

# Ashburton Lyndhurst Irrigation Limited

Draft Minutes of the Annual Meeting of Shareholders held at The Methven Memorial Hall, on Thursday 13<sup>th</sup> October 2022 at 7.30pm.

## **Present:**

C Glass presided over an attendance of 28 shareholders.

## **In Attendance:**

R Whillans, C Foster, S Hayman & L Leitis.

**Apologies:** John Tavendale, Andy Grant, John Robinson, Mandy Verrall, Bob Verrall, Richard Wright, Ben McIntosh & Andrew Griffiths.

## **Moved:**

***That apologies be accepted***

***S Bierema / R Hanrahan***

***Carried.***

## **2021 Minutes:**

The Minutes of last year's AGM were circulated with the Notice of Meeting. C Glass advised that these Minutes were reviewed and accepted by the Board of Directors at the November 2021 Board meeting. There were no comments from shareholders and the chairman declared the minutes would therefore be approved.

## **Matters Arising:**

There were no matters arising from the minutes.

## **Business:**

### **General Manager & Chairmans Report and Financial Reports:**

C Glass presented the Chairman & General Managers Report as read.

C Glass updated the meeting on the following items:-

- 2021/2022 seasonal water use was down for ALIL with other RDRML irrigators. As a result, the use by Manawa Energy during the year had increased notwithstanding the Turbine outage during the year.
- Water charges for the 2022/2023 year had increased. It was acknowledged that communication regarding the increase hadn't been communicated as well as it could have been to shareholders. But it was noted that the subsequent email provided a comprehensive analysis as a reason for the increase.
- The Land Use & Discharge Consent was granted in June 2021. There was a strong Board focus to ensure the right to farm is maintained whilst managing the continually changing regulation requirements. ALIL was in a good space when advocating between the scheme & farmers with ECan.
- Shareholders were reminded that the scheme is here to help, especially with the completion of Farm Environment Plans (FEP's) & Farm Activity Variation Applications (FAVA).
- The RDRML fish screen had been completed & the cost is now being reflected in the RDRML water charge. There is likely to be further increasing in insurance costs due to the December 2019 & May 2021 flood events
- The Turbine Pump Station project had been completed & water is being delivered

to the previous Turbine shareholders, who have since moved to stage 2 with an enhanced reliability in their water delivery.

- The permanent transfer of 79 litres per second of Ashburton District Council (ADC) Stock Water has been transferred to ALIL, by way of a Licence Agreement with RDRML & ADC.
- Environmental Law Initiative (ELI) have made an application for Judicial Review against ECan (as first respondent) and ALIL (as second respondent). They are seeking a Judicial Review on the granting of ALIL's Discharge Consent (CRC185469). ALIL have reviewed the ECan process, and the legal opinion obtained is that ECan have followed due process.
- The hearing has been set for March 2023.

R Whillans presented the General Managers update, along with a review of the Financial Statements & 2023 Budget. Further updates were provided on the Water charges, Stock Water, Pond Projects & Klondyke Storage.

The following discussion points were noted:-

- In the year ended 30 June 2022 the Board made a decision to use the facility headroom to cover the Ponds & Telemetry cost centre principal payments. This year, the principal payments will be funded by water charges, which is one of the reasons behind the increase. The ALIL bank facility has just been renewed for a 12-month period, to 31 October 2023. The amortisation repayments have been calculated based upon a wholesale & margin inclusive interest rate of 6%. This has significantly reduced the principal repayments for the new facility. The scheme will still be subject to changes in the wholesale interest rate to the extent that cover has not previously been taken out.
- Insurance costs had increased. The increase was mainly due to the flood exposure in the Mid Canterbury area in December 2019 & May 2021.
- Water charges for Turbine shareholders are now incorporated into Stage 2 Water Charges.

R Whillans also presented the Treasury Report, representing the Board's Finance Committee. She further advised that professional finance advice is received from Bancorp who provide quarterly reporting to the Board under the Treasury Policy. The following points were noted:-

- Stage 2 and Ponds & Telemetry debt cover had been combined for reporting purposes.
- The Board is compliant with the Treasury Policy, however over the last year have been operating at the lower end of policy range. The NZ Reserve Bank are aggressively increasing the official cash rate to control inflation. This has increased wholesale rates significantly and the market is pricing these at around 5% + the bank margin by Christmas 2022 .
- The current average swap rate was noted to be 5.36% vs the current floating rate of 5.49%.

**Moved:**

***That the ALIL Financial Reports and Chairman and General Manager's Report for the year ended 30 June 2022 as circulated be received.***

***G Buick / N Brown***

***Carried.***

**Auditor:**

S Bierema advised that the audit services for the three years ending 30 June 2025 have

been tendered. Three tenders were received & following Board review, the Board recommended the appointment of BDO. Their appointment will be for a three-year period. The Board believes rotation of auditors is good practice & ensures a robust process is followed.

**Moved:**

***That BDO be appointed and replace Crowe as auditors of Ashburton Lyndhurst Irrigation Ltd for the year ending 30 June 2023 and to authorise the Board to fix the Auditor's remuneration.***

***A Grant / G Briggs***

***Carried.***

**Director Nominations:**

C Glass advised that P Lowe would assume the role of chair of the meeting for the next item.

P Lowe advised, in accordance with the rules of the Company Colin Glass & Steven Bierema retire by rotation and being eligible, themselves for re-election. At the close of nominations, no further nominations were received and therefore, no poll is required. The Board seeks approval of the reappointment of both C Glass & S Bierema.

**Moved:**

***That C Glass & S Bierema be appointed as Directors of ALIL.***

***J van Polanen / A Grant***

***Carried.***

C Glass assumed the chair of the meeting.

**Directors Fees:**

On behalf of the remuneration committee, G Murphy thanked Directors & Management for guiding the company through another year. It was pleasing to see 100% A Audit Grades achieved & employment of an Environmental Manager in-house at a lower cost. Directors Fees of \$85,000 had been paid from a pool of \$91,000. As an explanation of the difference, C Glass advised the Board divides the fees as they see fit. The sum allocated by the Board last year included an allowance for training for the Board Observer of \$5,000. It was noted that the Board Observer, G Lilley, is still to take the offer of training and this has been held over to the next year.

G Murphy further advised the remuneration committee met on 5<sup>th</sup> September 2022 & considered CPI (7.3%), Institute of Directors Fee increases (3.1%), Salary & Wages increases (3.4%) & other Irrigation Schemes Directors Fees. He further advised that ALIL fees were comparable to RDRML & Morvan Glenavy, but very much below MHV Water, BCI Water & CPW, all of whom have Independent Directors.

Therefore, a sum of \$95,000 was recommended, up from \$91,000, being an increase of 4.4%.

**Moved:**

***That the Remuneration Committee's recommendation for Directors fees for the year ending 30 June 2023 totalling \$95,000 be approved.***

***G Murphy / A Grant***

***Carried.***

C Glass thanked the remuneration committee for the efforts over the past year.

### **Remuneration Committee:**

The current Remuneration Committee comprises Gerald Murphy, John Robinson & James Anderson. Nominations were called for the Remuneration Committee.

### **Moved:**

***That G Murphy, J Robinson & J Anderson, being the current committee members, be confirmed as the Remuneration Committee for the year.***

***J van Polanen / N Brown***

***Carried.***

### **Scheme Update:**

R Whillans provided the following updates:-

- 2021/2022 Irrigation, noting lower water usage than 2020/2021 year
- Infrastructure Changes
  - Ledgerwoods Road shareholders, previously supplied by the turbine, have moved to Stage 2.
  - The reliability of supply to these properties now meets the level of reliability of the rest of the scheme.
- Stock Water
- Environmental
  - Discharge Consent
  - Environmental Management System has been certified by ECan
  - Audit Grades over time & Target Grades
  - Advanced Mitigation requirements to achieve A+ grades need to be approved by ECan and these will be incorporated into the EMS. Environmental Auditors have been advised to start talking to shareholders as to what that means
  - Land Use Change - Matrix and Significant Change Triggers requiring scheme approval
- Ground Water Sampling
- Surface Water Sampling
- Water Quality Response & Remediation Plan
- Enhanced scheme reliability & water sales
- Existing access to Stored Water via agreement with Barrhill Chertsey Irrigation Ltd (BCI)
- In Scheme Storage – would like to achieve one million cubic metres (1Mm<sup>3</sup>)

The following discussion points were noted:-

- Income generated from the recent share sales was \$3.065M. The in-scheme storage build cost could be anywhere between \$6 & \$10M. The significant cost is the intake/outtake structure requirements. Modelling shows that 1Mm<sup>3</sup> could provide 98% reliability. Klondyke Storage is to provide reliability when further restrictions come into effect which will reflect the RDRML flow available to ALIL. With respect to Klondyke Storage will also provide protection for the scheme against climate change and changes to river allocations.
- An Optionality Agreement has been signed between ALIL, MHV & ADC in respect to Klondyke Storage. Discussions are ongoing with Manawa Energy (Trustpower) to reach agreement with them regarding Klondyke Storage.
- The build of Klondyke was unlikely to occur within the next 5 years. The current consent allows for a build of up to 53Mm<sup>3</sup>, but this has onerous conditions. ALIL & MHV may choose to vary these conditions. 15Mm<sup>3</sup> has been assessed as being

sufficient for ALIL & MHV.

### **Observer Position:**

George Lilley, the inaugural Board Observer spoke to the meeting & provided background information relating to his qualifications & work history. The following was noted:-

- Prior to him being offered the observer role, a formal application & interview process occurred. The role started in January 2022 & is for a 12-month period.
- ALIL has a stable board who are respected & understand the irrigation eco system.
- He now has a better understanding of the role the Board play, being the decision maker when it comes to land use changes (as an example). This is a juggling act to get the outcome for the applicant and doing the right thing by the co-operative & the consent. Anyone who has been through this process understands the difficulty involved.
- In his opinion environmental legislation will be a main risk into the future & this will need to be addressed by the Board.
- There is a big gap between a day-to-day role (on farm) and being a Director. The Observer role, in his opinion, has helped bridge that gap & provides confidence for an individual to put themselves forward for future nomination, which shareholders were encouraged to do.

### **RDRML Report:**

R Whillans updated shareholders on the following:

- RDRML Scheme Operation & Water Use
- Fish Screen Replacement - May Commissioning
- Silt Removal during shut down
- Flood Damage Repairs
- RDRML Scheme Insurance

### **Current Board & Director Tenure:**

C Glass thanked G Lilley for his inaugural position as Board Observer & advised he had valued his input over the year. C Glass hoped that this would lead to a director position with ALIL in the future.

An in-depth discussion followed regarding current (and past) directors tenure, constitutional director rotation requirements, potential of multiple director resignations in the short-term & succession planning. Shareholders were asked to consider increasing the Board to 6 members. Feedback received suggested the Observer role was more important for succession. Diversity was required & that current Board members should give 12 months' notice of resignation. C Glass signalled that he will be standing down at the end of his three-year term.

The Board were asked if there had been any consideration of an Independent Director. C Glass advised that the Board had taken a view that external support could be contracted to deal with complex issues as they arose and as a result the strong preference is that current Board members be shareholders.

A number of shareholders had completed the Institute of Directors' training, including G Lilley and there was budget made available annually for others to complete this training also.

### **General Business:**

R Hanrahan asked if there was any General Business. The following discussion points were noted:-

- Certified Freshwater Plans will be rolled out in Canterbury in 2024. The ALIL consent allows for an option to use these, instead of FEP's however, whether there will be an overlap, or an integrated plan is currently unknown. He Waka Eka Noa will play a part in this and will be a Board consideration.
- Current legislation is unlikely to change, with a change in government, however there may be some softening around the edges.

#### Share Sales & Budget

The share sale uptake of the offer circulated in winter 2022 had not been as strong as the expressions of interest received in the prior year. The Board intended to make further shares available in the new year however if any shareholder did want additional water/shares before then they were encouraged to contact R Whillans.

Since the budget was set there had been a number of changes including, additional income from share sales and reductions in principal repayments with BNZ. Shareholders were asked if they wanted to see a rebate in water charges or for the surplus be retained within the company to build future resilience. The Board had agreed a review of the current years water charges in March 2023.

Shareholders present advised they did not want to see an increase like they did this year, nor did they want a rebate followed by an increase in water charges in the following year.

C Glass thanked G Lilley as Observer, his fellow Directors, Management & Staff, advising their contributions to the company were invaluable. Special mention was given to the operations team, being stable with valuable experience, which was both a credit to R Whillans & Shareholders.

Information relating to the 2023 Observer role would be made available in November & an interview process would follow.

There being no further business the meeting closed at 9.40pm & shareholders were invited to remain for supper.

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Date \_\_\_\_\_