

Ashburton Lyndhurst Irrigation Limited

Draft Minutes of the Annual Meeting of Shareholders held at The Methven Memorial Hall, on Thursday 19th October 2023 at 7.30pm.

Present:

C Glass presided over an attendance of 28 shareholders representing 37 shareholdings (19.99% of shares).

In Attendance:

R Whillans, C Foster, S Hayman & R Pilling.

Apologies:

Amanda Verrall, Richard Wright, John & Joanne van Polanen, Andrew Griffiths, Chris Curd, Barney & Tim Parsons, Randal Hanrahan, Neil Brown, Karl Henderson.

Moved:

That apologies be accepted.

Steven Bierema / Gerard Murphy Carried.

2022 Minutes:

The Minutes of last year's Annual Meeting were circulated with the Notice of Meeting. C Glass advised that these Minutes were reviewed and approved by the Board of Directors at the November 2022 Board meeting, subject to there being no changes raised by shareholders at the 2023 Annual Meeting.

While the Board and the Chair have the ability to approve these minutes, our practice has been to circulate these prior to the subsequent Annual Meeting and if there are no points of contention raised by shareholders, then the minutes are approved.

There was a point of clarification made in regards to the 2022 Annual Meeting Minutes. Andy Grant was recorded as an apology however A Grant was present & is recorded in the minutes as moving & seconding various motions. A Grant was noted to be Andy's late father, Alan Grant. With this clarification, the minutes were noted to be correct.

There were no further points of clarification raised, and therefore the minutes were confirmed.

Matters Arising:

There were no matters arising from the minutes.

Business:

Chairman and Chief Executive's Report and Financial Reports:

C Glass presented the Chairman & Chief Executive's Report as read.

C Glass updated the meeting on the following items:-

- The scheme reported lower irrigation use during the 2022/2023 season. Peak use was recorded in November & January & as normal; use dropped off in February.
- El Nino weather patterns are predicted for the 2023/2024 season, meaning

demand may be put on the scheme, that has not been seen since the completion of the Stage 2 upgrade.

- The Board has had a strong focus on containing costs, following discussion at the 2022 Annual Meeting. It was pleasing to be able to advise shareholders that the Water Charges would remain unchanged for the 2023/2024 financial year.
- Discussions were held with BNZ regarding the company's banking covenants and retaining sufficient headroom in back facilities over the year.
- Managing the Land Use Discharge Consent continues to be a big piece of work, as does attending to shareholder requests for Land Use changes. The key for the Board is trying to be consistent while allowing as much flexibility for shareholders while being mindful of the future nutrient loss reduction requirements.
- ADC has transferred 79 l/s of stock water to ALIL. All shareholders rights to stock water in the scheme are equal. However, this requires approval.
- ALIL is the second respondent in the legal proceedings brought by Environmental Law Initiative (ELI) against ECan. A hearing was held in May 2023. The decision has not yet been received, nor is the timeframe for a judgement known.
- The current Board Observer position will be renamed to Associate Director for the 2024 year.
- S Duncan was thanked for putting her name forward for this year's Director vacancy. Shareholders were reminded of the existing Board's tenure & that greater engagement by shareholders in the governance of their company is required into the future for the cooperative to be successful. The Board is willing to provide training to any direct or indirect shareholder wanting to undertake Governance training.

There was further discussion regarding the Bank's interest cover covenant. This requires a minimum 1.0x cover at the end of each financial year. During the past year the documentation has been amended that allows the company to use any prior year surplus up to \$300,000 (headroom), to achieve the required 1.0x cover. This change and the creation of additional headroom has meant that water charges are not required to increase in the next financial year, at this time.

R Whillans presented the Chief Executive's update, along with a review of the Financial Statements & 2024 Budget

The following discussion points were noted:-

- Water charges & Environmental charges remain the same for 2024 financial year.
- Greenline water charges are being under-recovered this year, as prior year surplus's (retained earnings) are being utilised.
- RDR Water Charges have increased following completion of the Fish Screen upgrade.
- Electricity charges for 2023 were reflective of the reduced irrigation use. These have been budgeted as being higher for the 2024 financial year.
- Inflationary increases have been budgeted for both Rates & Insurance expenses.

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

- The company is compliant within the Treasury Policy bands.
- 66% of the Company's debt is floating
- The monthly Floating rate is currently 7.57% vs an average fixed Swap rate of 5.19%. This cover is providing benefit to the company.

The chair highlighted the importance of the Treasury Policy, and thanked Andy Grant for his contribution towards the management of the company's debt as the chair of the Finance Committee.

Moved:

That the ALIL Financial Reports and Chairman & Chief Executive's Report for the year ended 30 June 2023 as circulated be received.

James Anderson / Graeme Buick

Carried.

Auditor:

Last year BDO were appointed by the Board for a 3-year term. BDO have undertaken a thorough but seamless audit for the year ending 30 June 2023. However, the appointment of an auditor is an annual requirement under the Companies Act.

Moved:

That BDO be appointed as auditors of Ashburton Lyndhurst Irrigation Ltd for the year ending 30 June 2024 and to authorise the Board to fix the Auditor's remuneration.

Colin Glass / Andy Grant

Carried.

Director Nominations:

C Glass advised, in accordance with the rules of the Company, Andy Grant & Randal Hanrahan retire by rotation. Being eligible, R Hanrahan offers himself for re-election; however, A Grant does not seek re-election.

At the close of nominations, one nomination was received for the appointment of Sue Duncan. The company seeks approval of the reappointment of R Hanrahan & appointment of S Duncan as Directors. C Glass advised that the company is required to vote at the Annual Meeting to appoint each director even though the number of nominations is equal to the vacancies.

S Duncan was invited to introduce herself to the meeting.

Moved:

That R Hanrahan be reappointed as a Director of ALIL.

James Anderson / John Robinson

Carried.

Moved:-

That S Duncan be appointed as a Director of ALIL.

Roger Henderson / Graeme Blair

Carried.

Phil Lowe was invited to make a presentation to Andy Grant, retiring Director. P Lowe acknowledged A Grants 8 years of service to ALIL.

A Grant thanked P Lowe. In his response he advised he had enjoyed his term, had learnt a lot & the governance training he had completed had enabled his governance skills to develop. A Grant wished the scheme all the best for the future.

C Glass, also thanked A Grant for his service, stating he had been a staunch & active director. He wished A Grant all the best for his next governance endeavours.

Directors Fees:

G Murphy was invited to address the meeting as chair of the Remuneration Committee.

The remuneration committee consisting of Gerard Murphy, John Robinson & James Anderson met on 5th September. Shareholders noted that the remuneration committee's recommendation was included in the notice of meeting sent to shareholders. A sum of \$98,000 was recommended, up from \$95,000 in the prior year.

This recommendation was based on:-

- Not-for profit organisations
- Other irrigation schemes being comparable; RDR Management Ltd, North Otago Irrigation Company & Morgan Glenavy Ikawai
- MHV Water Ltd, Barrhill Chertsey Irrigation & Central Plains Water were paid much higher directors fees & all had independent directors
- How regularly the Board met, being every 6-weeks

The ALIL director fees were comparable but at the lower end of the range for the comparable schemes.

G Murphy thanked directors & staff, noting that water charges had been maintained, the schemes infrastructure was also being well maintained. He further thanked A Grant for his time on the Board & welcomed S Duncan as a director.

Moved:

That the Remuneration Committee's recommendation for Directors fees for the year ending 30 June 2024 be set at a maximum of \$98,000 for Directors, Board sub-committee's and training for the Associate Director, with this to be allocated as the Board determines, be approved.

Gerard Murphy / Chris Olley

Carried.

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

Remuneration Committee:

The current Remuneration Committee comprises Gerard 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.

Gavin Briggs / Graeme Blair

Carried.

Scheme Update:

R Whillans provided the following updates:-

- 2022/2023 Irrigation Season use
- Stock Water Connections
 - Stock water charges will be implemented from 1 July 2024, at the same rate (on a volumetric basis) as irrigation water, to be applied on a per hectare basis . Those outside of the scheme will be charged 4 x the rate of

shareholders.

- Land Use and Discharge Consent
- Environmental Audit Grades Over Time & Targets
 - Those shareholders who receive B grades will be re-audited within 12-months of their audit. The scheme will work with those shareholders to help them achieve Good Management Targets.
- Water Quality Monitoring
 - Point sources – shareholders were reminded to make sure they weren't putting fertiliser into water races, ensure effluent ponds are sealed & that wells are capped off.
 - ECan will be using the first 5 years of ALIL's data captured under our Land Use Discharge Consent to set a baseline for the future.
- Surface Water Monitoring – Year 1 Themes & Macroinvertebrate Trends
 - 12 months of data now collected
 - Mid Canterbury Catchment Collective (MCCC) are creating a number of community groups. There is MPI funding available for the formation of catchment groups, but this will run out in around 18 months. R Whillans invited any interested shareholders to get in touch with her regarding the formation of a catchment groups within the scheme.
 - ALIL is undertaking water sampling below the Main Road as sampling a wider area (and outside of the scheme) builds a bigger picture.
 - Employment of a Water Ecologist is being considered as a joint investment between ALIL, BCI, MHV & MCCC.
 - The Foothills discussion group have noted strange anomalies from their recent testing. It was acknowledged that Gorse & Broom give off a lot of nitrogen & water test results are also dependant on the substructure of the land & leaching through soils.
 - Hekeao / Hinds Water Enhancement Trust (HHWET) have applied for a consent for Managed Aquifer Recharge (MAR) that covers all of Mid-Canterbury. They have also applied to RDRML for 500 l/s of water. If ALIL deems that some of the MAR water is needed within the scheme area, then HHWET will provide a source for this in the future.
- FAVA Triggers
- Enhanced Reliability and Water Sales
 - ALIL Shares remain available to purchase however, the Board is considering leasing this water, on a short-term annual basis. If any shareholder is looking to purchase additional shares, would like to discuss terms, or leasing of water then they were encouraged to speak with the Chief Executive in the first instance.

RDRML Update:-

R Whillans provided the following update regarding RDRML operations:-

- Fishscreen
- Flood Damage
- Insurance

C Glass thanked R Whillans for the update & invited Ali van Polanen, Board Observer to address the meeting.

Observer Position:

A van Polanen, Board Observer spoke to the meeting & provided information relating to her qualifications, work history & learnings since being appointed as the 2023 Board Observer.

A van Polanen advised she had been encouraged to fully participate in discussions at Board meetings, found it was an inclusive environment & her contributions were considered alongside the other Directors. She further advised that there had been a number of Farm Activity Variation Applications (FAVA's) that had required consideration by the Board. These were challenging & equitable considerations were always given, whilst the shareholder's identity remained anonymous.

A van Polanen encouraged any shareholder considering a governance role to put themselves forward, even if they didn't consider themselves ready or feel they had sufficient knowledge. "You can't underestimate your own, or on-farm knowledge" and she looked forward to giving back to the scheme in the future.

C Glass thanked A van Polanen and spoke to the meeting regarding the following matters:-

Current Board & Director Tenure:

As previously signalled, C Glass will be retiring at the 2025 meeting. He reminded shareholders of the importance of Board succession. A key strength of a shareholder board is having a common understanding of farming, desire to keep water charges to a minimum, being flexible with FAVA applications, at the same time as being mindful of the ability to be able to farm into the future. Currently, specialist advice is covered by way of consultancy firms, however if directors deem an Independent Director is required in future, this would be considered by the Board, at the time.

The Board Observer Role will be renamed to Associate Director from January 2024. Shareholders were encouraged to apply for the position once this was advertised.

Klondyke Storage

Mid Canterbury Water Storage Ltd is a 50/50 joint venture company with MHV Water Ltd, incorporated to purchase the land and consents to build storage at Klondyke. Storage is a key part of the Board's long-term strategy for reliability and resilience. This purchase provides optionality to use this land as water storage in the future. Modelling that has been completed, in conjunction with ECan's requirement to increase minimum flows in the Ashburton River, shows that ALIL will need up to 7.5M m³ of storage, (including in-scheme storage) to maintain the schemes reliability, but the number of days required, is unknown.

Funding of the land and consents at Klondyke has been on a 50/50 basis with MHV. The interest cost has been included in ALIL's current year's budget.

In-scheme Storage

Further in-scheme storage at McKendry's Road, known as Palmers Pond, is progressing. Consent applications have been submitted to ECan & ADC. Once these have been approved, construction will begin. At completion of the Palmers Pond, there will be approx. 1M m³ of effective in-scheme storage.

Additional storage on the company's property at Pole Road has not progressed as it would only be able to supply Line 5 shareholders. The Board has also looked at storage on the land owned on Ledgerwoods Road, however construction was prohibitive & the breach analysis was less favourable. The Board has not discussed whether these sites will be retained long-term or not.

Closing Comments

The chair acknowledged the Chief Executive's work that had gone into Klondyke Storage for the scheme. He further acknowledged the greater engagement with ECan regarding the Regional Policy Statement & the Catchment Groups currently being formed.

Further thanks were extended to R Whillans, all staff, current Board & the Board Observer.

General Business:

Nil General Business.

There being no further business the meeting closed at 9.31pm & shareholders were invited to remain for supper.

Date _____

Confirmed, but not approved