



NEWSLETTER

June 2014

WELCOME

Irrigation is probably the last thing on most people's mind at the moment but we've got a very important month ahead of us. It's a very significant month in the life of the Opuha scheme with our proposal to merge the eight entities that currently exist within the wider Opuha group and therefore, in the minds of many, finally complete the journey that began with the dream of the Opuha Dam.

In this newsletter, I outline the process ahead over the next four weeks and encourage you please to participate. Julia has a note about an important (but simple!) survey that we are seeking your assistance with and there is also an update on our operations.

MERGER PROPOSAL

All shareholders in SCFIS Ltd, Levels Plain Irrigation Company Ltd, Totara Valley Irrigation Ltd and Kakahu Irrigation Ltd have been sent information packs relating to the proposed merger.

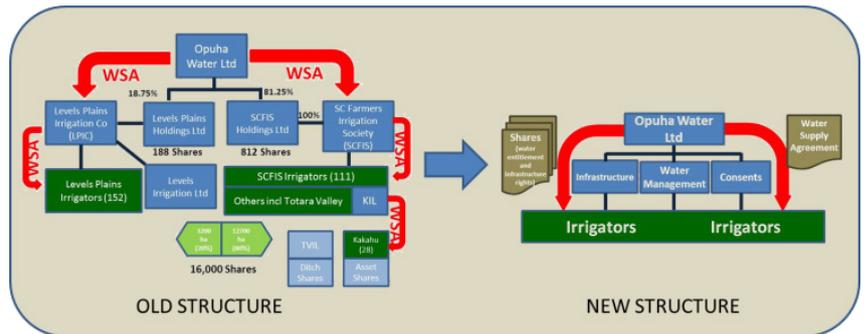
Included in the information packs are notices of the meetings we have planned for Wednesday 25th June and details surrounding the resolutions that we are requesting shareholders to vote on at those meetings (by attending or by proxy).

Also in the information packs are three key documents – the Merger Proposal, the Investment Statement and Prospectus, and the new Water Agreements.

The Merger Proposal document describes the process that will be followed to combine the existing entities into one. It is the best document to read to get the overall picture of what is happening and why. We have referred to the overall process previously as the 'restructure' but a better term is 'merger'. It is a complex process and actually involves the sale and purchase of two entities (TVI and KIL are sold to SCFIS) as well as an 'amalgamation' of OWL, LPIC and SCFIS. The surviving entity is SCFIS Ltd but it will be renamed Opuha Water Ltd.

Since the process also involves the issue of shares, it has been necessary to prepare and issue an Investment Statement and Prospectus – even though the process is not seeking any money or additional investment by shareholders. We have been required to comply with the Companies Act and Securities Act in preparing and issuing these documents and these requirements account for some of the formality of the documents as well as the apparent duplication of information in some parts.

As part of the merger process we have revised the company Constitution and also prepared new Water Agreements that all irrigator shareholders will be required to sign and return. These documents were developed last year with the involvement of a Steering Group comprising representatives from all



the schemes and entities. Please return these as soon as you can.

The key to completing this long and complex process is the participation of shareholders to consider and vote on the proposed merger. Please take some time to review the documents that have been sent out and be prepared to participate on June 25th in person or via proxy (Proxy Forms are included with the Notice of Meeting within your information pack)

We realise it is a complex process - ironic perhaps, when the outcome we are seeking is a much simpler structure. While we have made every effort to provide documents that explain what is planned and required, we will also be running a series of meetings over the next two weeks to offer the opportunity for shareholders to obtain a better understanding and to clarify any questions they may have. These sessions will be hosted by each of the respective Boards and will be able to focus on the specific aspects of the merger that relate to each of the existing entities. The key objective is to ensure that, come 25th June, everyone is clear and comfortable about what they are voting on. Please see the notice on this page for the proposed times and venues for these meetings and get along to one of them if you can.

As well as the preparation for the shareholder meetings on June 25th, we will also be working with ANZ on the re-financing that will become effective once the merger is completed. The package offered by ANZ, we believe, is very attractive and offers some tangible benefits compared with the separate arrangements that are currently in place across the group.

Information Meetings

Each of the Scheme Boards will be hosting meetings to provide information to shareholders on the proposed merger. The following times and venues are currently scheduled:

SCFIS

- 1.30pm Tuesday 10th June Fairlie Fire Station
- 7.30pm Tuesday 17th June Opuha House

Levels Plain Irrigation

- 7.30pm Monday 16th June Pleasant Point Rugby Club Clubrooms

Kakahu Irrigation

- 3.30pm Tuesday 17th June St Johns Hall, Geraldine

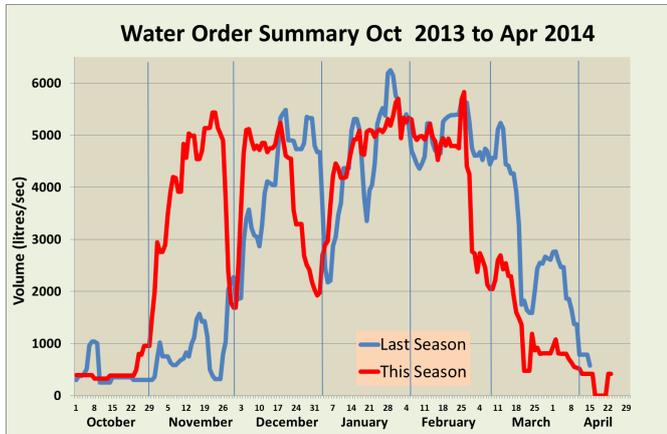
Totara Valley Irrigation

- To be advised, likely Totara Valley Hall

OPERATIONS

Irrigation

Irrigation wound up in mid April and the Operations team have been steadily working through their list of maintenance and enhancement jobs. Kakahu had a bit of flood damage from the April rains and these repairs will be carried out in conjunction with other work in August.



Website Ordering

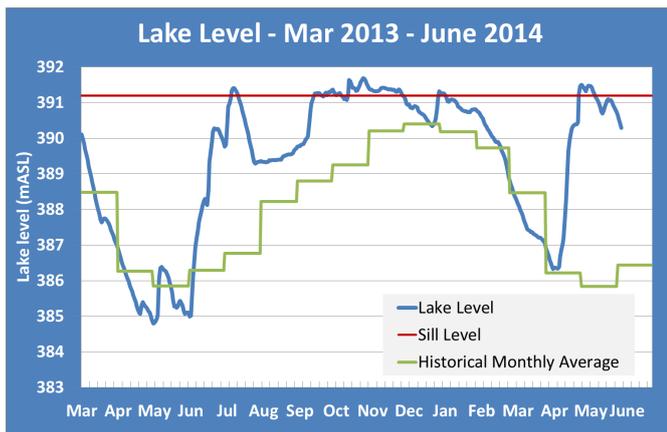
We were really pleased with the uptake of irrigators who used the website to order their water. This method enables us to provide the best service in ensuring that the water you order is available on time, while at the same time enabling efficient operation of the irrigation schemes. We will be encouraging even higher utilisation of the website next season.

Water Metering

A reminder to those of you with individual consents for your water takes that the latest step in the Water Metering Regulations requires all takes greater than 10 litres/sec to have compliant water meters. These are required to be operational by 10 November this year.

Lake Opuha Storage Level

You will all be aware that we have experienced a lot of rain over the last couple of months and we have been operating the power station nearly full time since late April to deal with the high lake level and inflows. We have managed to avoid spilling from the lake and we are now making some headway into reducing the level to provide some room for winter and spring inflows. Our high storage level is unfortunately matched by the main hydro lakes so electricity prices have taken a bit of a dive. Our high generation level has compensated for this and we have exceeded our electricity revenue budget targets over the last couple of months.



Power Station Maintenance

We had the power station shut down for a week in late May for annual maintenance work. The scope of work was not as large as last year but it was still a good effort by the Trustpower team to get through the work that they did. Thanks also to Gibsons in Fairlie for their support and good work on the cooler refurbishment.

During the outage Steve organised a clean out of the tailrace to remove the gravel that had accumulated over several years from the high flow events in Gooseberry Stream. Rooneys completed this work for us in very impressive and quick fashion and we will see some benefit from this work through improved efficiency of the power station.

ENVIRONMENT MATTERS

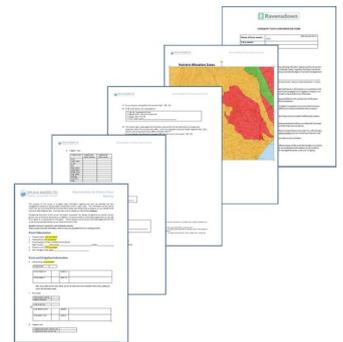
Information Sessions

For those that attended the Land and Water Regional Plan information sessions we arranged in early May, in conjunction with ECan, you will appreciate the complexity of the new rules and the potential implications it could have for all farmers. If you were unable to attend these sessions but would like a copy of the presentations and any hand-outs distributed, you can either go to website (www.opuhawater.co.nz - Environmental Management Environmental Policy & Planning), or contact Julia Crossman directly.

Farm Information Survey – please!

The information provided at these meetings highlighted that in order for OWL to respond effectively, on your behalf to the LWRP, we need to gather some base on-farm information from our shareholders. To date, OWL has been simply a water supply company, and has largely been hands off in terms of what happens beyond the farm gate. However, the regulatory environment we find ourselves in now suggests that we need to get a better handle on our water users' farming operations and where we as a scheme currently sit in terms of the nutrient management rules. This information would also inform the roll-out of the Farm Environment Plans.

Next week we will be sending a postal survey out to all shareholders with a return envelope. This survey won't be onerous and it should be something you will be able to complete in 5-10mins without having to wade through boxes of files or records – e.g. land use mix, total property area, nutrient allocation zone, whether you have a nutrient budget or existing Farm Plan etc. Receiving this information from our shareholders is vital to inform our work in the environmental space, and we ask that you fill the survey in and return it to us as soon as possible.



Regards

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