

# Investment Plan

## ***Benefit to New Zealand Test***

(One-off Consent)

**Use this template for all applications for consent under the benefit to New Zealand test, including applications involving sensitive land *and* significant business assets.**

It is important that you provide us with accurate and complete information. It is an offence to make a false or misleading statement or material omission in any information or document provided to the Overseas Investment Office (OIO).

### Instructions:

- **Please do not remove the instruction text from this template.**
- Download this template from our website before each use to ensure you have the latest version.
- Use this template in conjunction with the 'Application for Consent Template (One-off and Standing Consents excluding Commitment to Reside)', and with reference to the 'Vendor Information Form (Benefit to New Zealand Test)'.
- Review the guidance in each section of this template to ensure you supply us with all required information.
- Be concise and write in plain English - use sub-headings and tables where appropriate and explain industry specific terminology.
- This is a living document and must be updated during the assessment process if further information is provided. Updated versions of this document must be recorded in the table below and with [tracked changes](#) so the OIO can easily identify those updates.

## Version control

Record the details of each version of the investment plan below.

Applicant Name			
Version	Date	Name	Description
1.0	12/05/2020	Happy Valley Nutrition Limited	First version submitted to OIO
2.0	04/06/2020	Happy Valley Nutrition Limited	Second version submitted to OIO
3.0	23/07/2020	Happy Valley Nutrition Limited	Third version submitted to OIO
4.0	12/08/2020	Happy Valley Nutrition Limited	Final version submitted to OIO

### Applicant signature – Version 1.0

Only version 1.0 and the final version of the investment plan must be signed. **Sign version 1.0 of the application below.**

Version 1.0		
<b>Gregory Kenneth Wood</b> Director and CEO	<b>Randolph van der Burgh</b> Director	<b>Date 12/05/2020</b>

### Application signature – Final version

Do not sign the final version of the investment plan below until the OIO requests you to.

 		12/08/2020
<b>Gregory Kenneth Wood</b> Director and CEO	<b>Randolph van der Burgh</b> Director	<b>Date</b> 12/08/2020

## Section 1: Land

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Use this section to identify the sensitive land you wish to acquire and address criteria relating to special land, farm land advertising and residential land. This information also helps us to enter the land details into our case management system.

### Sensitive Land

#### Required Content:

Provide a description of the land (use the tables provided):

- Create additional tables if you need them. Delete unused tables.
- Move the land tables to an appendix if the investment involves more than five properties.
- Adjust the tables as necessary for interests that only cover part of a title (e.g. a lease or *profit à prendre*).

#### Required Attachments:

Attach the following:

- Record of title (certificate of title(s)) - (search copy and historical copy for each title – generated within the last three months).
- Sensitive land certificate (completed within the last three months).
- Map of the locale and approximate location of the relevant land.
- Cadastral map and aerial photo clearly identifying relevant land.
- Planning map from the relevant territorial authority (relevant land must be clearly marked).

Note - If your application involves a large number of properties, please contact us so we can agree on the most efficient way for you to provide the required land information.

1. Descriptions of the Land are attached as Appendix 42 of the application.

### Records of Title

2. Each record of title for the Land is attached as set out below:
  - (a) Balance of Road attached as Appendix 02 of the application.
  - (b) Lot 2, 5 Redlands Road attached as Appendix 11 of the application.
  - (c) Waipa Meadows attached as Appendix 17 of the application.
  - (d) Woolly Farm attached as Appendix 22 of the application.
  - (e) 6 Redlands Road attached as Appendix 24 of the application.

### Sensitive Land Certificates and Maps

3. The sensitive land certificates and associated maps in relation to the Land as follows:
  - (a) Sensitive land certificate and maps for Woolly Farm attached as Appendix 43 of the application.

- (b) Sensitive land certificate and maps for Waipa Meadows attached as Appendix 44 of the application.
- (c) Sensitive land certificate and maps for Lot 2, 5 Redlands Road attached as Appendix 45 of the application.
- (d) Sensitive land certificate and maps for 6 Redlands Road attached as Appendix 46 of the application.

## **Residential land**

If the land is, or includes, residential land then the decision-maker must determine which residential land outcome(s) in clause 19 of Schedule 2 of the Act apply to the residential land and be satisfied that the mandatory conditions associated with the relevant outcome(s) will or are likely to be met.

**This section does not apply to transactions entered into before commencement (22 October 2018) or applications under the modified benefits for forestry (state NA and move on to the next heading if this is the case).**

*Is the relevant land, or does it include, residential land?*

Required Content:

Confirm whether the land is or includes residential land and, if so, identify the location of the residential land and describe it.

Required Attachments:

Attach a cadastral map and aerial photo clearly identifying residential land (or refer to the same if already provided elsewhere).

- 4. 6 Redlands Road and Balance of Road are residential (but not otherwise sensitive) land.
- 5. Lot 2, 5 Redlands Road is residential and is otherwise sensitive as it is non-urban over 5 hectares and farm land.
- 6. A map of Lot 2, 5 Redlands Road and Balance of Road is attached with the Sensitive Land Certificate as Appendix 45.
- 7. A map of 6 Redlands Road is attached as part of the Sensitive Land Certificate Appendix 46.

*If yes, what residential land outcome(s) do you propose for the residential land?*

Required Content:

Provide the following:

- Confirmation of the residential land outcomes you propose for the residential land. If you propose more than one, clearly identify the land each proposed outcome relates to.
- Explain how you will meet the relevant outcome(s), including information about your plans and timeframes.
- Comments (if any) about the conditions we must impose in relation to the relevant residential land outcomes.

8. Neither 6 Redlands Road, Lot 2, Redlands Road nor Balance of Road will be used for residential purposes.
9. The Applicant intends to use the land at 6 Redlands Road for the following:
  - (a) relocate the driveway to 8 Redland Road (site CP82-41) from the west side (accessed from SH31 which is an existing hazard) to the east side of 6 Redland Road (to be accessed from Redland Road) as required by the Land Use Consent and Subdivision Consent (see Scheme Plan 253101-000-DRG-C-002-B attached as Appendix 02);
  - (b) parking, storage and other amenity space connected with the construction and operation of the Facility; and
  - (c) the location of auxiliary plant and infrastructure related to the Facility.
10. Balance of Road will become redundant following the realignment of the junction of Redlands Road with SH31, Ōtorohanga. Final boundaries and areas will be surveyed following construction which is to be generally in accordance with Scheme Plan 253101-000-DRG-002-B attached as Appendix 02. The realignment of the road is a condition of the Applicant's Land Use Consent. Once the realignment is completed Balance of Road will form part of the land at 6 Redlands Road.
11. Lot 2, 5 Redlands Road is required to operationalise the Surface Water Consent, under which the Applicant has to install water intake equipment, including appropriate screening equipment, on it as it has direct access to the Waipa River. Further, as a condition of the Land Use Consent, the Applicant is required to undertake significant landscaping, planting and visual amenity on Lot 2, 5 Redlands Road, including the proposed Waipa River Walkway.

## Special land

*Are you seeking consent to acquire a freehold interest in land that is or contains special land?*

Required Content:

Provide the following:

- Confirmation the offer requirements are not triggered and why (e.g. the applicant is not acquiring a freehold interest or the registered proprietor of the special land is not changing as a result of the transaction); or
- Confirmation that the land does not contain special land (explaining why any waterways, including river boundaries, are not special land - e.g. where the riverbed or lakebed does not exceed the minimum width/areas in the Act); or
- A description of the special land.

Note - it is not sufficient to state that the land 'may' include special land. If large areas of land are involved, contact the OIO before making your application so we can discuss the best way to address the requirement to identify special land.

12. Lot 2, 5 Redlands Road contains special land. Specifically, the south-east corner of Lot 2, 5 Redlands Road includes about 120 metres of the bed of the Waitomo Stream, a tributary of the Waipa River. This area, by scaling, is approximately 1,000m<sup>2</sup> but this should be determined by survey. The bed is special land as the stream is on average 10 metres wide at this point.
13. See CSD Plan DP 526741 attached as Appendix 47.

*If yes, has the special land been offered to the Crown in accordance with the Regulations?*

Required Content:

Provide the following:

- A summary of the proposed offer.
- If relevant, submissions in support of any request for the Crown to waive the offer requirement (e.g. where the special land is a man-made irrigation or tailings pond). Contact the OIO about the possibility of a waiver before submitting your application.

Required Attachments:

Attach the following:

- A notice of intention to offer special land to the Crown signed by the vendor (refer regulation 13 and 14 of the Regulations).
- If appropriate, a survey of the special land. Contact the OIO to determine whether a survey will facilitate the special land offer process.

14. The special land has been offered to the Crown for \$1.00 payable on demand by the Crown conditional upon:
  - (a) OIO consent being granted for the acquisition of Lot 2, 5 Redlands Road by the Applicant; and
  - (b) the acquisition being given effect to.
15. The vendor does not require the Land to be surveyed or valued for the purpose of determining its market value.
16. See the Notice of intention to offer special land attached as Appendix 48 of the application.

## **Farm land**

*Is the relevant land farm land (refer s6 and OIO [guidance](#))?*

Required Content:

Provide reason(s) why the relevant land is or is not farm land.

17. Yes, Waipa Meadows, Woolly Farm and Lot 2, 5 Redlands Road are all farm land.

*If yes, has the farm land or farm land securities been offered for acquisition on the open market to persons who are not overseas persons in accordance with the procedure set out in regulations (refer s16(1)(f), r4-11 and OIO [guidance](#))?*

Required Content:

Provide the following:

- A description of advertising undertaken clearly identifying the date the farm land was first advertised, dates of any subsequent advertisements and the mediums published in.
- An explanation of how the advertising meets the requirements in the Regulations.
- Confirmation whether the advertising was before or after the agreement for sale and purchase was entered into. If advertising occurred afterwards then explain how the land was genuinely available for acquisition by New Zealanders (e.g. the agreement contained a 'cash out' clause giving the vendor the ability to accept any offer presented to it). We will closely review post-agreement advertising to ensure it is genuine.

Note - the advertising period of 20 working days (as set out in Regulation 9) is calculated with the date of the advertisement equalling day '0'.

Required Attachments:

Attach a copy of relevant advertisements showing listing date and medium published in.

18. No, the applicant is seeking an exemption.

*Is the farm land or are the farm land securities exempt from the advertising criterion under the Gazette notice or is the applicant seeking an exemption (refer to s20, the [Gazette notice](#) and OIO [guidance](#))?*

Required Content:

If relevant, explain why you consider your investment:

- Falls within the advertising exemptions set out in the Gazette notice; or
- Should be exempt from the advertising criterion having regard to the circumstances relating to the particular overseas investment, interest in land, or rights or interests in securities.

Note – Your request for an exemption under section 20(a) will be decided at the same time as your application. Exemptions will only be granted in limited circumstances (e.g. where a property is land locked). If you are requesting an exemption, or seeking to rely on a gazetted exemption, you should discuss the matter with the OIO before submitting your application.

19. The Applicant is seeking an exemption in respect of Waipa Meadows, Woolly Farm and Lot 2, 5 Redlands Road (Farms) on the basis that public advertisement of the Farms will not achieve the purpose intended by section 16 of the Act because any public advertising is unlikely to result in any offers being made that would be accepted by the vendors of the Farms. The reasons for this view are set out below under each heading.

**Land is required to satisfy conditions of the Resource Consents**

20. Waipa Meadows and Woolly Farm are specifically identified in the Wastewater Consent as being Farms onto which the wastewater is to be discharged in accordance with the terms of the Wastewater Consent. The Facility cannot operate unless it is able to

discharge wastewater onto these Farms. It was originally envisaged that the Applicant's rights to discharge the wastewater onto the Farms would be created by irrigation agreements entered into with the vendors. However, it became apparent to all parties that as a result of the requirements of the Wastewater Consent (which include significant planting of native trees with the reduction in farming operations able to be undertaken on the Farms and a significant reduction in stock levels) the Applicant would have to purchase the Farm to secure the right to discharge the wastewater onto them.

21. In relation to Lot 2, 5 Redlands Road, while this Farm is not specifically named in any of the Resource Consents, it must be acquired by the Applicant to enable it to comply with various requirements of the Land Use Consent and the Stormwater Discharge Consent. In the first case, in order to be able to establish native plants as a visual screen for the Facility, and in the second, to construct and operate a stormwater drain from the Facility to the Waipa River. The Applicant will also install a digester for domestic waste generated by the Facility on the Farm, and it will also be required to convey various essential services to the Facility. This will include water from other water sources including the Waipa River adjoining the Farm that will be piped across the Farm and may require the construction of a pumping station on the Farm. It will also be required for access for emergency services to the Facility. The property is located on a flood plain of the Waipa River and cannot be built on.
22. The Agreement to Grant Easements was entered into with the vendors when Lot 2, 5 Redlands Road was subdivided in 2017 so that the Applicant could buy the Facility Site. Under that Agreement the Crown was granted an Esplanade Strip as shown on the title for Lot 2, 5 Redlands Road, which is attached in Appendix 11 of the application. That Agreement has been superseded by the Lot 2, 5 Redlands Road Sale Agreement. It was initially thought the Agreement to Grant Easements would be sufficient, but it became apparent that the nature and extent of the requirements in the Resource Consents made it necessary for the Applicant to acquire Lot 2, 5 Redlands Road as an easement would not be sufficient.
23. Furthermore, under the Water Licence Agreement the Applicant is allowed to take a certain volume of water from the Waipa River. In order to operationalise the Water Licence Agreement, the Applicant has to install water intake equipment, including appropriate screening equipment, on Lot 2, 5 Redlands Road as this site has direct access to the Waipa River.
24. 6 Redlands Road is required under the conditions of the Land Use Consent for the realignment of the junction of Redlands Road with SH31, Ōtorohanga. It will also be used for the Facility's electrical sub-station, carparking and alternative access to 8 Redlands road due to the intersection upgrade.
25. The Balance of Road will be rendered redundant by the Land Use Consent requirement to realign the junction of Redlands Road with SH31, Ōtorohanga and then will need to be purchased by the Applicant so that part of the Applicant's land does not become unusable.



### **Purchase prices under conditional sale agreements for the Farms significantly above market value**

26. The Applicant has entered into conditional sale agreements for the purchase of Waipa Meadows, Woolly Farm, Lot 2, 5 Redlands Road and 6 Redlands Road. Given the importance of the Farms and 6 Redlands Road to the development of the Facility, the Applicant has had to agree to pay purchase prices significantly above the current market values for the Farms – the Applicant has estimated it is paying approximately \$300k or 10.3% above market value for Waipa Meadows, approximately \$1M or 22% above market value for Woolly Farm, \$200k or 50% above market value for Lot 2, 5 Redlands Road and \$175k or 45% above market value for 6 Redlands Road. It is therefore very unlikely any other parties will be interested in purchasing the Farms at or above these prices.

### **Leaseback of Waipa Meadows**

27. Under the Waipa Sale Agreement one of the vendors, Merilyn Connolly (**Merilyn**), is to lease Waipa Meadows for 100 years following completion (**Leaseback**). A copy of the final draft Leaseback is attached to the application as Appendix 49, including a summary of key terms. The Leaseback contemplates that the Applicant as landowner is entitled to undertake all the works required to install, operate and maintain the irrigation infrastructure required under the Wastewater Consent. Merilyn is entitled to undertake pastoral farming on Waipa Meadows subject to the rights of the landowner in relation to the irrigation infrastructure and the terms of any applicable resource consent, including the Wastewater Consent. The Leaseback provides that Merilyn is entitled to assign the lease to a trust set up to hold the leasehold interest in Waipa Meadows for her nieces and nephews and their descendants.
28. Merilyn has also made it very clear to the Applicant on many occasions that she would not be prepared to sell the Farm unless the right to lease the property on the terms outlined in the preceding paragraph was not included in the Waipa Sale Agreement. She is comfortable undertaking reduced farming operations on the Farm as required by the Wastewater Consent and intends setting up a farm park on the Farm, which will be consistent with the requirements of the Wastewater Consent.

### **Leaseback of Woolly Farm**

29. The Waipa Sale Agreement also contemplates that Merilyn is entitled to lease part of Woolly Farm on essentially the same terms as the Leaseback referred to in paragraph 27 above. Merilyn has advised she intends exercising this right if the Applicant acquires Woolly Farm. The farming operations on the two Farms will be coordinated across both of them. A copy of the final draft of the Woolly Farm lease is attached to the application as Appendix 55, including a summary of key terms.

## **Lot 2, 5 Redlands Road a shareholder of the Applicant**

30. The current owner of Lot 2, 5 Redlands Road holds 9.06% of the shares in the Applicant and is unlikely to sell the Farm to anyone other than the Applicant given its importance to the development of the Facility.

### **Competitors**

31. The Applicant's view is that the only other parties that will be interested in purchasing the Farms at or above the prices agreed by the Applicant are competitors wishing to disrupt the construction of the Facility rather than purchase the Farms to use as farm land. One such competitor endeavoured to disrupt the resource consent application process for the Facility.

### **Conclusion**

32. For the reasons outlined in the previous paragraphs, the Applicant is of the view that the public advertisement of the Farms will not achieve the purpose intended by section 16 of the Act because any public advertising is unlikely to result in any offers being made that would be accepted by the vendors of the Farms.

### **Provisions for advertising in the Land Sale Agreements**

33. For completeness we note that the sale and purchase agreements include provisions requiring that the Farms be advertised for sale if the Applicant is not successful in obtaining an exemption.

## **Section 2: Investment plan**

### ***Current situation***

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Describe what the current owner has been, and is currently, doing with the relevant assets - this is your understanding of the situation. This information should be set out first as it provides the necessary background and context for your investment story.

Information in this section should generally include specific details of the current owner's business operations including the current condition of the relevant assets, existing development plans, productivity information and relevant background information. Be clear where this information has come from (e.g. discussions with the vendor / lessor, due diligence).

### **Waipa Meadows**

34. The vendor has advised the Applicant that Waipa Meadows is presently used for store cattle trading i.e. buying in beef cattle as weaners or yearlings, retaining them for approximately one year, and then selling them. Parts of the Farm are also used for making silage and hay for sale. At present, Waipa Meadows runs between 1,500 - 2,000 stock units (revised stock units as calculated in OVERSEER®), and winters about 300 young cattle, selling 150-200 older cattle and buying in a similar amount of younger cattle each year. The net farming profit from the trading amounts to about \$50,000 a year.

35. There are two part time employees, husband and wife. Most of the day to day work is done by the wife, as the husband also works as a part time stock agent. Given the time spent working on the Farm, both would be regarded as FTEs. Temporary contractors are used as and when required.
36. There has been no capital expenditure to any great extent on the Farm over the past two years other than some new fencing, water supply and other amenities. No future capital expenditure has been budgeted.

### **Woolly Farm**

37. Woolly Farm borders Waipa Meadows and is currently operated as a dairy farm. One of the shareholders of the company that owns Woolly Farm is the nephew of Merilyn Connolly, one of the owners of Waipa Meadows. He runs the dairy farm with his wife. Both would be regarded as FTEs.
38. The vendors have advised the Applicant that they currently milk approximately 280 dairy cows producing around 100,000 kgMS annually (the actual three-year average production is 102,669kgMS).
39. A support block has also been utilised in the past to graze replacement stock and other stock over the winter period. Much of the required supplements are generated on-farm with imported supplements purchased where necessary to alleviate feed gaps where required.
40. In addition to the two owner-operators of Woolly Farm, there is one full-time employee and two part-time employees as relief (equivalent to 1 FTE between the 2 part-time support staff), so four FTEs in total.
41. Woolly Farm has in recent years undergone significant infrastructure development in order to ensure the facilities are fit for purpose to milk 280 cows efficiently and meet modern day hygiene requirements as follows:

<b>Financial year</b>	<b>Expenditure</b>
<b>2018</b>	Roads & Races \$24,000 Unit Upgrade \$66,987 Cowshed \$775,119 Air Compressor \$2,733 Milking Plant \$102,869
<b>2019</b>	Pressure Tank \$1,538
<b>2020 onwards</b>	Fencing and planting (where necessary) of waterways Effluent system upgrades Required water supply maintenance and upgrades (where necessary)

42. In discussions with the Applicant, the vendor of Woolly Farms has indicated that it is only selling the Farm because of the premium price able to be realised from selling the Farm to the Applicant and because the Waipa Sale Agreement allows for the farm to be leased back to Marilyn to allow her to continue farming on Woolly Farm after Waipa Meadows has been de-stocked. The vendor would not otherwise be interested in selling the Farm and would continue operating the Farm as currently operated for the last 4 years.

### **Lot 2, 5 Redlands Road**

43. Lot 2, 5 Redlands Road is located on a flood plain of the Waipa River and cannot be built on. The vendor has advised the Applicant that the property is primarily used as a small support block to the vendor's dairy farm which is nearby. Silage is generally harvested in spring and quickly established into a maize crop. The maize is harvested in late summer or early autumn and replanted into an annual ryegrass variety in preparation for silage again in the following season.
44. There are no full-time employees. The vendor spends time harvesting silage and establishing crops briefly throughout the year, estimated as being the equivalent of 0.1 FTE. Agricultural contractors are employed for the harvest of maize once a year. Approximately 200 tonnes of maize silage and 20 tonnes of grass silage are produced per annum. There are no stock units on the Farm. Operating profit from the production of maize and silage is approximately \$18,000.
45. There has been no capital expenditure on the Farm in the previous two years, nor is there any forecast. It is a small bare block with no support buildings that require capital expenditure.

### **Changes to the Waikato Regional Plan**

46. Under proposed changes to the Waikato Regional Plan, it is likely that Waipa Meadows and particularly Woolly Farm will be subjected to reduced stock levels to mitigate nutrient run-off due to their proximity to the Waipa River and its tributaries (see: [www.waikatoregion.govt.nz/council/policy-and-plans/healthy-rivers-plan-for-change](http://www.waikatoregion.govt.nz/council/policy-and-plans/healthy-rivers-plan-for-change)). It is the Applicant's expectation that stocking levels on Woolly Farm will have to be reduced when the proposed changes come into effect, which will have a significant impact on production levels currently realised on the Farm.

### **Residential Land**

47. 6 Redlands Road currently has a house on it which is uninhabitable with no services connected to it. The vendor has indicated he is only selling the land because of the premium price being paid by the Applicant.
48. Balance of Road will become redundant following the realignment of the junction of Redlands Road and SH31, which is a condition of the Applicant's Land Use Consent, and will form part of the land at 6 Redlands Road.

## ***Investment***

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Describe your investment and what you plan to do with it - this is the story of your investment. It should be clear to us what you plan to do with the assets (including key commitments and how long you intend to hold the investment) and why. Your specific benefit claims are set out later but are expected to flow from this narrative. This will reduce the amount of background information required within each benefit claim. Avoid duplicating information.

Note - Development spending is generally best presented in a table and set out by financial year. Use the table below to show how you propose to use the land (adjust the table as necessary to suit your investment).

49. The Applicant was incorporated in New Zealand on 8 April 2016 to develop a vertically integrated nutritional grade milk processing blending and packaging plant. The Applicant's vision is to become a trusted B2B supplier of consumer ready IMF and other nutritional products.
50. The Facility Site is strategically located in the Waikato region as a large catchment area of A2, organic, and pasture fed milk herds in New Zealand. According to New Zealand Dairy Statistics in 2017/18, 72% of all New Zealand dairy herds are located in the North Island and 33% in the Waikato region. Of the milk produced in New Zealand in the 2017/18 season, the Waikato region produced 22% of all milk solids which was valued at \$3.29 billion.
51. The Facility will take milk solids and convert them into high value products that attract higher margins such as consumer ready IMF and Other Nutritional Products primarily utilising A2 and organic milk. The current plans for the Facility include the implementation of one 6-8 metric tonne per hour spray dryer. All budgeted expenditure has to date been based on the construction of one dryer, however provision has been made to add a second dryer at a later stage. The Land Use Consent was granted based on there being capacity for up to two 8 metric tonne per hour spray dryers at the Facility in the longer term.
52. The Applicant intends to enter into long term agreements with strategic partners with global sales capabilities to sell a quantity of product equal to the design capacity of the Facility. It is possible that one such international partner may take a strategic shareholding interest in the Applicant.
53. The Facility is a significant undertaking and will involve significant future investment in excess of \$350M by the Applicant in the Waikato/King Country region. The transaction will generate a one-off boost to the local and national economy as well as having significant ongoing benefits including the creation of a substantial number of new jobs and other consequential benefits for the Ōtorohanga community.
54. The investment is intended to be a long-term investment by the Applicant. Since April 2016, the Company has made significant progress by achieving a number of milestones in order to progress the development of the Facility, which is currently scheduled to be completed by the end of 2022 provided that OIO consent is secured by 31 October 2020. See the request for urgency in paragraphs 27 to 30 of the application.

55. While the bulk of the capital investment will occur on the Facility Site to develop the Facility, there are range of activities required to be completed on the Land relating to the Facility and specifically including activities required to comply with the Resource Consents. For example, wastewater irrigation systems will need to be developed on Waipa Meadows and Woolly Farm along with the undertaking of significant riparian planting.

### ***Counterfactual***

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#### Modified benefits test for forestry

If you are applying under the modified benefits test for Forestry, complete 'Section 2a continued: Additional criteria for applications under the modified benefits test for forestry' before continuing. You can then return and complete this counterfactual section using a counterfactual under which the vendor continues to own the assets.

Note – you must address what the vendor is likely to do with the assets if they continued to own them and explain why (the counterfactual assessment is forward looking).

#### All other applications

You should read our [counterfactual guidance](#) before completing this section.

Address:

- Who will likely own the assets if your investment does not proceed, and explain why; and
- What they are likely do with them, and explain why.

This is your understanding of the counterfactual at a high level. A more specific counterfactual analysis (benefit by benefit) will be applied under the benefits section below.

Counterfactual submissions should be well researched and evidence based. More detailed analysis and evidence supporting your submissions may be provided (where necessary) in a separate report. The counterfactual scenario must be forward-looking and the timeframe for analysis should extend beyond that required to locate another purchaser. If you are unsure of the most appropriate counterfactual, identify and research more than one.

Note – There is a rebuttable presumption that the owner of the assets without the investment will be a competent and adequately funded New Zealand purchaser.

56. For the reasons outlined in paragraphs 20 to 31, the Applicant's view is that the correct counterfactual is that if the Applicant's investment does not proceed:
- (a) the Farms will be retained by the current owners who will continue to farm them as described in paragraphs 34 to 46 as the 'current situation';
  - (b) Balance of Road will continue to form part of Redlands Road and the road will not be realigned to improve the junction with SH31; and
  - (c) 6 Redlands Road will be retained by the current owner.

### ***Point of difference***

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Describe the point of difference between your investment and the counterfactual at a high level. Ensure you clearly explain why the alternative owner, such as an alternative New Zealand purchaser, would not do the same thing.

57. The 'beyond the farm gate' benefits to New Zealand that will be derived from the Applicant's significant investment in the construction and operation of the Facility will be very much greater than the benefits that will be achieved if the vendors continue to own and operate the Farms.
58. The main benefit that will be derived from the investment is the significant increase in value of export receipts for production from the Facility. The operation of the Facility will involve processing milk solids sourced from the Waikato/King Country region to produce higher value, quality products derived from those milk solids such as IMF and Other Nutritional Products, that would otherwise be processed in lower calibre facilities for lower value outputs such as whole milk powder.
59. The application is different from the usual single farm purchase because it is necessary for the Applicant to acquire all of the Farms and significantly re-purpose them to satisfy the requirements of the Resource Consents. Accordingly, the bulk of the economic benefits will flow from the Applicant's investment in the development of the Facility, with the investment in the Farms being an input to this. OIO consent is required for the acquisition of all the Farms in order for the development of the Facility to proceed.
60. At the hearing for the Applicant's Land Use Consent, evidence was given by Dr Ganesh Nana of BERL as to the likely economic impact of the proposed Facility. The application was heard by two independent commissioners, PH Mitchell and AL Withy, appointed by the ODC. The hearing, which included a site visit, was held in November and December 2017 and the hearing formally closed on 16 January 2018.
61. When questioned, Dr Nana agreed with the commissioners that not all of the proposal's operational economic benefits were 'new' benefits, as some of the economic activity derived locally would be a transfer from existing activities being undertaken elsewhere. The commissioners were satisfied, however, that even allowing for the fact that some of the economic benefits of the proposal will be transferred from other locations, the proposal had significant economic benefits for the Ōtorohanga township and wider Ōtorohanga District. Dr Nana's evidence is relied on by the Applicant and a copy of Dr Nana's Economic Impact Assessment evidence is attached as Appendix 50 of the application.

### **Section 3: Ministerial directives**

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*Does the 'rural land' directive apply to this investment (refer paras 11 and 13-17 of the [Directive Letter](#))?*

Required Content:

- Submissions on why the rural land directive does, or does not, apply to this investment.
62. The rural land directive applies to the investment in Waipa Meadows, Woolly Farm and Lot 2, 5 Redlands Road because the Land is non-urban land over 5 hectares and is farm land.

63. The rural land directive does not apply to 6 Redlands Road and Balance of Road as they are both residential (but not otherwise sensitive) land.

*Does the 'forest land' directive apply to this investment (refer paras 11 and 18-20) of the [Directive Letter](#)?*

Required Content:

- Submissions on why the forest land directive does, or does not, apply to this investment.

64. No.

## **Section 4: Benefit claims**

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Address the benefits that are likely to flow from the investment. Identify and focus on the key benefits of the investment – not all benefit factors need to be satisfied.

There is detailed guidance on our website about how to make a claim under each benefit factor. Refer to our website guidance before making a claim (links are provided under each benefit heading). Only make a claim where:

- A factor is relevant to the investment (if the factor isn't, then state 'not relevant');
- You can satisfy the key elements of the factor;
- The applicant is prepared to deliver that benefit (benefit claims will be subject to conditions and post consent monitoring); and
- The benefit is additional to that which is likely to occur without the overseas investment.

Note:

- The benefit factors set out below are ordered differently to that set out in the Act to assist with the flow of the investment narrative. There is no relationship between the revised order and the importance of a particular factor.
- Avoid duplicating information.

### Making a claim

When making a claim:

- Address each key element of the relevant factor.
- Be concise and write in plain English (use headings and tables where appropriate and explain industry specific terminology).
- Be specific – provide relevant figures and timeframes. Quantify the benefit where possible (use a range if a specific figure cannot be provided).
- Identify whether the plan/benefit is contingent on another event and the timing of that event (e.g. obtaining resource consent).
- Be clear about what you are willing to commit to doing and have as conditions of consent.

Where necessary, provide more detailed analysis and supporting evidence in a separate report (e.g. a report from an environmental consultant). Any references to the report in your claim should be to the specific section of the report that evidences your claim. A report supports a benefit claim, it is not a substitute for a claim.



Address what is likely to occur with the investment and what is likely to occur under the counterfactual (where possible, use the same units/measures to allow comparison).

Where necessary, use relevant data/reports to demonstrate that a claimed benefit would likely exceed what would occur under the counterfactual.

## ***Economic Factors***

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### **Additional Investment for Development Purposes**

*Will the overseas investment result in, or is it likely to result in, the introduction into New Zealand of additional investment for development purposes (refer s17(2)(a)(v) and OIO [guidance](#))?*

65. Yes, the investment will result in the introduction of significant capital into New Zealand for development purposes, principally for the construction of the Facility and related infrastructure.

#### **Construction of the Facility**

66. The Applicant intends to construct the Facility on the Land which will require funding and working capital requirements through the start-up phase into production.

#### **Funding of the Facility**

67. The Applicant has developed a high-level capital cost estimate to construct the Facility based on a single drier, which is based on inputs from various vendors and consultants in New Zealand.

#### **Total Consideration**

68. The total consideration required to undertake the transaction (including amounts spent to date and amounts to be spent on the development of the Facility, the acquisition of the Land and working capital) is anticipated by the Applicant to be around \$367M.

#### **Consideration value of the Land**

69. The Applicant has entered into conditional Land Sale Agreements for all of the Land with the exception of the Balance of Road, which is subject to an independent statutory process. The purchase prices for each part of the Land (other than the Balance of the Land) are set out below:

<b>Part of Land</b>	<b>Consideration</b>
<b>Waipa Meadows</b>	\$3,200,000
<b>Woolly Farm</b>	\$5,500,000
<b>Lot 2, 5 Redlands Road</b>	\$600,000
<b>6 Redlands Road</b>	\$375,000

<b>Total</b>	<b>\$9,675,000</b>
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70. While the value of the Balance of Road is currently uncertain, the Applicant is proceeding on the basis of it being nil given that there has been a 'like for like' swap in the road realignment and because the Applicant will be required to undertake works on land that it does not own, including the closing of the accessway from SH31 to site CP82-41 (land adjoining 6 Redlands Road which is an existing hazard) and the construction of a new accessway from Redlands Road.
71. If the ODC does not accept the value of the Balance of Road as being nil, then the Balance of the Road will be valued according to the PWA process, which requires an independent registered valuer to determine the market value of the land based on the added value to the existing title with which it is to be amalgamated.

***Consideration spent to date in undertaking the transaction***

72. Up to the end of February 2020, the total amount spent by the Applicant in undertaking the transaction is as follows:

<b>Description</b>		<b>Cost</b>
<b>Acquisition of the Land:</b>	Payments under the Land Sale Agreements	\$971,000
<b>Development of the Facility</b>	Obtaining Resource Consents	\$2,639,000
	Pre-construction planning of the Facility	\$2,945,000
<b>General transaction Costs</b>	Operating expenditure	\$2,834,000
	IPO and listing on the ASX	\$1,623,000
<b>Total</b>		<b>\$11,012,000</b>

***Consideration still required to undertake the transaction***

73. The Applicant's current estimate of total amount of further funds required to undertake the transaction from the start of March 2020 is as follows:

	<b>Description</b>	<b>Cost</b>
<b>Acquisition of Land</b>	Purchase of land	\$9,675,000
<b>Development of the Facility</b>	Building permits/consents	\$625,000
	Detailed design, initial earthworks and site preparation	\$8,000,000
	Construction of Facility buildings (including contingencies)	\$70,000,000
	Construction of Facility processing and industrial plant (including contingencies)	\$230,000,000
<b>General transaction</b>	Working capital (including contingencies)	\$38,000,000

<b>Costs</b>		
<b>Total</b>		<b>\$356,300,000</b>

74. Of the amount set out in the table above, a further \$345M is required to complete the transaction through a combination of debt and equity funding primarily sourced from offshore.
75. A summarised year to date balance sheet (based on 8 months to 29 February 2020 unaudited management accounts) and projected balance sheet for the next 5 years is attached as Appendix 51.
76. Of the \$356M still to be spent, it is planned that approximately 1% will be spent in the 2020 financial year, 56% in the 2021 financial year and 43% in the 2022 financial year.

***Funding to date***

77. Most of the Applicant's funding to date has come from investors in Australia (around 60%) and New Zealand (around 30%), with the balance (10%) coming from other countries including Hong Kong, Singapore, the Philippines, Thailand, the US and the UK, with the Applicant undertaking an IPO and listing on the ASX to fund the Pre-Project Activities described in the Application.

***Further Funding***

78. The Applicant intends to undertake a further round of fund raising and secure debt funding for the construction of the Facility and working capital funds for operational requirements during the periods of construction, commissioning and the ramp up phase of production. This will likely take the form of a combination of equity financing and commercial and other forms of debt sourced from New Zealand and offshore. Total debt funding is likely to be 30/40% of the total funding, partly from New Zealand banks and partly from offshore entities such as for equipment finance.

***Total Direct Expenditure***

79. In his evidence to the hearing on the Land Use Consent, Dr Ganesh Nana estimated that based on the original total direct expenditure for the development of the Facility of \$230M, approximately \$65.2M (29%) will be spent in the Waikato/King Country region, \$106.3M (46%) will be spent in the rest of New Zealand and \$57.1M (25%) internationally.

***One-off impacts to the Waikato/King Country Region***

80. Based on expenditure data provided to Dr Nana by the Applicant in 2017, construction of the Facility is estimated to generate a total one-off impact to the Waikato/King Country area economy of \$29M. These figures include the impact directly on the construction sector, as well as the multiplier indirect impacts on industries and businesses supplying the construction sector. In addition, the induced impact of individuals' and households' wages and salaries being (partly) spent is also included in these totals.
81. This includes the creation of the equivalent of 330 FTEs.

### ***One-off impacts nationally***

82. Based on expenditure data provided to Dr Nana by the Applicant in 2017, Dr Nana estimated that nationally the construction of the Facility will generate a total one-off impact of \$247M.
83. This includes the creation of the equivalent of 1,940 FTEs.

### ***Increase in Total Direct Expenditure***

84. Since Dr Nana prepared his Economic Impact Assessment, budgeted direct expenditure during the construction phase has increased from \$230M to \$318M which will have a commensurate greater impact both regionally and nationally.

### **Added Market Competition/ Greater Efficiency or Productivity/ Enhanced Domestic Services**

Note that we have separated this factor into three parts to make it easier to address.

*Will the overseas investment result in, or is it likely to result in, added market competition in New Zealand (refer s17(2)(a)(iv) and OIO [guidance](#))?*

#### **Premium Product Strategy**

85. The Applicant's vision is to create premium products, derived from New Zealand milk, for customers focused on provenance, innovation and quality.
86. The milk solids to be used at the Facility will only represent around 1% of the milk pool sourced from the Waikato region but the Applicant intends to only take milk solids that come from high quality, traceable sources as a point of difference from other manufacturers. The Applicant's strategy is also to add more value to milk products by selling the New Zealand provenance of the milk and converting them into products that attract higher margins. Accordingly, the price paid for the milk will reflect the quality of the on-farm practices of the farmer, with higher prices being paid to farmers who can meet the Applicant's stringent requirements.
87. As a result of the Applicant's premium product strategy, there will likely be increased market competition for milk solids in the Waikato/King Country region.

*Will the overseas investment result in, or is it likely to result in greater efficiency or productivity in New Zealand (refer s17(2)(a)(iv) and OIO [guidance](#))?*

#### **Leading edge technology and zero-waste processing philosophy**

88. The Applicant intends the Facility to be world class and state of the art, incorporating the latest technology that will be significantly more advanced than most existing dairy facilities in New Zealand which produce whole milk powder and other lower value products from milk solids.

89. The Facility will be recycling as much water as possible within the site, using Reverse Osmosis technology on the wastewater streams to enable the reintroduction of the water to the process, while meeting Ministry of Primary Industries and customer quality requirements. This is estimated to reduce the requirement for water sourcing, along with a reduction in wastewater, by at least 20% to comparable facilities. The Applicant's vision in the medium to long term is to facilitate further treatment of the wastewater to reduce, or eliminate, the volume irrigated to land.
90. Latest technology will be used in the design of the Facility to reduce the demand on thermal energy, via the use of recycling heat generated from both the dryer exhaust and servicing equipment (such as refrigeration compressors). This recycled heat will be used on the pre-heating stages of the dryer or boiler to reduce the total energy demand.
91. The Facility will be designed to accommodate up to 2 Megawatt of solar arrays on the roof of the dry-store. This would be one of the largest industrial solar arrays in New Zealand and would cater for approximately 50% of the Facility's electrical needs when the sun is shining. Depending on the outcome of commercial discussions with providers, this could occur from the outset of operation or in the medium term. Importantly the design of the roof will factor in this additional mass and water-proofing aspects of the roof from the outset. The high-voltage sub-station on the site will also allow for this power generation to be either used within the Facility or exported to the national grid.
92. Through the introduction of new technology, and in line with Applicant's premium product strategy outlined above, the Facility will produce higher value products while having a lower environmental impact through the use of leading-edge technology and a zero-waste processing philosophy.

*Will the overseas investment result in, or is it likely to result in enhanced domestic services, in New Zealand (refer s17(2)(a)(iv) and OIO [guidance](#))?*

93. Not applicable.

### **Increased Processing of Primary Products**

*Will the overseas investment result in, or is it likely to result in, increased processing in New Zealand of New Zealand's primary products (refer s17(2)(a)(vi) and OIO [guidance](#))?*

94. Yes. The operation of the Facility will involve processing milk solids sourced from the Waikato/King Country region that might otherwise be processed in lower calibre facilities for lower value outputs such as whole milk powder, to produce higher value, quality products derived from those milk solids such as IMF and Other Nutritional Products.
95. As at the date of this application the Applicant is projecting to manufacture at least 25,000 MT of IMF. Approximately 100 million litres per year of raw milk is required to

manufacture 25,000 MT of IMF. At an average price of \$11,510 per MT this equates to revenue of \$287M. By way of comparison commodity dairy products such as whole milk powder and skim milk powders currently sell for \$3,912 and \$3,046 per MT respectively. 100 million litres of raw milk equates to approximately 16,000 MT of whole milk powder, generating revenue of \$67M. Even if the Applicant were to use the same amount of raw milk to generate Other Nutritional Products such as IMF ingredients and sports nutrition ingredients, it is estimated that the revenue generated by the Facility would be \$120M, still a significant increase in value.

96. Attached as Appendix 54 is a high level summary of dairy based Formulaic Nutrition processed in New Zealand and an assessment of the value effect of the Applicant as a new entrant into this product category. Formulaic Nutrition includes base powders, adult formulas, IMF and infant and invalid foods.
97. There will be a 'ramp up' of 5 years to the initial 25,000 MT from the completion of construction of the Facility (see paragraphs 5.3 and 5.4 of Appendix 54). By year 3 the Applicant is planning to be commercially producing China-qualified IMF, reaching its initial annualised volume objective of 25,000 MT by year 5. This volume objective will require 9 million kilograms of milk solids and will be augmented with local procurement of packaging materials, micro ingredients and vegetable oils, and the importation of pharma grade lactose and whey protein for as long as it is not available within New Zealand.
98. The counterfactual is that the volume of raw milk required by the Applicant to produce IMF or Other Nutritional Products continues to be processed into lower value products such as whole milk power. The input to the counterfactual from the Farms is the outputs described in paragraphs 34 and 38 which, although they will be reduced by the Applicant's investment, are not material to this assessment.
99. The Applicant will need to obtain building permits to construct the Facility and will need to register its proposed Facility with MPI. A key requirement for the Applicant will be to have a registered and verified Risk Management Plan that covers the supply chain to qualify as an exporter of dairy and nutritional products. Local country approvals to permit imports into the Applicant's target markets will also be required to be obtained.
100. The Applicant is required to obtain relevant approvals and any in-market registrations prior to producing IMF and Other Nutritional Products. During the period the Applicant is seeking to obtain the relevant approvals and any in-market registrations for IMF, the Applicant is expected to produce skim milk power, whole milk powder and anhydrous milk fats (subject to complying with the requirements of the Animal Products Act 1999 and associated regulations, standards, notices and orders to produce skim milk power, whole milk powder and anhydrous milk fats. Once the Applicant has received relevant approvals and any in-market registrations to be able to produce IMF, the Applicant may also continue to produce skim milk power and anhydrous milk fats during the peak of the milk season to enable the Applicant to process peak milk volumes.

## Increased export receipts

*Will the overseas investment result in, or is it likely to result in, increased export receipts for New Zealand exporters (refer s17(2)(a)(iii) and OIO [guidance](#)).*

101. Yes. It is intended that all of the production from the Facility will be exported, primarily to China but also to other offshore markets. The Applicant is in discussions/negotiations with the following international dairy companies with a view to entering into offtake agreements with them for the supply of products manufactured by the Applicant:
- (a) A large publicly listed IMF company which involves developing a framework for how we would work together, both in terms of IMF product offtake and investment. These negotiations commenced in early 2020 and are ongoing (this is confidential information).
  - (b) One of the largest Chinese dairy companies, with operations already here in New Zealand, is interested in whether the Applicant can supply high value IMF ingredients for its operations throughout Oceania. These discussions have recently commenced in May 2020 and are ongoing (this is confidential information).
  - (c) The Applicant has been in technical design and commercial discussions with a FTSE listed global player for IMF production into China, along with high value IMF ingredients. Dialogue commenced over 2 years ago and is ongoing with the company but has slowed in recent months due to COVID-19 restrictions. The current discussion relates to the Applicant supplying IMF ingredients initially with the intent to move to the higher value IMF bases and consumer ready products in the medium to long term (this is confidential information).
  - (d) The Applicant has had initial discussions with a large French company with operations here in New Zealand that is interested in the Applicant's high value ingredients for IMF. These discussions have paused in recent months due to COVID-19 restrictions (this is confidential information).
102. The Applicant has also been working for some time with Global Dairy Networks, an international dairy sales and marketing organisation, to assist the Applicant with sourcing markets for the lower value by-product ingredients that will be produced by the Facility. As described in paragraph 100 above, it is likely the Facility will commence producing high value skim milk powder and anhydrous milk fats until it obtains its country registrations for exporting higher value IMF ingredients and consumer ready IMF. The parties are working to finalise an agency agreement over the next three to six months to sell any of the Applicant's products that are not covered by the arrangements described in paragraph 100 above.
103. Please note that all of the above discussions are subject to confidentiality agreements and is commercially and price sensitive information.

104. Non-A1-Beta-Casein-Protein (A2) milk and organic milk supply is of most interest to the potential customers outlined in paragraph 100 above which will enhance the Applicant's ability to increase export receipts prior to moving to formulated IMF base powders and consumer ready IMF products. While the Applicant is focused on A2 and organic raw milk streams it may begin processing conventional milk in its first year of production until sufficient volumes of organic and A2 milk supply can be procured.
105. Other high value IMF ingredients that could be produced at the Facility in the first few years are whey protein, lactose and specialised milk fat products that are all ingredients used in IMF. While the target market for IMF ingredients is global, it also includes New Zealand manufacturers of IMF. Currently much of the A2 and organic IMF ingredients incorporated into IMF manufactured within New Zealand are sourced from the northern hemisphere. The Applicant intends to provide current New Zealand IMF manufacturers with a locally sourced option which will increase the proportion of New Zealand sourced ingredients incorporated into the IMF manufactured in New Zealand and exported.
106. Forecast export receipts are 25,000 MT of consumer ready (packaged into cans) IMF per annum using 100 million litres per year of raw milk. At an average price of \$11,510 per MT this equates to revenue of \$287M. The revenue that can be generated by using the same quantity of raw milk to produce whole milk powder is \$67M<sup>1</sup>. There will be a 'ramp up' of 5 years to the initial 25,000 MT from the completion of construction of the Facility (see paragraphs 5.3 and 5.4 of Appendix 54).
107. Export receipts that could be derived using the same amount of raw milk to produce Other Nutritional Products at the Facility such as IMF ingredients and sports nutrition ingredients are estimated to be around \$120M. While these are lower value products than IMF the export receipts achieved from them are still significantly higher value than those for commodity products such as whole milk powder.
108. The Applicant will require suppliers of raw milk to comply with its standards for animal health, environment, quality and operational resilience. Compliance will earn a milk price premium from the Applicant as well as security associated with the supply by the Applicant of value-added product to the market. Therefore, from the outset it is the Applicant's intention to pay a base milk price equal to the Fonterra farm gate milk price, plus the price premiums on offer from Fonterra, plus the Applicant's milk price premium. In year 5 these premiums will be in the vicinity of \$0.5M.
109. The counterfactual is that the export receipts derived from the raw milk required by the Applicant to produce IMF or Other Nutritional Products are lower as it will continue to be processed for export into lower value products such as whole milk powder. The input to the counterfactual from the Farms is the outputs described in paragraphs 34 and 38 which, although they will be reduced by the requirements of the Applicant in the Leaseback and the Woolly Farm lease, are not material to this assessment.

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<sup>1</sup> IMF uses less raw milk per MT of finished product than whole milk powder due to the addition of other dairy and non-dairy ingredients into IMF. Approximately one third of the volume of raw milk is incorporated into IMF compared to whole milk powder.



110. Key financial metrics for the Applicant and the counterfactual are from the report attached as Appendix 54 are:

Measurement and Metrics <sup>2</sup>	Applicant	Current Processing	Benefit to New Zealand
9 million kgs milk solids	\$50M	\$50M	\$0M
Farm Supply Premiums	0.5M	\$0M	\$0.5M
Export Revenue Formulaic <sup>3</sup>	\$287M	\$0M	\$287M
Export Revenue Commodity	\$36M	\$67M <sup>4</sup>	(\$31m)
Export Volume	30,700 tonnes	16,300 tonnes	14,400 tonnes

111. See paragraphs 99 and 100 above for the preconditions that may prevent the increased export receipts.

## Jobs

*Will the overseas investment result in, or is it likely to result in, the creation of new job opportunities in New Zealand or the retention of existing jobs in New Zealand that would or might otherwise be lost (refer s17(2)(a)(i) and OIO [guidance](#))?*

### Jobs at the Facility – Construction Phase

112. Dr Nana estimated that the construction phase of the Facility will generate a total one-off impact on the Waikato/King Country regional economy of \$29M and result in the creation of the equivalent of 330 FTE in the area. These figures include the impact directly on the construction sector, as well as the multiplier indirect impacts on industries and businesses supplying the construction sector. In addition, the induced impact of individuals' and households' wages and salaries being (partly) spent is also included in these totals.

113. Nationally, the construction of the Facility is estimated to generate a total one-off impact of \$247M and result in the creation of the equivalent of 1,940 FTE across the country.

<sup>2</sup> Calculations use 5 year historic averages calculated externally for the Applicant in August 2019, notably FX 0.7053, raw milk \$5.50 per kg of milk solids, SMP US\$2,148, BMP US\$2,000, WMP US\$2,759, Butter US\$4,036 and AMF US\$4,839. Yield calculations for the status quo option to export SMP, AMF and BMP are reasonably generic industry values.

<sup>3</sup> A 5 year historic average of \$11.51 per kg for IMF exports to Australia has been used.

<sup>4</sup> The average value for the status quo export mix using 5 year historic export prices is \$4.19 per kg, which compares unfavourably with the total NZ export value of \$5.37 per kg as a consequence of the commodity mix of SMP, AMF and BMP.

114. As noted earlier, since Dr Nana prepared his Economic Impact Assessment, budgeted direct expenditure during the construction phase has increased from \$230M to \$318M which will have a commensurate greater impact both regionally and nationally.
115. It is estimated that the construction of the Facility will create the equivalent of 330 FTE during the construction period, which can be broken down as follows:
- (a) 35 civil construction labourers/operators;
  - (b) 120 building tradesmen including supervisors;
  - (c) 100 process mechanical and electrical tradesmen;
  - (d) 45 project, construction and safety management; and
  - (e) 30 indirect jobs.
116. Dr Nana's figures include the impacts directly from the operations of the Applicant, as well as the multiplier indirect impacts on industries and businesses supplying materials and services for these operations. In addition, the induced impact of individuals' and households' wages and salaries being (partly) spent is also included in these totals.

#### **Jobs at the Facility – Operational Phase**

117. Based on the data provided in 2017, Dr Nana estimated that the operations of the Facility are expected to generate a total annual incremental \$102M in GDP in the Waikato/King Country region and a total annual incremental \$182M in GDP in the New Zealand economy.
118. These are the equivalent of the creation of a total of 185 FTE in the Waikato/King Country region and 422 FTE nationally.
119. Of the jobs projected by Dr Nana, 80 FTE will be created at the Facility made up as follows:
- (a) 18 direct labour on the site for wet-mix recipes operations and quality;
  - (b) 4 anhydrous milk fat plant;
  - (c) 10 warehouse and logistics;
  - (d) 25 dryer and plant operations;
  - (e) 10 health and safety, compliance; and
  - (f) 13 canning and blending.

This does not include tanker drivers or management staff.

## High ratio of GDP per FTE – value add 'beyond the farm gate' benefits

120. Dr Nana concludes (page 11, para 8.7) that:

*"... the ratio of GDP per FTE generated by this operation is high. At over \$430,000 per annum in terms of its nation-wide total impact, this figure is well above the national economy average across all sectors of \$120,000 per annum. This is indicative of a high-value operation and is a prime example of much needed New Zealand businesses moving from processing raw commodities to the generating high-value products for export.*

### Socio-economic benefits

121. There are many regional areas of New Zealand struggling with either or both of the twin influences of a static (or, indeed, declining) population along with an ageing population. The Ōtorohanga District Council Long Term Plan 2015 – 2025 states that Ōtorohanga's population is projected to continue to decline and the proportion of 65 plus population is expected to increase. Unless Ōtorohanga attracts new business to the region, there will be the following socio-economic effects:

- (a) more existing businesses will become unviable and close;
- (b) more youth will leave Ōtorohanga to seek opportunities elsewhere;
- (c) more retired people will leave Ōtorohanga to avoid having a higher per capita rates burden imposed on them;
- (d) house prices will most likely decline;
- (e) schools and other essential services will close; and
- (f) Ōtorohanga will stagnate and slowly decline.

122. A significant investment like the Facility can form part of a revitalization effort of the area. Drawing people and families to the area can assist in the affordability of local infrastructure, as well as underpin the viability of community networks and services.

123. In his Supplementary Brief of Evidence attached as Appendix 53, Dr Nana concludes that:

*'As an expert witness I constrain myself to robust and quantifiable evidence. Nevertheless, the significance of such broader potential impacts should not be ignored or discounted. The longer-term challenges facing New Zealand's smaller settlement areas will require new businesses and entrepreneurs establishing high-value operations. Their ultimate impact on local areas will undoubtedly take many forms and depend on many influences. In turn, their success will, in part, depend on success in revitalising local structures and social networks.'*

## **New Technology or Business Skills**

*Will the overseas investment result in, or is it likely to result in, the introduction into New Zealand of new technology or business skills (refer s17(2)(a)(ii) and OIO [guidance](#))?*

124. As set out above, the Applicant intends the Facility to be world class and state of the art incorporating the latest technology that will be significantly more advanced than most existing dairy facilities in New Zealand. These include:
- (a) Reverse Osmosis for water recycling.
  - (b) Heat pumps and regenerative heat recovering radiators.
  - (c) Solar arrays.
  - (d) Highly automated Enterprise Resource Planning – enhancing traceability and quality of products exported.
125. While some of these technologies may have been used individually in other dairy factories in New Zealand, the Applicant is looking to use the whole suite of identified technologies within the one site, which it believes to be rare. The Applicant believes that the suite of technologies, used in combination, will provide industry best practice in terms of environmental footprint, product quality and water conservation for a factory of this size and milk processing capacity.

## **Environmental Factors**

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### Determining relevance

For the environmental factors it will normally be insufficient to state 'not relevant' without further explanation. Potentially relevant areas must be identified even if no action is proposed.

We review aerial photography/satellite imagery of the relevant land. You can prevent further information requests by identifying areas of interest. E.g. if the land contains indigenous vegetation or fauna then identify these areas and explain why you believe they are not significant.

Refer to our [website guidance](#) on each environmental factor for information on determining the relevance of specific environmental factors, and when pre-application consultation should be initiated with a relevant government agency or other environmental group.

Evidence of consultation with these groups, and any recommendations/findings they made, must be included in the application.

### **Walking access**

*Are there, or will there be, adequate mechanisms in place for providing, protecting, or improving walking access over the relevant land, or a relevant part of that land, by the public or any section of the public (refer s17(2)(e) and OIO [guidance](#))?*

126. As a condition of the Land Use Consent, the Applicant will work together with local Iwi, the WRC and the ODC to enhance the wetlands habitat and remediate and beautify the adjoining Waipa River banks through landscaping and riparian planting, development

of an esplanade strip (area already ceded to the Crown) and construction of the Waipa River Walkway and historical signage for community access and education along the Waipa River. This affects the Facility Site and Lot 2, 5 Redland Road.

### **Indigenous vegetation/ fauna**

*Are there, or will there be, adequate mechanisms in place for protecting or enhancing existing areas of significant indigenous vegetation and significant habitats of indigenous fauna, e.g. any one or more of the following:*

- *conditions as to pest control, fencing, fire control, erosion control, or riparian planting;*
- *covenants over the land (refer s17(2)(b) and OIO [guidance](#))?*

127. The Facility will be fully fenced for security, health and safety compliance and pest control. Refer above and below for riparian planting.

### **Trout, Salmon, Wildlife and Game**

*Are there, or will there be, adequate mechanisms in place for:*

- *protecting or enhancing existing areas of significant habitats of trout, salmon, wildlife protected under [section 3](#) of the Wildlife Act 1953, and game as defined in [sections 2\(1\)](#) of that Act (for example, conditions as to pest control, fencing, fire control, erosion control, riparian planting or covenants over the land); and*
- *providing, protecting, or improving walking access to those habitats by the public or any section of the public (refer s17(2)(c) and OIO [guidance](#))?*

128. Not applicable.

### **Historic Heritage**

*Are there, or will there be, adequate mechanisms in place for protecting or enhancing [historic heritage](#) within the relevant land, for example, any one or more of the following:*

- *conditions for conservation (including maintenance and restoration) and access;*
- *agreement to support the entry on the New Zealand Heritage List/Rārangi Kōrero of any historic place, historic area, wāhi tapu, or wāhi tapu area under the [Heritage New Zealand Pouhere Taonga Act 2014](#);*
- *agreement to execute a heritage covenant;*
- *compliance with existing covenants (refer s17(2)(d) and OIO [guidance](#))?*

129. There are two archaeological sites located on the Land.
130. Site S16/359 (Pit/Terrace) is located on Waipa Meadows. The Applicant is aware of this archaeological site through liaison with local iwi, and a cultural assessment was carried out on the site by NRMCM for the WRC consents. No work or disturbance near this site is proposed by the Applicant. The Applicant has no issue with providing access to the site, provided the Applicant is provided adequate notification and there is compliance with health and safety requirements.
131. Site S16/13 (Burial cave) is located on Woolly Farm. The Applicant was not previously aware of this site and is working with local iwi to determine its exact location. Any work within the vicinity of this site will adhere to Heritage New Zealand guidelines and the required archaeological authority will be sought. . The Applicant will comply with all of the requirements of the Land Use Consent with respect to the discovery of this site and any others on the Land.

### **Special Land**

*Has any foreshore, seabed, riverbed, or lakebed been offered to the Crown in accordance with the Regulations (refer s17(2)(f) and OIO [guidance](#))?*

132. Lot 2, 5 Redlands Road contains special land as the south-east corner of the land includes about 120 metres of the bed of the Waitomo Stream, a tributary of the Waipa River. The area, by scaling, is approximately 1000 square metres (to be determined by survey). The bed is special land as the stream is on average 10 metres wide at this point. See CSD Plan DP 526741 attached as Appendix 47 of the Application.
133. None of the other parts of the Land contain Special Land.

### **Other Factors**

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#### **Consequential Benefits**

*Will the overseas investment result in, or is it likely to result in, other consequential benefits to New Zealand (whether tangible or intangible benefits such as, for example, additional investments in New Zealand or sponsorship of community projects) (refer r28(a) and OIO [guidance](#))?*

134. There are a range of consequential benefits arising from the investment as set out below.

#### **Grants for tangata whenua**

135. It is a condition of the Land Use Consent (see Condition 66 in the Land Use Consent attached as Appendix 10) that the Applicant establishes a contestable fund of \$100,000 to provide annual \$5,000 grants for tangata whenua for 20 years, the fund to be administered by NRMCM. The purpose of the fund is to provide for or assist in the establishment of scholarships or projects for the benefit of tangata whenua, in particular the environmental, cultural and/or social wellbeing of the community. Each

year NMRC nominates a group or project they want to assist. The first grant was made in 2019 which the NRMC allocated to Ōtorohanga Support House - Whare Awhina Inc, an incorporated society that aims to bring about improved health and welfare of the Ōtorohanga community. The society used the funds to provide community support through the COVID-19 lock down. The counterfactual is that the fund would not have been established if the overseas investment was not being made by the Applicant.

### **Landscaping**

136. As a condition of the Land Use Consent, the Applicant is required to undertake significant landscaping, planting and visual amenity on the Facility Site, Lot 2, 5 Redlands Road and 6 Redlands Road and other properties in the vicinity of the Facility if they require it. The counterfactual is that the landscaping, planting and visual amenity will not be undertaken if the overseas investment is not made by the Applicant.

### **Riparian Planting**

137. As a condition of the Wastewater Consent, the Applicant is required to undertake riparian planting along a 1,700m length of streams located within Woolly Farm and Waipa Meadows.
138. The Stormwater Discharge Consent requires the Applicant to undertake riparian planting along the length of the drain from where it enters the site through the culvert under Redlands Road to the discharge point on the Waipa River. The purpose of the riparian planting is to provide shade and habitat benefits within the drain. The counterfactual is that the riparian planting will not be undertaken if the overseas investment is not made by the Applicant.

### **Establishment of arboretum**

139. The vendor of Waipa Meadows intends to establish it as a farm park, with the retired areas planted into an arboretum of rare and unusual trees. Waipa Meadows currently contains some of the oldest trees in Ōtorohanga, well over 100 years old, as well as a small arboretum established around an existing pond. The counterfactual is that the vendor can only afford to establish the farm park with the funds made available by the sale of Waipa Meadows to the Applicant, which will not proceed if the overseas investment is not made by the Applicant.

### **Potential for additional dairy farm ownership**

140. Subject to any required consents, it is possible that in the future the Applicant will invest in some form of dairy farm ownership as a minority stakeholder as a means of securing the supply of milk for the Facility. The counterfactual is that the Applicant will not invest in dairy farm ownership if it does not make the overseas investment.

## **Provincial Growth Fund**

141. The Applicant has been involved in discussions with the Provincial Growth Fund (**PGF**) to, amongst other things, co-fund the:

- (a) Establishment of a joint project management team between the Applicant, ODC, NRMC and the Waikato District Health Board to mitigate project risk and optimise regional development opportunities from the project during both the construction phase and operational phase.
- (b) Development of certification courses for local community youth keen to work at the Facility or within the primary industry community.
- (c) Development of training programmes for local community youth relating to adjoining wetlands, landscaping, riparian planting, water quality and healthy rivers, and waterways/habitat development as a development model for district dairy farms.

As at the date of this application, no commitment has been made by the PGF to any funds being provided to the Applicant.

## **Key Person in a Key Industry**

*Is the relevant overseas person a key person in a key industry of a country with which New Zealand will, or is likely to, benefit from having improved relations (refer r28(b) and OIO [guidance](#))?*

142. Not applicable.

## **Affect Image, Trade or International Relations**

Note that we have separated this factor into two parts to make it easier to address.

*Will refusing this application for consent adversely affect, or be likely to adversely affect, New Zealand's image overseas or its trade or international relations (refer r28(c)(i) and OIO [guidance](#))?*

143. Not applicable.

*Will refusing this application for consent result in, or be likely to result in, New Zealand breaching any of its international obligations (refer r28(c)(ii) and OIO [guidance](#))?*

144. Not applicable.

## **Owner to Undertake Other Significant Investment**

*Will granting the application for consent result in, or is it likely to result in, the owner of the relevant land undertaking other significant investment in New Zealand (refer r28(d) and OIO [guidance](#))?*



145. The Applicant understands that the vendors of Woolly Farm are intending to use the funds raised from the sale of the Farm to purchase a larger dairy farm in the region.

### **Previous Investments**

*Has the relevant overseas person previously undertaken investments that have been, or are, of benefit to New Zealand (refer r28(e) and OIO [guidance](#))?*

This benefit factor is an opportunity for regular investors to demonstrate a track record of beneficial investment in New Zealand. It is not sufficient to simply refer to the case number(s) of previous investment(s) or reports you have submitted to the OIO – you must describe (at a high level) how the previous investment benefitted New Zealand (e.g. by reference to jobs created).

146. Not applicable.

### **Advance Significant Government Policy or Strategy**

*Will the overseas investment give effect to or advance, or is it likely to give effect to or advance, a significant Government policy or strategy (refer r28(f) and OIO [guidance](#))?*

147. Yes, the investment supports the Government's policies to stimulate competition in the milk processing sector in order to encourage value added production for larger export receipts, enhance economic development opportunities in regional New Zealand, reduce environmental impacts through sustainable manufacturing, and working with iwi to increase utilisation and returns from their asset base.
148. The Dairy Industry Restructuring Act 2001 (**DIRA**) contains provisions that encourage competition and contains protections for new entrant milk processors. DIRA was recently amended to prevent the expiry of pro-competition provisions in the South Island that were triggered when independent processors exceeded collecting 20% of all milk solids. Currently the number of independent processors in the North Island is well below this threshold. This demonstrates that government policy continues to support the efficiency and contestability of New Zealand's dairy industry, including that independent processors achieve at least 20% of market share.
149. New Zealand needs more independent dairy businesses that move up the value chain from processing raw milk into commodities to producing high-value consumer ready products for export, such as Tatua, Synlait and a2 Milk Company.
150. Development of the Facility will advance the above Government strategies.
151. Dr Nana considered the development of the Facility to be a robust example of a New Zealand business moving from concentration on a raw commodity (milk) to a focus on a high-value product for export. The potential productivity figures generated by this operation (as reflected by the ratio of GDP per FTE) are well above the New Zealand economy-wide average.

## **Regional development**

152. The New Zealand government has committed to unlocking the full potential of New Zealand. It has allocated \$3 billion, over three years, to enhance economic development and employment opportunities in regional New Zealand. Through the PGF and other initiatives, the Government is looking to support the regions so all New Zealanders, in towns and cities, can fully participate in an economy that is sustainable, inclusive and productive. The Applicant believes that development of the Facility will advance the Government's strategy in the following ways.

### ***Economic impact - Construction Phase***

153. In his evidence to the independent Commissioners considering the Applicant's Land Use Consent application in late 2017, Dr Nana of BERL stated that construction of the Facility is estimated to generate a total one-off impact to the Waikato/King Country area economy of \$29M and result in the creation of the equivalent of 330 FTE in the area. These figures include the impact directly on the construction sector, as well as the multiplier indirect impacts on industries and businesses supplying the construction sector. In addition, the induced impact of individuals' and households' wages and salaries being (partly) spent is also included in these totals.
154. Nationally, the construction of the Facility is estimated to generate a total one-off impact of \$247M and result in the creation of the equivalent of 1,940 FTE across the country.

### ***Economic impact – Operational Phase***

155. The operations of the Applicant are expected to generate a total incremental \$102M in GDP in the Waikato/King Country region and a total incremental \$182M in the national New Zealand economy annually.
156. These are the equivalent of the creation of a total of 185 FTE in the Waikato/King Country region and 422 FTE nationally.
157. These figures include the impacts directly from the operations of the Applicant, as well as the multiplier indirect impacts on industries and businesses supplying materials and services for these operations. In addition, the induced impact of individuals' and households' wages and salaries being (partly) spent is also included in these totals.

### ***High ratio of GDP per FTE***

158. Dr Nana notes that the ratio of GDP per FTE generated by this operation is high. At over \$430,000 per annum in terms of its nation-wide total impact, this figure is well above the national economy average across all sectors of \$120,000 per annum. This is indicative of a high-value operation and is a prime example of much needed New Zealand businesses moving from processing raw commodities to the generating high-value products for export.

159. It is Dr Nana's view that investment by the Applicant may act as a catalyst to spur other entrepreneurs in the region to be confident that investment is worthwhile.

### ***Impact on property values***

160. The Applicant has agreed to work with NRMCC and Ōtorohanga Zoological Society to restore, enhance and enlarge the wetlands at Lot 2, 5 Redlands Road, adjoining the Facility Site. These wetlands are a source of significant existing value to the local community. This includes regenerative native planting and providing greater public access to the Waipa River and the wetlands by contributing to a boardwalk.
161. Such investment (along with the confidence provided to other potential new businesses) may also increase property values in the area and so increase the rating base.

### ***Regional revitalisation effort***

162. There are many regional areas of New Zealand struggling with either or both of the twin influences of a static (or, indeed, declining) population along with an ageing population. A significant investment like the Facility can form part of a revitalization effort of the area. Drawing people and families to the area can assist in the affordability of local infrastructure, as well as underpin the viability of community networks and services.
163. Dr Nana noted that the performance of the Waikato/King Country economy and the local Ōtorohanga economy has been modest at best in recent years. Consequently, new investment spending or the establishment of new business operations is unlikely to "crowd-out" existing activities.
164. The economic impacts of the construction and annual operation of the Facility have the potential to generate significant economic gain to the area.
165. In addition, the Applicant will provide a financial benefit to the local councils through its rates payments, and potentially to the surrounding rating base.
166. The Applicant has applied for funding for the Facility from the PGF. The Applicant believes the development of the Facility supports the goals of the PGF to accelerate regional development increase regional productivity and contribute to more, better paying jobs. As at the date of this application the PGF has not committed any funds to the project.

### ***Reducing Environmental impacts***

167. In its report Environment Aotearoa 2019, the Ministry for the Environment identified nine priority issues, across five broad areas, that need its attention and will inform the Ministry's strategic goals and budgets to align it with Government policy. These are:
- (a) Our changing climate.
  - (b) How we use our freshwater and marine resources.
  - (c) Pollution from our activities.
  - (d) How we use our land.

- (e) Our ecosystems and biodiversity.
168. In support of these, the Applicant is committing to reducing environmental impacts throughout the value chain. Supporting a no coal-fired boiler stance with plant specifications to mitigate downstream processing externalities is one example here. Other examples include reduced water consumption (both on-farm and off-farm), reducing nitrogen losses, and reduced supplement feeds to boost best practice. Other examples are the uses of new technology described in paragraph [ ] above.
169. As the Ōtorohanga, King Country region is now experiencing stagnant milk growth, this will be a net benefit to the environment, while adding further value upstream to local producers. This puts farmers supplying the Applicant at the forefront of change and sustainable practices.

### **Working collaboratively with Iwi**

170. Te Puni Kōkiri has eight key focus areas to help it progress towards a vision of Thriving Whānau and that align with the Government's three priority areas:
- (a) Improving the well-being of New Zealanders and their families.
  - (b) Providing new leadership by Government.
  - (c) Building a productive, sustainable and inclusive economy.

In particular, two key focuses are enabling whānau to actively connect with and use their land for social, cultural and economic wellbeing, and enabling whānau to grow their capability and access opportunities to develop sustainable enterprises.

171. NRMC is a strong advocate for the Applicant's project and submitted supporting Cultural Impact Assessment Reports to the Land Use Consent public hearing and subsequent WRC resource consent applications.
172. The Applicant has made a long-term commitment to work collaboratively with the NRMC to ensure that the construction and ongoing operations of the Facility go smoothly.
173. The Applicant will also be working with the NRMC on joint employment and local community initiatives, some of which are outlined in the Land Use Consent conditions and summarised above.
174. Te Kupenga o Maniapoto Limited, the investment arm of Maniapoto Maori Trust Board, is involved in assisting the Applicant with the establishment of the Facility and has a small shareholding in the Applicant.

### **Supporting the Government's post COVID-19 recovery strategy**

175. A key plank of the Government's post COVID-19 recovery strategy is to identify and support the accelerated development of 'shovel ready' projects. The Applicant applied to the Infrastructure Reference Group (**IRG**) for the development of the Facility to be

considered for inclusion in its report to be presented to the Government. The Applicant was advised on 21 May 2020 that this project has been included in the list of 802 projects submitted with the IRG's report for consideration by the Government for potential funding.

### **Enhance the Viability of Other Investments**

*Will the overseas investment enhance, or is it likely to enhance, the on-going viability of other overseas investments undertaken by the relevant overseas person (refer r28(g) and OIO [guidance](#))?*

176. Not applicable.

### **Strategically Important Infrastructure**

*Will the overseas investment assist, or is it likely to assist, New Zealand to maintain New Zealand control of strategically important infrastructure on sensitive land (refer r28(h) and OIO [guidance](#))?*

177. Not applicable.

### **Economic Interests**

*Will New Zealand's economic interests be adequately promoted by the overseas investment (refer r28(i) and OIO [guidance](#))?*

This factor is relevant to all investments. First address the four example matters under the relevant heading below (add further headings if there are other matters to consider) and then draw your conclusion here. If the investment is unlikely to have any material effect on New Zealand's economic interests then your conclusion should state this.

178. Not applicable.

### **Matters in regulation 28(i)(i)-(iv):**

*Whether New Zealand will become a more reliable supplier of primary products in the future*

179. Not applicable.

*Whether New Zealand's ability to supply the global economy with a product that forms an important part of New Zealand's export earnings will be less likely to be controlled by a single overseas person or its associates*

180. Not applicable.

*Whether New Zealand's strategic and security interests are or will be enhanced*

181. Not applicable.

*Whether New Zealand's key economic capacity is or will be improved*

182. Not applicable.

### **Oversight and Participation by New Zealanders**

*To what extent will New Zealanders be, or are likely to be, able to oversee or participate in the overseas investment and any relevant overseas person (refer r28(j) and OIO [guidance](#))?*

This factor is relevant to all investments. First address the six example matters under the relevant heading below (add further headings if there are other matters to consider) and then draw your conclusion here. If New Zealanders are unlikely to have any oversight or participation in the investment or relevant overseas person then your conclusion should state this.

183. New Zealanders will have a significant role in the development and operation of the Facility.

#### **Employees**

184. Two of the directors, Randolph van der Burgh and Greg Wood are New Zealanders and will be directly involved in the day to day operation of the Facility. Greg Wood is the CEO of the Applicant. Randolph van der Burgh is a founding shareholder in the Applicant.

185. All the rest of the management team are New Zealanders. Grant Horan (Project Director) has been with the Applicant since inception and is a founding shareholder. Grant specialises in project management and plant engineering, successfully managing complex engineering and systems projects from design and build processes through to implementation processes. Grant lives in Hamilton.

186. Zach Mounsey is the Applicant's General Manager Milk Supply and has served as Corporate Development Manager since June 2018. Zach is from Ōtorohanga, has significant experience in agri-business strategy management, finance, economics and leadership and most importantly partly owns and 50:50 sharemilks a dairy farm in Ōtorohanga.

187. Gareth Jones was recently appointed as Chief Financial Officer. Gareth has spent the last nine years working in the dairy and consumer foods industry in New Zealand, most recently as Commercial Finance Manager at Goodman Fielder, New Zealand's largest branded food manufacturer. A qualified Chartered Accountant, Gareth previously held the role of Financial Controller with Fonterra New Zealand Brands and has considerable experience working in the UK and New Zealand for multinationals.

188. The Applicant is currently in a capability building phase - recruitment of key leadership, R&D, quality and assurance, supply chain, and operational people to fully establish the business and commence construction by Q4 2020. Wherever possible, New Zealanders will be employed.

### **Employee share scheme**

189. The Applicant has implemented an employee share scheme under which shares in the Applicant will be offered to selected employees in New Zealand, thereby increasing their participation in, and commitment to, the Applicant.

### **Other local stakeholders**

190. The Applicant has made a long-term commitment to work with other local stakeholders such as NRMCM to ensure that the construction and ongoing operations of the Facility go smoothly.

### **Matters in regulation 28(j)(i)-(vi):**

*Whether there is or will be any requirement that one or more New Zealanders must be part of a relevant overseas person's governing body*

191. There is no requirement, but Randolph van der Burgh and Greg Wood will remain directors of the Applicant following the investment.

*Whether a relevant overseas person is or will be incorporated in New Zealand*

192. The Applicant is incorporated in New Zealand.

*Whether a relevant overseas person has or will have its head office or principal place of business in New Zealand*

193. The Applicant has its head office in Auckland, New Zealand. The Facility is situated in Ōtorohanga in New Zealand and will largely draw its employees from the surrounding area.

*Whether a relevant overseas person is or will be a party to a listing agreement with NZX Limited or any other registered exchange that operates a securities market in New Zealand*

194. Not applicable.

*The extent to which New Zealanders have or will have any partial ownership or controlling stake in the overseas investment or relevant overseas person*

195. The Applicant is listed on the ASX and is therefore widely held. As at the date of the Application, 28.7% of shareholders are New Zealanders. As at the date of this application, there is no single shareholder who exercises control over the Applicant. The largest shareholder of the Applicant, which holds 9.06% of the shares, is a trust owned by New Zealanders. Randolph van der Burgh, who is a director of the Applicant, is a New Zealander and holds 4.53% of the shares.

196. The Applicant has established an employee share options scheme under which shares in the Applicant will be offered to selected employees in New Zealand.

*The extent to which ownership or control of the overseas investment or of a relevant overseas person is or will be dispersed amongst a number of non-associated overseas persons*

197. The Applicant is listed on the ASX and is therefore widely held. The largest percentage of shareholders is based in Australia.

## **Section 2a: Additional criteria for applications under the modified benefits test for forestry**

### **Residential land**

*If the relevant land includes residential land, does that land adjoin<sup>5</sup> non-residential land that also forms part of the relevant land?*

#### Required Content:

Address the above criterion - identify the location of the residential land and describe it (if applicable).

#### Required Attachments:

Attach a cadastral map and aerial photo clearly identifying residential land and adjoining land (or refer to the same if already provided above).

198. Neither Waipa Meadows nor Woolly Farm include residential land.

199. Lot 2, 5 Redlands Road is residential and is otherwise sensitive as it is non-urban land over 5 hectares and farm land. It does not adjoin land that also forms part of it.

### **Forestry activities**

*Will the relevant land be, or likely be, used exclusively, or nearly exclusively, for forestry activities?*

Draw on your investment story to address this criterion.

#### Required content

Provide the following:

- Description of any buildings that are on the land, their existing purpose, and what you plan to do with them (e.g. dwellings).
- Confirmation of the extent to which the land will be used for forestry vs non-forestry activities (including activities carried out by third parties) – clearly identify any non-forestry activities and their nature (e.g. leaseback of farm land to vendor).
- Confirmation the land will be, or is likely to be, used exclusively or nearly exclusively for forestry activities - address why this is still the case if the land will be, or is likely to be, used for non-forestry activities.

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<sup>5</sup> Adjoins includes separated only by a public road (including a motorway or a State highway, and whether or not the road is formed).



- Comments (if any) about the condition we must impose to ensure this criterion is met.

Note – using land for residential purposes is a non-forestry activity and is only permitted for worker accommodation (addressed below).

200. No.

*Will the land be used, or held for future use, for any residential purposes?*

You can draw on the information provided above to answer this question.

201. No.

*If yes, is that purpose a permitted purpose (i.e. worker accommodation supporting forestry activities)?*

Required Content:

Provide the following:

- Information addressing the requirement that the relevant land only be used for:
  - accommodation in support of forestry activities being carried out on the relevant land; and
  - all buildings used for that accommodation are located on, or adjoin, land where those activities are being carried out.
- Comments (if any) about the condition we must impose to ensure this criterion is met.

202. Not applicable.

## **Replanting**

*When a crop of trees is harvested on the relevant land, will a new crop be, or likely be, established to replace the crop that is harvested?*

Draw on your investment story to address this criterion.

Required content

Provide the following:

- Confirmation you will replant trees after harvesting.
- If applicable, explanation why an area cannot be replanted after harvest (e.g. changes in regional or district plan rules prevent replanting).
- If relevant, submissions in support of any request that the replanting requirement not apply to the land, or part of the land, because you do not have sufficient ownership or control (direct or indirect) of rights to comply with this requirement. Contact the OIO about your request before submitting your application.
- Comments (if any) about the condition we must impose to ensure this criterion is met.

203. Not applicable.