

FAIRBAIRN IRRIGATION NETWORK

Board Update on negotiations for transition to local management.

NOVEMBER 2017

INTRODUCTION

The Fairbairn Irrigation Network(FIN) Board would like to update you on progress in our due diligence process and negotiations with the Government for the terms of transfer of irrigation assets to local management.

The government is currently in caretaker mode following the announcement of a State election on 25 November. This has delayed the finalisation of the terms of the transfer agreement and the distribution of an offer to you.

We anticipate this could now occur in February or March next year. However, work on the transfer terms and documentation will continue in the background.

UPDATE

1. Over the past twelve months the FIN Board has reassessed the Emerald scheme's status, conducted detailed engineering and legal due diligence, and updated financial modelling to reflect the amended separation payment. This due diligence process is now largely complete, with engineering, legal and financial analysis compiled and reviewed.
2. Issues and risks have been identified, prioritised and potential solutions identified and proposed. After considering all the information from the stage three due diligence process, the Board submitted a list of material adverse differences to the Department of Energy and Water Supply (DEWS) for their consideration. The differences identified are material items that the Board believes will impact the future viability of the scheme and its customers and need to be mitigated or resolved before transition to local management occurs.

Amongst the material adverse differences were material issues including but not limited to;

- LN1 drain;
- Selma pump station;
- Bulk water pricing;
- Land tenure;
- Distribution losses.

The Board is awaiting a response from DEWS on the material adverse differences, and will negotiate the best possible solution to, or concessional treatment of, all material adverse difference in advance of any offer being made to irrigators.

WHAT WILL HAPPEN NEXT?

1. The material adverse differences list will be negotiated, and the best possible outcome achieved.
2. An offer document will be prepared for irrigators, setting out the terms of transfer as negotiated, including voting papers for the decision on whether to proceed to local management and become a shareholder in the proposed local management company. Given the timing of the state election, and ongoing negotiations, it is unlikely that an offer document will be released prior to Christmas.

3. As soon as the offer document is complete, the board will be in a position to publicly discuss, for the first time, the details of the offer and the scheme under local management. Before any voting takes place, the FIN board will be talking to irrigators face to face to explain the offer, its pros and cons, risks and benefits, and to address any concerns or questions that arise. The offer document will be lengthy, and will contain a lot of data, so it is essential that irrigators talk to the board members to get a good understanding of what is on the table and how issues raised during the process are being addressed.
4. Water allocation entitlement holders will vote on whether they support a move to local management under the terms of the offer, and secondly, if they wish to become a shareholder of Fairbairn Irrigation Network.
5. Local management will only proceed if there is strong support from customers for the move to local management and agree to become shareholders of FIN. If customers reject the offer, the scheme will remain with SunWater.

APPOINTMENT OF CHAIR AND DIRECTOR

CHAIR

Acting Chair, Anne Marie O'Callaghan, has now been formally appointed as Chair of FIN. Anne Marie will continue her outstanding work on behalf of irrigators to finalise the stage three process and present the offer document to entitlement holders. Anne-Marie brings vast corporate knowledge to her role and her negotiation experience will be invaluable during the final stages of the local management process.

DIRECTOR

Emma McCullagh has been appointed as director of FIN, filling the vacancy advertised in May 2017. We welcome Emma to the board and value the experience she brings from her involvement in stage two and three of the local management process, as well as engagement with the local community and customers.

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