monitoring and enforcing compliance by WIL and its shareholders with the conditions of the Consents for the Scheme.

These additional costs may affect WIL's future financial performance and in turn flow through to WIL's mandatory annual water charges to shareholders.

g. Key strategies and plans for key aspects of the business

Storage Project

In June 2011, WIL shareholders approved in principle the Storage Project. Subsequently a pre-implementation agreement was entered into with Rooney Earthmoving Limited (REL) to design, cost and present storage options. As at the date of this PDS:

- design of the Storage Project has been completed by REL and a building consent issued (BCA122892, which has a lapsing date of 12 July 2017) to WIL for that design including any minor variations (which, for example, may arise during the consenting process);
- WIL has pre-approval for a financing facility with BNZ up to an anticipated maximum build cost, to 100% debt fund the Storage Project;

- a platform is being trialled to enable shareholders to exchange entitlements to stored water;
- a resource consent has been issued for the construction of the Storage Project, but is subject to appeal by ECESS as noted in Section 2.1c of this PDS, the final outcome of which is not known.

If the resource consent is granted, WIL intends to negotiate an implementation agreement with REL for the Storage Project. The contract price payable under the implementation agreement is intended to be a fixed lump sum. In lieu of a tender process, WIL intends that the negotiated contract price will be reviewed by suitably qualified owners' representatives retained by WIL.

The Storage Project will then be put to shareholders for approval by special resolution. As part of that approval process, shareholders will be shown the financial effect of the proposed investment in the Storage Project on:

- WIL over a number of years from both a capital and operating cost perspective; and
- the water charges to shareholders.

Regulatory compliance costs

WIL will seek to minimise as far as possible regulatory compliance costs, including by:

- monitoring regulatory change and challenging any outcome that has or may have a material adverse impact on the cost of compliance;
- collaborating where appropriate with other district and industry stakeholders to gain cost efficiencies; and
- seeking to commercialise intellectual property developed in the course of its regulatory compliance activities where appropriate.

WIL may increase its annual water charges if WIL was subject to higher regulatory compliance costs that could not be managed or offset in the manner noted above.

h. Acquired businesses, subsidiaries and bodies corporate

No member of the WIL Group has acquired a business or become a subsidiary of WIL at any time during the period from the start of FY2014. There is no present intention to acquire any business, subsidiary or body corporate.

2.2 DIRECTORS

WIL's Board comprises the following individuals:

- Martin John Ashby
- Steven Andrew Macaulay
- Gavin Raymond Reed
- Geoffrey Robert Hugh Spark
- David Gordon Kenneth Viles

2.3 SENIOR MANAGERS

The only Senior Manager of WIL is Brent Walton.

2.4 SUBSTANTIAL SHAREHOLDERS AND RELEVANT INTERESTS HELD BY DIRECTORS AND SENIOR MANAGERS

Current substantial shareholdings in WIL

WIL currently has on issue 126,000 Original Water Shares, referred to below as “O class” shares. Each “O class” share has a nominal value of \$57.49. All “O class” shares are fully paid.

In addition, WIL issued 2,667 further Water Shares by tender on 30 October 2014. These had 8 different issue prices and nominal values ranging from \$1,101 to \$1,428, according to the tender price paid for the shares. The 2,667 Water Shares form 8 further share classes, named according to the relevant issue price and nominal value (for example, “class 1101” shares, “class 1428” shares). In respect of these 8 share classes, each holder has a relevant interest in 100% of the shares of the relevant share class.

The persons having a relevant interest in 5% or more of a class of relevant securities on issue in WIL immediately prior to this offer are set out in the table below.

Substantial product holders prior to this offer (as at the date of the PDS)			
Name	Relevant interest	Equity securities	% of class
Landcorp Farming Limited	Registered holder	8,400 O class shares	6.67%
Ngai Tahu Farming Limited	Registered holder	7,252 O class shares	5.76%
I & M Selak Limited	Registered holder	104 class 1101 shares	100%
Craig Louis McAllister and Sarah Alexandra McAllister	Registered holder	45 class 1111 shares	100%
Beauhill Trustee Limited	Registered holder	1,075 class 1143 shares	100%
Andrew John Mehtens and Julie Fay Mehtens	Registered holder	258 class 1163 shares	100%
Carleton Dairies Limited	Registered holder	300 class 1167 shares	100%
Maurice John Borcoskie and Rosalie Mary Borcoskie	Registered holder	475 class 1200 shares	100%
Magnum Dairy Limited	Registered holder	110 class 1207 shares	100%
Netherland Holdings Limited	Registered holder	300 class 1428 shares	100%

Substantial shareholdings in WIL immediately after completion of this offer

The persons likely to have a relevant interest in 5% or more of a class of relevant securities on issue in WIL immediately after completion of this offer are the same as those listed in the table above, because:

- (a) the New Water Shares will not be “O class” shares (see Section 6.2(c) of this PDS), therefore the number and percentage shareholdings in respect of the existing “O class” shares will not change as a result of completion of this offer; and
- (b) assuming that no New Water Share has an issue price and nominal value equal to those of any of the existing share classes (other than “O class” shares), then the number and percentage shareholdings in respect of those further existing share classes will not change as a result of completion of this offer.

In addition, because the New Water Shares will form new separate classes of equity security in WIL based on their issue price and nominal value, each successful applicant will have a relevant interest in 100% of the respective new class of equity security in WIL (assuming that each successful applicant offers a different price per New Water Share as between the New Water Shares and the Existing Water Shares). If all of the New Water Shares are allotted, this will represent 3.41% of the total number of Water Shares on issue.

Shareholdings in WIL held by directors and Senior Managers

As a co-operative company, WIL supplies services to and receives payment for those services from its shareholders, including in respect of shareholdings in WIL held by directors as Transacting Shareholders. Further details in relation to shareholdings in WIL by the directors are set out in the notes to the WIL Group’s financial statements available on the Offer Register. WIL’s sole Senior Manager does not hold any shares in WIL.

2.5 OPTIONS TO ACQUIRE SECURITIES OF WIL

No option to acquire equity securities has been or is proposed to be granted by WIL.

2.6 OTHER EQUITY SECURITIES OF WIL

The classes of equity securities of WIL, and their nominal values, are described in Section 2.4 of this PDS. All these classes are Water Shares.

All Water Shares have equal voting rights, share equally in any dividends and any surplus on winding up and are all entitled to draw irrigation water from the Scheme at the rate of 1,000 cubic metres per annum for each Water Share. For practical purposes this equates to an application rate of 0.075 litres per second per Water Share during the irrigation season.

Under the Constitution, WIL can issue further shares ranking (in relation to voting rights, rights to Scheme water, payment of dividends or rights on liquidation or otherwise) equally with, or in priority to, the Existing Water Shares and/or the New Water Shares without requiring the approval, by a special resolution, of the holders of the Existing Water Shares and the New Water Shares. This could occur, for example, where WIL determines to acquire and allocate further water via a share issue, or if not all New Water Shares are allotted and WIL elects to make a further separate offer.

2.7 DIRECTOR REMUNERATION AND BENEFITS

The table below sets out the total of the remuneration and the value of other benefits received by each director or proposed director of WIL, in respect of WIL or any other member of the WIL Group during the most recent financial year (being FY2016).

Director or proposed director	Total remuneration and value of other benefits received	Nature of services provided	Expected differences in remuneration or benefits for FY2017
Gavin Reed	\$33,125	Services provided in a director capacity.	Unknown (any change in remuneration for FY2017 will be set by ordinary shareholder resolution at the 2016 AGM, expected to be in November 2016).
David Viles	\$15,237		
Geoffrey Spark	\$16,563		
Martin Ashby	\$16,563		
Steven Macaulay	\$16,563		

In addition, David Viles' company, Talanton Consultants Limited, received \$21,600 in FY2016 for consultancy services provided to WIL.

2.8 EMPLOYEE REMUNERATION OVER \$100,000 PER ANNUM

There were two employees or former employees of WIL, not being directors of WIL, who, during the most recent period (being FY2016), received remuneration and other benefits in their capacity as employees, that in value was at or exceeded \$100,000 per annum.

The table below sets out the number of such employees or former employees in brackets of \$10,000:

Remuneration	No. of Employees (FY2016)	Expected No. of Employees for FY2017
\$100,000 - \$109,999	1	1
\$110,000 - \$119,999	1	0
\$120,000 - \$129,999	0	0
\$130,000 - \$139,999	0	1

2.9 MATERIAL INTERESTS IN WIL (OR ANY OF ITS SUBSIDIARIES)

Brent Walton, WIL's only Senior Manager, does not hold any WIL equity securities. All WIL equity securities held by WIL's directors have been acquired by the directors in their capacity as Transacting Shareholders of WIL. As Transacting Shareholders, they were charged for irrigation water in the normal course of WIL's business and on the same terms and conditions as all shareholders. In addition, directors that are also shareholders are eligible to apply for the New Water Shares, but will not be involved in determining the applications under this offer.

David Viles is the sole director and shareholder of Talanton Consultants Limited. WIL has engaged Talanton Consultants Limited to provide consultancy services in relation to strategic projects.

No director or Senior Manager of WIL otherwise has any direct or indirect material interest in any agreement entered into on behalf of or in respect of WIL or any of its subsidiaries outside of the Senior Manager's employment agreement with WIL, which is material to the Senior Manager.

2.10 OTHER MATERIAL GOVERNANCE DISCLOSURES

The maximum number of directors is 8. WDC may appoint and remove up to 2 directors. As at the date of this PDS, WDC has appointed 1 director, being David Viles. All other directors are appointed and removed by the holders of Water Shares. Subject to the maximum number of directors not being exceeded, the board of directors of WIL may also appoint any person to be a director to fill a casual vacancy, except a vacancy in respect of WDC's appointees.

3 PURPOSE OF THE OFFER

Purpose of offer

The purpose of this offer is to facilitate the offer and allotment of the New Water Shares. Money raised under this offer will be used to:

- pay part of the purchase price for the Surplus Water to which the New Water Shares relate;
- pay costs associated with that purchase and this issue, including legal, consultancy, consenting and administration costs; and
- fund capital development and/or reduce debt.

The use of the funds raised under the offer will not change depending on the total amount that is raised.

The offer is not underwritten.

4 KEY DATES AND OFFER PROCESS

The intended key dates for the offer are*:

Record Date	5.00pm, 14 October 2016
Offer opens	17 October 2016**
Offer closes	5.00pm, 15 November 2016
New Water Shares are issued	23 November 2016
New Water Shares are quoted	Not applicable.
Mailing of holding statements	28 November 2016
Date for payment of share price	On application, but no later than the Closing Date.
Date by which application moneys (or part thereof) (without interest) will be returned to applicants if the applicant is not allotted New Water Shares (or all New Water Shares applied for).	24 November 2016
Date for payment of water charges	Water charges are invoiced during the irrigation season and payable on the 20th of the month following the invoice.
Consequences of failing to pay the water charges	The consequences of failing to pay the water charges may include suspension of voting rights or WIL charging interest, reducing or stopping the supply of water, or commencing forfeiture proceedings or a share sale, under the Water Supply Agreement and WIL's Constitution.

* This timetable is indicative only. WIL may vary or extend any or all of the above dates, and withdraw the offer at any time before the date by which the New Water Shares are allotted. No applications that are received following the expiry of this offer will be accepted, and no New Water Shares will be issued on the basis of any such late application.

** If the FMA extends the consideration period beyond 5 working days, then the date the offer opens would be postponed to immediately follow the end of the extended consideration period.

5 TERMS OF THE OFFER

Description of the equity securities	<p>This is an offer of New Water Shares in WIL. The New Water Shares will have the same rights and entitlements as, and will rank equally with, all Existing Water Shares on issue. However:</p> <ul style="list-style-type: none"> • the issue price of the New Water Shares will be as determined by the application process; • the nominal value of each New Water Share will be the same as the issue price of the New Water Share; and • the series number of each New Water Share under clause 12.1.2 of the Constitution will be determined by WIL on allotment, to reflect the number of dollars paid for each New Water Share issued. <p>See Section 6 (Key Features of the New Water Shares) for a more detailed description of the rights attached to the New Water Shares.</p>
Price	<p>There is no fixed price or other fixed consideration for the New Water Shares and there is no fixed or indicative range within which that price or consideration may be fixed. WIL will issue New Water Shares at a price to be determined in accordance with a closed tender process as follows.</p> <ul style="list-style-type: none"> • Eligible Persons who wish to apply for New Water Shares must nominate the price per New Water Share that they are willing to pay in whole dollars (and not in dollars and cents) and the number of New Water Shares that they wish to apply for. • WIL intends to allocate the New Water Shares to Eligible Persons in descending order of the price offered per New Water Share by each Eligible Person, however WIL may accept, reject and scale applications down at its discretion. For example, the price offered per New Water Share by an Eligible Person may not be acceptable to WIL. Further, in circumstances where there are competing applications to purchase New Water Shares at the same price, WIL may choose not to allot New Water Shares to a shareholder who, for example, has not had a good financial relationship or compliance record with WIL as determined by the Board. Also, scaling down may be applied where there are multiple applications for New Water Shares at the same price, and insufficient New Water Shares to allot each applicant the full number of New Water Shares applied for. Scaling will not be applied to an application where the applicant has indicated in their application that they do not wish their application to be subject to scaling.

	WIL recommends that each Eligible Person offer their best price per New Water Share as Eligible Persons will not have an opportunity to revise or change the price offered in their application after it has been received by WIL.
Intended date offer opens	17 October 2016
Intended date offer closes	5.00pm, 15 November 2016.
Number or amount of the equity securities being offered	The number of New Water Shares being offered is 4,546. This is the maximum number of New Water Shares being offered. This will represent 3.41% of the total number of Water Shares on issue if all of the New Water Shares being offered are allotted.
Liabilities, fees and charges	See Section 1 (Key Information Summary) under the heading “Key terms of the offer”.
Eligibility	See the table in Section 1 (Key Information Summary) under the heading “Eligibility”.
Rebates and other distributions	See the table in Section 1 (Key Information Summary) under the heading “Rebates and other distributions”.
Restrictions on Water	See the table in Section 1 (Key Information Summary) under the heading “Restrictions on Water”.
Water Supply Agreement	As an Eligible Person, and by applying for New Water Shares under this offer, each applicant will be subject to WIL’s Water Supply Agreement in effect at any relevant time, whether or not they have signed a Water Supply Agreement, as set out in clause 9.1 of the Constitution. The current Water Supply Agreement is available on the Offer Register.

Transfer of New Water Shares	<p>Shareholders may sell, or transfer all or any portion of their unused water entitlement available under, their Water Shares (including New Water Shares).</p> <p>Water Shares will not be listed on the NZX and there is no established market available to sell Water Shares.</p> <p>The Constitution contains restrictions on the persons to whom any Water Shares may be issued or transferred and specifies the process by which Water Shares may be issued and transferred. These restrictions are discussed in Section 6.9 (Restrictions on issue and transfer) of this PDS. In addition, any transfer is subject to WIL being satisfied that the terms of any relevant Consents, statutory or regulatory requirements, Policies and the Water Supply Agreement will be met in respect of any supply of water following the transfer.</p>
Surrender of New Water Shares	<p>The entitlement on the part of shareholders to surrender Water Shares, and the surrender of Water Shares at WIL's election, is described in Sections 6.10 to 6.12 of this PDS.</p>

WIL's Constitution and the Water Supply Agreement in effect at any relevant time set out terms of the New Water Shares and other terms of this offer. These documents can be obtained from the Offer Register.

6 KEY FEATURES OF THE NEW WATER SHARES

6.1 BACKGROUND TO OFFER

WIL has acquired the right to take and use the Surplus Water, being 341 litres per second of A Class Water from the Waimakariri River. A Class Water is defined in more detail in the Waimakariri River Regional Plan and is the same class of water taken by WIL under WIL's original consent to take water. It is the most reliable water available for irrigation purposes from the Waimakariri River.

The terms on which WIL acquired the Surplus Water included payment by WIL of a lump sum, plus a share of the proceeds of the issue of the New Water Shares. WIL agreed to conduct a competitive tender process for the New Water Shares, open to all holders of Existing Water Shares.

Environment Canterbury approved the transfer of the Surplus Water to WIL on 8 April 2016 when it issued CRC166677 to WIL.

WIL has acquired the Surplus Water and paid the initial lump sum for the Surplus Water. In addition, a share of the proceeds of issue of the New Water Shares will be paid by WIL for the Surplus Water. To make the Surplus Water available to shareholders, WIL is now offering up to 4,546 New Water Shares, by offering each person who at the Record Date is an Eligible Person the opportunity to purchase New Water Shares in accordance with this PDS, provided that they will satisfy the Minimum Holding Requirement. The Record Date is 5.00pm on 14 October 2016.

If WIL does not allot all of the New Water Shares under this offer, then further Water Shares may be offered in the future under a separate offer, including to persons who do not then hold Water Shares.

6.2 RIGHTS AND ENTITLEMENTS

The New Water Shares will have the same rights and entitlements as, and will rank equally with, all Existing Water Shares on issue. However:

- (a) the issue price of the New Water Shares will be as determined by the application process;
- (b) the nominal value of each New Water Share will be the same as the issue price of the New Water Share;
- (c) the series number of each New Water Share under clause 12.1.2 of the Constitution will be determined by WIL on allotment, to reflect the number of dollars paid for each New Water Share issued; and
- (d) the N loss associated with the use of new water supplied under the New Water Shares is restricted as set out in this Section 6.8 (Restrictions on Water).

The rights and entitlements that apply to the New Water Shares (and apply to all Existing Water Shares) are set out below in this Section 6. In addition, the New Water Shares will be subject to such other conditions that WIL's board of directors may determine from time to time in respect of Water Shares in accordance with the Constitution and the Water Supply Agreement in effect at any relevant time. The rights and entitlements that apply to the New Water Shares when compared to the existing Water Shares are set out in Section 2.6 (Other equity securities of WIL) of this PDS.

6.3 RIGHT TO VOTE

Every holder of a share in WIL (including the Existing Water Shares and New Water Shares) has one vote on a vote conducted by a show of hands or on voices and one vote per share on a vote conducted by a poll. The right to vote at a meeting of shareholders is lost if calls or other sums due to WIL are unpaid.

Voting rights attaching to shares in WIL that are not Water Shares cannot exceed 40% of the total voting rights attaching to shares in WIL. There are currently no such shares in WIL that are not Water Shares.

6.4 FORFEITURE AND LIENS

WIL's Board may commence procedures for forfeiture of any shares (including the New Water Shares) if calls or other amounts due to WIL are not paid. In addition, WIL has a lien on shares (including the New Water Shares), on the proceeds of sale of those shares, and on dividends, for any calls and other amounts due to WIL. WIL may sell any share on which it has a lien.

6.5 LIABILITIES, FEES AND CHARGES

Financial penalties: A financial penalty regime applies under the Water Supply Agreement if a shareholder takes water in excess of the amount that the shareholder is entitled to take. Under the Water Supply Agreement, WIL may (but has not yet) establish and implement policies to govern the consequence of any breach of farm environmental management requirements. This may include financial consequences.

Other breaches of Water Supply Agreement: WIL may also have a claim against a holder of New Water Shares if a shareholder breaches any other term of the Water Supply Agreement in effect at any relevant time. WIL can also reduce and/or stop supplying water in these circumstances.

See also the table in Section 1 (Key Information Summary) under the heading "Liabilities, fees and charges".

6.6 REBATES AND OTHER DISTRIBUTIONS

See the table in Section 1 (Key Information Summary) under the heading "Rebates and other distributions".

6.7 WATER ENTITLEMENTS

Water

The holders of New Water Shares will be entitled to be supplied 1,000 cubic metres of water per annum per New Water Share from the Scheme (which for practical purposes is equivalent to an application rate of 0.075 litres per second per share during the irrigation season), subject to the restrictions set out in Section 6.8 (Restrictions on Water) of this PDS.

Unused water

A shareholder is able to request WIL to permit another person to take any unused portion of the shareholder's water entitlement available in any year in accordance with the procedures set out in clause 8 of the Water Supply Agreement.

Stock Water

The Scheme utilises existing races from which stock water has been drawn. WDC has granted WIL a licence to enlarge and use these races. WIL is required to continue to make stock water available to the stock water users.

Storage

WIL is advancing the Storage Project. Upon securing all required consents, contracts and funding arrangements, the arrangements that need to be entered into to implement the Storage Project will be placed before WIL shareholders for approval to proceed. If the Storage Project is approved by WIL shareholders, the New Water Shares will have the same storage entitlement as the Existing Water Shares. It is intended that the water user's right to access stored water will be in proportion to each water user's shareholding.

6.8 RESTRICTIONS ON WATER

To comply with the Consents, including CRC166677 to take and use water, and CRC142754 to discharge contaminants to land, WIL has varied the Water Supply Agreement and issued a Nutrient Management Policy. Both form an important part of the terms on which water will be supplied under the New Water Shares and the Existing Water Shares. Copies are available on the Offer Register.

If a shareholder breaches the Water Supply Agreement in effect at any relevant time (including the term that requires compliance with Policies including the Nutrient Management Policy) WIL may, without payment of any damages or compensation, reduce or stop the supply of water to the shareholder, either permanently or until such time as the breaches have been made good. The shareholder remains liable to continue to pay the water supply charges during this period.

The following description outlines the general position that applies, but the requirements of the Water Supply Agreement and the Nutrient Management Policy must be carefully considered by each applicant to ensure that any application for New Water Shares fully meets the requirements of the Water Supply Agreement and the Nutrient Management Policy. Each individual shareholders' circumstances are different.

The holders of New Water Shares will be entitled to be supplied 1,000 cubic metres of water per annum per New Water Share from the Scheme (which for practical purposes is equivalent to an application rate of 0.075 litres per second per share during the irrigation season), subject to:

- (a) availability of water to WIL whether pursuant to the Consents or otherwise;
- (b) WIL being satisfied that the terms of any relevant Consents, statutory or regulatory requirements, Policies and the Water Supply Agreement will be met in respect of any supply of water; and
- (c) WIL being satisfied, having regard to the technical capability and capacity of the Scheme that, any supply of water to the holder:
 - i. is technically possible;
 - ii. can be provided with a certainty of supply (whether as to timing or quantity or flow or otherwise) WIL considers acceptable;

- iii. can be provided with an efficiency of supply WIL considers acceptable; and
- iv. would not affect detrimentally the supply of water to any existing shareholder (whether as to timing or quantity or flow or otherwise).

Key information relevant to the supply of water under the New Water Shares is set out below.

(d) The Nutrient Management Policy provides that the allocation of any new WIL water, including the water associated with the New Water Shares, will occur with no allowance for any increase in N loss, unless the individual shareholders can arrange an increase via one of the measures described in clause (c) of the policy, or if they make changes to their existing farm activities so that an increase in N from a new activity is fully offset by reductions in N leaching from other parts of the farm or farming enterprise.

(e) WIL will require a shareholder to meet the costs (including consultant's and contractor's costs) of any upgrade or extension required to the Scheme to deliver water, or additional water, to the shareholder.

Any shareholder wishing to discuss the potential costs involved with these improvements should contact WIL directly.

WIL may, on a case by case basis, contribute to the costs of any upgrade if and to the extent that upgrade is required to deliver the water entitlement held under 9 Water Shares to land an applicant evidences was irrigated by the Scheme as at 14 August 2008 in accordance with the Water Supply Agreement.

6.9 RESTRICTIONS ON ISSUE AND TRANSFER

The Constitution contains restrictions on the persons to whom any Water Shares may be issued or transferred and specifies the process by which shares may be issued and transferred, as follows.

- (a) No person is entitled to be issued Water Shares unless that person is a Farmer.
- (b) No Water Shares will be transferred to a proposed transferee where that transferee will own less than the Minimum Holding Requirement after the transfer or may be transferred by a shareholder where following the transfer, that shareholder will own less than the Minimum Holding Requirement, subject to certain exceptions in the Constitution.
- (c) The Board may refuse to register any transfer of Water Shares on the grounds set out in clauses 21.1–21.7 of the Constitution. Broadly, these include where:
 - i. the transferor has failed to pay WIL an amount due in respect of those Water Shares or for services provided by WIL or for any other reason;
 - ii. the transferor is otherwise in breach of the terms on which those Water Shares are held or services purchased;
 - iii. the transferee has not signed the transfer form (where the transfer would impose a liability to WIL on the transferee);
 - iv. the transfer is for more than one class of shares;

- v. the transfer is not in the form, or accompanied by the information, required by WIL;
 - vi. the transferee is not a Farmer who intends to purchase water or irrigation services from WIL; or
 - vii. any fee payable in respect of the proposed transfer has not been received by WIL.
- (d) The Board must refuse the registration of a transfer of Water Shares, if it is required to do so by law, or if the Board is not satisfied that after having regard to the technical capability and capacity of the Scheme at the time of the proposed transfer, the supply of services to the proposed transferee:
- i. is technically possible;
 - ii. can be provided with a certainty of supply the Board considers acceptable;
 - iii. can be provided with the same efficiency as the supply of services to the transferor; and
 - iv. would not affect detrimentally the supply of services to any existing shareholder;
- or if the transfer would violate the Minimum Holding Requirement. In addition, any transfer is subject to WIL being satisfied that the terms of any relevant Consents, statutory or regulatory requirements, Policies and the Water Supply Agreement in effect at any relevant time will be met in respect of any supply of water following the transfer.

6.10 SURRENDER OF WATER SHARES AT SHAREHOLDER'S ELECTION

The New Water Shares will be issued for varying issue prices depending on the outcome of the application process. A shareholder is entitled to surrender Water Shares for their nominal value (which is their issue price) or a price determined by WIL's Board if:

- (a) the shareholder has not been a Transacting Shareholder for five years; or
- (b) the shareholder disposes of, or changes the use of, their property and assets so that the shareholder does not have the capacity to be a Transacting Shareholder by continuing to take water from the Scheme; or
- (c) the Water Shares are held by a personal representative of a deceased shareholder, as part of his or her estate, and the personal representative has ceased to be a Transacting Shareholder of WIL.

A shareholder may also request the surrender of their Water Shares if they cease to be a Transacting Shareholder of WIL but do not fall within one of the circumstances in paragraphs (a) to (c) above. WIL may agree to such a request but is under no obligation to do so.

6.11 SURRENDER OF WATER SHARES AT WIL'S ELECTION

Water Shares may be surrendered at the option of WIL in certain circumstances specified in clause 29 of the Constitution including where the shareholder:

- (a) has ceased to be a Transacting Shareholder; or
- (b) has materially breached any transaction with WIL, such as the Water Supply Agreement.

6.12 CONDITIONS OF SURRENDER

In lieu of surrender, WIL may require the shareholder to transfer its Water Shares subject to the surrender to another person.

Water Shares cannot be surrendered if WIL would not meet the solvency test under the Companies Act immediately after the surrender.

Where shares are surrendered, the consideration is the nominal value or a price otherwise determined by the Board.

7 WIL GROUP'S FINANCIAL INFORMATION

This table provides selected key financial information about the WIL Group. Full financial statements are available on the Offer Register at www.business.govt.nz/disclose. If you do not understand this financial information, you can seek advice from a financial adviser or an accountant.

Financial information	FY2014	FY2015	FY2016
Revenues	2,330,584	6,474,002	2,806,078
EBITDA	999,881	4,840,389	978,703
Net profit after tax	167,264	3,993,530	116,374
Dividends on all equity securities of WIL	Nil	Nil	Nil
Total assets	13,222,458	18,049,942	20,711,233
Cash and cash equivalents	329,230	101,975	34,427
Total liabilities	5,604,590	3,283,116	5,828,033
Total debt (being total interest-bearing liabilities)	5,108,577	2,931,887	5,469,487
Net cash flows from operating activities	746,350	765,770	546,921

8 RISKS TO WIL GROUP'S BUSINESS AND PLANS

The following material risks are associated with the Scheme and offer of the New Water Shares. These risks are not intended to be a comprehensive list of all possible risks. You should consider these risk factors in conjunction with the other information in this PDS.

8.1 CONSENT RISK

Description of risk

The availability and reliability of run of river water is critical to the Scheme's ongoing viability, which is dependent to a large degree on the Consents held for the Scheme, among other factors. WIL faces ongoing risks associated with the Consents as follows.

Each Consent is issued for a specified duration. Accordingly, for continuity of water supply over time renewal of the Consent is required. The consent authority may decline to renew a Consent, or may renew the Consent but on conditions that are different and unfavourable to the operation of the Scheme.

Consent conditions may be reviewed by the consent authority at any time, irrespective of whether a renewal has been sought. Consent conditions following any review could restrict the operation of the Scheme or increase the cost of compliance.

In addition, each Consent is subject to conditions that must be complied with. Some of the consent conditions relate to nutrient and farm management. Compliance with these conditions in particular requires action by the shareholders as end water users. Compliance with these types of conditions is not within the direct control of WIL.

There is a risk that WIL could breach the conditions of the Consents, or that action or inaction by shareholders as end water users could result in WIL being in breach of the conditions of the Consents.

WIL's assessment of nature and potential magnitude of impact

If a consent authority declined to renew a Consent, or included unfavourable conditions in a renewal or review of a Consent, then this could adversely affect the operation of the Scheme or the cost of operating the Scheme in a material way.

A breach of a Consent could also result in abatement notices being issued by the relevant consent authority, or enforcement orders being made by the Environment Court, requiring compliance and/or remedial action to be taken. Alternatively, WIL could be prosecuted and/or the conditions of the Consents could be reviewed or the Consent cancelled.

The cost of any compliance and/or remedial action required to be taken, and/or the imposition of fines or other penalties, could also materially adversely affect WIL's financial performance. This could increase the mandatory annual water charges payable by shareholders.

WIL's assessment of the magnitude of the impact if these risks arose ranges from low to severe, depending on the nature of the decision made on a renewal or review of the Consent, or the nature of the breach, as the case may be.

Mitigation strategies

WIL intends to continue to defend the availability and reliability of run of river water, including by:

- renewing or amending Consents (as appropriate);
- educating and assisting shareholders in key areas of compliance;
- developing policies to support consent compliance and enforcing these under the Water Supply Agreement as appropriate; and
- monitoring and enforcing compliance by WIL and its shareholders with the conditions of the Consents for the Scheme.

WIL's assessment of the likelihood of the impact of this circumstance arising: Low to Medium

8.2 REGULATORY CHANGE

Description of risk

The approach of consent authorities with jurisdiction over the area of the Scheme is continually and rapidly evolving with respect to water use, nutrient management and other aspects of farm environmental management. This risk is specific to WIL as it is the only irrigation scheme operating in the Waimakariri zone as defined by the Canterbury Water Management Strategy.

The Canterbury Water Management Strategy is being implemented throughout Canterbury by zone specific implementation programmes for water management to achieve the goals and targets in the strategy. The next milestone following preparation of the zone implementation programme for the Waimakariri, is the production of the zone implementation plan addendum, which is scheduled to occur in September 2017. This will be followed by the publication of the proposed Waimakariri chapter of the Canterbury Land and Water Regional Plan and the hearing of submissions on that proposed chapter. This planning process will include a limit setting process to set and achieve flow, catchment and nutrient discharge limits. The outcome of this process will determine the conditions likely to be included in any further discharge consent held by WIL following the expiry of the discharge consent CRC142754 on 10 February 2021.

In addition, Plan Change 5 to the Canterbury Land and Water Regional Plan notified by ECan on 13 February 2016 will implement Good Management Practice in the wider Canterbury region once submissions have been heard and decisions made by hearing commissioners.

WIL's assessment of nature and potential magnitude of impact

Regulatory change could restrict the operation of the Scheme, and/or increase WIL's cost of compliance. Increased compliance costs would be likely to be recovered by increased mandatory annual water charges to shareholders.

Regulatory change may also require end water users to make specific on-farm improvements or changes to farming practices to meet nutrient management or other environmental requirements.

WIL's assessment of the magnitude of the impact is low to moderate, assuming that WIL can adequately plan for anticipated regulatory change.

Mitigation strategies

WIL intends to take all reasonable steps to:

- engage actively in the planning process as a key stakeholder in the Waimakariri zone;
- challenge any outcome that has or may have a material adverse impact on the operation of the Scheme and/or the cost of compliance; and
- gather on-farm information from shareholders so relevant data and good science can guide planning decisions.

WIL's assessment of likelihood of the impact of this circumstance arising: Low to medium

8.3 STORAGE

Description of risk

The Storage Project, and WIL's key strategies and plans for this aspect of its business, are discussed in detail in Section 2.1 (Overview) of this PDS. Implementation of the Storage Project is dependent on a number of factors, including as follows.

- The final outcome of the application for the Consents necessary for the Storage Project (including after all rights of appeal. The interim decision of the Environment Court on the appeal by ECESS recorded that the Court was unable to indicate whether consent would ultimately be forthcoming.
- Shareholder approval by special resolution is required to proceed to implementation.

As noted above, Plan Change 5 to the Canterbury Land and Water Regional Plan notified by ECan on 13 February 2016 will implement Good Management Practice in the wider Canterbury region. To achieve these targets, it is important that the Storage Project proceeds.

The Storage Project, while not changing the amount of water that is already consented to be taken from the Waimakariri River, will be able to store excess water when river flows are high and irrigation demands are low to provide water supply to WIL shareholders when water or the full entitlement to water is not able to be taken from the Waimakariri River by the Scheme. This increased reliability would provide a better match of water supply with crop (including grass) growth requirements, and otherwise enable good water application practices, reducing potential nitrogen leaching to groundwater.

If the Storage Project does not proceed, there is a risk that WIL shareholders will not be able to comply with the expected future targets in relation to the implementation of Good Management Practice likely as a result of Plan Change 5.

WIL's assessment of nature and potential magnitude of impact

A key Good Management Practice relating to irrigation is managing the amount and timing of irrigation inputs to meet plant demands and minimising risk of leaching and runoff of nutrients. However, the ability to meet this Good Management Practice relies on a reliable water supply.

If the Storage Project does not proceed, there is a risk that WIL's shareholders will not be able to comply with Good Management Practice requirements relating to irrigation scheduling. The inability to comply with Good Management Practice requirements increases the risk of a review of the WIL Consents and could place subsequent renewal of the WIL Consents at risk.

WIL's assessment of the magnitude of the impact if it arose is low to moderate, depending on the nature of the decision made on a renewal or review of the Consent.

Mitigation strategies

WIL is addressing this risk by:

- engaging with shareholders to ensure support for the Storage Project;
- educating and assisting shareholders in complementary practical actions including good use of scheduling information and improved efficiency of irrigation systems; and
- monitoring and assessing alternative storage options including on-farm storage.

WIL's assessment of the likelihood of the impact of this circumstance arising: Low to medium

8.4 CLIMATE CHANGE

Description of risk

Climate change projections for New Zealand indicate that temperatures are expected to rise which is likely to result in an increase in irrigation demand. In addition river flows in the Waimakariri River are expected to change as a result of changes in rainfall and snow storage, which may impact on the the supply of water for WIL. As recognised in the report 'Climate Change Effects and impacts Assessments, A Guidance Manual for Local Government in New Zealand 2nd Edition' (Ministry for the Environment, 2008) there is considerable uncertainty associated with developing projections of future climate change impacts in New Zealand. The Ministry for the Environment report states "Although there are uncertainties about the magnitude of regional climate change, certainty is growing as to the direction of expected changes." For New Zealand these directions include:

- Increasing temperatures over the whole country;
- Increasing annual average rainfall in the west of the country and decreasing annual average rainfall in Northland and many eastern areas;
- Increasing risk of dry periods or droughts in some eastern areas.

WIL's assessment of nature and potential magnitude of impact

Even though there are large uncertainties associated with climate change projections, an indication of what the likely effect of climate change would be for the supply of water from the Waimakariri River for WIL irrigators has been provided in the study 'Irrigation reliability under Climate Change Scenarios: A Modeling Investigation in a River-Based Irrigation Scheme in New Zealand.' (NIWA, 2011)

This report indicates that under climate change scenarios, the number of days per season that supply falls below demand could increase by 5% (for the year 2040) to 17% (for the year 2090) compared to current conditions. These numbers are based on having a run-of-river supply only (i.e. no storage).

Mitigation strategies

Climate change is beyond the control of WIL; however providing storage is generally considered to be an important climate change adaptation measure. The Storage Project will therefore help WIL responding to the projected impacts of future climate change on irrigation demand and irrigation reliability.

WIL's assessment of the likelihood of the impact of this circumstance arising: Low in short term but potentially medium in long term

8.5 NO GUARANTEE OF WATER SUPPLY AND/OR WATER SUPPLY AT AN ACCEPTABLE COST

Description of risk

WIL gives no assurance that water will be available to a particular property. Delivery of water to a particular property is dependent on the technical capability and capacity of the Scheme. It may not be technically feasible to deliver water to a particular property via existing assets comprised in the WIL Scheme without WIL first undertaking an upgrade to parts of the Scheme infrastructure.

There are certain risks involved with undertaking upgrades, including design and engineering risk and construction risk. WIL generally engages a suitably qualified consultant to design and oversee any upgrades to the Scheme. It is not guaranteed that the existing distribution system of the Scheme can be successfully upgraded to deliver water to any particular property. For example, there is a risk that resource consents and building consents necessary to authorise the works required to upgrade the Scheme are not obtained, or are subject to conditions that are not satisfactory to WIL.

If the existing distribution system of the Scheme can be successfully upgraded, then persons issued New Water Shares will be required by WIL to meet the costs of any upgrade required to the Scheme to deliver water under the New Water Shares to the applicant, as set out in Section 6.8(e) of this PDS. The quantum and timing of upgrade costs incurred by any one shareholder will be determined on a case by case basis. These costs may be significant and/or higher than anticipated by the shareholder and/or by WIL.

WIL may also refuse to commence supply of water to a particular property where an applicant cannot satisfy WIL that the property, when under irrigation, will operate within the parameters set under the Nutrient Management Policy or otherwise in accordance with the Water Supply Agreement in effect at any relevant time. For example, if the particular property does not comply with the Nutrient Management Policy, then WIL will not commence supply of water to that property. The costs incurred by a shareholder to meet the terms of any relevant Consents, statutory or regulatory requirements, Policies and the Water Supply Agreement may be significant.

For these reasons, persons issued New Water Shares may not receive the water afforded by the New Water

Shares immediately following the allotment of the New Water Shares, or delivery may be delayed or occur at a significant cost to the shareholder. The actual date of delivery of the water afforded by the New Water Shares, and associated costs, will vary between shareholders depending on:

- whether the relevant sections of the Scheme can deliver the water and, if upgrades to the Scheme are required to deliver the water, the nature of the upgrades required and when those upgrades occur; and
- whether and how WIL can be satisfied that the terms of any relevant Consents, statutory or regulatory requirements, Policies and the Water Supply Agreement in effect at any relevant time will be met in respect of the delivery of the water afforded by the New Water Shares to that shareholder.

WIL's assessment of nature and potential magnitude of impact

If there is any delay in delivery of the water afforded by the New Water Shares to a particular property, or delivery occurs at a significant cost to the shareholder, then there may be a material economic effect on the farming enterprise on the particular property. This may include:

- adversely affecting the utility and value of any investment in on farm irrigation infrastructure already commenced;
- impacting land value (irrigated vs unirrigated); and
- adversely impacting income and cashflow from the farming enterprise during the period of any delay or to the extent of the cost.

WIL's assessment of the magnitude of the impact if it arose is low to severe, depending on the period of any delay and the level of any costs.

Mitigation strategies

WIL considers its inability to guarantee water supply to a particular property to be largely a shareholder farming risk. As such, many mitigation measures are largely within the control of each applicant. WIL strongly encourages any person considering applying for the New Water Shares to:

- contact WIL directly as early as possible to discuss the capability and capacity of the Scheme in relation to a proposed supply to a particular property; and
- carefully consider the requirements of the Water Supply Agreement in effect at any relevant time and the Nutrient Management Policy to ensure that any application for New Water Shares fully meets the requirements of the Water Supply Agreement and the Nutrient Management Policy. Each individual shareholders' circumstances are different.

WIL's assessment of the likelihood of the impact of this circumstance arising: The risk, and WIL's assessment of the risk, will vary between shareholders depending on various factors, including the nature of any upgrades required, and whether and how WIL can be satisfied that the terms of any relevant Consents, statutory or regulatory requirements, Policies and the Water Supply Agreement in effect at any relevant time will be met.

9 TAX

Tax can have significant consequences for investments. If you have queries relating to the tax consequences of investing in New Water Shares, you should obtain professional advice on those consequences.

10 WHERE YOU CAN FIND MORE INFORMATION

Further information relating to WIL and the New Water Shares is available on the Offer Register (for example, WIL's constitution and financial statements). A copy of the information on the Offer Register is available on request to the Registrar of Financial Service Providers.

The website for the Offer Register is www.business.govt.nz/disclose.

Further information relating to WIL is available on the New Zealand companies register (administered by the Companies Office) at www.companies.govt.nz.

In addition, further information relating to WIL is available free of charge on WIL's website at www.wil.co.nz.

Shareholders are also entitled to request from WIL any information that may be requested by shareholders under statute. WIL will make this information available free of charge upon a request in writing made to WIL at its address set out in Section 12 (Contact Information).

11 HOW TO APPLY

To apply:

- (a) Complete the Application Form in accordance with the instructions on that form.
- (b) Make payment for the amount offered per New Water Share (in whole dollars and not an amount in dollars and cents) multiplied by the number of New Water Shares applied for by:
 - attaching your cheque to the Application Form. Cheques must be:
 - for New Zealand dollar payments drawn on a registered New Zealand bank (unless prior arrangements are made with WIL);
 - crossed “Not Transferrable”; and
 - made payable to “Waimakariri Irrigation Limited”.

OR

- depositing the issue price directly to WIL’s account:
BNZ Rangiora
Account number: 02-0876-0190697-002

before the Closing Date, 5.00 pm on 15 November 2016. When depositing the application moneys into WIL’s account, please ensure that you note your shareholder number and your name.

- (c) Forward your completed Application Form and your cheque (if applicable) to Waimakariri Irrigation Limited, care of Koller & Hassall Limited at:

Koller & Hassall Limited
267 High Street
Rangiora 7400

OR

Koller & Hassall Limited
PO Box 84
Rangiora 7440

so as to be received no later than the Closing Date, 5.00pm on 15 November 2016. Receipt by Koller & Hassall Limited of the Application Form duly completed, together with the application moneys for all New Water Shares applied for, will be deemed to constitute agreement on the part of the applicant to be bound by the terms of this PDS, the Constitution and the Water Supply Agreement.

WIL has appointed Koller & Hassall Limited, to receive and consider all applications for New Water Shares and the determination of Koller & Hassall Limited as to whether applications have been duly completed and signed and include payment of the application moneys for the New Water Shares applied for will be final. Where any application is incomplete, inaccurate or ambiguous, Koller & Hassall Limited may, but is not under any obligation to, advise the applicant of such incompleteness, inaccuracy or ambiguity, in order to give the applicant an opportunity to remedy the issue in question before the Closing Date. Consequently, WIL encourages every Eligible Person that intends to apply for New Water Shares to make such application as early as possible prior to the Closing Date.

Neither WIL nor Koller & Hassall Limited will have any liability in respect of any failure to allow an applicant to complete, correct or clarify an Application Form submitted to WIL.

The application moneys will be held in trust until allotment or return of the application moneys (as applicable).

12 CONTACT INFORMATION

<p>Issuer (Waimakariri Irrigation Limited)</p>	<p>Address: c/- Koller & Hassall Limited 267 High Street, Rangiora 7400 PO Box 84, Rangiora 7440</p> <p>Telephone number: 03 313 0200</p>
<p>Securities Registrar (Koller & Hassall Limited)</p>	<p>Address: 267 High Street, Rangiora 7400 PO Box 84, Rangiora 7440</p> <p>Telephone number: 03 313 8103</p>

GLOSSARY

In this PDS the following defined terms have the meanings set out next to them, except where the context requires otherwise.

Defined term	Meaning
Application Form	The application form contained at the end of this PDS.
Board	Board of directors of WIL.
Companies Act	Companies Act 1993 (as may be amended or replaced from time to time).
Consents	The resource consents held by WIL from ECan and/or WDC for or in relation to the Scheme including resource consents to take, convey, store, discharge and use water from the Waimakariri River and to construct, maintain and operate infrastructure for those purposes.
Constitution	Constitution of WIL (as may be amended or replaced from time to time). A copy of the current constitution is contained in the Offer Register.
Co-operative Companies Act	Co-operative Companies Act 1996 (as may be amended or replaced from time to time).
ECan	Canterbury Regional Council
Eligible Person	A Farmer that holds Existing Water Shares in WIL on the Record Date.
Existing Water Share	A Water Share in WIL as at the date of this PDS.
Farm Environmental Management Plan	Has the meaning given to that term in clause 16.1(b) of the Water Supply Agreement.
Farmer	A person holding an interest in land and who uses water supplied by WIL on that land, or who will use water supplied by WIL on the land when such water is supplied by WIL.
FY2014	WIL Group financial year for the 12 months ending 30 June 2014.
FY2015	WIL Group financial year for the 12 months ending 30 June 2015.
FY2016	WIL Group financial year for the 12 months ending 30 June 2016.
Good Management Practice	Has the meaning given to that term in the Nutrient Management Policy.
Minimum Holding Requirement	The requirement to hold at least 24 Water Shares in WIL after the issue of any New Water Shares under this offer.
NCLHL	North Canterbury Land Holdings Limited (New Zealand company number 1890997).
New Water Shares	The 4,546 new Water Shares which are the subject of this offer.
Nutrient Management Policy	A Policy of WIL entitled "Nutrient Management Policy" (as may be amended or replaced from time to time). A copy of the current nutrient management policy is contained in the Offer Register.

Offer Register	The electronic register of offers of financial products kept under the Financial Markets Conduct Act 2013 and available at www.business.govt.nz/disclose .
Original Water Shares	The 126,000 fully paid original Water Shares referred to as “O class” shares having a nominal value of \$57.49.
PDS	This Product Disclosure Statement.
Policies	Policies set by the board of directors of WIL from time to time for the purpose of meeting any obligation under or giving effect to any Consents, or any relevant statutory or regulatory requirement, or the Water Supply Agreement, or the management or operation of the Scheme.
Record Date	5.00pm, 14 October 2016
Transacting Shareholder	Has the meaning given to that term in section 4 of the Co-operative Companies Act.
Scheme	The irrigation scheme operated by WIL in the area north of the Waimakariri River extending north east towards the Ashley River in North Canterbury.
Senior Manager	Has the meaning given to that term in section 6 of the Financial Markets Conduct Act 2013.
Storage Project	The proposal for the development of a storage pond on the Wrights Road property owned by NCLHL.
Surplus Water	The right to take and use 341 litres per second of A Class Water from the Waimakariri River transferred to WIL by the holder of an existing resource consent and now included in resource consent CRC166677.
Water Share	The shares in WIL that confer a right on the holder to the supply of water by WIL and following issue of the New Water Shares under this offer, will include the Existing Water Shares and the New Water Shares.
Water Supply Agreement	The agreement pursuant to which WIL supplies water to its shareholders, as varied from time to time by WIL.
WDC	Waimakariri District Council
WIL	Waimakariri Irrigation Limited (New Zealand company number 902474).
WIL Group	The WIL group of companies, comprising WIL and its sole wholly owned subsidiary, NCLHL.

I/We wish to purchase less than the number of New Water Shares applied for if the number of New Water Shares available for the price I/We have offered is less than the number of New Water Shares stated above:

Yes:

No:

Application money

Enclosed:

Deposited in WIL's bank account:
02-0876-0190697-002

Cheques must be payable to "Waimakariri Irrigation Limited" marked "Not Transferable" and be in New Zealand Dollars drawn on a New Zealand bank.

I/we acknowledge that I/we have received and read the product disclosure statement dated 7 October 2016 for the issue of up to 4,546 New Water Shares to which this Application Form relates.

I/We agree to accept the number of New Water Shares applied for (to the extent issued) and I/we agree to be bound by WIL's Constitution, the Water Supply Agreement and the Nutrient Management Policy.

I/We acknowledge that all construction costs, and construction risks, associated with any canal upgrade to enable WIL to deliver water associated with the New Water Shares are the responsibility of the applicant.

(Name & Signature)

(Name & Signature)

(Name & Signature)

Note: applications will not be considered unless payment accompanies your application form or has been made direct to WIL's bank account.



Waimakariri Irrigation Limited

www.wil.co.nz