

From the Chairman

Dear Shareholders, the Board of Directors and the CEO are currently assessing a number of significant issues regarding MGI's business model and I want to take this opportunity to keep you informed and give you the chance to comment.

Hunter Downs Irrigation

MGI is continuing to work alongside Hunter Downs Irrigation to help them get their scheme up and running to the north of our command area. Hunter Downs have made some very positive progress recently and are planning to come back to their shareholders with a solid investment plan during September this year. If approved, the Hunter Downs project will be some significant implications for MGI and we need to ensure that our own shareholders are informed and supportive of the Board agreeing to supply water to Hunter Downs via our infrastructure. The main implications for MGI shareholders are:

- Hunter Downs would fund the expansion of our intake, the main race and Lateral 3. The race work exposes us to construction risk and so it work will be managed so that it is fully completed within the off-season to avoid disruption to our water supply. We stand to gain the benefit of reduced maintenance due to the upgraded infrastructure and increased water availability to the Northern Extension. MGI will eventually be required to install a fish barrier similar to the one at Stonewall so we can take the opportunity to have this done with Hunter Downs.
- Hunter Downs would receive water from MGI at our boundary under a Water Supply Agreement. MGI would earn revenue to cover the cost of delivering that water.
- MGI have offered to operate the Hunter Downs Scheme under a management contract. Once Hunter Downs is commissioned and operating we have the opportunity to distribute our overhead costs over a much larger command area and significantly lower the water fees for all MGI shareholders, as well as Hunter Downs shareholders.

The Board must deal with most of these issues and opportunities in the coming months due to the accelerated Hunter Downs timeframe and so we will actively seek feedback and engagement when we have a draft agreement to put in front of our shareholders.

Co-Operative Companies Act 1996

MGI is a company incorporated under the Companies Act 1993. It is not currently a company registered as a co-operative company under the Co-Op Act. MGI is a non-profit company that is entirely owned by its shareholders and there are no non-farmer shareholders. In virtually every respect our business operates as though it were a co-operative company under the Co-Op Act and so the Directors are giving consideration to whether there is any advantage to formally registering as a co-operative company.

Introducing Matthew Gill

Matt joined MGI in February as an Irrigation System Operator. Welcome to Matt and many of you will probably see him out and about with Andy Guyton and the team.



Borderdyke Hours

If you haven't already, please return your hours for the season to MGI Operations.

Pump Shed Power

Please leave the power on to the pump sheds so that the MGI telemetry remains on.

Introducing Helen Anderson

Helen just started with MGI at the end of May as our Administrator. We welcome visitors to the office in Glenavy and please drop in to meet Helen and the rest of the team.



From the Chairman—continued...

Co-Operative Companies Act 1996 (continued from previous page)

A key advantage to becoming a co-operative company is that the shares in the company may have a nominal value rather than a “fair value” under the Companies Act 1993. A “fair value” needs to be determined by an independent valuation when we want to issue shares but a nominal value allows us to set our own price in the constitution and review it annually.

The main cost of registering as a co-operative company involves updating our constitution but we were planning to review it anyway so now is a good time to decide upon this issue. The bottom-line is that the Co-Op company issue would have no other effect on the way the company operates, mostly because we’ve always operated this way.

Encumbrances on Property Titles

MGI holds encumbrances over its shareholding farmers land and when a new shareholder enters the scheme they are required to grant an encumbrance over their land. An encumbrance is a type of mortgage provided for under the Land Transfer Act 1952. The encumbrance instrument is primarily for the purposes of securing a rent or charge for services provided to the land such as the supply of water. The Board are reconsidering the necessity of encumbrances.

Modern irrigation schemes have moved away from using encumbrances and tend to rely more upon a Water Supply Agreement that sets out the conditions of water supply between the farm and the irrigation company, including payment terms. Encumbrances have a high degree of administrative cost to set them up and then to deal with approvals for the registration of new mortgages, land transfers, variations to mortgages or other changes to titles.

It may be difficult and expensive to remove all of our existing encumbrances from titles, but if the Board decide to discontinue the practice of encumbrances we may just phase them out each time a new title consent is requested. We would also need to put Water Supply Agreements in place with all shareholders and ensure that they are transferred along with the shareholding when a shareholder decides to transfer a property.

Budgets

We are currently in the process of reviewing and approving the budgets for next year (the next financial year begins 1 August 2016) and the water fees for FY17 will be announced prior to the end of July.

Robin Murphy
Chairman

MGI now has its own letterbox and postal address at our offices in Glenavy. Please send any correspondence directly to MGI rather than Waimate Accountants.

Planned improvements to the website will be rolled out over the winter. Future newsletters will be posted to the website and emailed to shareholders rather than posted to reduce our environmental footprint and reduce production costs.



Craig Evans
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