



July 2014

NEWSLETTER

WELCOME

No shouting from the roof tops, no high profile launch of a new logo or brand, in fact not even a single sausage sizzled on a BBQ to recognise the significance of the implementation of the merger on 1st July! I will admit, there were several occasions leading up to 30th June when I had cause to question whether we would make it through to this side, but it is very pleasing to be able to say that all the required approvals, resolutions and documentation were completed on time and the merger was effective from 1st July.

It's not quite business-as-usual following on from the merger implementation and, in this newsletter, I run through some of the outcomes and remaining actions that we are working through. We also cover some of the more immediate initiatives we have underway, as well as an update on operational matters.

It's winter, it's wet, so maybe a little more time available for you to have a read of the newsletter and check that you've completed the few things we require from you all following the merger (including your Water Agreement and Farm Surveys).

MERGER PROPOSAL

I don't think many of us contemplated just what was going to be required when, over two years ago, we undertook to complete the evolution of our irrigation company with the consolidation of the various entities so that all irrigators had a direct shareholding in the 'dam company'.

The concept was reasonably straightforward but the implementation has required an extraordinary amount of legal process that has included conversion of SCFIS to a cooperative company with a completely new Constitution, the issue of a Prospectus and Investment Statement which was preceded by an application for an Exemption Notice from the Financial Markets Authority (yes, we actually have our own bit of 'legislation'), the sale and purchase of two irrigation companies, the issue of new shares and a formal amalgamation of the remaining six entities. On top of this, we have also refinanced the whole operation with a new facility from ANZ. As well as our legal advisors, we have engaged tax advisors, accountants, auditors and valuers to work through the numerous legal and commercial issues that needed to be dealt with.

We had a good response from shareholders of each of the entities when it came to voting and approving the various resolutions required for the merger. While the four special shareholder meetings held on 25th June at the Pleasant Point Rugby Club were a reasonably quiet affair, we had received sufficient responses via proxies to ensure that meetings were 'quorate' and the resolutions were all passed by the required 75% majority (in fact 100% support in all but one case).

The meetings of Levels Plain, Kakahu and Totara Valley each concluded with comments from the respective Board Chairs, acknowledging the significance of the merger and the transactions just passed and also the commitment of those

individuals who had worked so hard in establishing and developing the schemes to what they are today.

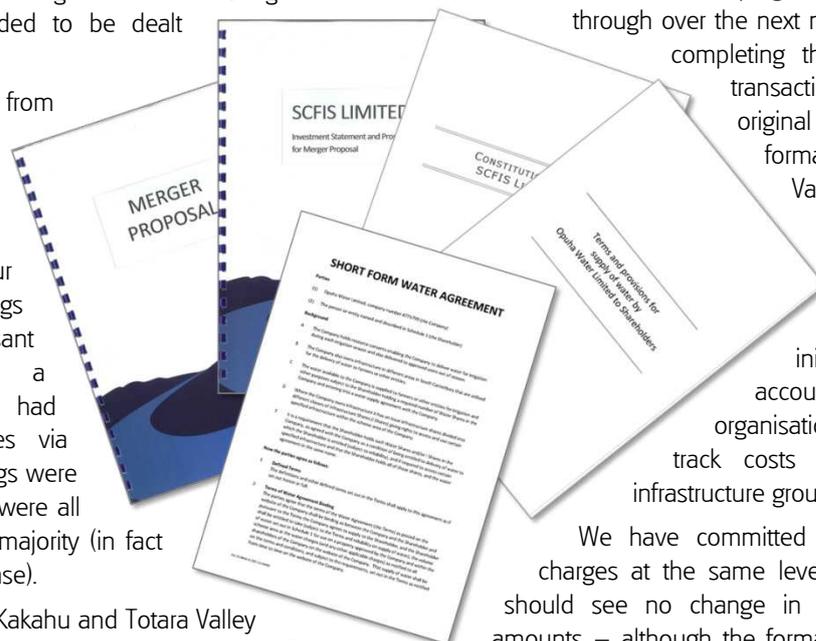
Note there will be financial statements produced for all the previous entities (for the year ended 30th June 2014) and we expect to provide this information to the relevant shareholder groups as it is available, however there will not be AGMs this year for those entities.

We have achieved what we set out to, namely:

- a single entity with all the infrastructure and related consents owned via a direct shareholding by its transacting shareholders (the new Opuha Water Ltd is a Co-operative Company), and
- a new Constitution and Water Agreements that are appropriate for the new organisation and the regulatory environment in which we now operate.

There are still some housekeeping matters for us to work through over the next month or so – such as completing the financial year end transactions for each of the original entities and then formally winding up Totara Valley and Kakahu. We are also implementing a new accounting system so we will be finalising the initial setup of that to account for the new organisation whereby we can track costs against the different infrastructure groups.

We have committed to maintaining water charges at the same level as last year so you should see no change in your monthly invoice amounts – although the format of the invoices may change when we change across to our new accounting system. Totara Valley irrigators will now receive only one invoice with both water and infrastructure charges included.



YOUR THINGS-TO-DO LIST!

There are two things we are looking for from all our shareholders, as soon as possible please:

Water Agreements

All shareholders received copies of their Short Form Water Agreement in the documentation that was issued at the end of May. We require a signed copy of these Agreements back to our office please. A Reply-Paid envelope was included in the mail out. These new Water Agreements are our 'contract' for supply of water, so

it is essential that we have these completed before any irrigation water is supplied. We have had 124 returned to date, so we are just over half way. After we receive your signed copy, we will return a countersigned copy to you for your records.

We have had a couple returned with clauses of the agreement amended. We will not accept these and will be returning new versions to those shareholders. If anyone does have a problem with any of the conditions, please contact me directly to work through the specific issues rather than just changing them ad hoc.

Shareholder and Water User Surveys

Following the last newsletter, you would have all received a survey from us, seeking information regarding your land use activities and farm management systems. To date the surveys received back cover approximately 45% of the shares across the scheme. It is extremely important that we obtain this information from all our shareholders, as it will inform us in planning the roll-out of the Farm Environment Plans and will also help us respond, on your behalf, to the Land and Water Regional Plan.

We strongly encourage those who have not yet completed the survey to do so and return it via the pre-paid envelope provided. Alternatively, if you would prefer, you can call Julia directly and work through the survey via phone (03 614 7801 or 021 535 174)

SHARE LEASES

Approximately 12% of the water shares in the company are 'leased' to water users under 50 individual lease agreements. As a follow-on from the merger, where we have a new Constitution and consistent Water User Agreements across the company, we are intending to implement a standard lease agreement across all the current arrangements. It will actually be called a licensing agreement. We are not particularly interested in the commercial terms of these agreements (i.e. costs/charges) but it is important that the responsibilities for payment of water charges and the rights and obligations of the shareholder and the water user are clear and consistent.

When we have prepared a new licensing agreement template, we will be approaching all of those that we are aware of that have existing agreements or arrangements for water to be used by a party other than the shareholder.

OPERATIONS

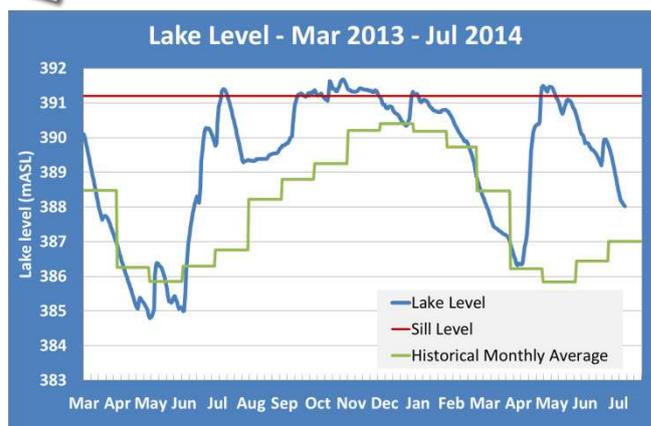
Irrigation

We have been approached by a number of shareholders for information on their water use last season. The intention is that this information is available through the Water Ordering Website but we are still working through how this information can be accessed by individuals once the season is completed.

Until we get this sorted out, if anyone does require this information, please contact Christine directly.

Lake Opuha Storage Level

We have been operating at reasonably high generation levels since April to manage the lake level and high inflows. Earlier this month, we have eased off as we are approaching our target lake level which will provide sufficient room for the normal winter/spring inflows. NZ hydro storage remains at quite high levels which has suppressed Spot Prices over the last few months although these are improving slightly now as temperatures drop and demand increases. Our electricity income is on target for July.



ENVIRONMENT MATTERS

Julia is currently working through the Environmental Management Strategy and Farm Environment Plan (FEP) procedures with the Board, and over the next month will be finalising the on-line version of the FEP, and getting ECan approval for the FEP template.

We will then be able to get cracking with the FEP rollout. A number of you have indicated in your surveys that you will be needing or wanting a FEP sooner rather than later. Once we receive a proportion more surveys, we will work through a prioritisation exercise according to property size, shareholding, location, and regulatory requirements, with the aim of running FEP workshops in late winter / early spring. We appreciate that we are entering a busy time of year and we will endeavour to work with days and times that are most suitable for you all.

Regards

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