

**MINUTES OF MEETING OF THE BOARD OF
OPUHA WATER LIMITED
HELD 8.30AM, TUESDAY 4th AUGUST 2015
AT THE BOARDROOM OF OPUHA HOUSE, PLEASANT POINT**

- PRESENT:** Tom Lambie (Chair), Nicky Hyslop, Milne Horne, Jeremy Boys, Alvin Reid and Nigel Gormack.
Also in attendance were Tony McCormick (CEO) and Aimee Bennett (Minutes).
- APOLOGIES:** Dermott O’Sullivan.
The Board noted their concern for Dermott’s health and wish him well in his recovery.
- AGENDA:** The agenda was distributed prior to the meeting with the August 2015 Management Report.
- OPENING DISCUSSION** The Directors unanimously agreed that the current matters regarding the unsubstantiated claims of contamination in the lake are a very serious issue for OWL and that the Board will ensure all efforts are made by the company to resolve the matter through a robust and scientifically based process.
- PREVIOUS MINUTES:** Page 4 of the Minutes ‘Water Meters’ - Mr Reid noted he was only against the financing option for water meters, and fully supported the proposed requirement of telemetered meters.
It was **Resolved** that the Minutes of Meeting of the Board on 3rd June 2015 be confirmed as a correct record of that meeting. This was moved by Mr Gormack and seconded by Mrs Hyslop. The motion was carried.
- CONFLICTS OF INTEREST:** Discussion took place regarding potential conflicts of interest in relation to the lake contaminant allegations. The following notes were made:
Reports from Legal and Issues Management & Strategic Communications advisors were provided to Directors by email on 3rd August 2015.
Mr Lambie was excluded from receiving these reports as being earlier identified with a conflict of interest due to his roles as Chair of Opuha, Chancellor of Lincoln University and a government appointed ECan commissioner.
Mr Lambie noted his views are the same as the Board and declared his conflict of interest in terms of his dual roles with ECan and OWL, accordingly it was agreed that Mr Lambie would continue to be excluded from discussions or correspondence in relation to this matter. It was further agreed that Mr Lambie would vacate the meeting, when specific discussion on this matter was raised.
It has been suggested that given Mr Lambie’s links to Lincoln University there may be a conflict if this institution was engaged by Opuha Water, but it was agreed the conflict had low potential and advice should be sought where best expertise could be provided.
Mr McCormick to seek advice from Tavendale & Partners at what time Mr Lambie needs to be involved for updates, but at this stage continue to exclude from all correspondence.
It has also been flagged that Mrs Hyslop could potentially have a conflict of interest associated with her late father. Mrs Hyslop has discussed potential conflict with her Irrigation NZ role and both Irrigation NZ and Mrs Hsylop at this stage feel comfortable to remain included .
The Board **Resolved** that Mrs Hyslop should continue to participate, but this will be reevaluated if specific issues generate greater potential conflict.
Mr Horne will be acting Chairman on this matter.
A low level conflict of interest was noted for all farmer Directors as irrigators.
Mr Lambie will follow up whether Mr O’Sullivan should be included or excluded in correspondence. It was noted to seek advice to Mr O’Sullivan’s role, participation and responsibilities as he is currently unable to perform fully as a Director due to his current ill health.
It was noted that none of the current Directors were involved in the construction of the Dam, with the exception of Mr Gormack who was Secretary of Opuha Dam Partnership at the time.

MATTERS ARISING (from previous minutes): The Board Meeting Action Points status table was included in the Management Report.
Mr McCormick provided an additional paper of his main priorities from the action list for consideration and discussions were carried forward to later in the meeting.

CHANGES TO SHAREHOLDING: The Changes to Shareholding list was presented for approval by the Board. The following sale and transfer agreements were recorded:

- Waitohi Dairy Ltd to Panguna Ltd 211 “W”
- JE & AR Taylor to Morelea Farm Holdings Ltd 116 “W”
- Winscombe Farming P/Ship to Awarima Farming P/Ship 52 “W”

It was **Resolved** that the Share Transfer listed above be approved, subject to receiving water agreements. This was moved by Mrs Hyslop and seconded by Mr Horne. The motion was carried.

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 reports were based on the month of June 2015 - year-end provisional results. The final position is approximately \$424k below budget with income \$819k below budget and expenditure \$366k below forecast. Generation revenue was \$918k below original budget. There was no generation income in June with the power station outage.

2015/2016 Budget

The Treasury Committee met to review the draft budget and several adjustments were made. The proposed final 2015/2016 budget was presented to be formally ratified by the Board.

The budget presents a loss after depreciation, but is cashflow positive. Conservative generation revenue has been allowed and there is sufficient allowance for the Health & Safety audit and improving systems. The increased administration expenses relate to consulting and project services – the allowance is on par to the 2014/2015 year but due to reduced actual spending has created a significant difference in outturn vs new budget.

The budget presented does not include changes from recent Infrastructure group shareholder meetings (reduced K Class charges by \$30 p/ha) and depending on the path forward may require some re-allocation of spending to fund the lake contaminant allegations.

It was **Resolved** that the Budget for the year ending 30 June 2016 be approved, subject to the change in K Class Infrastructure charges. This was moved by Mr Gormack and seconded by Mr Boys. The motion was carried.

2015 Financial Audit

A planning meeting was held with KPMG and a target completion date set of 28th September.

KPMG were appointed for a one-year term at the AGM last year. We have received advice from Tavendale & Partners on the process for appointment of auditor at this year’s AGM. RFP’s will be sent out in the coming weeks.

Mr Gormack advised that KPMG have taken over Pivot Services and noted a potential conflict due to being company auditors and providing payroll services. OWL has not received notice of this company take-over, which apparently took place last Friday (31 July 2015).

Operations

Lake Levels and Storage

The lake is still below average for this time of year (increased 20% in the month to 61% but still 5% below average) and there appears to be similar, if not less, snow pack than last year based on the Aqualinc model. It is likely there will be a need for irrigation restrictions right from the start of the season.

OEFRAG have proposed a continuing low release regime with Water Shortage Directions (WSDs) to keep minimum flow requirements at 4 cumecs in August (ORRP is 4.5) and 5 cumecs in September (ORRP is 6). There is an undertaking a flushing flow will be released if natural flows in the catchment are up after a decent rain.

This came out of feedback and a proposal from Fish & Game who have said the Opuha River is in poor condition with high didymo levels due to persistent low flows. Mr McCormick commented that the didymo contributes to operational issues in the irrigation season and flushing would be considered as part of pre-season management. The Board endorsed this approach and reiterated the need for all parties to give emphasis to refilling the lake.

Lake Contaminant Allegations

ECan have led the response to the claims from OCEPS laboratory analysis results of sediment samples taken from the lake bed indicate levels of DDT higher than national guidelines. The Board is treating this matter with the highest priority with the objective of obtaining robust evidence to validate the existence or not of any unacceptable levels of contamination.

It was **Resolved** that OWL will continue to take a proactive approach to cooperating with ECan's investigations while, at the same time, seek independent advice to ensure potential adverse effects are appropriately managed to mitigate risks to the public and users of the lake water. This was moved by Mr Horne and seconded by Mr Gormack. The motion was carried.

It was agreed that a committee be formed to oversee the Board's management of this matter. It was **Resolved** that a **Risk Management Committee** consisting of Nigel Gormack, Jeremy Boys and Nicky Hyslop, along with Mr McCormick, be established in relation to the allegations of chemical contamination in the lake and all matters related to it. This was moved by Mr Reid and seconded by Mrs Hyslop. The motion was carried. Mr Horne to be a part of the Sub-Committee when required. Tavendale & Partners and Chambers PR are engaged as advisors.

The Board adopted the Terms of Reference circulated setting out the basis on which the Committee will operate, but amended such that 2.7 be updated to 'from time to time by the Committee' (remove 'Chairperson of the Board').

Mr Reid asked how information is going to be shared to ensure that all Directors are kept up to date. It was clarified that the committee is to not resolve the issue but to work together to make recommendations back to the Board. All committee members to be included in discussions/correspondence to do with draft documents, and the final documents are to be assessible to all other Directors, with the exclusion of Mr Lambie.

Mr Gormack commented Chambers PR have suggested 40-50% of available time of Mr McCormick will be taken dealing with this matter and associated stakeholder engagement over the coming months and this will need considered when the action list and CEO priorities are reviewed.

Further discussion on this matter was adjourned to the end of the meeting for Mr Lambie to absent himself from all other discussion relating to the issue.

Asset Maintenance and Management

Downstream Weir Modifications

The alternative DSW modification proposal has been received and Mr McCormick is intending to present a business case proposal at the next meeting (work has been deferred due to the unexpected commitment to address the lake contamination issues).

Management Reporting

Health & Safety Systems - Audit

Mr McCormick advised that he expects to lodge the application later in August with the audit to be undertaken in September/October.

Company Merger

D Shares

Mr McCormick advised that following receiving legal advice on the process required to cancel the remaining D shares, he has not been able to discuss the likely process for the valuation of the D shares (to obtain a formal assessment of 'fair value') due to Peter Seed being overseas.

Sub-Scheme Debt

The meetings held the previous week with each of the sub-schemes were considered to be very successful. Mr McCormick intends to hold similar meetings with other groups, including

above Dam. There were some material outcomes from the Totara Valley and Kakahu meetings relating to their respective finances.

Totara Valley requested we consider a reduction in cash reserves that came across with the merger and are currently being held as a 'reserve'. Subsequent to the meeting it was discovered that OWL has been overcharging Totara Valley for contribution to Gardner's Pond since it was commissioned in October 2011. The amount of overcharging is around \$38k.

Kakahu endorsed a proposal to use the excess finance charges received to reduce the K Class infrastructure charge by \$60 per share (\$30 rebate against 2015 year and \$30 reduction going forward) and to retire debt with the residual excess (\$28k).

BOARD PAPERS:

Action Point List - CEO Priorities

Mr Reid commented that the list in the Management Report seems to include both management and governance actions, the list presented to the Board should only record CEO priorities. Mr McCormick noted he had also reconsidered critical priorities from the action list and tabled the five matters below main focus in coming months. Mr McCormick will liaise with the Chairman and report back with a recommendation to confirm or amend these priorities, and resource needs for management especially recognising the input required to respond to the alleged contamination issue over the next 6 months. The Board recognised the current challenge for the CE and management team and reiterated their support.

Strategic Plan

The strategic plan has not pushed on from the productive workshop session held in May. There was buy into the process but not the strategic plan document that was delivered. Mr McCormick feels the strategic plan process is important as it should provide a clearer framework to establish some personal objectives. This will require Board time/forum to move this process.

Health & Safety (Audit)

Mr McCormick highlighted it is important to complete the audit to provide assurance of compliance and September/early October is feasible. Approximately 10 hours of time is required to complete the upgrade work on the H&S manual. The Board commented that Mr McCormick should not be doing to word-smithing on the manual, it should be passed to other staff. Mr McCormick replied that while other staff are capable, they also are busy and he has 10 years' experience at report writing and feels he can complete it. This will form part of resource review.

Water Policies

Most of the actions from the June meeting have been progressed. Aqualinc are due to complete their report on Farm Storage by the first week of August. It is nearing time to re-engage the Water Committee, but there is still significant work required to pull together the various threads - thinking plus writing are required. Mr McCormick feels we need someone who can work at the strategic (thinking) level to assist with interpreting into policy documentation, and to facilitate - Terry Heiler, Richard de Joux, Haidee McCabe?? It is important to make progress on the policies as we head into the new irrigation season. Agreed to convene with Water Committee post receiving Aqualinc report to see where we are at.

Downstream Weir

Mr McCormick advised the modified weir option seems the likely model for the modifications (\$1.2m vs \$3m) and around 6-8 hours of time is required to complete a business case appraisal for Board approval. The Board agreed that the DSW modifications need to go ahead this year. Once approved, Tim Anderson will manage design, procurement and construction processes.

Financial

There is 'loose ends' work to complete on the Treasury Policy, depreciation accounting (Kakahu and Totara Valley). It was noted that financial actions should be delegated to Ms Bennett where possible and to use Andrew Johnstone when required.

FINANCIAL STATEMENTS:

June 2015 Financial Statements

The Financial Statements for the month ended 30th June 2015 (preliminary year-end results) were taken as Read.

Overdue Debtors

The Aged Receivables as at 30th July 2015 were presented. The Board noted to continue with the actions described in the Debtor Management Policy for overdue debtors. Mr Reid asked for a copy of the policy to be provided to Mr Horne.

**GENERAL
BUSINESS:**

Change of Meeting Date

The Board meeting scheduled for Tuesday 6th October 2015 was changed to Tuesday 29th September 2015 at 8.30am. Ms Bennett will send out new meeting invites.

There being no further business, the meeting closed at 11.05am.

Chairman

Date