

Chairman's report

Thursday 20 November 2014



Murray Irrigation

This is the Chairman's report, following our AGM today and a meeting of the Murray Irrigation Board of Directors yesterday.

Annual General Meeting

Murray Irrigation held its 20th AGM this morning at the Deniliquin Rams Clubrooms. The meeting was attended by 18 shareholders in addition to the shareholder directors. Total votes present were 79 plus 21 proxy votes.

The two items of business were both passed, these being the appointment of Chris Badger as a non-shareholder director for a four year term and the voluntary cancellation of shares by shareholders that have applied for cancellation of shares.

The contribution of Tony Read who has been involved with Murray Irrigation for over 20 years was recognised. Tony initially was involved prior to separation from Government in providing engineering expertise to assist in the establishment of the basis for the Company's Asset Management and Renewal Reserve, through his employer Kellogg Brown & Root. Tony was elected as a non-shareholder Director in November 2005 and concluded his term today. Tony has chaired the Service and Infrastructure Committee since 2012 and chaired the PIOP Steering Committee since its formation in July 2014. Murray Irrigation thanks Tony for his contribution and wishes Tony and his wife Jenny a long and enjoyable retirement.

I thank Jason Cordy representing our Auditor Grant Thornton Audit Pty Ltd and former directors Kelvin Baxter, Gordon Ball, Noel Graham and Vicki Meyer for attending the AGM.

After the formal part of the AGM I was pleased to take some time to reflect on Murray Irrigation's 20 years since privatisation. In this time the company and its shareholders have confronted significant challenges including successive waves of government regulatory reform and what is now referred to as the millennium drought. This experience has not been easy and has shaped what Murray Irrigation is today. In this time we collectively have achieved many things which we should all be proud of.

However it is your Board's view that we are now at a point where we need to take a fresh perspective to reshape our company in preparation for the next 20 years. We need to be focussed, responsive and innovative. I am pleased to announce today that recruitment firm SpencerStuart have been appointed to search for a new CEO and I welcome Mike Wheatley and Michael Thomas from SpencerStuart to this meeting.

The engagement of Stephen Gumley as interim CEO is a deliberate decision to bring fresh eyes to your company in preparation for the new CEO. I recognise this change comes at a cost, however I am confident this investment will help drive value to shareholders.

Steve gave a brief presentation which captured his initial views about Murray Irrigation. Important observations are that Murray Irrigation is a custodian of vitally important agri-business assets, it is a good company with good people all trying their best to make everyone successful.

Steve went on to outline the following Six Point Plan for preparing Murray Irrigation for the future:

1. Improving our safety culture.
2. Ensuring decision making is based on facts and data, not emotion.
3. Progressive irrigation engineering needing increasing investment in technology, research and development, intellectual property and information technology.
4. Invest in skills as technology intensity increases.
5. Manage projects and seasonal business by schedule.
6. Stakeholder unity when working outside the region.

In concluding I emphasised the importance and scale of our PIOP investment and that this project has been challenging for us. We have learnt from the work we have done so far and will continue to ensure we achieve value from this investment, across our footprint.

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There were a small number of questions from the floor. In particular there were questions about opportunities for efficiency allocations, including from our PIIOP investment to date.

Efficiency allocations are considered each month by the Board and our policy is where there is surplus company water to announce this to customers as an efficiency allocation. Whilst we have commenced our PIIOP investment, the majority of the system has not been upgraded yet.

The opportunity for an efficiency allocation was considered at yesterday's Board meeting and unfortunately there is no surplus at this point in time. Factors limiting the opportunities for efficiency allocations now include the conveyance allocation from the NSW Office of Water which is based on the announced allocation of 45 percent. This contrasts with the total water available which is in the order of 70 percent of our NSW General Security entitlements.

It is difficult to estimate if and when there may be an efficiency allocation this year because of uncertainty around the announced allocations to our conveyance and general security licences as well as the volume being traded in.

I thank those shareholders who attended the AGM and for the positive feedback and endorsement received.

A copy of the presentation made at the AGM is available via the 'Current activities' section of our website: www.murrayirrigation.com.au. For more information contact reception on T. 1300 138 265.

Yesterday's Board meeting CEO report

The Board received a briefing from Steve about his initial observations about Murray Irrigation and the identified priorities for his work over the next few months. These priorities are detailed above in Steve's Six Point Plan.

Committees and representation

Director participation in the Board Committees was agreed details of Committee membership will be available from our website and provided in next week's *Talking Water*. Tim McKindlay will continue to represent Murray Irrigation at NSW Irrigators' Council and National Irrigators' Council, Michael Hughes at the State Water Customer Service Committee (where he is Chair) and Roger Reynoldson at the Hume to Yarrawonga Waterway Advisory Committee. The Board thanked these Directors for their contributions to these organisations.

NSW Irrigators' Council

The Board congratulated Perin Davey on her election to the Board of NSWIC. The Board of NSW Irrigators' Council does not determine Council's policy, this is determined by the whole of Council. The Board is responsible for the effective operation of the organisation including its financial management. Our shareholders through their levies are major contributors to Council. We consider Perin's participation in the Board is an opportunity for this region. In supporting Perin's nomination Murray Irrigation has provided someone with the skills and organisational support that will ensure this region makes a valuable contribution to the Council's operation.

A handwritten signature in black ink, appearing to read "Bruce Simpson".

Bruce Simpson
Chairman