

Primary Wool Co-operative Limited
40TH ANNUAL REPORT
and Statement of Accounts for the 12 months ended 30 September 2014



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Directory

Registered Office	443 Stoney Creek Road, Palmerston North 4470
Postal Address	Box 5343, Palmerston North 4441
Telephone	(06) 353 8200
Facsimile	(06) 353 8201
Bankers	Bank of New Zealand, Christchurch
Solicitors	Dorrington Poole & Partners, Dannevirke
Auditors	Cotton Kelly, Chartered Accountants, Palmerston North
Directors	M B deLautour MNZM, FINST.D, J.P. (Chairman)
	H C Gardner (Deputy Chairman)
	H B deLautour
	C M Udale
Secretary	Solution Integration Ltd, Palmerston North

Annual Resolution by Directors of a Cooperative Company

It was the opinion of the Board that Primary Wool Co-operative Limited has through the 12 months ended 30 September 2014 and since the date of the registration of the Company under the Cooperative Companies Act 1996, been a Cooperative Company within the meaning of that Act on the following grounds:

- a) The Company carried on as its principal activity a cooperative activity as that term is defined in the Cooperative Companies Act 1996;
- b) The Constitution of Primary Wool Co-operative Limited states its principle activities as being cooperative activities; and
- c) Not less than 60.7% of the voting rights of Primary Wool Co-operative Limited were held by transacting shareholders as that term is defined in the Cooperative Companies Act 1996.

Dated this 22nd day of December 2014.


M B de Lautour


H C Gardner


H B de Lautour


C M Udale



Chairman's Report

It is with great pleasure that I present the 40th Annual Report.

The Co-operative has had the most active year of any year since the formation of the joint venture.

Elders Primary Wool has continued to gain market share of a rapidly shrinking wool clip. The reduced sheep numbers resulted in a 30% reduction in profit for the 2014 year. This is reflected in our accounts.

The Co-operative received a further dividend of \$1,000,000 which was partly used to repay preference shareholders, leaving a good amount of cash for other initiatives considered beneficial to the industry.

Wool Week

The Co-operative funded the Prince of Wales Campaign for Wool "Wool Week" in New Zealand. This was very professionally carried out by Anna Caselberg with prominent signage in the main cities and fashion displays in the leading stores in Auckland. We have continued to fund social media work and a fire-safety campaign for the Campaign for Wool in New Zealand.

Shareholder Benefits

Shareholding numbers have continued to increase rapidly to 1240 and \$576,434 of new shares have been issued for cash or by rebate during the year. Shareholders have been rewarded with discounted wool packs and rebates to a value of \$950,000.

Wool Equities Limited

The Directors continued efforts to unite farmer bodies led to a number of meetings with Wool Equities. This organisation holds the remnants of \$30 million shares issued to farmers from Wool Board Reserves and has 9000+ Shareholders. Following large losses from the biotech development, producing products out of the proteins extracted from wool, the new Board of WEL had bought a Yarn Spinning Mill in Milton and a Weaving Plant in Palmerston North with the remaining funds. Both plants had not been provided with working capital and were about to fail. The Directors of the

Co-operative and Directors of WEL agreed to change the Constitution of WEL to allow Primary Wool Co-Operative to subscribe to 5% of shares. The Co-operative has started to restructure the business and has taken security over the assets of Bruce Woollen Mill. We expect that we will see the enterprises come into profit and contribute considerable added value to our wool clip - merino, mid micron and crossbred.

Elders Sale

The Elders Australian and the New Zealand shareholders sold their New Zealand assets to Winslow Ltd, owned by the Carr family in Ashburton. The Carr family have a diversified agricultural business - seeds, contracting, dairy farming, sheep farming and motor and machinery agencies. The Elders Primary Wool joint venture will continue as a stand-alone Company and at some time there will be a name change by negotiation.

NZ Yarn

The Co-operative greatly assisted Elders Primary Wool in negotiating the purchase of the former Christchurch Yarns from the Receiver and rebranding to NZ Yarn. The sale was finalised in November 2014 with Elders Primary Wool holding approximately 58% of the business. NZ Yarn is the only large specialist carpet yarn maker in the southern hemisphere where farmers can supply wool direct. Via existing relationships with international carpet manufacturers, NZ Yarn will also supply yarn for the Just Shorn program, thus enabling farmers to be involved in the whole value chain.

Our Directors, along with our Secretary and staff have had an extremely busy year, even busier than last year. Thank you to you all.



M B deLautour
Chairman

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Primary Wool Co-operative Limited

Report on the Financial Statements

We have audited the financial statements of Primary Wool Co-operative Limited on pages 8 to 23, which comprise the statement of financial position as at 30 September 2014, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Other than in our capacity as auditor we have no relationship with, or interests in, Primary Wool Co-operative Limited.

Opinion

In our opinion, the financial statements on pages 8 to 23:

- comply with generally accepted accounting practice in New Zealand and International Financial Reporting Standards;
- give a true and fair view of the financial position of Primary Wool Co-operative Limited as at 30 September 2014 and its financial performance and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993, we report that:

- We have obtained all the information and explanations that we have required.
- In our opinion; proper accounting records have been kept by Primary Wool Co-operative Limited as far as appears from an examination of those records.

Cotton Kelly

Cotton Kelly
22 December 2014

Primary Wool Co-operative Limited

ANNUAL REPORT

The Directors submit the annual report of the Company and the financial statements of the Company for the 12 months ended 30 September 2014.

FINANCIAL STATEMENTS

The Financial Statements attached to this report form part of and should be read in conjunction with this report.

PRINCIPAL ACTIVITIES

The Company's principal activities during the year were the purchasing, brokering and selling of wool, carried out through a joint venture with Elders Primary Wool Limited and Group, together with brand development and marketing.

DIRECTORS

The Directors of the Company and their remuneration during the year under review were:

Maurice Bayly de LAUTOUR	\$35,000 (Directors Fees)
Howard Clyde GARDNER	\$25,000 (Directors Fees)
Hamish Bayly de LAUTOUR	\$25,000 (Directors Fees)
Christopher Martin UDALE	\$20,000 (Directors Fees)

Details of director's interests are covered in Note 21 to the financial report.
Any Directors trading with the Company are on normal commercial terms.
No payments were made on behalf of Directors.

DONATIONS

No donations were made by the Company during the year.

EMPLOYEE REMUNERATION

The Company has no employees. Therefore no employees, or former employees of the Company not being Directors, received during the accounting period total remuneration and other benefits in respect of employment from the Company valued in excess of \$100,000.

AUDIT FEES

Audit Fees of \$8,740 were paid to Cotton Kelly during the 12 months to 30 September 2014.

Signed on behalf of the Board on 22 December 2014.



M B de Lautour
DIRECTOR



H C Gardner
DIRECTOR

Primary Wool Co-operative Limited

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30TH SEPTEMBER 2014

	Notes	2014	2013
Revenue	4	664,294	406,032
Cost of sales – Woolpacks		(747,302)	(233,457)
Gross Profit		(83,008)	172,575
Audit Fees		(7,600)	(7,600)
Overhead Expenses	5	(489,504)	(296,799)
Rebate Expense		(400,174)	(308,825)
Operating Profit (Loss) before financing costs		(980,286)	(440,649)
Finance Income	6	219,190	209,523
Finance Expenses	6	(49,500)	(49,508)
Net financing costs		169,690	160,015
Profit (Loss) before income tax		(810,587)	(280,634)
Income tax expense	8	0	0
Profit (Loss) for the period		(810,597)	(280,634)
Share of Investee Income (Loss)	9	995,000	1,492,799
Total Comprehensive Income (Loss) for the period		184,403	1,212,165
Earnings Per Share	7	\$0.0600	\$0.4410

These financial statements should be read in conjunction with the accompanying notes and accounting policies



Primary Wool Co-operative Limited

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30TH SEPTEMBER 2014

	Notes	Share capital	Retained earnings	Total Equity
Balance at 1 October 2012		4,179,721	(3,159,179)	1,020,542
Total comprehensive income for the period				
Profit (Loss) for the period			(280,634)	(280,634)
Share of Investee Income (Loss)	9		1,492,799	1,492,799
Transactions with owners, recorded directly in equity				
Shares Issued	10	438,907		438,907
Shares Redeemed	10	(373,847)		(373,847)
Net Dividend Paid			(227,666)	(227,666)
Balance at 30 September 2013		4,244,781	(2,174,680)	2,070,101
Balance at 1 October 2013		4,244,781	(2,174,680)	2,070,101
Total comprehensive income for the period				
Profit (Loss) for the period			(810,597)	(810,597)
Share of Investee Income (Loss)	9		995,000	995,000
Transactions with owners, recorded directly in equity				
Shares Issued	10	576,434		576,434
Shares Redeemed	10	(751,866)		(751,866)
Net Dividend Paid				–
Balance at 30 September 2014		4,069,349	(1,990,277)	2,079,072

These financial statements should be read in conjunction with the accompanying notes and accounting policies



Primary Wool Co-operative Limited
STATEMENT OF FINANCIAL POSITION

AS AT 30TH SEPTEMBER 2014

	Notes	2014	2013
Assets			
Cash and cash equivalents	11	470,594	663,949
Trade and other receivables	12	346,442	10,982
Inventory	13	36,316	178,438
Due from Investee	14	1,950,000	1,950,000
Total Current Assets		2,803,352	2,803,368
Investments	9	1,197,220	1,152,220
Total Non-Current Assets		1,197,220	1,152,220
Total Assets		4,000,572	3,955,588
Liabilities			
Trade and other payables	15	271,500	235,487
Interest-bearing Loans and Borrowings	16	1,650,000	1,650,000
Total Current Liabilities		1,921,500	1,885,487
Total Liabilities		1,921,500	1,885,487
Equity			
Share Capital		4,069,349	4,244,781
Retained Earnings		(1,990,277)	(2,174,680)
Total Equity	10	2,079,072	2,070,101
Total Equity and Liabilities		4,000,572	3,955,588

Director
 Date: 22 December 2014

M. B. dehauteurs

Director
 Date: 22 December 2014

AL Kelly



Primary Wool Co-operative Limited

CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30TH SEPTEMBER 2014

	Notes	2014	2013
Net Cash Flows from Operating Activities			
<i>Cash provided from:</i>			
Receipts from Customers		652,897	405,980
Interest Received		212,378	209,523
Income Tax Refunded		0	2,188
		<hr/>	<hr/>
		865,275	617,691
<i>Cash applied to:</i>			
Payments to Suppliers		(1,504,847)	(923,002)
Interest Expense Paid		(49,500)	(49,508)
		<hr/>	<hr/>
		(1,554,347)	(972,510)
Net Cash from (used in) Operating Activities	17	<hr/>	<hr/>
		(689,072)	(354,819)
Cash Flows from Investing Activities			
<i>Cash applied to:</i>			
Purchase of Investments		(322,030)	0
		<hr/>	<hr/>
		(322,030)	0
Net Cash from (used in) Investing Activities		<hr/>	<hr/>
		(322,030)	0
Cash Flows from Financing Activities			
<i>Cash provided from:</i>			
Shares Issued for Cash		314,144	231,660
Shares Issued Retained from Rebates		262,290	207,247
Dividends Received		1,000,000	750,000
		<hr/>	<hr/>
		1,576,434	1,188,907
<i>Cash applied to:</i>			
Share Redemptions		(751,866)	(373,847)
Dividends Paid		(6,822)	(220,633)
		<hr/>	<hr/>
		(758,688)	(594,480)
Net Cash from (used in) Financing Activities		<hr/>	<hr/>
		817,746	594,427
Net Increase (Decrease) in Cash Held		<hr/>	<hr/>
		(193,356)	239,608
Cash Balances at Beginning of Year		663,949	424,341
Closing Cash Balances	11	<hr/>	<hr/>
		470,594	663,949

These financial statements should be read in conjunction with the accompanying notes and accounting policies



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE PERIOD ENDED 30TH SEPTEMBER 2014

Summary of Significant Accounting Policies

1. Reporting Entity

Primary Wool Co-operative Limited is a company domiciled in New Zealand, registered under the Companies Act 1993 and the Co-operative Companies Act 1996.

Primary Wool Co-operative Limited is an issuer for the purposes of the Financial Reporting Act 1993 and these financial statements comply with that Act.

Primary Wool Co-operative Limited had a 50% investment in NZ Yarn Ltd at balance date with a further interest through the 50% held by the Joint Venture partner Elders Primary Wool Limited. NZ Yarn Ltd did not hold assets or liabilities as at 30 September 2014. Consequently, group consolidated financial statements have not been prepared although Contingent Liabilities of NZ Yarn Ltd have been disclosed in the notes to the accounts.

Primary Wool Co-operative Limited has a 50% interest in Elders Primary Wool Limited and Group, a joint venture entity held with Winslow Limited (2013: Elders Rural Holdings Limited). The Equity Method has been used to recognise the investment interest in these financial statements.

2. Basis of Preparation

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements have been prepared on historical cost basis.

The Company is a profit-orientated entity.

These financial statements are presented in New Zealand Dollars (\$), which is the Company's functional currency. All financial information presented has been rounded to the nearest dollar.

Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and judgements that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The key source of estimation uncertainty are in the assumptions and their risk factors relating to the value of the investment in the investee.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3. Specific Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Non-Derivative Financial Instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial asset expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Company's obligations in the contract expire or are discharged or cancelled. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset.



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE PERIOD ENDED 30TH SEPTEMBER 2014 (Cont.)

3. Specific Accounting Policies (cont.)

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits, and are classified as a loan and receivable financial instrument.

Trade and Other Receivables

Trade and other receivables are classified as a loan and receivables financial instrument, and are stated at amortised cost using the effective interest method, less any impairment losses.

Loans and Borrowings

Loans and borrowings originated by the Company are carried in the Statement of Financial Position at amortised cost using the effective interest rate method, less provision for impairment.

Trade and Other Payables

Trade and other payables are classified as an other liabilities financial instrument and are stated at cost.

(b) Share Capital

All shares are classified as equity because although such instruments are redeemable, the Directors reserve the right to approve or decline any application for redemption. Further, any proposed dividends would be discretionary.

When share capital is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity.

(c) Impairment

The carrying amount of the Company's assets are reviewed at each balance date to determine whether there is any objective evidence of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in profit or loss.

Impairment of loans, receivables and equity instruments are determined on an individual basis by an evaluation of the exposures on an instrument by instrument basis. All individual instruments that are considered significant are subject to this approach.

(d) Revenue

All revenue is accounted for in proportion to the stage of completion of the related transaction at reporting date.

(e) Rebates Policy

Rebates are provided for based on the qualifying kilograms of wool sold for the year at a rate determined by the Board. Shareholders who hold less than the quota shareholding as determined by the Board may have some or all of their rebate retained and converted to additional shares. For financial reporting purposes rebates are treated as an expense in the Statement of Comprehensive Income.

(f) Finance Income and Expenses

Finance income comprises interest income on funds invested, dividend income and changes in value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Company's right to receive the payment is established.

Finance expenses comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets (except for trade receivables). All borrowing costs are recognised in the Statement of Comprehensive Income using the effective income method.

(g) Income Tax

Income tax expense comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at reporting date, and any adjustment to tax payable in respect of previous years.

Applicable deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for differences relating to investments in associates to the extent that they probably will not reverse in the foreseeable future. In this specific situation, as the company has no



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE PERIOD ENDED 30TH SEPTEMBER 2014 (Cont.)

3. Specific Accounting Policies (cont.)

depreciable assets or other timing differences, nor considers that tax losses are an asset, there is actually no current deferred tax asset or liability.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Please refer to Note 8 in regard to the fact losses are not recognised in this situation.

(h) Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Where applicable, information about any assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits to other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

(j) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(k) New Accounting Standards and Interpretations

At the date of authorisation of these financial statements, certain new standards and interpretations to existing standards have been published but are not yet effective, and have not been adopted by the Company. Management anticipates that all pronouncements will be adopted in the first accounting period beginning on, or after the effective date of the new standard.

Management have reviewed the standards introduced and does not expect the standards to have a material impact on the company's financial statements.



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE PERIOD ENDED 30TH SEPTEMBER 2014 (Cont.)

	2014	2013
4. Revenue		
Directors Fees	180,000	180,000
Administration Fees	100,000	100,000
Revenue from Continuing Operations	280,000	280,000
Woolpack sales	384,294	126,032
Total Other Income	384,294	126,032
Total Revenues	664,294	406,032

Sales of woolpacks at a discounted rate to shareholders have helped to increase the shareholder base and, in turn, contributed to profits through the Investee.

5. Overhead Expenses

Directors Fees	105,000	100,712
Other	384,504	196,087
Total Overhead Expenses	489,504	296,799

6. Finance Income and Expense

Interest Income on loans and receivables	219,190	209,523
Finance Income	219,190	209,523
Loan Interest Expense	(49,500)	(49,500)
Other	–	(8)
Finance Expenses	(49,500)	(49,508)
Net Finance Income	169,690	160,015

7. Earnings Per Share

The calculation is the Total Comprehensive Income divided by the weighted average number of ordinary shares on issue during the year. The weighted average number of shares on issue is 3,071,415 (2013: 2,747,836).



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE PERIOD ENDED 30TH SEPTEMBER 2014 (Cont.)

	2014	2013
8. Income Tax Expense in the Income Statement		
Current Tax Expense		
Current Period	0	0
Adjustment for Prior Periods	0	0
	0	0
Deferred Tax Expense		
Recognition of previously unrecognised tax losses	0	0
	0	0
Total Income Tax Expense	0	0
Reconciliation of Tax Expense		
Profit/(Loss) for the period	(810,597)	(280,634)
Plus Dividends Received	1,000,000	750,000
Plus Imputation Credits	388,889	310,714
Add back Non-Taxable Expenditure	0	0
	578,292	780,080
Taxable Income	578,292	780,080
Total Income Tax Expense	0	0
	578,292	780,080
Profit/(Loss) excluding Income Tax	578,292	780,080
Income Tax @ 28%	161,922	218,422
Tax Losses for which no deferred tax asset was recognised	(161,922)	(218,422)
Under (Over) Provided in Prior Periods	0	0
	0	0
Imputation Credits		
Opening Balance - 1 October 2013	373,714	167,122
Resident Withholding Tax	0	0
Underclaimed in Prior Periods	0	0
Dividends Received	388,889	310,714
Dividends Paid	0	(101,934)
Net Income Tax Paid/(Refunded)	0	(2,188)
	762,603	373,714
Closing Balance - 30 September 2014		

Tax losses for accounting purposes are not carried forward as a deferred tax asset, as taxable profit is fully imputed from the Investee company and therefore it is not probable that the company will generate sufficient profit for the tax benefit resulting from the tax losses to be realised as the excess ICA credits end up converted back to losses.

The company had tax losses brought forward as at 1 October 2013 of \$3,207,372 (1 October 2012: \$2,926,739).



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE PERIOD ENDED 30TH SEPTEMBER 2014 (Cont.)

	2014	2013
9. Investments		
Non-Current Investments		
Investment in Elders Primary Wool Limited	1,147,220	1,152,220
Shares – Wool Equities Limited	50,000	0
	1,197,200	1,152,220
Elders Primary Wool Limited's principal activity is the purchasing, brokering and selling of wool. Wool Marketing Enterprises is 100% owned by Elders Primary Wool Limited. The investment in Wool Equities is 1,600,000 ordinary shares, representing a 4.92% shareholding.		
Summary of the Investee Statement of Financial Position:		
Current Assets	8,765,000	7,866,000
Long-term Assets	2,197,000	2,409,000
Total Assets	10,962,000	10,275,000
Current Liabilities	(8,667,000)	(4,070,000)
Long-term Liabilities	0	(3,900,000)
Total Liabilities	(8,667,000)	(7,970,000)
Total Equity	2,295,000	2,305,000
Results of the Investee:		
Total Revenue	34,479,000	34,670,000
Profit (Loss) Before Tax	2,769,000	4,154,498
Income Tax Expense (Refund)	779,000	1,168,900
Profit (Loss) for the Period	1,990,000	2,985,598
Share of Investee Income (Loss)		
Profit (Loss) Before Tax	1,384,500	2,077,249
Income Tax Expense (Refund)	389,500	584,450
Profit (Loss) for the Period	995,000	1,492,799
Carrying Value of Investment in Elders Primary Wool Ltd:		
Carrying value at 1 October 2013	1,152,220	409,421
Less Dividends Received from Investment	(1,000,000)	(750,000)
Surplus (deficit) attributable to this company	995,000	1,492,799
Carrying value at 30 September 2014	1,147,220	1,152,220

No contingent liabilities have been incurred on behalf of, or in relation to the investee, other than the guarantee given to the Bank of New Zealand in favour of Elders Primary Wool Limited (see note 23).

Elders Primary Wool Limited and Group report no contingent liability as at 30 September 2014 (2013 \$nil).

No capital commitments have been incurred on behalf of, or in relation to Elders Primary Wool Limited (2013 \$nil).

Primary Wool Co-operative Limited has a 50% shareholding in NZ Yarns Ltd. Refer to Note 24.



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE PERIOD ENDED 30TH SEPTEMBER 2014 (Cont.)

10. Equity

	Retained Earnings	Ordinary Shares	Ordinary Rebate Shares	Redeemable Preference Shares	Total Equity
Reconciliation of Movement in Equity					
Balance 1 October 2012	(3,159,180)	602,402	1,699,457	1,877,862	1,020,541
Total Recognised Income and Expense	1,212,165	0	0	0	1,212,165
Shares Issued for Cash	0	0	231,660	0	231,660
Shares Issued from Rebates Retained	0	19,050	188,197	0	207,247
Shares Converted	0	0	5,000	(5,000)	0
Shares Redeemed	0	(17,591)	(22,256)	(334,000)	(373,847)
Share Conversion Discount	0	0	0	0	0
Dividends to Equity Holders	(227,665)	0	0	0	(227,665)
Balance 30 September 2013	(2,174,680)	603,861	2,102,058	1,538,862	2,070,101
Balance 1 October 2013	(2,174,680)	603,861	2,102,058	1,538,862	2,070,101
Total Recognised Income and Expense	184,403	0	0	0	184,403
Shares Issued for Cash	0	0	314,144	0	314,144
Shares Issued from Rebates Retained	0	16,550	245,740	0	262,290
Shares Converted	0	0	0	0	0
Shares Redeemed	0	(12,000)	(11,243)	(728,623)	(751,866)
Share Conversion Discount	0	0	0	0	0
Dividends to Equity Holders	0	0	0	0	0
Balance 30 September 2014	(1,990,277)	608,411	2,650,699	810,239	2,079,072

Shares on Issue at 30 September 2014 (All fully paid) 608,411 2,650,699 810,239 4,069,349

Redeemable Preference Shares

There are three classes of Redeemable Preference Shares:

- Class A: \$762,739 Being those associated with M B de Lautour loans and advances that were converted to equity. (2013: \$1,246,739)
- Class B: \$47,500 Being those associated with H B de Lautour which were issued in relation to the purchase of the CRT shares (2013: \$247,500).
- Class C: \$0 Being those associated with deferred directors fees and expenses to existing directors M B de Lautour and H C Gardner (2013: \$44,623).

All classes continue to be redeemable at the discretion of the Directors.

Redemption Policy

Applications for redemption of ordinary and redeemable preference shares are considered by Directors on an annual basis. The Directors reserve the right to approve or decline an application.

All other preference shares have no fixed term for redemption and any redemptions are at the discretion of the Directors.

Voting Rights

All Shareholders are entitled to one vote and on a poll each share is entitled to one vote. Since 22 September 2002 the voting rights have been capped at 20,000 votes maximum for any one shareholder.

Distribution on Winding Up

In the event of the company winding up all shares (ordinary and ordinary rebate shares) participate equally in the distribution of any surplus assets after the repayment of preference shares at par value.

Primary Wool Co-operative Limited requires transacting shareholders to hold rebate shares in the ratio of 1 share per 5kg of wool auctioned in order to receive a rebate. Where this ratio is not met, and greater than the rebate, no liability to purchase additional rebate shares is carried forward.



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE PERIOD ENDED 30TH SEPTEMBER 2014 (Cont.)

Dividends

There were no dividends approved by the Company in this Financial year. In the 2013 year the Directors approved a net dividend of \$227,665 which was paid to Ordinary and Ordinary Rebate shareholders only.

	2014	2013
11. Cash and Deposits		
BNZ Cheque Account	171,350	131,577
BNZ Call Account	299,244	532,372
	470,594	663,949

12. Receivables and Prepayments

Trade Receivables	13,166	60
Accrued Income	6,812	0
Loan to Bruce Woollen Mill Ltd	322,030	0
Prepayments	4,433	4,433
GST receivable	0	6,489
	346,442	10,982

The loan to Bruce Woollen Mill Limited was secured by a first ranking general security agreement over the assets of Bruce Woollen Mill Ltd formalised on 3 November 2014. The interest rate at 8.0% per annum and is repayable on demand as cashflow allows. Bruce Woollen Mill Limited is 62.51% owned by Wool Equities Limited. Primary Wool Co-operative Limited has a 4.92% shareholding in Wool Equities Limited

13. Inventories

Finished goods – Woolpacks	36,316	178,438
Total inventory	36,316	178,438

14. Advances to Investee

Elders Primary Wool Ltd - Advance Account	1,950,000	1,950,000
Total Asset	1,950,000	1,950,000

The advance to Elders Primary Wool Ltd has an interest rate of 10.0% (2013: 10%) and is repayable on demand.

15. Accounts Payable and Accruals

Accounts Payable	122,243	121,956
Rebates Liability	137,933	101,578
Unclaimed Dividends	4,520	11,343
Unclaimed Rebates	63	610
GST Payable	6,741	0
	271,500	235,487



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE PERIOD ENDED 30TH SEPTEMBER 2014 (Cont.)

	2014	2013
16. Loan and Borrowings		
Shareholder Loans	1,650,000	1,650,000
	<u>1,650,000</u>	<u>1,650,000</u>

The shareholders loan is from M B de Lautour. The unsecured loan is for an undefined term, with a current interest rate of 3% at balance date. (2013: 3%). Mr de Lautour has confirmed that he will not require repayment of this loan until sufficient funds are released from Elders Primary Wool Ltd.

17. Reconciliation of Cash Flow

Reported surplus (deficit) after taxation	184,403	1,212,165
Non-Cash Items:		
Deferred taxation	0	0
Discount on redemption of shares	0	0
Working Capital Items Classified as Investment Activities:		
Decrease (Increase) in Accrued Interest from Investee	0	0
Share Loss (Profit) in Investee	(995,000)	(1,492,799)
Increase (Decrease) in Accounts Payable	(2,388)	106,549
Decrease (Increase) in Account Receivable	(11,397)	(52)
Decrease (Increase) in Other Accrued Revenue	(6,812)	(4433)
Decrease (Increase) in Inventory	142,122	(178,438)
Decrease (Increase) in Taxation Refundable	0	2,188
Net Cash from (used in) Operating Activities	<u>(689,072)</u>	<u>(354,819)</u>

18. Financial Instruments

Exposure to interest rate and credit risk arises in respect to the Company's investment in Elders Primary Wool Ltd.

No derivative financial instruments are used.

Credit Risk

Credit risk is the risk that the counterparty to a transaction with the Company will fail to discharge its obligations, causing the Company to incur a financial loss. The Company is exposed to credit risk through the advance to Elders Primary Wool Limited. The Company holds second security over the assets of Elders Primary Wool Limited as security for the advance given.

Reputable financial institutions are used for investing and cash handling purposes. At balance date, there are no other credit risks. (2013: nil).

The maximum exposure to credit risk in respect of financial assets is represented by the carrying value of each financial asset in the balance sheet.

Liquidity Risk

Liquidity Risk represents the Company's ability to meet its contractual obligations. The Company evaluates its liquidity requirements on an ongoing basis.

Interest Rate Risk

Exposure to interest rate risk is limited to the borrowing from M B de Lautour. These funds have been on-lent to Elders Primary Wool Ltd at 10.0% per annum (2013: 10%). As all interest rate risk is between related parties it is not anticipated that there is a significant risk.



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE PERIOD ENDED 30TH SEPTEMBER 2014 (Cont.)

19. Operating Commitments

At balance date, there were no operating commitments. (2013 Nil)

20. Capital Commitments

At balance date, there were no capital commitments. (2013: Nil)

21. Related Party Disclosures

Elders Primary Wool Limited and Group, a joint venture company is a related party.

Transactions with Investee

The Company has advanced money to its investee, Elders Primary Wool Limited. This advance is detailed in note 14.

The Company earned from Elders Primary Wool Limited, Director's Fees during the year of \$180,000 (2013: \$180,000) and Administration Fees of \$100,000 (2013: \$100,000). Apart from the share of the profit from the Investee and Dividends received there were no other significant trading transactions with the Investee (2013: Nil).

For investment in NZ Yarn Limited, please refer to Note 24.

Transactions with Directors

Directors fees of \$105,000 were paid during 2014 (2013: \$100,712).

During the year the Board received no notices from Directors of the Company requesting to use Company information received in their capacity as Directors which would not otherwise have been available to them. (2013: Nil)

Directors' interests in significant transactions with the Company during the year were as follows:

As disclosed in Note 16, M B de Lautour has lent the Company a total of \$1,650,000 (2013 \$1,650,000). The unsecured loan is for an undefined term, with an interest rate of 3.0% at balance date on the full balance (2013: 3%). Mr de Lautour has confirmed that he will not require repayment of this loan until funds are released from Elders Primary Wool Ltd. There is no interest on the loan unpaid at balance date.



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE PERIOD ENDED 30TH SEPTEMBER 2014 (Cont.)

21. Related Party Disclosures (cont.)	2014	2013
Shareholdings of Related Parties		
<i>Shares under the control of the Director</i>		
M B de Lautour		
Shares Held at 1 October 2013		
Redeemable Preference Shares	1,284,979	1,568,979
Ordinary Shares	76,332	76,332
Ordinary Rebate Shares	500	500
	1,361,811	1,645,811
Shares Redeemed during the year		
Redeemable Preference Shares	(522,240)	(284,000)
	839,571	1,361,811
Shares Held at 30 September 2014		
Redeemable Preference Shares	762,739	1,284,979
Ordinary Shares	76,332	76,332
Ordinary Rebate Shares	500	500
	839,571	1,361,811
H C Gardner		
Shares Held at 1 October 2013		
Redeemable Preference Shares	6,384	11,384
Ordinary Rebate Shares	11,904	6,904
	18,288	18,288
Shares Redeemed during the year		
Redeemable Preference Shares	(6,384)	(0)
	11,904	18,288
Shares Transferred during the year		
Redeemable Preference Shares	0	(5,000)
Ordinary Rebate Shares	0	5,000
	11,904	18,288
Shares Held at 30 September 2014		
Redeemable Preference Shares	0	6,384
Ordinary Rebate Shares	11,904	11,904
	11,904	18,288
H B de Lautour		
Shares Held at 1 October 2013		
Redeemable Preference Shares	247,500	297,500
Ordinary Rebate Shares	21,204	21,204
	268,704	318,704
Shares Redeemed during the year		
Redeemable Preference Shares	(200,000)	(50,000)
	68,704	268,704
Shares Held at 30 September 2014		
Redeemable Preference Shares	47,500	247,500
Ordinary Rebate Shares	21,204	21,204
	68,704	268,704



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE PERIOD ENDED 30TH SEPTEMBER 2014 (Cont.)

22. Going Concern

The directors continue to adopt the going concern assumption on the basis that the major company shareholder, M B de Lautour, is willing to provide any further financial support required to enable the Company to meet its debts as and when they fall due and to be able to meet the solvency requirements of the Companies Act 1993.

The Directors of this Company have further agreed to subordinate any claims for repayment from Elders Primary Wool Limited behind the interests of all other creditors, excluding the other shareholder:

23. Contingent Assets and Liabilities

In line with its responsibilities as a 50% shareholder in Elders Primary Wool Limited, the Company has undertaken to support Wool Marketing Enterprises Ltd, a 100% subsidiary of Elders Primary Wool Limited, for 12 months from the date of Elders Primary Wool Limited's financial statements.

In 2013 the Company had given a guarantee to the Bank of New Zealand of \$1,000,000 and a perfected security interest in all present and after acquired property. As noted above, Mr M B de Latour has in turn offered Primary Wool Co-operative Limited a personal guarantee of \$1,000,000. These arrangements were no longer in place at balance date.

24. Investment in Subsidiary

The Company's subsidiary, NZ Yarn Limited, was formed in August 2014 and as at balance date Primary Wool Co-operative Limited owned 350,000 shares (50% of the shares) at a nominal cost of \$350. The Investee Elders Primary Wool Ltd held the other 50% of the shares at balance date.

NZ Yarn Limited entered into a conditional contract in September 2014 to acquire the assets, stock and goodwill of Christchurch Yarns NZ Limited (in receivership) wool spinning business for a maximum of \$4,200,000 subject to finance and the raising capital of \$3,000,000. This went unconditional on 21 November 2014. As at balance date the conditions of the agreement had not been met. Subsequent to balance date the shareholding has been transferred to the Investee Company Elders Primary Wool Limited.

