



Alan Reay Consultants

**STATEMENT FROM DR ALAN REAY ON LAND AND BUILDINGS
OWNED BY KAPUTONE WOOL SCOUR (1994) LIMITED AND
WHAKATU WOOL SCOUR LIMITED**

1. My full name is Alan Michael Reay and I am a consulting engineer based in Christchurch and am the major shareholder and a director of Alan Reay Consultants Limited which has operated as a consultancy engineering firm in Christchurch for the past 40 years.
2. My qualifications are BE (Hons), PhD and I am a Fellow of IPENZ. I have been involved in the engineering consultancy business throughout my working life and have a wide experience of different types of buildings for commercial and industrial uses.
3. I am providing this statement as an expert under the High Court Rules and provide the statement as though I was independent of NZWSI.
4. I have been an engineering consultant to New Zealand Wool Services International Limited (WSI) for a number of years and have carried out a number of consultancy roles with regard to the plants at both Kaputone and Whakatu owned by subsidiaries of WSI. I am fully conversant with all building and Civil Engineering matters at those plants.
5. I am aware that the buildings on the two sites have been purpose built for use as scours and associate wool stores and that their economic use for other industrial or commercial uses would be very limited. It is likely that any purchaser of the properties will need to reassess the use of the buildings on the sites and may chose to demolish sections of those buildings rather than make material alterations to them to enable them to be used for other purposes. By way of example:
 - 5.1 the buildings have different roof lines to take into account the requirements for presses and other plant used within the buildings. They do not have a consistent roof line;
 - 5.2 in particular the roof of the Scour building at Whakatu is materially affected by corrosion due to the use of chemicals in the scouring process. It is likely that substantial sections of the roof of the building would need to be replaced due to corrosion taking a medium term view of the buildings.
 - 5.3 the new storage building at Kaputone does not have a concrete floor as would be required for most purposes and uses. It has a coble floor which is not suitable for high reach fork trucks with solid wheels.
 - 5.4 at both properties there are pits, coal bunkers, and other structures which would have very limited use for another owner. It is likely that these would need to be filled in or removed at material cost to a subsequent owner.

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- 6 Viewing the improvements on the properties as an expert in buildings it would be difficult for me to advise a subsequent purchaser of the properties to alter or reuse significant sections of the existing buildings and my expert advice to any purchaser would be to factor this into the improvement value. The buildings are generally of low stud compared to modern warehouses and as such, are not suitable for modern racked storage systems. The floors are also not designed for these systems. The buildings are not insulated as there is no requirement for this in terms of temperature control for the scours being utilised as a well ventilated internal environment. This limits alternative uses for the buildings. The subsoil conditions at Kaputone in particular (and to a lesser extent at Whakatu) are such that the bearing capacity of the subsoil limits the design load capacity of the floors to pneumatic forklifts of limited capacity and low level bulk storage. The cobbled floor in the addition at Kaputone was utilised because of the weak subsoil conditions.
- 7 The sites at Whakatu and Kaputone have Resource Consents and planning consents related to air discharge, effluent discharge and noise limitations related specifically for the use of scouring and processing of wool. Should these consents and approvals lapse the obtaining of new approvals and consents, particularly due to adjoining residential development, may not be possible or may involve considerable time and cost. The economic operation of a scour is significantly dependant on the use of natural ventilation and requires the ability to discharge direct to the atmosphere. This also results in the emission of noise from the operation. Lapsing of these consents could occur through non use of the facility or due to the commercial decision to cancel the consent to prevent a competitor utilising the existing facility. In my expert opinion the alternative use could require the existing buildings and improvements on the properties to be demolished and therefore any prospective purchaser would take into account the underlying land value and the cost of demolishing and removing some or all of the existing structures rather than take into account any economic value for the existing buildings, other than providing some holding value and return primarily based on land value.
- 8 This expert opinion is given from my position as a consulting engineer on the advice I would give to a prospective purchaser of the properties. I accept that while the properties continue to be operated as scours they have a going concern value which would be well above the values attributed to the properties if the scouring operations were closed and an alternative use had to be sought for the two sites.

Date: 27-4-11

Signed: Alan Reay