

Further rebuttal to Godfrey Hirst's submissions

This further submission is provided as additional information for the Commission following our submission dated 27 May 2026. The scale and impact of the errors and questionable representations in Godfrey Hirst's 15 May 2026 submission, particularly in relation to the Baseline Consultancy Survey and the NERA analysis addressed in our 27 May 2026 submission to the Commission, raised serious doubts about the reliability of key data and assertions in NERA's Project Loop analysis included in Godfrey Hirst's 15 October 2025 submission.

After reviewing the NERA Project Loop analysis contained in the October 15, 2025, submission by Godfrey Hirst more closely, we identified what appear to be significant issues with the import data relied on by Godfrey Hirst, particularly in relation to wool carpet imports. Given how central imports are to Godfrey Hirst's argument, we believe these issues are important for the Commission to consider.

We have also included some observations on Bremworth's financial position and the suggestion that Bremworth should be treated as a failing firm.

In simple terms, our concern is that Godfrey Hirst's position appears to rely on two key assumptions:

1. that imports, including wool carpet imports, are a strong and growing competitive constraint; and
2. that Bremworth is in such a weak position that the merger is the only realistic outcome.

Based on our analysis of the NERA Project Loop report, in particular, the overstated wool import volumes, we do not believe either assumption is safe.

The wool import data in the Project Loop report appears to materially overstate the actual level of residential broadloom wool carpet imported into New Zealand. Once obvious miscoding and unlikely country-of-origin data are taken into account, the level of wool carpet imports appears far too small to constrain a combined Godfrey Hirst and Bremworth.

As for the failing firm argument, Bremworth's recent performance suggests its 2023-2025 losses were likely driven by a specific operational issue, mainly the imported yarn strategy, rather than a chronic structural failure of the business.

Executive summary

- **Imports are central to Godfrey Hirst's case.** Godfrey Hirst's argument relies heavily on imports as the force that would constrain a combined Godfrey Hirst and Bremworth.
- **The wool import data does not appear reliable.** The raw Stats NZ import data we have reviewed appears to include significant miscoding, particularly carpet from the UAE that appears to have been coded as wool carpet when it was synthetic carpet.
- **The corrected volume and value of wool imports are much smaller than detailed in the Project Loop report.** After removing the obvious miscoding and adjusting for unlikely country-of-origin entries, the estimated value of relevant residential tufted wool broadloom imports falls considerably.
- **That changes the competitive analysis.** If the import data is wrong, then the conclusion that wool imports are a strong constraint on Bremworth and Godfrey Hirst is not safe.
- **Wool and synthetic carpet behave differently in the real market.** Some consumers will switch between wool and synthetic, but many wool customers value New Zealand-made products, local brands, colour palettes, and the premium positioning of wool.
- **Bremworth does not look like a failing firm.** The evidence suggests Bremworth's poor results were heavily affected by the imported wool yarn strategy. Now that Bremworth has returned to using wool yarn from its Napier plant, the business appears to be materially improving.
- **There are alternatives to** (REDACTED) Cowes Bay appears to be a credible interested party, Bremworth still has cash and assets, and (REDACTED)

Our view is that the Commission should be cautious about relying on the import analysis and the failing firm narrative as presented.

1. Imports are not the competitive constraint Godfrey Hirst says they are

The Godfrey Hirst submission of 15 October 2025 includes the NERA Project Loop report. A key point in that report is the claim that imports are the strongest competitive force in the carpet market.

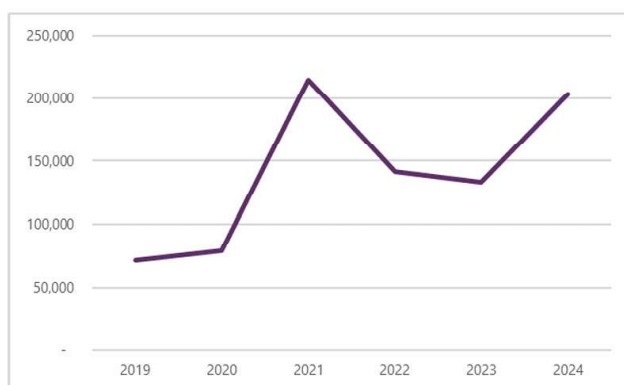
NERA also says that wool carpet imports are increasing in quantity, value, and share of imports, and therefore imports constrain not only the synthetic part of the carpet market, but also the wool side.

The relevant extract from NERA is:

“While imported carpets are mostly synthetic, wool carpet imports are also increasing, in terms of quantity, value and share of imports. Therefore, it is likely not just the synthetic part of the carpet market facing competitive constraint from imports, but also the wool side.”

The charts below are the NERA charts relied on for that conclusion.

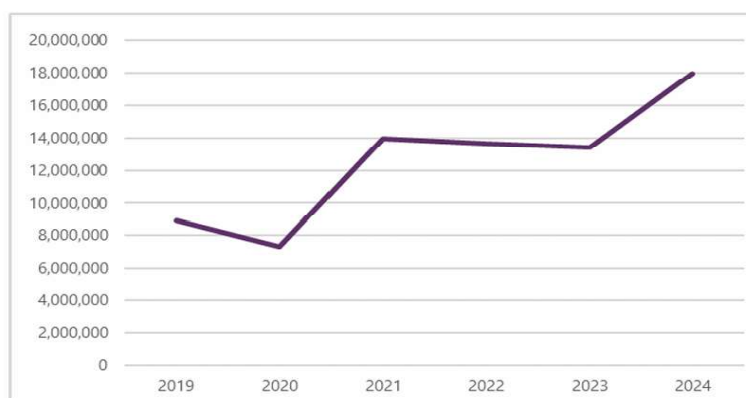
Figure 8: Wool carpet import quantities



Source: Stats NZ

Notes: The graph shows the quantity of wool imports in broadloom metres. For a further description of the import data, see Appendix A.

Figure 9: Wool carpet import values (\$NZD)



Source: Stats NZ

Notes: The graph shows the value of wool imports based on cost plus insurance and freight.

At our first glance, these numbers looked very high but not impossible. We only looked at them in more detail after identifying significant flaws in the May 2026 NERA report and the Baseline Consultancy survey. Once we drilled into the customs data, the wool import position looked very different.

NERA figures for 2024 Wool Carpet Imports

Key points:

- Period: **Year ended December 2024**
- Scope: **wool and fine animal hair carpet imports**
- Total volume: **701,648 sqm**
- Total CIF value: **NZ\$18.06m**
- Largest origin: **United Arab Emirates**, with **409,602 sqm** or **58.4%** of total volume
- Tufted wool: **566,615 sqm**, **80.8%** of total volume
- Woven wool: **135,033 sqm**, **19.2%** of total volume

1.1 What we checked

We reviewed Stats NZ customs data for the period 1 Jan 2024 to 31 Dec 2024. We selected broadloom wool carpet, using the relevant tariff codes for tufted wool or fine animal hair carpet exceeding 4 sqm.

Tariff code	Description	Quantity/share shown in raw data
5703101101	Tufted wool/fine animal hair, pile construction, 80%+ wool in pile, exceeding 4m2	537,740 / 99.5%
5703101901	Tufted wool/fine animal hair, pile construction, less than 80% wool in pile, exceeding 4m2	2,915 / 0.5%

The search of the database for the tufted wool tariff codes produced the following raw data

NZ Tufted Wool Carpet Imports - 2024

Stats NZ Infoshare extract: Harmonised Trade - Imports (Monthly)

Country of origin	Quantity sqm	Share of SQM	CIF NZD	Value for duty NZD	Share of CIF value	Avg CIF NZD per sqm
United Arab Emirates	404,113	74.7%	\$6,341,627	\$6,164,828	53.8%	\$15.69
Australia	35,936	6.6%	\$1,260,889	\$1,192,528	10.7%	\$35.09
Turkiye	27,069	5.0%	\$808,837	\$763,993	6.9%	\$29.88
Netherlands	23,239	4.3%	\$991,043	\$951,941	8.4%	\$42.65
China, People's Republic of	15,168	2.8%	\$653,554	\$602,140	5.5%	\$43.09
India	13,290	2.5%	\$882,980	\$809,649	7.5%	\$66.44
New Zealand	12,192	2.3%	\$247,363	\$234,549	2.1%	\$20.29
Thailand	4,901	0.9%	\$252,027	\$242,742	2.1%	\$51.42
Belgium	3,707	0.7%	\$179,762	\$173,767	1.5%	\$48.49
All other Countries	1,040	0.2%	163,161	147,695	1.4%	\$156.89
Grand total	540,655	100.0%	11,781,243	11,283,832	100%	\$21.79

For the 2024 year, the raw data shows \$6,341,627 of broadloom wool carpet imports in CIF NZD from the UAE, with a quantity of 404,113 square metres. This represents 74.7% of the total import quantity under the relevant tufted wool broadloom tariff codes.

We do not believe the figures for the UAE represent actual wool broadloom carpet.

(REDACTED) On that basis, we believe the \$6,341,627 shown as wool carpet imports from the UAE should be treated as miscoded synthetic carpet, not wool carpet.

Deducting the UAE miscoding alone reduces the raw wool import value from \$11,781,243 to \$5,439,616, and the quantity from 540,655 sq metres to 136,542 sq metres.

We also note likely other errors in the raw data:

- New Zealand being listed as a country of origin for 12,192 square metres is incorrect.
- An Indian carpet at \$66.44 per square metre is 89% higher than the per square metre cost of imported wool carpet from Australia. **(REDACTED)**

- China, at \$43 per square metre, is higher than we would expect. We suspect this may include miscoding of rugs and/or woven wool carpet.
- “All Other Countries” at \$156.89 per square metre is clearly not consistent with a normal broadloom wool carpet.

Our best estimate for the quantity and value of imported tufted broadloom wool carpet for 2024, after deducting the UAE miscoded imports, removing imports listed as being from New Zealand, adjusting India and China down by 50% for likely miscoding, and removing “All Other Countries”, is approximately:

- Quantity: 121,273 square metres, compared with NERA’s approximately 701,648 square metres.
- Value: \$4,260,824, compared with NERA’s approximately \$18 million.

Without the actual import-level detail for China and India, it is not possible to be precise. The adjusted quantity and value above may still be too high.

Godfrey Hirst and Bremworth should be able to provide more informed insights on the imports from China and India.

We have also attempted to recreate NERA’s 2024 import quantities and values. In addition to including the miscoded UAE data, we suspect they have included:

- commercial woven carpet, which is not manufactured or supplied by Bremworth;
- woolen rugs and mats;

This table shows how we believe NERA arrived at their data.

HS Code Summary - 2024

All wool/fine animal hair HS codes in the attached Stats NZ export

HS Code	Category	Wool content	Qty sqm	CIF NZ\$	Volume share	Value share	Avg CIF \$/sqm
5702310101	Woven Wool	80% or more wool	25,190	\$916,718	3.6%	5.1%	\$36.39
5702310109	Woven Wool	80% or more wool	8,381	\$213,769	1.2%	1.2%	\$25.51
5702310901	Woven Wool	Less than 80% wool	6,612	\$300,207	0.9%	1.7%	\$45.40
5702310909	Woven Wool	Less than 80% wool	6,490	\$270,500	0.9%	1.5%	\$41.68
5702411101	Woven Wool	80% or more wool	65,421	\$2,766,839	9.3%	15.3%	\$42.29
5702411109	Woven Wool	80% or more wool	17,837	\$704,461	2.5%	3.9%	\$39.49
5702411901	Woven Wool	Less than 80% wool	2,248	\$112,284	0.3%	0.6%	\$49.95

5702411909	Woven Wool	Less than 80% wool	933	\$70,073	0.1%	0.4%	\$75.11
5702911101	Woven Wool	80% or more wool	300	\$29,257	0.0%	0.2%	\$97.52
5702911109	Woven Wool	80% or more wool	1,621	\$125,255	0.2%	0.7%	\$77.27
5703101101	Tufted Wool	80% or more wool	537,740	\$11,459,878	76.6%	63.5%	\$21.31
5703101109	Tufted Wool	80% or more wool	20,332	\$595,768	2.9%	3.3%	\$29.30
5703101901	Tufted Wool	Less than 80% wool	2,915	\$321,365	0.4%	1.8%	\$110.25
5703101909	Tufted Wool	Less than 80% wool	5,628	\$170,504	0.8%	0.9%	\$30.30
GRAND TOTAL			701,648	18,056,878	100.0%	100.0%	\$25.73

1.2 Have import volumes changed between 2024 and today?

We also reviewed the latest available Stats NZ customs data for the period 1 May 2025 to 30 April 2026. Again, we focused on broadloom wool carpet, using the relevant tariff codes for tufted wool or fine animal hair carpet exceeding 4 square metres.

Tariff code	Description	Quantity/share shown in raw data
5703101101	Tufted wool/fine animal hair, pile construction, 80%+ wool in pile, exceeding 4m2	497,088 / 99.3%
5703101901	Tufted wool/fine animal hair, pile construction, less than 80% wool in pile, exceeding 4m2	3,365 / 0.7%

NZ tufted wool carpet imports - Stats NZ update

Current 12 months: May 2025 to April 2026 | Latest month in file: 2026M04 | Source: Stats NZ Infoshare export

Country	Quantity sqm	Share of sqm	CIF NZD	Share of CIF	Avg CIF / sqm
United Arab Emirates	323,912	64.7%	\$4,807,976	42.9%	\$14.84
Turkiye	44,436	8.9%	\$1,364,145	12.2%	\$30.70
China, People's Republic of	29,926	6.0%	\$872,304	7.8%	\$29.15
Australia	29,222	5.8%	\$1,055,761	9.4%	\$36.13
Indonesia	18,027	3.6%	\$277,913	2.5%	\$15.42
India	16,299	3.3%	\$945,166	8.4%	\$57.99
New Zealand	13,625	2.7%	\$559,921	5.0%	\$41.10
Portugal	10,820	2.2%	\$556,361	5.0%	\$51.42
Netherlands	8,196	1.6%	\$407,494	3.6%	\$49.72
Thailand	5,736	1.1%	\$252,765	2.3%	\$44.07
All other Countries	254	0.1%	\$112,680	1.0%	\$443.62
Grand Total	500,453	100%	11,212,486	100%	\$22.40

The total raw value of broadloom wool carpet imports under tariff codes 5703101101 and 5703101901 was \$11,781,243 for the 2024 calendar year and \$11,212,486 for the period 1 May 2025 to 30 April 2026.

This suggests that the same data issue has continued into the latest available period.

For the 12 months ending April 2026, the raw data shows \$4,807,976 of wool carpet imports from the UAE. Again, we do not believe this represents actual wool broadloom carpet.

(REDACTED).

On that basis, we believe the \$4,807,976 shown as wool carpet imports from the UAE for the 12 months ending April 2026 should also be treated as miscoded synthetic carpet, not wool carpet.

Deducting the UAE miscoding alone reduces the raw wool import value from \$11,212,486 to \$6,404,510.

Once imports incorrectly listed as being from New Zealand are removed from the 12 months to April 2026 data, and once the India and China figures are adjusted to allow for likely rug imports and miscoding, we estimate the total wool broadloom carpet imports for the year to April 2026 would be broadly consistent with our adjusted 2024 volume and value.

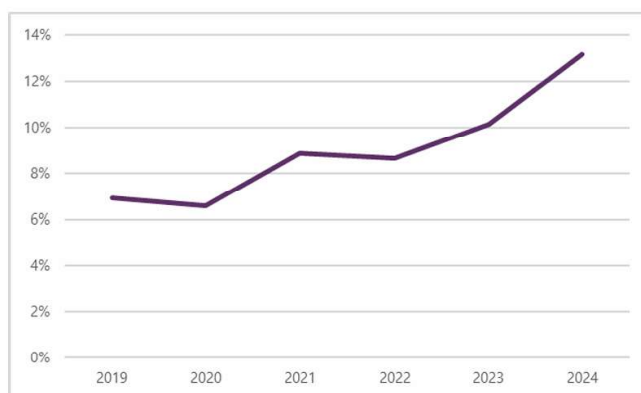
In other words, the latest available data does not suggest any material increase in genuine wool broadloom carpet imports. It appears to show the same underlying issue as the 2024 data, namely that raw import figures are overstated by miscoding and the inclusion of products that are not relevant to the residential wool broadloom carpet market.

It is difficult to understand why Godfrey Hirst, as the largest participant in the New Zealand carpet market, did not identify or correct the overstated volumes and values.

Godfrey Hirst operates across both residential and commercial carpet sectors and also imports wool carpet. We believe the Commission should verify how much of the imported wool carpet is actually imported by Godfrey Hirst, and whether that product is commercial and/or woven and not relevant to the residential broadloom wool carpet market.

1.3 Why Figure 10 cannot safely support NERA's conclusion

Figure 10: Wool share of total carpet import value



Source: Stats NZ

Notes: The graph shows what percent of the value of total imports (based on cost plus insurance and freight) can be attributed to wool fibre carpets.

NERA's Figure 10 is intended to show wool's share of the total carpet import value increasing. However, if the underlying wool import value is materially overstated, the chart cannot safely support that conclusion.

In fact, if miscoded UAE synthetic carpet is removed from wool imports and added back into synthetic imports, the wool share of total carpet import value may have fallen, rather than doubled as NERA's chart suggests.

There is also a simple price sense-check.

NERA's figures present wool import values of around \$18 million and a quantity of around 701,648 square metres. That implies an average value of about \$25.73 per square metre.

That value is well below our estimate of Bremworth's wool wholesale price of approximately \$45 per square metre. It is also much closer to the value we would expect for imported synthetic carpet than for imported wool carpet.

That gap should have been a warning sign. Imported wool broadloom carpet should not be showing a value broadly comparable to synthetic carpet on a per square metre basis.

1.4 What the corrected import data means

The practical point is simple. Wool carpet imports are materially smaller than the NERA Project Loop analysis suggests. They are not large enough to act as a meaningful competitive constraint on a combined Godfrey Hirst and Bremworth.

Australia is the most credible alternative source of wool broadloom carpet for New Zealand. It is close, price competitive, has repeatable high-quality manufacturing capability, and understands the NZ residential market. Yet, Australian wool carpet still has only a tiny market share of wool carpet in New Zealand.

We believe this is because wool carpet does not behave like synthetic carpet in the real market.

New Zealand-made wool carpet has a stronger brand and origin value with both retailers and consumers than imported wool carpet. Product design, colour palette, sampling, retailer confidence, and consumer recognition all matter.

In synthetic carpet, imports can be a stronger constraint because retailers can source comparable products offshore and build private label ranges. Wool is different. Retailers have not and are highly unlikely to set up wool carpet import programs, given the lack of options for high-quality, imported wool carpet.

Some customers will switch if price or practicality forces them to, but a meaningful group of wool customers actively want wool, want New Zealand-made products, and brands such as Bremworth, Godfrey Hirst, and Feltex they recognise and value.

That is why the Australian example matters. If even Australian manufacturers cannot take a meaningful share in the New Zealand wool carpet market, despite being price competitive, then imports are not likely to constrain a combined Godfrey Hirst and Bremworth in the way Godfrey Hirst suggests.

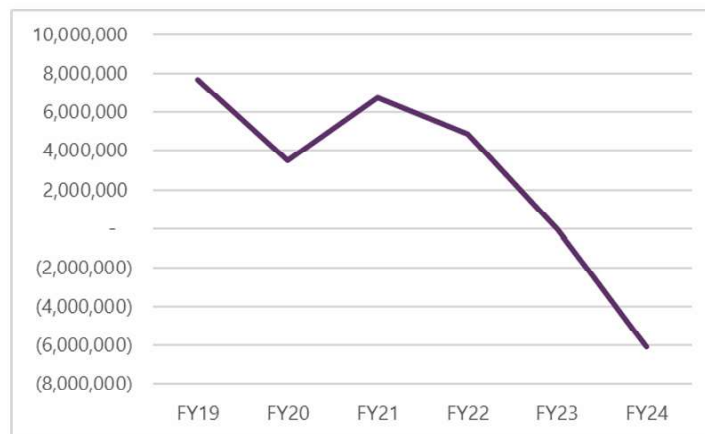
Godfrey Hirst itself appears to recognise the value of Bremworth’s premium positioning. In its 15 October 2025 application, Godfrey Hirst stated that “Mohawk recognises that Bremworth remains a premium carpet brand in the Oceania region, with recognised high value products that could improve Mohawk’s own product mix.”

This supports the practical point that Bremworth is not just another interchangeable carpet supplier. It has a brand and product position that imported wool carpet has not been able to replicate in New Zealand.

2. NERA’s conclusions on Bremworth profitability need context

NERA also relies on Bremworth’s declining profitability and gross margins. The charts below are included in the NERA material.

Figure 14: Annual carpet profits for Bremworth (\$NZD)



Source: Bremworth Annual reports

Notes: The carpet revenue data in this graph covers both New Zealand sales and exports. Profit values are reported segment results before depreciation and insurances.

Figure 15: Bremworth carpet gross margins



Source: Bremworth Carpet & Rugs financial data

Notes: This data includes both New Zealand sales and exports. Data for FY25 include 11 months of actual results and 1 month of estimated data.

The charts show a sharp decline. We do not dispute that Bremworth's financial performance deteriorated during the period shown. Our concern is that the analysis does not properly explain why that happened, and therefore risks treating a correctable operational issue as a permanent structural failure.

NERA refers to Bremworth struggling against increasing import competition and then links that to Bremworth's declining financial results. However, if the import data is materially wrong, that explanation is not reliable.

More importantly, the key driver of Bremworth's poor results appears to have been its imported yarn strategy. From what we saw in the market, Bremworth's decision to rely on imported Indian wool yarn, instead of continuing to use yarn from its Napier plant, created major cost, quality and lead-time issues.

Based on international wool yarn prices, we estimate imported Indian yarn was approximately 40% more expensive than yarn produced at Bremworth's Napier plant. Bremworth's Chair also noted in the 2025 Annual Report that the seconds rate on imported yarn was over 12%. Based on the volume and production date of seconds in Bremworth's warehouses, our view is that the seconds rate may have been even higher in 2023 and 2024.

We estimate that the imported yarn decision may have cost Bremworth approximately \$10m per annum.

This is important because the issue now appears to be largely behind Bremworth. Bremworth has returned to using yarn from its Napier plant. Its July to December 2025 financial statements showed a dramatic reduction in operating losses. In our view, that is consistent with the business removing the main operational issue that affected the 2023 to 2025 period.

We do not believe Godfrey Hirst's submissions properly update or qualify the earlier profitability narrative their argument relies on to reflect this turnaround.

This also affects the argument that merger cost savings would be passed through to retailers or consumers because imports would force the merged entity to do so. If the wool import constraint is dramatically overstated, that pass-through assumption becomes much weaker.

3. Wool and synthetic carpet are not fully interchangeable

The NERA Project Loop report also states that there is a single wholesale market for carpet, including wool and synthetic carpet. We accept that wool and synthetic carpets sit within the broader carpet category. But in the real retail market, they are not fully interchangeable.

There are customers who will consider both. Families with young children, pets, wheelchairs, allergy concerns, or tight budgets may prefer synthetic carpet for practical or financial reasons. Some first-home buyers or rental property owners may also choose synthetic because the price point and wear story are simpler.

However, there is also a meaningful customer group that actively wants wool. Those customers often value natural fibre, New Zealand-made products, premium loop piles, richer colours, and the brands they know. They are often prepared to pay more for those features.

This matters for the Commission because the wool carpet market has its own competitive dynamics. If Bremworth and Godfrey Hirst are combined, imports do not provide a strong enough constraint in that part of the market.

4. Bremworth should not be treated as having no viable alternative

We understand there has been discussion or speculation that (REDACTED). We do not believe the evidence supports treating that as the natural or likely outcome.

4.1 Cowes Bay appears to be a credible interested party

Cowes Bay has made submissions to the Commission and has also met with Bremworth shareholders since mid-2025. (REDACTED)

(REDACTED).

As long-time retailers in New Zealand, we are familiar with the McKendrick family's long involvement in the New Zealand wool and fibre industries and their links to the New Zealand carpet manufacturing sector. In our view, Cowes Bay should be treated as a serious and credible alternative party.

4.2 Bremworth was failing, but it does not appear to be failing now

If Bremworth had continued with the expensive imported yarn strategy, we believe it would have failed. However, the business has now returned to using high-quality yarn from its Napier plant, which appears to have removed a major cost and quality issue.

Bremworth's July to December 2025 financial results showed a dramatic reduction in operating losses, despite the practical difficulty and cost of rebuilding stock and samples using Napier-produced yarn.

As at 31 December 2025, Bremworth had approximately \$34.3m in cash, substantial stock, buildings, plant, tax losses, and no debt. That does not look like a business where (REDACTED)

It is also worth noting that Bremworth achieved this improvement while under a takeover offer from the largest supplier in Australasia. That takeover process itself has likely made it harder for Bremworth to win new, longer-term supply arrangements with retailers, particularly in Australia, because many retailers assume the takeover is already effectively decided.

(REDACTED).

4.3 Shareholders (REDACTED)

In the last week, there has been speculation in the market that (REDACTED)

(REDACTED).

The Bremworth board issued an NZX update on 28 May 2026, stating that if the Commission does not provide clearance, the board would assess all strategic options available to Bremworth and seek

shareholder support for whatever alternative it considers delivers the greatest long-term value for shareholders.

[NZX, New Zealand's Exchange - Announcements, Scheme Of Arrangement Update](#)

The update also stated that Bremworth continues to operate on a business-as-usual basis and is focused on executing the initiatives implemented over the last 12 to 18 months, with the aim of achieving profitable growth and positive cash flows.

We think that the last point is significant. It is consistent with our view that Bremworth has largely completed a material turnaround and is working back towards positive cash flow, despite the takeover process and the recent market slowdown caused by the Iran conflict.

5. Conclusion

We thank the Commission for the short extension to provide this further information.

We did not identify the NERA Project Loop issues earlier because, given the parties involved, we expected the analysis to have been stress tested and accurate. Once we found obvious issues in the May NERA and Baseline Consultancy material, we reviewed the earlier NERA Project Loop analysis more closely.

The import data relied on by NERA is materially overstated, particularly for wool broadloom carpet. The clearest example is the UAE data, where synthetic carpet appears to have been recorded as wool carpet. Once the UAE figures are deducted and other country-of-origin issues are considered, wool imports appear far too small to provide the competitive constraint Godfrey Hirst says they will provide.

That matters because the merger would combine the two most important and dominant wool carpet manufacturers and suppliers in New Zealand. Wool carpet has different competitive dynamics to synthetic carpet. New Zealand-made products, local brands, colour, design, and retailer confidence all matter. Imports, especially wool imports, do not appear to be a realistic constraint on a combined Godfrey Hirst and Bremworth.

We also suggest that the Commission familiarise itself with the wool carpets offered to New Zealand consumers. A mystery shopper visit to major carpet retailers should quickly clarify that the brands overwhelmingly offered, and purchased, are Bremworth, Feltex and Godfrey Hirst.

For the reasons detailed, we ask the Commission to be cautious about relying on the import analysis and failing firm narrative as presented by Godfrey Hirst. From our position in the market, the conclusions do not match what we see in real trading conditions, and the data used to support them appears materially unreliable.