

NEWSLETTER

December 2013

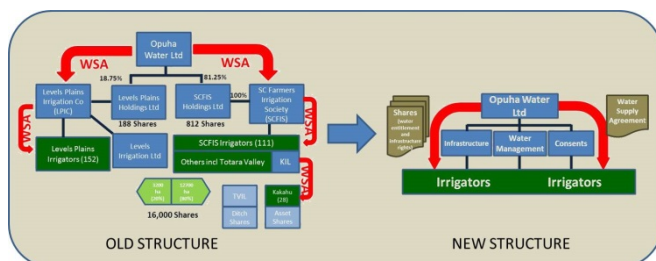
WELCOME

We have struck an unforeseen delay in our restructuring process so I thought a newsletter was the best way to get some new information out to you all.

Also included in this issue is our usual update on operations as well as an announcement of our new Environmental Manager appointment, details of our new website and Water Ordering system and a note on a small trial of electricity retailing we are undertaking.

COMPANY RESTRUCTURING

By now, I had intended that you would have received notices of Special General Meetings that we were to hold before Xmas to pass the necessary resolutions to amalgamate the existing eight entities into one. Unfortunately, as part of a final review of our restructure plan, we were made aware of a problem that had very significant cost implications relating to the wind up of one of the entities. This was very frustrating and very eleventh hour – however, I am relieved at least that it was discovered now rather than two years down the track when we might have faced a significant tax surprise.



As a result of this slight hiccup, we are currently investigating alternative options to achieve the same simplified structure with all water users having a direct shareholding and water supply agreements with a single entity. From our most recent work following the 'glitch', we are quite confident of finding an acceptable process but we expect this may now require a prospectus to be prepared and hence will extend our timeframes.

We have not determined the timing for our revised programme but we will be pushing ahead as fast as we can, while ensuring everyone is kept informed along the way. So look for an update early in the New Year and I am hopeful we will complete the process in the early part of the year.

Thankfully, only a portion of the work to date will need to be revisited as we re-programme the amalgamation process. The key documents that we now have ready to go – the new Constitution and Water Supply Agreements in particular – are all still the same and the changes we have made to SCFIS – converting it from a Society to a Cooperative Company – is also still on the right track.

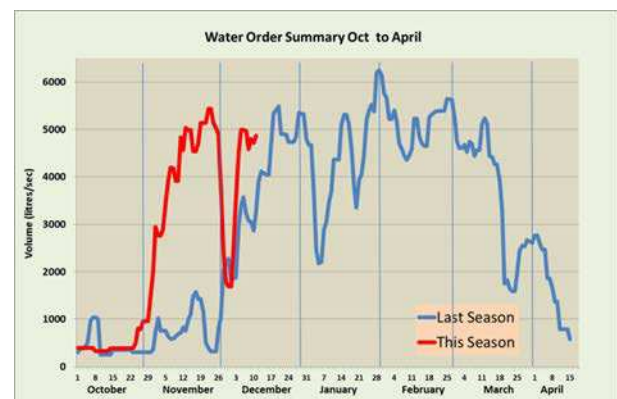
We held AGMs for all of the existing entities in the week beginning 25th November and these forums provided me with

the opportunity to update those attending of the change in the restructure programme. One of the very pleasing aspects of the restructuring work to date I was able to report on was the very good outcome of the refinancing process we have been through. In anticipation of the restructure, we went to the 'market' to seek proposals from each of the major banks for financing the new combined entity. The outcome of this is that ANZ have been re-appointed after we accepted their offer which, we feel, presents better terms and opportunities compared with our current arrangement. Since we will be combining the existing debt held by Kakahu and, to a smaller



extent, Totara Valley, most of the irrigators on these schemes will benefit directly from the better terms of the combined debt facility – however we believe the new package will provide benefits to all shareholders. The very good offer from ANZ reflected their good understanding of our business and I am looking forward to continuing the successful relationship with Chris Broughton and the local team headed by James Christie that we have enjoyed to date.

OPERATIONS

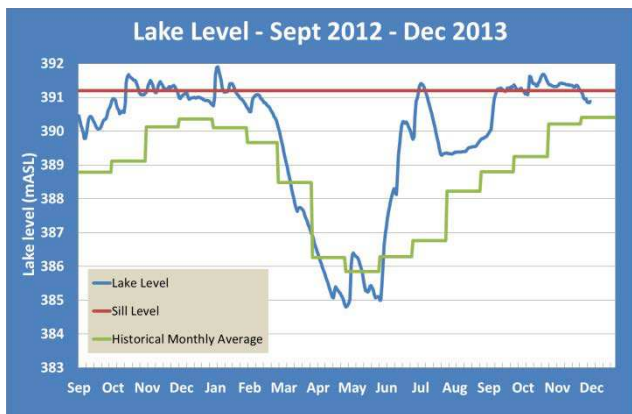


Irrigation demand rose very quickly in November and we reached nearly 80% capacity by month's end before a decent rainfall saw demand drop sharply across the catchment for a period. The demand has picked up again and we are currently running at approximately 75%.

We have experienced unusually high algal growth within certain parts of the Levels Plain scheme and we are aware that this has caused some operational problems for those of you who draw your water from the affected areas. Steve and his team are working hard to find an operational regime that minimises the impact of this algal problem while we try and understand what the growth actually is and what might be triggering it in these specific areas. Your patience is appreciated. We are also looking at this issue from a long term perspective – especially with regards the pump screens that work best in these situations if it is to become a recurring problem.

Just another (less than friendly this time!) reminder about checking the location and operation of your irrigators to ensure

that they are not creating any road hazards. We have come across some blatantly stupid setups this week where guns have been set up such that they overshoot onto the road – the one I came across was actually watering the paddock across the other side of the road! It creates a very real road hazard - hit one of those at night on an unlit road with an already slightly dirty windscreen and see how much visibility and control you have! None of us want the burden of being responsible for harm or injury as a result of any road incident and I know the local police will respond to any complaints of irrigators spraying on to roads. This very topic was raised from the audience at the recent AGM and there was unanimous agreement that we need to stop it happening. Please check!



The lake level remains good for this time of the year and we have actually made a conscious effort to lower it a little recently to provide a bit of room for any significant rain event. December is traditionally one of our more variable months for rainfall so a precautionary approach was considered prudent.

OPUHA'S NEW ENVIRONMENTAL MANAGER

I am very pleased to be able to report that we have appointed Julia Crossman as our new Environmental Manager. Julia is currently with ECan where she has been very involved in local water management activities under the Canterbury Water Management Strategy. She is currently leading the project to develop the Sub-Regional Plan for the Waitaki catchment and has previously had key roles in local catchment management projects, water enhancement groups and has been involved in new consenting initiatives with irrigation schemes. Julia has a Bachelor of Applied Science (Environmental Management) and is currently completing a Masters of Resource and Environmental Planning through Massey University. Julia is from a family farming background in Waimate and she and husband Jon now live in Timaru and are very active outdoor sports participants.



One of Julia's main roles will be in the roll out of our Audited Self Management programme and so will be directly involved with most of our farmers from an early stage. I am sure you will all appreciate that Julia's knowledge, experience and very personable manner is going to see us making great advances towards improving the environmental outcomes of our operations – both within the scheme and on farm.

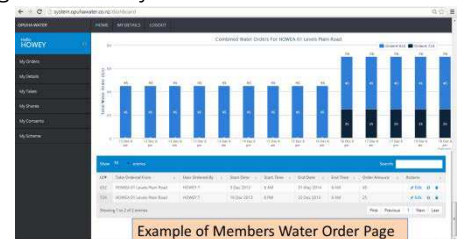
NEW WEBSITE AND ON-LINE WATER ORDERING SYSTEM

We have launched our new web site which includes a significantly enhanced on-line water ordering system. We are encouraging all irrigators to use this system in preference to our older methods (fax, phone etc) as the system integrates directly into our water management system and avoids the need for double handling at our end of water orders received through different systems.



We are continuing to work on enhancements to both the website and the Water Ordering System as we get the real time experience since they were launched on Monday 9th December.

Instructions for using the new system are available on the website (click on the 'Are You An Opuha Water User?' button on the Home Page) or Christine can email you a pdf copy.



New logins and passwords are required for the Water Ordering and Christine has already advised existing internet users. Please contact Christine if you require log in credentials or assistance with the new system.

ELECTRICITY RETAIL PILOT

Over the next 10 months, we will be running a small pilot programme to gather information on electricity use by our shareholder irrigators. This is to assist us in assessing whether we can offer a full scale programme whereby we would become an electricity supplier. We are looking for a few more participants for this pilot programme and I would like to hear from anyone that is not currently contracted and is willing to switch their electricity supply for this pilot. Please email or call me as soon as possible so we can get underway by Xmas.

HOLIDAY SEASON OPERATION

The Operations team continue their roster over the holiday period to provide 7 day cover for the irrigation systems. I would still ask you though to plan ahead with your water requirements to, wherever possible, reduce the requirement for our guys to be dealing with last minute changes – especially on the specific statutory holidays.

Finally, I would like to extend the best wishes of all our team members to you and your families for a safe and happy Xmas period.

Regards

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