

Primary Wool Co-operative Limited  
**PROSPECTUS**  
24 November 2015



# PRIMARY WOOL CO-OPERATIVE LIMITED

(PRIVATE)

## REGISTERED PROSPECTUS

### ORDINARY REBATE SHARES

#### 1.0 DIRECTORY/DEFINITIONS

##### 1.1 Directory

The Directors, Auditors and Registered Office of the Company are set out in the Annual Report of the Company for the 9 months ended 30th June 2015.

##### 1.2 Definitions

In this Prospectus:

##### “Acceptance Form”

means the Acceptance Form forming part of this Prospectus.

##### “Company”

means PRIMARY WOOL CO-OPERATIVE LIMITED

##### “Constitution”

means the Constitution of the Company and “Clause” means the relevant Clause in the Constitution.

##### “New Share”

means any Shares issued to Transacting Shareholders as a result of an Offer being Equity Securities.

##### “Offer”

means an Offer to Transacting Shareholders of Shares in terms of this Prospectus.

##### “Prospectus”

means this Prospectus.

##### “Share”

means an ordinary rebate share of \$1.00 in the Company.

##### “Transacting Shareholder”

means a Transacting Shareholder of the Company as defined by Section 4 of the Cooperative Companies Act 1996.

#### 2.0 MATTERS REQUIRED BY SECURITIES REGULATIONS 2009 (In Order of Schedule 1 to the Regulations)

##### 2.1 Main Terms of Offer

###### 2.1.1 Issuer

Primary Wool Co-operative Limited  
Registered Office  
443 Stoney Creek Road,  
P O Box 5343, Palmerston North 4441  
Telephone (06) 353 8200, Facsimile (06) 353 8201

###### 2.1.2 Securities to be Offered

Ordinary Rebate Shares of \$1.00 each in the Company  
(New Shares - refer to definition, paragraph 1.2).

###### 2.1.3 The minimum shareholding is 1000 x \$1 shares.

Annual rebates are calculated on a ratio of shares held to kilograms of wool sold through CP Wool auctions between 1 July and 30 June each year. While subject to change from time to time, the rebate is currently set at 3 cents per kg and one share needs to be held for every 5kgs of wool sold. Should insufficient shares be held for the volume of wool traded, some or all of the annual rebate will be retained as shares. While the minimum shareholding is \$1,000 being 1,000 x \$1 shares and no shareholder is required to pay more than \$1,000, to guarantee the maximum rebate payment, share subscriptions should equate to the estimated volume of wool expected to be traded. For example, a grower trading 15,000kgs of wool would need to hold 3,000 shares (15,000 / 5) to be paid the rebate. If they held less than 3,000 shares, part or all of the \$450 (15,000 x \$.03) rebate earned would be retained and converted to shares.

###### 2.1.4 Maximum number/amount/nominal Value

The maximum number or amount of New Shares to be offered is five hundred thousand (500,000) with a maximum limit of fifty thousand (50,000) per application by a Transacting Shareholder:

The nominal value of New Shares is \$1.00 each (section 15 of the Co-operative Companies Act 1996 and Clause 5.2).

Each Ordinary Share ranks equally on distribution after repayment of Preference Shares at par.

###### 2.1.5 Consideration

One dollar (\$1.00) per New Share (section 16 of the Co-operative Companies Act 1996).

# PRIMARY WOOL CO-OPERATIVE LIMITED

## REGISTERED PROSPECTUS

ORDINARY REBATE SHARES

(PRIVATE)

### 2.2 Details of Incorporation of Issuer

The Company ("the Issuer") is Primary Wool Co-operative Limited incorporated under the Companies Act 1955 as a Public Company (limited by shares) on 27 September 1979, re-registered as a Cooperative Company under the Cooperative Companies Act 1956 on 20 December 1979, was simultaneously re-registered as a Cooperative Company under the Cooperative Companies Act 1996, and pursuant to the Companies Re-Registration Act 1993 as a Company under the Companies Act 1993 on 26 June 1997.

Registered no. 165603.

The Public File of the Company can be viewed on the Companies Office website at [www.companies.govt.nz](http://www.companies.govt.nz). Where relevant documents are not available on the website a request for the documents can be made to the Contact Centre of the Ministry of Economic Development on 0508 266 726.

### 2.3 Other Terms of Offer and Securities

#### 2.3.1 Audited Financial Statements

A copy of the most recent audited financial statements of the Company and Group, being financial statements to 30 June 2015 that comply with the Financial Reporting Act 2013 are attached to this Prospectus.

#### 2.3.2 Bank Sureties

The Company has given no bank sureties.

#### 2.3.3 Offer

Section 42 of the Companies Act 1993 and Clause 5.1 provide that the Board may issue Shares.

This Prospectus is to permit the Board to issue New Shares (being Equity Securities) to Transacting Shareholders.

#### 2.3.4 Issue Price and Payment

The issue price (\$1.00 per New Share) to be paid in full on application or by calls as made by the Board in terms of Clause 13.1.

#### 2.3.5 Offer non-renounceable

An Offer to be non-renounceable by the Transacting Shareholder to whom the Offer is made.

#### 2.3.6 Dividends - entitlement/ranking

New Shares to participate and rank as to dividends on the same terms as the existing Shares of the Company except that in terms of the Constitution.

- (i) New Shares on issue for part only of a financial year shall be entitled to dividend in respect of that financial year proportionate to the part of the financial year they are on issue; and
- (ii) New Shares that are partly paid up shall participate as to dividend according to the amounts paid or credited as paid up.

#### 2.3.7 Participation in Issues

New Shares to participate on the same basis as existing Shares.

#### 2.3.8 Listing

The Shares are not listed on the New Zealand Stock Exchange and it is not proposed that application for listing be made in respect of either the Shares or New Shares.

#### 2.3.9 Acceptance of Offer

Complete the Acceptance Form and forward it to the Company.

#### 2.3.10 Withdrawal of Offer

The Company reserves the right to withdraw an Offer by notice in writing to the Transacting Shareholder at any time up to the allocation of the New Shares the subject of the Offer. Any payments received for New Shares that have subsequently been withdrawn will be refunded in full within 30 days, without interest.

### 2.4 Securities Regulations / Exemption Notice

2.4.1 The shares being offered under this Prospectus are being offered under the Securities Act (Co-operative Companies) Exemption Notice 2013.

# PRIMARY WOOL CO-OPERATIVE LIMITED

(PRIVATE)

## REGISTERED PROSPECTUS

ORDINARY REBATE SHARES

2.4.2 The Securities Regulations 2009 apply to the offer under this Prospectus subject to the exemption notice for co-operative companies referred to in clause 2.4.1.

### 2.5 Inspection of Documents

The Constitution is available for inspection during normal working hours at the registered office of the Company and on the Companies Office website [www.companies.govt.nz](http://www.companies.govt.nz). All legislation referred to may be viewed at [www.legislation.govt.nz](http://www.legislation.govt.nz)

### 3.0 DATE

This Prospectus is dated 24th day of November 2015.

### 4.0 SIGNING BY DIRECTORS

This Prospectus was signed by or on behalf of all Directors of the Company.



M B de Lautour



H C Gardner



H B de Lautour

# PRIMARY WOOL CO-OPERATIVE LIMITED

## ACCEPTANCE FORM

TO: The Directors  
Primary Wool Cooperative Limited  
PO Box 5343  
Palmerston North 4441

In terms of the Company's Offer in the Registered Prospectus dated 24 November 2015 of which this Acceptance Form is part, I/we hereby apply for the number of New Shares entered below subject to the Constitution of the Company, and enclose my/our remittance for the amount set out below.

I/We enclose the sum of \$ _____ being full payment of \$1.00 per share  Dated this ____ day of _____ 201__	Signature(s)
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Shares to be in the name of			
EPW grower / account number		EPW Rep	
Contact name			
Postal address (please include postcode)			
Telephone	( )	Alternative ph	( )
Facsimile	( )		
Email address			
Bank account number into which rebates should be deposited			

### NOTES:

- 1 Cheques must be made payable to Primary Wool Cooperative Limited and crossed "Not Transferable".
- 2 Joint applicants must all sign.
- 3 If signed under a Power of Attorney, the Attorney hereby certifies that he/she has received no notice of revocation of his/her appointment. If not already noted by the Company, the Power of Attorney must be forwarded with this application.
- 4 The minimum shareholding is 1000 x \$1 shares. Annual rebates are calculated on a ratio of shares held to kilograms of wool sold through Elders Primary Wool auctions between 1 October and 30 September each year. While subject to change from time to time, the rebate is currently set at 3 cents per kg and one share needs to be held for every 5kgs of wool sold. Should insufficient shares be held for the volume of wool traded, some or all of the annual rebate will be retained as shares. While the minimum shareholding is \$1,000 being 1,000 x \$1 shares and no shareholder is required to pay more than \$1,000, to guarantee the maximum rebate payment, share subscriptions should equate to the estimated volume of wool expected to be traded. For example, a grower trading 15,000kgs of wool would need to hold 3,000 shares (15,000 / 5) to be paid the rebate. If they held less than 3,000 shares, part or all of the \$450 (15,000 x \$.03) rebate earned would be retained and converted to shares.



Primary Wool Co-operative Limited  
INVESTMENT STATEMENT FOR THE ISSUE  
OF ORDINARY REBATE SHARES IN  
PRIMARY WOOL CO-OPERATIVE LIMITED



NOTE: Every applicant for shares who did not receive a copy of this investment statement before applying for shares may, within 10 working days of the date on which the investment statement is sent to the applicant, withdraw their application by written notice to Primary Wool Co-operative Limited.

## ***INVESTMENT STATEMENT FOR THE ISSUE OF ORDINARY REBATE SHARES IN PRIMARY WOOL CO-OPERATIVE LIMITED***

### **Important Information**

(The information in this section is required under the Securities Act 1978).

Investment decisions are very important. They often have long term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

### **Choosing an investment**

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

<b>Questions</b>	<b>Page</b>
What sort of investment is this? .....	2
Who is involved in providing it for me?.....	3
How much do I pay?.....	3
What are the charges?.....	3
What returns will I get?.....	4
What are my risks?.....	4
Can the investment be altered? .....	4
How do I cash in my investment? .....	4
Who do I contact with enquiries about my investment? .....	5
Is there anyone to whom I can complain if I have problems with the investment? .....	5
What other information can I obtain about this investment?..	5

In addition to the information in this document, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus upon request.

### **Choosing an Investment Adviser**

You have the right to request from any investment adviser a written disclosure statement stating his or her experience and qualifications to give advice. That document will tell you:

- whether the adviser gives advice only about particular types of investments; and
- whether the advice is limited to the investments offered by 1 or more particular financial organisations; and
- whether the adviser will receive a commission or other benefit from advising you.

You are strongly encouraged to request that statement. An investment adviser commits an offence if he or she does not provide you with a written disclosure statement within five working days of your request. You must make the request at the time the advice is given or within 1 month of receiving the advice.

In addition:

- if an investment adviser has any conviction for dishonesty or has been adjudged bankrupt, he or she must tell you this in writing; and

- if an investment adviser receives any money or assets on your behalf, he or she must tell you in writing the methods employed for this purpose.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes.

### **What Sort Of Investment Is This?**

The investment offered is for Ordinary Rebate Shares in Primary Wool Co-operative Limited ("the Co-operative").

The Co-operative was incorporated under the Companies Act 1955 as a Public Company (limited by shares) on 27 September 1979, re-registered as a Cooperative Company under the Cooperative Companies Act 1956 on 20 December 1979, was simultaneously re-registered as a Cooperative Company under the Cooperative Companies Act 1996, and pursuant to the Companies Re-Registration Act 1993 as a Company under the Companies Act 1993 on 26 June 1997. The registration number is 165603.

The business and affairs of the Co-operative are conducted by a board of directors (the "Board").

To comply with the Cooperative Companies Act 1996, shares in the Co-operative may only be issued to persons engaged in trading with the Co-operative ("Transacting Members").

In order to become a member of the Co-operative (the "Member") you must purchase the Shares. Members may receive the rebates described under the heading "What returns will I get?".

### **Who Is Involved In Providing It For Me?**

The Shares are offered by the Co-operative, whose registered office is at 443 Stoney Creek Road, Palmerston North, New Zealand (the "Registered Office"). The Shares are not shares offered as part of a participatory scheme.

The manager in relation to the Shares is the Co-operative, whose address is the Registered Office.

There is no statutory supervisor in respect of the Co-operative.

The promoter is the Co-operative, whose address is at the Registered Office.

The Co-operative is involved in the buying, selling and/or auctioning of wool and providing Members goods, services, discounts and rebates through membership in the Co-operative, either directly or through joint venture companies. The Co-operative and its predecessors have been carrying on business as a co-operative since 1979.



## ***INVESTMENT STATEMENT FOR THE ISSUE OF ORDINARY REBATE SHARES IN PRIMARY WOOL CO-OPERATIVE LIMITED***

### **How Much Do I Pay?**

At the date of this Investment Statement:

- a. each Share offered for subscription has a nominal value of NZ\$1;
- b. you will need to buy a minimum of one thousand Shares in order to become a Member;
- c. the minimum initial subscription for each Member is Shares with a nominal value of NZ\$1,000; and
- d. no member is required to pay more than NZ\$1 per Share.

The maximum number or amount of New Shares to be offered is five hundred thousand (500,000) with a maximum limit of fifty thousand (50,000) per application by a Transacting Shareholder.

The Board of the Co-operative may decide at its discretion how and when payment must be made for the Shares.

At the date of this Investment Statement, the Board requires that when you apply for the Shares (using the application form available on [www.primarywool.co.nz](http://www.primarywool.co.nz) (the "Co-operative's Website"), or the Registered Office, you attach to the Application Form payment to the Co-operative in full payment for the Shares.

The Application Form with the payment for the Shares can be posted to The Secretary, Primary Wool Co-operative Limited, PO Box 5343, Palmerston North 4441.

In certain circumstances, and with the prior approval of the Co-operative and Carrfields Primary Wool Limited, the payment for shares may be able to be deducted from your account with Carrfields Primary Wool Limited and subsequently passed on to the Co-operative by Carrfields Primary Wool Limited.

If you do not pay any amount due for the Shares within one month, you shall not be entitled to exercise any voting rights attached to such Shares, and/or the Board may require you to withdraw your Shares from the Co-operative ("Withdraw" or "Withdrawal"). The Co-operative's policies and rules regarding the payment of amounts due to Members on Withdrawal will then apply (see "How do I cash in my investment?" below).

### **What Are The Charges?**

There is no charge to process your application for Shares.

At the date of this Investment Statement, other than the purchase price for the Shares (described under the heading "How much do I pay?") Members do not have to pay any entry, trustee, administration, management, expense, overhead, early termination, switching, sale, alteration or other charges in relation to their membership of the Co-operative.

The amount of, or any other matter in relation to the charges can be altered by the Co-operative at any time by notice in

writing to all Members. Likewise new charges can be added or existing charges removed by notice in writing to all Members.

### **What Returns Will I Get?**

Provided you are a Member, you may receive returns in the form of rebates (the "Annual Rebates").

Any Annual Rebates are paid from the profits of the Co-operative. The form of distribution (which may consist of cash rebate payment or the issue of additional shares in the Co-operative), level of distribution and any other conditions relating to the payment of an Annual Rebate will be determined by the Board in its absolute discretion from time to time.

The Board determines, for each year in which the Co-operative makes a profit what part of that profit is to be retained for application to the on-going business of the Co-operative and what surplus (if any) is available for distribution to Members as an Annual Rebate. Whether there are surpluses to be distributed to a particular Member will depend on factors determined by the Board, including but not limited to the success of the Co-operative's trading in that year and the level of trading of each Member.

There are no specific dates by which Annual Rebates are payable (if paid). Prior to the date of this Investment Statement, the Co-operative has normally paid Annual Rebates in December each year.

No amount of returns to Members is promised as at the date of this Investment Statement, and Members may receive different returns or no returns in comparison to other Members, for reasons to be determined at the Board's discretion.

The Co-operative may also pay dividends.

Taxes or duties are likely to affect any returns.

The Co-operative is the person legally liable to pay the returns (if any).

### **What Are My Risks?**

Members can only withdraw with the approval of the Board at its absolute discretion. If the Board does not approve a Withdrawal the Member will not be able to recover the purchase price that they paid for the Shares until such time as the Withdrawal is approved.

Annual Rebates are only payable out of the profits of the Co-operative and accordingly may not be paid in years where profits are not made. In addition Annual Rebates will only be paid out of any profit made that is not retained for application to the on-going business at the discretion of the Board and pursuant to the Rules (see also "What returns will I get?" above).

## ***INVESTMENT STATEMENT FOR THE ISSUE OF ORDINARY REBATE SHARES IN PRIMARY WOOL CO-OPERATIVE LIMITED***

It is reasonably foreseeable that if the Co-operative is insolvent when a Member wishes to Withdraw, the Co-operative may not be able to refund the amount originally paid for their Shares.

Members are not liable at the date of this Investment Statement to pay any more money in respect of their Shares than the purchase price of the Shares referred to under the heading "How much do I pay?"

If the Co-operative becomes insolvent, a Member may be liable to make further payments in accordance with section 15 of the Act, which, in summary, limits a Member's liability to the amount, if any, unpaid on that Member's shares.

If the Co-operative is put into liquidation any claim that you may have as a Member of the Co-operative will rank behind all claims of secured and unsecured creditors of the Co-operative.

### **Can The Investment Be Altered?**

The Constitution, which set out the rights and obligations attached to the Shares, can only be altered by a resolution passed by a majority of not less than two thirds of the Members eligible to vote and voting personally or by proxy at a general meeting of the Co-operative. Any change to the Rules is not valid until it is registered under the Act.

Notwithstanding the above, the Board can at any time:

- a. set the number or value of Shares a Member must purchase. As a result, Members may be required to purchase further Shares. If a Member does not agree, then they must withdraw and the Co-operative will repay that Member the amount paid on their Shares. From the date of the Withdrawal the Member will cease to have a right to Annual Rebates and the rights and obligations in relation to Withdrawal from the Co-operative will apply (see also "How do I cash in my investment?"); and
- b. set the amount or any other matter in relation to the Annual Rebate; or
- c. alter any other charges or fees imposed by the Co-operative by notice in writing to all Members. Likewise any new fees or charges can be added or existing fees or charges removed by notice in writing to all Members.

### **How Do I Cash In My Investment?**

Members do not have the right to sell or transfer their Shares to any other person.

Members can withdraw with the approval of the Board, or must withdraw after receiving a notice to do so from the Board pursuant to the Rules.

If a Withdrawal is approved or required by the Board the

amount paid up on a Member's Shares will be refunded at the absolute discretion of the Board.

The Board can require that a Member Withdraw if that Member:

- a. has not done any business with the Co-operative for a two year period;
- b. has ceased to qualify as a Member;
- c. has not paid any call, deposit, levy or account with the Co-operative on the due date and continues to leave such amount unpaid 14 days after receiving notice (or being deemed to receive notice pursuant to the Rules) from the Secretary of the Co-operative that the amount is unpaid;
- d. dies (notice of Withdrawal will be given to the executor or administrator of the Member's estate);
- e. has become bankrupt; or
- f. if a company, has gone into liquidation or been dissolved.

### **Who Do I Contact With Enquires About My Investment?**

If you have any questions about the Shares you can contact:  
The Secretary  
Primary Wool Co-operative Limited  
PO Box 5343  
Palmerston North 4441  
Phone: (06) 353 8200

### **Is there anyone to whom I can complain if I have problems with the investment?**

If you have any complaints about the Shares you can contact:  
The Secretary  
Primary Wool Co-operative Limited  
PO Box 5343  
Palmerston North 4441  
Phone: (06) 353 8200

There is no ombudsman to whom complaints can be made.

### **What Other Information Can I Obtain About This Investment?**

Other information about the Shares and the Co-operative is contained or referred to in each of the following:

- a. the Co-operative's latest registered prospectus (the "Prospectus");
- b. the most recent financial statements of the Co-operative (the "Financial Statements"); and
- c. The Co-operative's website

Copies of these documents are kept at the Co-operative's Registered Office and will be sent to you free of charge if you make a request to the address specified under the heading "Who do I contact with enquiries about my investment?" above.

## ***INVESTMENT STATEMENT FOR THE ISSUE OF ORDINARY REBATE SHARES IN PRIMARY WOOL CO-OPERATIVE LIMITED***

The Public File of the Company can be viewed on the Companies Office website at [www.companies.govt.nz](http://www.companies.govt.nz). Where relevant documents are not available on the website a request for the documents can be made to the Contact Centre of the Ministry of Economic Development on 0508 266 726.

The following will be sent or made available to Members each year by the Co-operative:

- a. A copy of the Co-operative's Annual Report, which includes Financial Statements for the previous year;
- b. A written statement ("Annual Shareholding Statement") that sets out the class or classes of shares held by the Member and the number of shares in each class held by the Member. However, this statement only needs to be sent annually if the total number of shares in each class held by the Member has changed since the most recent of the

following dates:

- i. the date on which the most recent Annual Shareholding Statement was sent to the Member; and
- ii. the date a certificate was sent to the Member under section 54 of the Securities Act 1978.

The following documents can be obtained at any time free of charge upon written request to the address under "Who do I contact about my investment?":

- a) copies of the Co-operative's latest Annual Report, the Prospectus and the Financial Statements (also available on the Co-operative's Website);
- b) the Application Form (also available on the Co-operative's Website and as set out under "How much do I pay?"); and Primary Wool Co-operative Limited



Primary Wool Co-operative Limited  
**41ST ANNUAL REPORT**  
and Statement of Accounts for the 9 months ended 30 JUNE 2015



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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	Cooper Rapley, Palmerston North
Auditors	Cotton Kelly, Chartered Accountants, Palmerston North
Directors	M B deLautour MNZM, F.INST.D, J.P. (Chairman)
	H C Gardner (Deputy Chairman)
	H B deLautour
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 9 months ended 30 June 2015 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 24th day of November 2015.

  
M B de Lautour

  
H C Gardner

  
H B de Lautour





## Chairman's Report

FOR THE NINE MONTHS ENDED 30TH JUNE 2015

It is with great pleasure  
that I present the  
41st Annual Report.

The 41st year of Primary Wool Co-operative has seen the building of the relationship with our new joint venture partner, Carrfields. The renaming of the joint venture company Carrfields Primary Wool Ltd, branded CP Wool, took place after balance date and the Carr family are very keen to see the wool business continue to grow. After the Co-operative helped facilitate the establishment of NZ Yarn, Carrfields Primary Wool took a majority share, with a number of farmers also investing. Craig Carr has taken charge of the day to day wool business and Howie Gardner has taken over the Chairmanship of Carrfields Primary Wool Ltd.

### Financial Results

Our operating profit reflects the change to a June balance date in line with Carrfields Primary Wool and the Carr group. Our rebate expense was up and overhead expenses down, so the result proportionately was slightly ahead of last year before an impairment of \$144,000 on our loan to Bruce Woollen Mill and shares in Wool Equities. Earnings from our investment in Carrfields Primary Wool increased as their market share increased, reflecting an overall profit for the financial year.

### Just Shorn™

Just Shorn™ was launched in Australia through the Carpet One Franchise last year and has grown at a very satisfactory rate. It has proved far easier in Australia than the United States where people lack knowledge of wool. October has seen a soft launch of Just Shorn™ in New Zealand through the Harrison's Carpet One franchise with sales already exceeding expectations.

### Wool Equities Ltd

Our efforts to restructure WEL and its subsidiary Bruce Woollen Mill proved very frustrating. After obtaining 5% of the WEL shareholding and over 90% approval from WEL shareholders to restructure the company, the WEL Board prevented the necessary actions taking place. Prior to this, the Co-operative paid off a large number of creditors at Bruce Woollen Mill, were represented on their Board and picked up

their financial management as agreed but were frustrated by debtors not paying for yarn, leading to continued cash flow shortages. By June, orders were sufficient to break-even but cash from debtors dried up leading to continued holdups in production. Since balance date, Bruce has been put into receivership but is operating with production above pre-receivership levels. There have been a number of expressions of interest for the business. There is a shortage of spinning in the fine wool area, with a six month waiting list in one of the remaining mills, with demand increasing.

### Directors

During the year, Martin Udale resigned as Director to pursue other business interests. Martin brought commercial and business acumen from outside the industry that contributed significantly to the Board. We thank Martin for this contribution and wish him well for the future. The Board have discussed replacements and believe the best geographical representation and skill contribution will be achieved by canvassing members and seeking an appointment as part of the 2016 Annual General Meeting.

### Shareholding

Our 93 new members contributed \$164,100 fresh capital over the nine months bringing the value of rebate and ordinary shares to \$3.6M. We welcome all new members and look forward to yet more growth as farmers continue to see the benefit of being part of the Co-operative.

Our Directors, along with our Secretary and his staff had an increased workload due to our industry-good involvements and the joint venture changes but continued to perform their roles efficiently and cheerfully. Thank you to you all.



M B deLautour  
Chairman

## INDEPENDENT AUDITOR'S REPORT

### *To the Shareholders of Primary Wool Co-operative Limited*

We have audited the financial statements of Primary Wool Co-operative Limited on pages 8 to 25, which comprise the statement of financial position as at 30 June 2015, 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 and fair presentation of these financial statements in accordance with generally accepted accounting practice in New Zealand, being New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards; and for such internal controls as the Directors determine are 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 and fair presentation of the financial statements 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 made by management, as well as evaluating the overall 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 present fairly, in all material respects, the financial position of Primary Wool Co-operative Limited as at 30 June 2015, and its financial performance and its cash flows for the year then ended in accordance with generally accepted accounting practice in New Zealand, being New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

#### ***Emphasis of Matter***

As described in notes 8 and 14 of the financial statements, the statement of financial position includes a loan receivable from Bruce Woollen Mill Limited. Subsequent to balance date Bruce Woollen Mill Limited was placed into receivership. The Directors have assessed and impaired the loan receivable. The future recoverability of the loan receivable is dependent on events such as the Company's ability to continue to successfully trade. Our opinion is not qualified in respect of this matter.



Cotton Kelly  
24 November 2015

# 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 9 months ended 30 June 2015.

### 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 period under review were:

Maurice Bayly de LAUTOUR	\$26,250 (Directors Fees)
Howard Clyde GARDNER	\$18,750 (Directors Fees)
Hamish Bayly de LAUTOUR	\$18,750 (Directors Fees)
Christopher Martin UDALE (resigned 30 June 2015)	\$15,000 (Directors Fees)

Details of director's interests are covered in Note 23 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 9 months to 30 June 2015.

Signed on behalf of the Board on 24 November 2015.



M B de Lautour  
DIRECTOR



H C Gardner  
DIRECTOR

# Primary Wool Co-operative Limited

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30TH JUNE 2015

	Notes	9 months 2015	2014
Revenue	5	517,114	664,294
Cost of sales – Woolpacks		(522,329)	(747,302)
Gross Profit		(5,215)	(83,008)
Audit Fees		(8,404)	(7,600)
Overhead Expenses	6	(246,513)	(489,505)
Rebate Expense		(379,100)	(400,174)
<b>Operating Profit (Loss)</b>		(639,231)	(980,287)
Finance Income	7	167,209	219,190
Finance Expenses	7	(37,024)	(49,500)
Impairment Write Down	8	(144,582)	0
<b>Profit (Loss) before income tax and equity accounted income</b>		(653,628)	(810,597)
Equity Accounted Income	11	1,022,498	995,000
<b>Profit (Loss) before income tax</b>		368,870	184,403
Income tax expense	10	0	0
<b>Profit (Loss) for the period</b>		368,870	184,403
Other Comprehensive Income		0	0
<b>Total Comprehensive Income (Loss) for the period</b>		368,870	184,403
Earnings Per Share	9	\$0.1044	\$0.0600

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 JUNE 2015

	Notes	Share capital	Retained earnings	Total Equity
Balance at 1 October 2013		4,244,781	(2,174,680)	2,070,101
<b>Total comprehensive income for the period</b>				
Profit (Loss) for the period			(810,597)	(810,597)
Share of Investee Income (Loss)	11		995,000	995,000
<b>Transactions with owners, recorded directly in equity</b>				
Shares Issued	12	576,434		576,434
Shares Redeemed	12	(751,866)		(751,886)
Net Dividend Paid				—
<b>Balance at 30 September 2014</b>		<u>4,069,349</u>	<u>(1,990,277)</u>	<u>2,079,072</u>
Balance at 1 October 2014		4,069,349	(1,990,277)	2,079,072
<b>Total comprehensive income for the period</b>				
Profit (Loss) for the period			(653,628)	(653,628)
Share of Investee Income (Loss)	11		1,022,498	1,022,498
Effects of Transactions with Non-controlling Interests Equity Holders			81,500	81,500
<b>Transactions with owners, recorded directly in equity</b>				
Shares Issued	12	371,789		371,789
Shares Redeemed	12	(79,570)		(79,570)
Net Dividend Paid				0
<b>Balance at 30 June 2015</b>		<u>4,361,568</u>	<u>(1,539,907)</u>	<u>2,821,661</u>

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 JUNE 2015

	Notes	2015	2014
<b>Assets</b>			
Cash and cash equivalents	13	122,697	470,594
Trade and other receivables	14	526,658	346,442
Inventory	15	118,752	36,316
Due from Investee	16	1,750,000	1,950,000
<b>Total Current Assets</b>		2,518,106	2,803,352
Investments	11	2,251,218	1,197,220
<b>Total Non-Current Assets</b>		2,251,218	1,197,220
<b>Total Assets</b>		4,769,324	4,000,572
<b>Liabilities</b>			
Trade and other payables	17	297,663	271,500
Interest-bearing Loans and Borrowings	18	1,650,000	1,650,000
<b>Total Current Liabilities</b>		1,947,663	1,921,500
<b>Total Liabilities</b>		1,947,663	1,921,500
<b>Equity</b>			
Share Capital		4,361,568	4,069,349
Retained Earnings		(1,539,907)	(1,990,277)
<b>Total Equity</b>	12	2,821,661	2,079,072
<b>Total Equity and Liabilities</b>		4,769,324	4,000,572

Director  
 Date: 24 November 2015

*M. B. dehauteurs*

Director  
 Date: 24 November 2015

*AL Kelly*



# Primary Wool Co-operative Limited

## CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30TH JUNE 2015

	Notes	9 months 2015	2014
<b>Net Cash Flows from Operating Activities</b>			
<i>Cash provided from:</i>			
Receipts from Customers		522,457	652,897
Interest Received		136,327	212,378
		<hr/>	<hr/>
		658,784	865,275
<i>Cash applied to:</i>			
Payments to Suppliers		(975,335)	(1,242,557)
Interest Expense Paid		(37,024)	(49,500)
		<hr/>	<hr/>
		(994,359)	(1,292,057)
<b>Net Cash from (used in) Operating Activities</b>	<b>19</b>	<hr/>	<hr/>
		(335,575)	(426,782)
<b>Cash Flows from Investing Activities</b>			
<i>Cash provided from:</i>			
Repayment of Advances from Subsidiaries and Investee		200,000	0
		<hr/>	<hr/>
		200,000	0
<i>Cash applied to:</i>			
Purchase of Investments		(296,852)	(322,030)
		<hr/>	<hr/>
		(296,852)	(322,030)
<b>Net Cash from (used in) Investing Activities</b>		<hr/>	<hr/>
		(96,852)	(322,030)
<b>Cash Flows from Financing Activities</b>			
<i>Cash provided from:</i>			
Shares Issued for Cash		164,100	314,144
Dividends Received		0	1,000,000
		<hr/>	<hr/>
		164,100	1,314,144
<i>Cash applied to:</i>			
Share Redemptions		(79,570)	(751,866)
Dividends Paid		0	(6,822)
		<hr/>	<hr/>
		(79,570)	(758,688)
<b>Net Cash from (used in) Financing Activities</b>		<hr/>	<hr/>
		84,530	555,456
<b>Net Increase (Decrease) in Cash Held</b>		<hr/>	<hr/>
		(347,897)	(193,356)
Cash Balances at Beginning of Year		470,594	663,949
<b>Closing Cash Balances</b>	<b>13</b>	<hr/>	<hr/>
		122,697	470,594

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 JUNE 2015

### Summary of Significant Accounting Policies

#### 1. Reporting Entity

Primary Wool Co-operative Limited is a co-operative 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 2013 and these financial statements comply with that Act. Primary Wool Co-operative is likely to become an FMC reporting entity under the Financial Markets Conduct Act 2013. It has until 30 November 2016 to transition to the new Act.

The principal activities of Primary Wool Co-operative Limited are 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.

Primary Wool Co-operative Limited had no investment in NZ Yarn Limited at balance date (2014: 50%). NZ Yarn Limited did not hold assets or liabilities as at 30 September 2014 and group consolidated financial statements have not been prepared although Contingent Liabilities of NZ Yarn Limited were disclosed in the notes to the accounts.

The financial statements for the year ended 30 June 2015 were approved and authorised for issue by the board on the 24th November 2015.

#### 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 Tier 1"), 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 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





# Primary Wool Co-operative Limited

## NOTES TO THE FINANCIAL REPORT

FOR THE PERIOD ENDED 30TH JUNE 2015 (Cont.)

### 3. Specific Accounting Policies (cont.)

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.

#### *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.

#### *Available for Sale*

Investment in Wool Equities Limited as disclosed in note 10. Wool Equities Limited does not have a quoted price in an active market and the fair value cannot be reliably measured, therefore the investment is valued at cost less any impairment assessment.

Investment in Joint Venture. Primary Wool Co-operative Limited has a 50% interest in Elders Primary Wool Limited and Group, a joint venture entity held with Carrfields Limited (previously called Winslow Limited). The Equity Method has been used to recognise the investment interest in these financial statements.

#### *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. Revenue arises from the sales of goods (woolpacks), the rendering of services (Directors fees, Administration services), the share of the investment in Elders Primary Wool Limited and interest and dividends. Sales of goods is recognised when the customer takes undisputed delivery of the goods. Rendering of services is recognised as revenue in the period it is earned. Interest income and expenses are reported on an accrual basis using the effective interest period. Dividend income, other than those from investments in associates, are recognised at the time the right to receive payment is established.

#### (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.



# Primary Wool Co-operative Limited

## NOTES TO THE FINANCIAL REPORT

FOR THE PERIOD ENDED 30TH JUNE 2015 (Cont.)

### 3. Specific Accounting Policies (cont.)

#### (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.

When 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 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 10 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.

#### (l) Goods and Services Tax

These financial statements are exclusive of GST except for accounts receivable and accounts payable which are inclusive of GST.

#### (m) Changes in Accounting Policies

There have been no significant changes in accounting policies. All policies have been applied on the bases consistent with those in previous years.



# Primary Wool Co-operative Limited

## NOTES TO THE FINANCIAL REPORT

FOR THE PERIOD ENDED 30TH JUNE 2015 (Cont.)

### 4. Change in Reporting Period

Primary Wool Co-operative Limited has changed its balance date to 30 June (from 30 September) an equal change in balance date made by its associate, Elders Primary Wool. Information for the 2015 year covers the nine month period from 1st October 2014 to 30th June 2015. Comparatives for the 2014 year cover a twelve month period, from 1st October 2013 to 30th September 2014, and therefore are not entirely comparable.

	2015	2014
<b>5. Revenue</b>		
Directors Fees	135,000	180,000
Administration Fees	75,000	100,000
Revenue from Continuing Operations	210,000	280,000
Woolpack sales	307,114	384,294
Total Other Income	307,114	384,294
<b>Total Revenues</b>	517,114	664,294

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.

### 6. Overhead Expenses

Directors Fees	78,750	105,000
Other	167,763	384,505
Total Overhead Expenses	246,513	489,505

### 7. Finance Income and Expense

Interest Income on loans and receivables	167,209	219,190
Finance Income	167,209	219,190
Loan Interest Expense	(37,024)	(49,500)
Finance Expenses	(37,024)	(49,500)
<b>Net Finance Income</b>	130,185	169,690

### 8. Impairment Write Down

Impairment of Investment in Wool Equities Limited	(50,000)	0
Impairment of Investment in Bruce Woollen Mill Limited	(56,888)	0
Impairment of Accrued Interest from Bruce Woollen Mill Limited	(37,694)	0
Total Impairment Write Down	(144,582)	0

The impairment of Wool Equities Limited writes down the carrying value of the investment of \$50,000 to \$nil. See note 11.

The impairment of Bruce Woollen Mill Limited is based on analysis obtained from the Bruce Woollen Mill Limited Receiver. The principal amount of the loan has been impaired by 10%, reducing the carrying value of the investment from \$568,888 to \$511,994. See note 14.

Accrued interest on the Bruce Woollen Mill Limited loan of \$37,694 has been fully impaired. See note 14.



# Primary Wool Co-operative Limited

## NOTES TO THE FINANCIAL REPORT

FOR THE PERIOD ENDED 30TH JUNE 2015 (Cont.)

### 9. 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 3,532,927 (2014: 3,071,415).

	2015	2014
<b>10. Income Tax Expense in the Income Statement</b>		
<b>Current Tax Expense</b>		
Current Period	0	0
Adjustment for Prior Periods	0	0
	0	0
<b>Deferred Tax Expense</b>		
Recognition of previously unrecognised tax losses	0	0
	0	0
<b>Total Income Tax Expense</b>		
	0	0
<b>Reconciliation of Tax Expense</b>		
Profit/(Loss) for the period	(653,628)	(810,597)
Plus Dividends Received	0	1,000,000
Plus Imputation Credits	0	388,889
Add back Non-Deductible Expenditure	722,837	0
	69,209	578,292
Taxable Income	69,209	578,292
Total Income Tax Expense	0	0
	69,209	578,292
Profit/(Loss) excluding Income Tax	69,209	578,292
Income Tax @ 28%	19,379	161,922
Tax Losses for which no deferred tax asset was recognised	(19,379)	(161,922)
Under (Over) Provided in Prior Periods	0	0
	0	0
<b>Imputation Credits</b>		
Opening Balance - 1 October 2014	762,603	373,714
Dividends Received	0	388,889
	762,603	762,603
Closing Balance - 30 June 2015	762,603	762,603

Tax losses for accounting purposes are not carried forward as a deferred tax asset, as taxable profit is fully imputed from the Joint Venture Elders Primary Wool Limited 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 carried forward as at 30 June 2015 of \$3,948,759 (30 September 2014 \$3,654,960).

Non-deductible expenditure of \$722,837 includes \$363,008 added back in the 2014 tax year. The amount in 2014 relates to non-deductible losses made on woolpacks and in 2015 both losses on woolpacks and impairment write down expenses.



# Primary Wool Co-operative Limited

## NOTES TO THE FINANCIAL REPORT

FOR THE PERIOD ENDED 30TH JUNE 2015 (Cont.)

	2015	2014
<b>11. Investments</b>		
<b>Non-Current Investments</b>		
Investment in Elders Primary Wool Limited	2,251,218	1,147,220
Shares – Wool Equities Limited	50,000	50,000
Provision for Impairment to Shares – Wool Equities Limited	(50,000)	0
Total Non-Current Investments	2,251,218	1,197,200

Elders Primary Wool Limited's principal activity is the purchasing, brokering and selling of wool. The investment in Wool Equities Limited is 1,600,000 ordinary shares, representing a 4.92% shareholding (2014: 1.6m shares 4.92%).

Due to Wool Equities Limited delisting from the NZX, the Directors have assessed the investment for impairment. As no active market valuation exists for the equity investment, the Directors believe the equity investment has no market value. The Directors have impaired the investment in Wool Equities Limited by \$50,000.

### Summary of the Investee Statement of Financial Position:

Current Assets	14,817,000	8,765,000
Long-term Assets	5,067,000	2,197,000
Total Assets	19,884,000	10,962,000
Current Liabilities	(14,455,000)	(8,667,000)
Long-term Liabilities	0	0
Total Liabilities	(14,455,000)	(8,667,000)
Total Equity	5,429,000	2,295,000
Non Controlling Interest	(926,000)	0
Total Equity Attributable to Equity Holding of Parent	4,503,000	2,295,000

### Results of the Investee:

Total Revenue	35,552,000	34,479,000
Profit (Loss) Before Tax	2,944,271	2,769,000
Income Tax Expense (Refund)	899,276	779,000
Profit (Loss) for the Period	2,044,995	1,990,000

### Share of Investee Income (Loss)

Profit (Loss) Before Tax	1,472,136	1,384,500
Income Tax Expense (Refund)	449,638	389,500
Profit (Loss) for the Period	1,022,498	995,000

### Carrying Value of Investment in Elders Primary Wool Ltd:

Carrying value at 1 October 2014	1,147,220	1,152,220
Less Dividends Received from Investment	0	(1,000,000)
Surplus (deficit) attributable to this company	1,022,498	995,000
Add Effect of Transactions with Non-Controlling Equity Holders	81,500	0
Carrying value at 30 June 2015	2,251,218	1,147,220

No contingent liabilities have been incurred on behalf of, or in relation to the investee, other than as recorded in Note 25. Elders Primary Wool Limited and Group report no contingent liability as at 30 June 2015 (2014 \$nil).

No capital commitments have been incurred on behalf of, or in relation to, Elders Primary Wool Limited (2014 \$nil). Primary Wool Co-operative Limited transferred a 50% shareholding in NZ Yarn Limited to Elders Primary Wool Limited during the year. Refer to Note 26.



# Primary Wool Co-operative Limited

## NOTES TO THE FINANCIAL REPORT

FOR THE PERIOD ENDED 30TH JUNE 2015 (Cont.)

### 12. Equity

	Retained Earnings	Ordinary Shares	Ordinary Rebate Shares	Redeemable Preference Shares	Total Equity
<b>Reconciliation of Movement in Equity</b>					
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 Redeemed	0	(12,000)	(11,243)	(728,623)	(751,866)
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
Balance 1 October 2014	(1,990,277)	608,411	2,650,699	810,239	2,079,072
Total Recognised Income and Expense	368,870	0	0	0	368,870
Effects of Transactions with Non-controlling Interests Equity Holders	81,500	0	0	0	81,500
Shares Issued for Cash	0	0	164,100	0	164,100
Shares Issued from Rebates Retained	0	5,965	201,724	0	207,689
Shares Redeemed	0	(4,500)	(7,570)	(67,500)	(79,570)
Dividends to Equity Holders	0	0	0	0	0
<b>Balance 30 June 2015</b>	<b>(1,539,907)</b>	<b>609,876</b>	<b>3,008,953</b>	<b>742,739</b>	<b>2,821,661</b>
<b>Shares on Issue at 30 June 2015 (All fully paid)</b>		<b>609,876</b>	<b>3,008,953</b>	<b>742,739</b>	<b>4,361,568</b>

#### Redeemable Preference Shares

There are two classes of Redeemable Preference Shares:

Class A: \$695,239 Being those associated with M B de Lautour loans and advances that were converted to equity. (2014: \$762,739)

Class B: \$47,500 Being those associated with H B de Lautour which were issued in relation to the purchase of the CRT shares (2014: \$47,500).

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.

#### Dividends

There were no dividends approved by the Company in this Financial period (2014: Nil).



# Primary Wool Co-operative Limited

## NOTES TO THE FINANCIAL REPORT

FOR THE PERIOD ENDED 30TH JUNE 2015 (Cont.)

	2015	2014
<b>13. Cash and Deposits</b>		
BNZ Cheque Account	109,335	171,350
BNZ Call Account	13,362	299,244
	122,697	470,594

### 14. Receivables and Prepayments

Trade Receivables	0	13,166
Accrued Income	6,108	27
Loan to Bruce Woollen Mill Ltd	568,882	322,030
Accrued Interest on Loan to Bruce Woollen Mill Limited	37,694	6,785
Provision for Impairment to Loan to Bruce Woollen Mill Limited	(94,582)	0
Prepayments	7,121	4,433
GST receivable	1,434	0
	526,658	346,442

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. There is also a personal guarantee of up to \$200,000 plus interest, charges and costs from John Stevens. The interest rate is 8.0% per annum and is repayable on demand upon giving eighty four days notice to the borrower.

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.

Due to Bruce Woollen Mill Limited going into receivership, the Directors have assessed the investment for impairment. The Directors consider that the loan amount has been impaired by 10%. The Directors have impaired the investment in Bruce Woollen Mill Limited by \$56,888. Accrued interest from Bruce Woollen Limited of \$37,694 has been fully impaired.

### 15. Inventories

Finished goods – Woolpacks	118,752	36,316
Total inventory	118,752	36,316

### 16. Advances to Investee

Elders Primary Wool Ltd - Advance Account	1,750,000	1,950,000
Total Asset	1,750,000	1,950,000

The advance to Elders Primary Wool Ltd has an interest rate of 10.0% (2014: 10%) and is repayable on demand.



# Primary Wool Co-operative Limited

## NOTES TO THE FINANCIAL REPORT

FOR THE PERIOD ENDED 30TH JUNE 2015 (Cont.)

	2015	2014
<b>17. Accounts Payable and Accruals</b>		
Accounts Payable	121,653	122,243
Rebates Liability	171,411	137,933
Unclaimed Dividends	4,520	4,520
Unclaimed Rebates	80	63
GST Payable	0	6,741
Total Accounts Payable and Accruals	297,663	271,500

	2015	2014
<b>18. Loan and Borrowings</b>		
Shareholder Loans	1,650,000	1,650,000
Total Loans and Borrowings	1,650,000	1,650,000

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. (2014: 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.

### 19. Reconciliation of Cash Flow

Reported surplus (deficit) after taxation	368,870	184,403
<b>Non-Cash Items:</b>		
Share Loss (Profit) in Investee	(1,022,498)	(995,000)
Impairment Write Down	106,888	0
Shares Issued Retained from Rebates	207,689	262,290
<b>Working Capital Items Classified as Investment Activities:</b>		
Increase (Decrease) in Accounts Payable	76,446	(2,388)
Decrease (Increase) in Account Receivable	11,450	(11,397)
Decrease (Increase) in Other Accrued Revenue	(1,984)	(6,812)
Decrease (Increase) in Inventory	(82,436)	142,122
<b>Net Cash from (used in) Operating Activities</b>	(335,575)	(426,782)





# **Primary Wool Co-operative Limited**

## **NOTES TO THE FINANCIAL REPORT**

FOR THE PERIOD ENDED 30TH JUNE 2015 (Cont.)

### **20. 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. (2014: 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 (2014: 10%). As all interest rate risk is between related parties it is not anticipated that there is a significant risk.

### **21. Operating Commitments**

At balance date, there were no operating commitments. (2014 Nil)

### **22. Capital Commitments**

At balance date, there were no capital commitments. (2014: Nil)



# Primary Wool Co-operative Limited

## NOTES TO THE FINANCIAL REPORT

FOR THE PERIOD ENDED 30TH JUNE 2015 (Cont.)

### 23. Related Party Disclosures

Elders Primary Wool Limited and Group, a joint venture company is a related party as described in Note 1 Reporting Entity.

#### Transactions with Investee

The Company has advanced money to its investee, Elders Primary Wool Limited. This advance is detailed in note 16.

The Company earned from Elders Primary Wool Limited, Director's Fees during the period ended 30 June 2015 of \$135,000 (2014: \$180,000) and Administration Fees of \$75,000 (2014: \$100,000). Apart from the share of the profit from the Investee, Dividends received and the purchase of woolpacks there were no other significant trading transactions with the Investee (2014: Nil).

For investment in NZ Yarn Limited, please refer to Note 26.

#### Transactions with Directors

Directors fees of \$78,750 were paid during the period ended 30 June 2015 (2014: \$105,000).

During the period 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. (2014: Nil)

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

As disclosed in Note 18, M B de Lautour has lent the Company a total of \$1,650,000 (2014: \$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 (2014: 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.

Directors also hold rebate shares and receive rebates on the same basis as other co-operative members.

	2015	2014
<b>Shareholdings of Related Parties</b>		
<i>Shares under the control of the Director</i>		
<b>M B de Lautour</b>		
Shares Held at 1 October 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
Shares Redeemed during the year		
Redeemable Preference Shares	(67,500)	(522,240)
	772,071	839,571
Shares Held at 30 June 2015		
Redeemable Preference Shares	695,239	762,739
Ordinary Shares	76,332	76,332
Ordinary Rebate Shares	500	500
	772,071	839,571

M B de Lautour is a Director of the Joint Venture Elders Primary Wool Limited, as well as the subsidiaries of that company Wool Exports NZ Limited, Wool Marketing Enterprises Limited, as well as Bruce Woollen Mills Limited of which Primary Wool Co-operative has lent funds per Note 14. He has a 1.3% shareholding in NZ Yarn Limited which is 58% owned by Elders Primary Wool Limited.



# Primary Wool Co-operative Limited

## NOTES TO THE FINANCIAL REPORT

FOR THE PERIOD ENDED 30TH JUNE 2015 (Cont.)

### 23. Related Party Disclosures (cont.)

#### H C Gardner

Shares Held at 1 October 2014		
Redeemable Preference Shares	0	6,384
Ordinary Rebate Shares	11,904	11,904
	<hr/>	<hr/>
	11,904	18,288
Shares Redeemed during the year		
Redeemable Preference Shares	0	(6,384)
	<hr/>	<hr/>
	11,904	11,904
Shares Transferred during the year		
Redeemable Preference Shares	0	0
Ordinary Rebate Shares	0	0
	<hr/>	<hr/>
	11,904	11,904
Shares Held at 30 June 2015		
Redeemable Preference Shares	0	0
Ordinary Rebate Shares	11,904	11,904
	<hr/>	<hr/>
	11,904	11,904

H C Gardner is a Director of the Joint Venture Elders Primary Wool Limited, as well as the subsidiaries of that company Wool Exports NZ Limited, Wool Marketing Enterprises Limited and NZ Yarn Limited.

#### H B de Lautour

Shares Held at 1 October 2014		
Redeemable Preference Shares	47,500	247,500
Ordinary Rebate Shares	21,204	21,204
	<hr/>	<hr/>
	68,704	268,704
Shares Redeemed during the year		
Redeemable Preference Shares	0	(200,000)
	<hr/>	<hr/>
	68,704	68,704
Shares Held at 30 June 2015		
Redeemable Preference Shares	47,500	47,500
Ordinary Rebate Shares	21,204	21,204
	<hr/>	<hr/>
	68,704	68,704

H B de Lautour is a Director of NZ Yarn Limited.

Christopher Udale resigned as Director on 30 June 2015.



# Primary Wool Co-operative Limited

## NOTES TO THE FINANCIAL REPORT

FOR THE PERIOD ENDED 30TH JUNE 2015 (Cont.)

### 24. 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.

### 25. 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.

There were no other contingent assets or liabilities as at 30 June 2015 (2014: Nil).

### 26. Investment in Subsidiary

#### 2015

A 50% holding of 350,000 shares in NZ Yarn Limited was transferred to the Investee Company Elders Primary Wool Limited in November 2014 for the nominal cost of \$350. Elders Primary Wool Limited's shareholding in NZ Yarn Limited was 2,207,500 shares (58.87% of the shares) as at 30 June 2015. Accordingly NZ Yarn Limited is no longer a subsidiary of Primary Wool Co-operative Limited requiring consolidation.

#### 2014

NZ Yarn Limited was formed in August 2014 and as at 30 September 2014, Primary Wool Co-operative Limited owned 350,000 shares (50% of the shares) at a nominal cost of \$350. The Investee Elders Primary Wool Limited held the other 50% of the shares at 30 September 2014.

NZ Yarn Limited entered into a conditional contract in September 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 raising capital of \$3,000,000. This went unconditional on 21 November 2014.



# **Primary Wool Co-operative Limited**

## *NOTES TO THE FINANCIAL REPORT*

FOR THE PERIOD ENDED 30TH JUNE 2015 (Cont.)

### **27. Post Balance Date Events**

On 2 July 2015 the Joint Venture Elders Primary Wool Limited declared a dividend of \$1,000,000 plus imputation credits of \$388,888 be paid to its Shareholders on 30 July 2015. Primary Wool Co-operative Limited will receive 50% of this as their half-share.

On 29 August 2015 the Joint Venture Elders Primary Wool Limited changed its name to Carrfields Primary Wool Limited.

On 5 October 2015 Bruce Woollen Limited went into receivership. See Notes 8 and 14.

