

## 2016 Annual General Meeting

### Chairman's Report

This is the 27<sup>th</sup> Annual Report for MGI and has seen the completion of a major upgrade of the former Redcliff's Scheme at Ikawai Flats involving:

- The installation of a fish screen to service both MGI and Waihao Downs;
- The installation of new gates and controls at Stonewall and new automation throughout the system; and
- Rebuild of the main race at Ikawai from Stonewall to the new Baylyn Pond pumping station.

The investment to upgrade Ikawai Flats has improved the reliability of one of the oldest parts of the MGI scheme and contributed to the increases in Company's asset value, along with the addition of the Waihao Downs infrastructure.

The completion of the Waihao Downs project under budget and ahead of schedule was a great achievement that enabled WDI irrigators to commission their systems and prepare for the next irrigation season. The Companies achievement was recognised by the Irrigation New Zealand Conference in Oamaru in April as we took the opportunity to hold an official opening ceremony at Baylyn Pond. The success of this project was testimony to the people that contributed including landowners and shareholders, contractors and Rooney Earthmoving Limited. In particular, I would like to recognise the valuable contribution of Grant Mehrtens and Gary Rooney from REL, Brendan Sheehan from Mt Aurum Engineering who was the WDI Project Manager, and the members of the WDI and MGI Boards.

At the start of November 2015 Craig Evans commenced his role as General Manager of MGI and moved into the new Office building at Glenavy. Craig quickly applied himself to the role and put his expertise to work for the advantage of the Company. The new office building and amenities has given MGI a very strong base to move forward from.

At the 2015 AGM shareholders delegated authority to the Directors to determine our legal audit obligations and then identify and appoint a licenced auditor. We performed this task and appointed BDO from Christchurch to conduct the audit of the 2016 accounts. Income from water charges for MGI was \$1.337M plus extra water sales of \$0.154M giving us a total sales income of \$1.491M compared with the previous year of \$1.607M. Earnings from interest was also behind last year by \$66,831.

We are still experiencing a steady conversion from borderdyke to spray irrigation and because spray irrigation uses less water it is resulting in a reduction in income. Nonetheless, the Board made the decision not to increase fees this year in recognition of the lower dairy price that prevailed at that time and the expected reduction in MGI costs in the two-year forecast. The Board continually monitor the movements in expenditure and income and will review the



water fees again in July 2017 to determine whether adjustments need to be made in order to break-even on a cash basis.

Environment Canterbury have completed Plan Change 3 on the Waitaki River and this was a relatively satisfactory outcome for the irrigators who rely upon the river for water. MGI continues to enjoy a position of high water reliability from the river. The two other plan changes that affect MGI were the Lower Waitaki - South Coastal Zone Plan Change 3 which has been completed and Plan Change 5 which is still in progress. The Plan Change 5 Hearing Committee is still to release its decision but we anticipate that MGI will be required to obtain a discharge permit to cover the nutrient loading within our command area on behalf of our shareholders. Discussions are occurring between ECan and MGI regarding what role MGI will take in the implementation and in the meantime if any shareholders are approached directly by ECan please let us know.

We held the Special Shareholder Meeting on 14 September 2016 and voted to register as a Co-Operative Company and to support the Hunter Downs Project. The new Constitution for the co-operative company has been brought to today's AGM so that it may be adopted by shareholder vote. Discussions with Hunter Downs Water have led to the key terms of the major contracts being defined and agreed between the parties. Matters have been a little quiet for the last few weeks while Hunter Downs work on other aspects of the project and prepare to meet with their shareholders regarding the case for investment.

On behalf of the Board and shareholders we thank our staff Craig, Andy, Judith, Mark, Dave, Matt and Helen for all their extra work integrating Waihao Downs and establishing new business systems for the future. Changes in legal requirements and the growth of our business has resulted in extra work and cost but we are beginning to climb over the worst of these changes now and see light at the end of the tunnel. Special thanks goes to Jenny Hibberd who has acted as the MGI secretary for many years. Jenny is still a valued member of our business and is now able to focus more on professional accounting services with most of the administration now being performed in-house.

I also want to thank all of the Directors for your extra commitment and constructive input and efforts at Board level on behalf of our shareholders. The separate Board for Waihao Downs has now been wound up now that the project has past Practical Completion and I thank outgoing Directors Jon Kirk, Martin Cochrane, Peter Mehrtens, David Ellis, Russell Hart and Bryson Hargreaves for all their efforts. Subject to shareholder approval of the new Constitution, Waihao Downs will be represented on the MGI Board through a newly established Director position for the Waihao Downs Ward.

Robin Murphy

Chairman of MGI