



16 April 2015

To Whom It May Concern

Confidential

Cavalier Wool Holdings Authorisation Application – NZWSI information regarding on-going capex and opex

1. Having reviewed the Commerce Commission’s Draft Determination regarding CWH’s application for authorisation, NZWSI has some comments on the Commission’s conclusions regarding expected capex and opex at its plants in the event the merger does not occur (subject to confidential CWH information which it has not been able to review). NZWSI sent a letter to the Commission, dated 28 October 2014, noting that capital expenditure budgets had not yet been set for the 2017 financial year and beyond. Since sending that letter NZWSI has identified expenditure to be incurred in 2017 and 2018, as well as further refined particular expenditure necessary in the 2016 financial year and on-going general expenditure for its plants. NZWSI therefore wishes to clarify the Commission’s current understanding of expected expenditure and timing, as well as identify to the Commission other expenditure planned by NZWSI in the foreseeable future.

2. It is correct that NZWSI [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] The forecast expenditure on this plant is set out in the attached confidential spreadsheet.

3. However, this [REDACTED]
[REDACTED]
[REDACTED]
NZWSI has reviewed its historical investment at each of Kaputone and Whakatu and considers the long term averages of approximately \$ [REDACTED] million annually at Kaputone and \$ [REDACTED] million annually at Whakatu to be the best assumptions of likely investment moving forward (if the merger does not proceed). This expected capex is separate to the particular capex required for the [REDACTED] plant and would be incurred irrespective of that capex.

4. Paragraphs 322 and 323 of the Draft Determination state that [REDACTED]
[REDACTED]
However, as the [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

5. On top of the expected regular plant capex, NZWSI is expecting to [REDACTED]
[REDACTED]
[REDACTED] In addition, NZWSI has budgeted for [REDACTED]
[REDACTED] at Kaputone in year one. Despite considering when the 28 October 2014 letter was sent to the Commission that no particular capital expenditure was needed for the 2016 financial year at Whakatu, NZWSI now considers that [REDACTED]
[REDACTED] will be required for Whakatu in year one.
6. Please let us know if you require further clarification on any of the above.

Yours faithfully



G W Deakins
Chief Financial Officer

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