

**MINUTES OF MEETING OF THE BOARD OF
OPUHA WATER LIMITED
HELD 8.00AM, MONDAY 28th APRIL 2014
AT THE BOARDROOM OF OPUHA HOUSE, PLEASANT POINT**

PRESENT: Messrs T Lambie (Chair), D O'Sullivan (Vice-Chair), T McCormick (CEO), T Howey, A Reid, R Wells and J Boys. Mesdames N Hyslop and A Bennett (minutes).

APOLOGIES: Mr N Gormack.

AGENDA: The agenda was distributed prior to the meeting with the April 2014 Management Report.

PREVIOUS MINUTES: (Page 2 of minutes) - In regards to 'Sub-Schemes Policies', Mrs Hyslop commented that LPIC have full plant and equipment insurance cover as well as public liability and directors' and officers' liability insurance - this should be updated to reflect this in the minutes.

(Page 3 of minutes) - It was agreed to remove the last paragraph under 'Electricity Retailing Pilot' as it was not relevant to the topic. The last sentence of the minutes should read 'part of the trial was to include upgrade of the meters'.

(Page 4 of minutes) - Under 'Section Two' it was agreed to confirm with Mr Leete and Mr Stock to clarify whether Mr Wells needs to resign as a Director of OWL.

(Page 5 of minutes) - Under 'Final Enterprise Valuation' it was noted to change the format of the valuation figures by replacing the comma with a decimal point, ie. '\$9,078m (previously \$7.1m)' should be \$9.078m.

It was **Resolved** that the Minutes of Meeting of the Board on 26th March 2014 be confirmed as a correct record of that meeting. This was moved by Mr O'Sullivan and seconded by Mrs Hyslop. The motion was carried.

CONFLICTS OF INTEREST: No amendments were made to the Conflicts of Interest Register.

MATTERS ARISING Action Point Time Frames

(from previous minutes): Mr Howey noted that water meters within schemes as discussed as the previous meeting and recorded in the minutes needs to be added to the action point list.

Action Point: Mr McCormick

Mr McCormick asked whether Directors were awaiting Mrs Crossman to run an Environmental Workshop. The workshop had been recorded on the action point list for bringing Directors up to date with the LRWP but Mr McCormick felt this also needed to include long term strategic planning. It was agreed that a Board refresh session be held after the completion of the restructure followed by planning sessions as required.

Action Point: Mr McCormick

CEO REPORT: The CEO report was circulated to Directors before the meeting. The report was taken as read and general discussions on the following were noted:

Financials

The financial reports were based on the period of March 2014. Mr McCormick advised that the overall operating position is \$176k ahead of budget with both income and expenditure running above budget.

After breaking the swap last month and carrying this as an extraordinary item the overall position to the end of March is \$40k (not \$406k as reported) below our budget position with an actual YTD position of \$85k profit.

Mr McCormick highlighted that the restructure costs are not tax deductible and the forecast position reviewed as part of the Prospectus preparation suggests a taxable profit at year end. As the company has no tax losses brought forward, we are expected to have provisional tax payments due before year end.

Operations

Generation

Irrigation season has well and truly finished. The only demand has been through Levels to Fulton Hogan. The company has been assisting TDC with the commissioning of their waste water plant at Seadown, as a gesture of goodwill.

Generation

Mr McCormick advised that the Power Station is generating simply to maintain lake level at 390.5m. Mr McCormick feels comfortable using the top part of the lake to 392m and will pull the gates up to avoid spilling. Mr O'Sullivan suggested the flood forecasting model that HDI have developed for ECan would be useful for something like this as its accuracy is enhanced because it accounts for precedent conditions (how wet is the catchment?), not just forecast rainfall.

Asset Maintenance & Management

Power Station & Dam Maintenance

There has been one incident requiring unplanned maintenance work at the power station where one of the two turbine speed sensors failed causing a lock-out trip during shutdown.

The one week power station outage is planned to start on 19th May. The maintenance work was scoped at the quarterly review meeting with TrustPower where it was decided that there is enough work to warrant shutting down for a full week.

Downstream Weir Modifications

The consent was lodged on 11th April and Mr McCormick is hopeful of it being processed as non-notified although there are some further affected party signoffs being sought to improve the likelihood of non-notified processing. A sign-off from DOC was received after the consents were lodged and this has been forwarded to ECan as part of the application.

A one-day workshop is being held on 17th May with Tonkin & Taylor to evaluate the hydro turbine option for a view on whether to include this within the scope of the spillway upgrade. The three options are currently exclude, build to incorporate in the future, or full build. Mr McCormick is reviewing costs to date with Tonkin & Taylor as well as preparing information for a Board paper on the proposal.

Mr Boys suggested that the Board needs to be presented with a comprehensive business case proposal for the full DSW project (with Hydro as a standalone option).

Action Point: Mr McCormick

Dam & Power Station Management

Dam Safety Management

The Annual Dam Safety inspection was carried out on 1st April, with the draft report being received two weeks later. The final report will be forwarded to ECan as required by our consent conditions. Mr McCormick will also make the report available to Directors.

Action Point: Mr McCormick

Energy Contract & Spot Prices

The average monthly Spot Price for January through April has been \$57, \$117, \$122 and \$108/MWh. Our current average price is \$111/MWh through our PPA contract.

Mr McCormick has made initial contact with TrustPower to begin discussions and negotiations on options beyond 30th September when the current contract expires. Mr McCormick commented that previously he would have engaged Simply Energy consultants to review the proposal but they are conflicted now with their interest in providing a retailing support service and Mr McCormick may seek some independent advice.

Action Point: Mr McCormick

March 2014 Financial Statements

The Financial Statements for the month ended 31st March 2014 were taken as Read.

FINANCIAL STATEMENTS:

BOARD PAPERS: Restructuring of OWL

Mr Andrew Leete and Mr David Stock joined the meeting at 8.55am.

The following draft documents were provided to Directors prior to allow time for Directors to bring their 'mark-ups' and review areas for discussion to the meeting:

- Short Form Water Agreement
- Terms of Supply
- Constitution
- "I" Share Policies
- Investment Statement and Prospectus
- Merger Proposal
- Opuha Documents
- SCFIS Ltd Documents
- SCFIS Holdings Documents
- Levels Plain Documents (incl. Levels Plain Holdings and Levels Irrigation)
- Kakahu & Totara Valley - Sale and Purchase Documents

Mr McCormick advised that the financial audit process has been messy and he hopes to conclude the financial process at the end of next week where KPMG would provide their audit review letter. Mr Stock commented that the FMA require to see the draft prospective Financial Statements prior to signing off on the exemption and as we have requested for an urgent process time they are expecting to have the draft this Friday.

It was agreed that Mr McCormick and Ms Bennett leave the meeting to phone KPMG and Quantum Advantage to organise staff to work from Opuha House for efficiency until the financials are completed.

Mr McCormick and Ms Bennett returned to the meeting and advised that two staff members from KPMG would be arriving at Opuha House on Tuesday afternoon and would be available until Friday. Mr McCormick is still to confirm with Mr Gormack if Mrs Megan Prue is available to work from Opuha House, she is currently on annual leave.

A discussion was held on Sutherlands' users not being issued shares and why they haven't been included as holding shares if they are supplied with water. They do hold "T" shares and they are supplied through the Totara Valley consent. Mr Leete to deal with this separately.

A conversation was held on State Highway 8 users within the Levels Plain scheme, they are supplied water through a special agreement with Levels and do not hold shares. This is to be dealt with post amalgamation. Mrs Hyslop noted that State Highway 8 users are all aware that the terms of agreement state that if shares become available they must take them up.

Mr Leete advised that the simple solution for Dry shareholders within the Levels scheme would be that the shares are cancelled on amalgamation; however we need to understand their rights. Mrs Hyslop, Mr Leete and Maarten Dirkzwager work together on this.

Mr Stock advised that the constitution provides flexibility to issue new shares but there are some law rules about the need for issuing a prospectus if a 'group of irrigators' need shares. The constitution talks generically about irrigators without water shares to cover other water users such as the Collett property.

Investment Statement and Prospectus

The Board page turned the document and noted various edits within the document, focusing on the Risks section. Mr Stock, Mr Leete and Mr McCormick to make changes.

The following discussions were recorded:

Mr Stock advised that he has sought an exemption from FMA on the passive boards, LPIC, TVI and KIL. OWL and SCFIS boards are to continue. If the exemption is not granted, then all Directors from each company will need to sign the Prospectus. It was agreed that it is important to receive this exemption as the other Boards have viewed the documents however have not been a part of the review process.

Mr Leete confirmed that Mr Ross Wells needs to resign as a Director from Opuha Water Ltd prior to the execution of the document, and may need to be organised prior to Mr Wells going overseas. Mr Leete and Mr Stock to organise this.

Mr Boys questioned whether the independent Directors on the board of Opuha Water Ltd

will be carried across to the board of SCFIS Ltd. Mr Boys added that he is not 'up to speed' on SCFIS and the other entities and would feel uncomfortable signing the SCFIS Ltd Prospectus knowing that the new entity to which he has not been a part of is purchasing the KIL and TVI schemes. Mr Leete and Mr Stock to sort independent Directors, with the possibility that Mr Boys is not appointed a Director of SCFIS Ltd until post amalgamation.

Mr McCormick to forward a 'map of scheme area' for inclusion at the back of the document.

Sale and Purchase Agreements (KIL & TVI)

Mr Leete advised that the key aspects of this document is bringing all assets and assuming the obligations of the Kakahu scheme. A discussion was held on warranties and that the warranties would traditionally come from the company however the company is being wound up on 1 July and there will be no entity to sustain any future claim from SCFIS/OWL. The same issue relates to Totara Valley.

Mr Leete advised that the alternate option here is to do a replica of warranties but include a Directors' Certificate to support this knowing that Kakahu is de-registering. It was agreed that this was too onerous on the Directors and, instead, a representation letter be drafted for each scheme requiring Directors to sign on behalf of the companies that are deregistering - KIL, TVI and LPIC.

It was noted that KPMG have reviewed Clause 4 'GST' within the Sale and Purchase Documents and Mr Leete will update with their comments.

Water Supply Agreements

A discussion was held on clause 14.3 'Easements' regarding two Directors being able to sign off on behalf of shareholder if the shareholder shall fail to sign any easement after 10 business days' notice. Mr Stock advised that the bankers want easements and require this clause for the right to cross land if debt is forfeited. The Board recognised the need for the clause to remain.

Mr McCormick to provide definitions for surplus water, excess water and AN water.

Constitution

Mr Lambie asked if share certificates will need to be provided to shareholders. Mr Stock replied that yes we would normally need to provide for them however they are not required to be sent out due to receiving an exemption.

Merger Proposal

A conversation was held on the formula provided for calculating the share in the distribution of surplus assets of the company (section two, clauses 15, 17, 19) and whether this can be streamlined, can the definition of 'RD' be simplified? Mr Stock to consider.

Mrs Hyslop and Mr Reid left the meeting at 1.10pm.

Mr Stock advised that SCFIS Ltd will be required to be registered as a Financial Service Provider (FSP) as an issuer of securities. This to be completed after the appointment of Opuha Water Directors into SCFIS and the resignation of Mr Jeff Pearse and Mr Stan Taylor from SCFIS. Mr Stock to confirm whether Opuha Water Ltd will also need registered as a FSP due to being a promoter.

Action Point: Ms Bennett

GENERAL BUSINESS: There was no general business brought to the meeting.

There being no further business, the meeting closed at 1.25pm.

Chairman

Date