

Primary Wool Co-operative Limited
42ND ANNUAL REPORT
and Statement of Accounts for the year ended 30 JUNE 2016



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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, FINST.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 year ended 30 June 2016 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 4th day of November 2016.


M B de Lautour


H C Gardner


H B de Lautour



Chairman's Report

FOR THE YEAR ENDED 30TH JUNE 2016

The wool industry has a history of delivering surprises. The Co-operative's loss this year, the first in many years, resulted from a large decrease in wool volume due to a decrease in sheep numbers and lower wool weights in some areas because of the drought.

CP Wool Results

CP Wool increased market share at auction but had a 3% reduction in volume. Private buying has also been the most competitive in our 42 years. NZ Yarn Limited, of which CP Wool owns 58%, made a loss which is reflected in the accounts. In spite of these setbacks the CP Wool Balance Sheet is strong and the outlook bright. New management at NZ Yarn and a number of new initiatives will be positive going forward. CP Wool declared and paid a \$1,000,000 dividend at the end of the year which the shareholders have lent back to the Company.

Continued Membership Growth

The Co-operative has had another strong growth in membership with another 38 members signing up. Rebates continue to rise with increased members' wool being auctioned including that from new members. Woolpack sales have also increased for the same reason. The transacting shareholders continue to receive an excellent return on their investment.

Industry-good Support

Our Campaign for Wool sponsorship via "A Weekend in a Woolshed" had nine young architectural students learning the attributes of wool and designing new concepts for wool. Hamish and I attended the weekend and were thrilled with the enthusiasm for wool gained by the students from the exercise.

Just Shorn®

Just Shorn® carpets are now being sold in New Zealand by Harrison's Carpet One. Although there is a limited range, sales

have exceeded expectations. Just Shorn® USA is soon to be relaunched taking a new and exciting direction. Just Shorn® product is to be sold in an upmarket hard flooring retailer which is expected to capture more of the value chain right through to the consumer.

Industry Consolidation

The Co-operative endeavoured to consolidate the industry through our investment in Wool Equities. As covered in last year's report, Bruce Woollen Mill Limited was put into receivership in the spring. Although no cash was collected for the security holders, the Co-operative purchased the plant and fittings as part of our General Security Agreement and is pursuing the guarantor under his guarantee. We are expecting a new operator to lease or purchase part of the plant with the rest of the assets to be sold.

Annual General Meeting

Our AGM in Dannevirke on Friday 2nd December is to be addressed by Craig Carr who will outline his family's vision for the future of CP Wool. I urge shareholders to make an effort to attend and meet Craig.

I thank my fellow Directors and our Secretary and his staff for their continued support.



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 2016, 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 on behalf of the company for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to 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

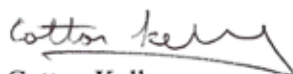
In our opinion, the financial statements present fairly, in all material respects, the financial position of Primary Wool Co-operative Limited as at 30 June 2016, and its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

Emphasis of Matter

As more fully described in notes 8 and 14 of the financial statements, the statement of financial position includes a loan receivable from Bruce Woollen Mill Limited. The Directors have assessed the recoverability of the loan and disclosed an impaired value. The collectability of the impaired loan is dependant on the outcome of court proceedings on the guarantor subsequent to balance date. Our opinion is not qualified in respect of this matter.

Restriction on Responsibility

This report is made solely to the company's shareholders, as a body, in accordance with Section 207B(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.



Cotton Kelly
4 November 2016

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 year ended 30 June 2016.

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 Carrfields 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	\$35,000 (Directors Fees)
Howard Clyde GARDNER	\$25,000 (Directors Fees)
Hamish Bayly de LAUTOUR	\$25,000 (Directors Fees)

Details of director's interests are covered in Note 24 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 \$8,700 were paid to Cotton Kelly during the year to 30 June 2016.

Signed on behalf of the Board on 4 November 2016.


DIRECTOR


DIRECTOR

Primary Wool Co-operative Limited

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30TH JUNE 2016

	Notes	2016	9 months 2015
Revenue	5	923,408	517,114
Cost of sales – Woolpacks		(828,244)	(522,329)
Gross Profit		95,164	(5,215)
Audit Fees		(9,300)	(8,404)
Overhead Expenses	6	(288,800)	(246,513)
Rebate Expense		(467,042)	(379,100)
Operating Profit (Loss)		(669,978)	(639,231)
Finance Income	7	217,665	167,209
Finance Expenses	7	(49,636)	(37,024)
Impairment Write Down	8	0	(144,582)
Profit (Loss) before income tax and equity accounted income		(501,949)	(653,628)
Equity Accounted Income	11	79,648	1,022,498
Profit (Loss) before income tax		(422,301)	368,870
Income tax expense	10	0	0
Profit (Loss) for the period		(422,301)	368,870
Other Comprehensive Income		0	0
Total Comprehensive Income (Loss) for the period		(422,301)	368,870
Earnings Per Share	9	(\$0.1107)	\$0.1044

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 YEAR ENDED 30TH JUNE 2016

	Notes	Share capital	Retained earnings	Total Equity
Balance at 1 October 2014		4,069,349	(1,990,277)	2,079,072
Total comprehensive income for the period				
Profit (Loss) for the period		0	(653,628)	(653,628)
Share of Investee Income (Loss)	11	0	1,022,498	1,022,498
Effects of Transactions with Non-controlling Interests Equity Holders	11	0	81,500	81,500
Transactions with owners, recorded directly in equity				
Shares Issued	12	371,789	0	371,789
Shares Redeemed	12	(79,570)	0	(79,570)
Net Dividend Paid		0	0	0
Balance at 30 June 2015		4,361,568	(1,539,907)	2,821,661
Balance at 1 July 2015		4,361,568	(1,539,907)	2,821,661
Total comprehensive income for the period				
Profit (Loss) for the period		0	(501,949)	(501,949)
Share of Investee Income (Loss)	11	0	79,648	79,648
Effects of Transactions with Non-controlling Interests Equity Holders	11	0	10,000	10,000
Transactions with owners, recorded directly in equity				
Shares Issued	12	335,492	0	335,492
Shares Redeemed	12	(291,978)	0	(291,978)
Net Dividend Paid		0	0	0
Balance at 30 June 2016		4,405,082	(1,952,208)	2,452,874

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 2016

	Notes	2016	2015
Assets			
Cash and cash equivalents	13	202,321	122,697
Trade and other receivables	14	269,097	526,658
Inventory	15	72,390	118,752
Due from Investee	17	2,250,000	1,750,000
Total Current Assets		2,793,807	2,518,106
Investments	11	1,340,866	2,251,218
Plant and Equipment	16	350,000	0
Total Non-Current Assets		1,690,866	2,251,218
Total Assets		4,484,673	4,769,324
Liabilities			
Trade and other payables	18	381,800	297,663
Interest-bearing Loans and Borrowings	19	1,650,000	1,650,000
Total Current Liabilities		2,031,800	1,947,663
Total Liabilities		2,031,800	1,947,663
Equity			
Share Capital		4,405,082	4,361,568
Retained Earnings		(1,952,208)	(1,539,907)
Total Equity	12	2,452,874	2,821,661
Total Equity and Liabilities		4,484,673	4,769,324

M. B. dehauteurs

Director
Date: 4 November 2016

AL Kelly

Director
Date: 4 November 2016



Primary Wool Co-operative Limited

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2016

	Notes	2016	9 months 2015
Net Cash Flows from Operating Activities			
<i>Cash provided from:</i>			
Receipts from Customers		922,990	522,457
Interest Received		179,659	136,327
		<u>1,102,649</u>	<u>658,784</u>
<i>Cash applied to:</i>			
Payments to Suppliers		(1,231,411)	(975,335)
Interest Expense Paid		(49,636)	(37,024)
		<u>(1,281,047)</u>	<u>(994,359)</u>
Net Cash from (used in) Operating Activities	20	<u>(178,398)</u>	<u>(335,575)</u>
Cash Flows from Investing Activities			
<i>Cash provided from:</i>			
Repayment of Advances from Subsidiaries and Investee		0	200,000
		<u>0</u>	<u>200,000</u>
<i>Cash applied to:</i>			
Purchase of Investments		0	(296,852)
		<u>0</u>	<u>(296,852)</u>
Net Cash from (used in) Investing Activities		<u>0</u>	<u>(96,852)</u>
Cash Flows from Financing Activities			
<i>Cash provided from:</i>			
Shares Issued for Cash		50,000	164,100
Dividends Received		500,000	0
		<u>550,000</u>	<u>164,100</u>
<i>Cash applied to:</i>			
Share Redemptions		(291,978)	(79,570)
		<u>(291,978)</u>	<u>(79,570)</u>
Net Cash from (used in) Financing Activities		<u>258,022</u>	<u>84,530</u>
Net Increase (Decrease) in Cash Held		<u>79,624</u>	<u>(347,897)</u>
Cash Balances at Beginning of Year		122,697	470,594
Closing Cash Balances	13	<u><u>202,321</u></u>	<u><u>122,697</u></u>

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 YEAR ENDED 30TH JUNE 2016

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 Limited 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 Carrfields 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 (2015: 0%). NZ Yarn Limited held assets or liabilities as at 30 June 2016 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 2016 were approved and authorised for issue by the board on the 4th November 2016.

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 YEAR ENDED 30TH JUNE 2016 (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 11. 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 Carrfields 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 Carrfields 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 YEAR ENDED 30TH JUNE 2016 (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) Property, Plant and Equipment

Property, plant and equipment is initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Company's management. Property, plant and equipment is subsequently measured using the cost model being cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight line basis to write down the cost less estimated residual value of property, plant and equipment. The following useful lives are applied:

Property, plant and equipment 3-15 years

Material residual value estimates and estimates of useful life are updated as required. Gains or losses on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the Statement of Comprehensive Income.



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2016 (Cont.)

(l) 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.

(m) Goods and Services Tax

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

(n) 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.

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, Carrfields Primary Wool. Information for the 2016 year covers the twelve month period from 1st July 2015 to 30th June 2016. Comparatives for the 2015 year cover a nine month period, from 1st October 2014 to 30th June 2015, and therefore are not entirely comparable.

5. Revenue

	2016	9 months 2015
Directors Fees	180,000	135,000
Administration Fees	100,000	75,000
Revenue from Continuing Operations	280,000	210,000
Woolpack sales	643,408	307,114
Total Other Income	643,408	307,114
Total Revenues	923,408	517,114

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	85,000	78,750
Other	203,800	167,763
Total Overhead Expenses	288,800	246,513



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2016 (Cont.)

	2016	2015
7. Finance Income and Expense		
Interest Income on loans and receivables	229,094	167,209
Less Interest Write Down Bruce Woollen Mill Limited	(11,429)	0
Finance Income	<u>217,665</u>	<u>167,209</u>
Loan Interest Expense	(49,636)	(37,024)
Finance Expenses	<u>(49,636)</u>	<u>(37,024)</u>
Net Finance Income	<u><u>168,030</u></u>	<u><u>130,185</u></u>
8. Impairment Write Down		
Impairment of Investment in Wool Equities Limited	0	(50,000)
Impairment of Investment in Bruce Woollen Mill Limited	0	(56,888)
Impairment of Accrued Interest from Bruce Woollen Mill Limited	0	(37,694)
Total Impairment Write Down	<u><u>0</u></u>	<u><u>(144,582)</u></u>

2015

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.

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 3,815,721 (2015: 3,532,927).



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2016 (Cont.)

	2016	2015
10. 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	(501,949)	(653,628)
Plus Dividends Received	1,000,000	0
Plus Imputation Credits	388,888	0
Less Deductible Bad Debts Written off	(37,694)	0
Add back Non-Deductible Expenditure	184,836	722,837
	1,034,082	69,209
Taxable Income	1,034,082	69,209
Total Income Tax Expense	0	0
	1,034,082	69,209
Profit/(Loss) excluding Income Tax	1,034,082	69,209
Income Tax @ 28%	289,543	19,379
Tax Losses for which no deferred tax asset was recognised	(289,543)	(19,379)
Under (Over) Provided in Prior Periods	0	0
	0	0
Total Income Tax Expense	0	0
Imputation Credits		
Opening Balance - 1 July 2015	762,603	762,603
Dividends Received	388,888	0
	1,151,491	762,603
Closing Balance - 30 June 2016	1,151,491	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 Carrfields 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 2016 of \$4,303,565 (30 June 2015 \$3,948,759).

Non-deductible expenditure of \$184,836 relates to losses made on the sale of woolpacks. The Bad Debts written off related to Bruce Woollen Mill Limited and had previously been non deductible provisions.

The amount in 2015 of \$722,837 relates to non-deductible losses made on woolpacks and impairment write down expenses.



FOR THE YEAR ENDED 30TH JUNE 2016 (Cont.)

2016 9 months
2015

11. Investments

Non-Current Investments

Investment in Carrfields Primary Wool Limited (50%)	1,340,866	2,251,218
Shares – Wool Equities Limited	0	50,000
Provision for Impairment to Shares – Wool Equities Limited	0	(50,000)
Total Non-Current Investments	1,340,866	2,251,218

Carrfields Primary Wool Limited's principal activity is the purchasing, brokering and selling of wool. Carrfields Primary Wool Limited was incorporated in New Zealand. The investment in Wool Equities Limited is 1,600,000 ordinary shares, representing a 4.92% shareholding (2015: 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 written off the investment.

Summary of the Investee Statement of Financial Position:

Current Assets	12,681,000	14,817,000
Long-term Assets	5,230,000	5,067,000
Total Assets	17,911,000	19,884,000
Current Liabilities	(14,853,000)	(14,455,000)
Long-term Liabilities	0	0
Total Liabilities	(14,853,000)	(14,455,000)
Total Equity	3,058,000	5,429,000
Non Controlling Interest	(376,000)	(926,000)
Total Equity Attributable to Equity Holding of Parent	2,682,000	4,503,000

Results of the Investee Before Non Controlling Interests Adjustment:

Total Revenue	56,199.00	35,552,000
Profit (Loss) Before Tax	(39,640)	2,737,271
Less Income Tax Expense	(380,889)	(899,276)
Profit (Loss) for the Period	(420,529)	1,837,995

Share of Investee Income (Loss) Adjusted for Non Controlling Interests

Profit (Loss) Before Tax	(19,820)	1,368,636
Less Income Tax Expense	(190,444)	(449,638)
Plus Non Controlling Interest's Share of (Profit) Loss	289,912	103,500
Profit (Loss) for the Period Adjusted for Non Controlling Interests	79,648	1,022,498

Carrying Value of Investment in Carrfields Primary Wool Ltd:

Carrying value at 1 July 2015	2,251,218	1,147,220
Less Dividends Received from Investment	(1,000,000)	0
Surplus (deficit) attributable to this company	79,648	1,022,498
Add Effect of Transactions with Non-Controlling Equity Holders	10,000	81,500
Carrying value at 30 June 2016	1,340,866	2,251,218

No contingent liabilities have been incurred on behalf of, or in relation to the investee, other than as recorded in Note 26.

Carrfields Primary Wool Limited and Group report no contingent liability as at 30 June 2016 (2015 \$nil).

No capital commitments have been incurred on behalf of, or in relation to Carrfields Primary Wool Limited (2015 \$nil).

Primary Wool Co-operative Limited transferred a 50% shareholding in NZ Yarn Limited to Carrfields Primary Wool Limited during the 2015 period. Refer to Note 27.



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2016 (Cont.)

12. Equity

	Retained Earnings	Ordinary Shares	Ordinary Rebate Shares	Redeemable Preference Shares	Total Equity
Reconciliation of Movement in Equity					
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 Converted	0	0	0	0	0
Shares Redeemed	0	(4,500)	(7,570)	(67,500)	(79,570)
Balance 30 June 2015	(1,539,907)	609,876	3,008,953	742,739	2,821,661
Balance 1 July 2015	(1,539,907)	609,876	3,008,953	742,739	2,821,661
Total Recognised Income and Expense	(422,301)	0	0	0	(422,301)
Effects of Transactions with Non-controlling Interests Equity Holders	10,000	0	0	0	10,000
Shares Issued for Cash	0	0	50,000	0	50,000
Shares Issued from Rebates Retained	0	12,174	273,318	0	285,492
Shares Converted	0	0	0	0	0
Shares Redeemed	0	(32,818)	(45,660)	(213,500)	(291,978)
Balance 30 June 2016	(1,952,208)	589,232	3,286,611	529,239	2,452,874
Shares on Issue at 30 June 2016 (All fully paid)		589,232	3,286,611	529,239	4,405,082

Redeemable Preference Shares

There are two classes of Redeemable Preference Shares:

Class A: \$481,739 Being those associated with M B de Lautour loans and advances that were converted to equity. (2015: \$695,239)

Class B: \$47,500 Being those associated with H B de Lautour which were issued in relation to the purchase of the CRT shares (2015: \$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 (2015: Nil).



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2016 (Cont.)

	2016	2015
13. Cash and Cash Equivalents		
BNZ Cheque Account	134,796	109,335
BNZ Call Account	67,525	13,362
Total Cash and Cash Equivalents	<u>202,321</u>	<u>122,697</u>

14. Receivables and Prepayments

Trade Receivables	345	0
Accrued Income	6,226	6,108
Loan to Bruce Woollen Mill Ltd	200,000	568,882
Accrued Interest on Loan to Bruce Woollen Mill Limited	0	37,694
Provision for Impairment to Loan to Bruce Woollen Mill Limited	0	(94,582)
Prepayments	7,046	7,122
GST receivable	55,479	1,434
Total Receivables and Prepayments	<u>269,097</u>	<u>526,658</u>

The net carrying value of trade receivables is considered a reasonable approximation of fair value.

The Co-operative's trade and other receivables have been reviewed for indicators of impairment.

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.

2016

Due to Bruce Woollen Mill Limited going into liquidation, the Directors have assessed the investment for impairment. As Primary Wool Co-operative Limited has commenced legal action under the personal guarantee, the Directors have deemed it reasonable to carry the balance of the loan at the value of the personal guarantee.

2015

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 Mill Limited of \$37,694 has been fully impaired.

15. Inventories

Finished goods – Woolpacks	72,390	118,752
Total inventory	<u>72,390</u>	<u>118,752</u>



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2016 (Cont.)

	2016	2015
16. Property, Plant and Equipment		
Property, Plant and Equipment	350,000	0
Total Property, Plant and Equipment	<u>350,000</u>	<u>0</u>

Property, plant and equipment owned by Bruce Woollen Mill Limited has been acquired by Primary Wool Co-operative Limited under the general security agreement on 30th June 2016. As the purchase was on the last day of the financial year, there is no depreciation expense for 2016.

17. Advances to Investee

Carrfields Primary Wool Ltd - Advance Account	2,250,000	1,750,000
Total Advances to Investee	<u>2,250,000</u>	<u>1,750,000</u>

The advance to Carrfields Primary Wool Ltd has an interest rate of 10.0% (2015: 10%) and is repayable on demand.

18. Accounts Payable and Accruals

Accounts Payable	195,313	121,653
Rebates Liability	181,813	171,411
Unclaimed Dividends	4,613	4,520
Unclaimed Rebates	60	80
Total Accounts Payable and Accruals	<u>381,800</u>	<u>297,663</u>

19. Loan and Borrowings

Shareholder Loans	1,650,000	1,650,000
Total Loans and Borrowings	<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. (2015: 3%). Mr de Lautour has confirmed that he will not require repayment of this loan until sufficient funds are released from Carrfields Primary Wool Ltd.



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2016 (Cont.)

20. Reconciliation of Cash Flow

	2016	2015
Reported surplus (deficit) after taxation	(422,301)	368,870
Non-Cash and Non-Operating Items:		
Share Loss (Profit) in Investee	(79,648)	(1,022,498)
Impairment Write Down	0	106,888
Shares Issued Retained from Rebates	285,492	207,689
Interest from Bruce Woollen Mill Limited	(38,006)	0
Working Capital Items Classified as Investment Activities:		
Increase (Decrease) in Accounts Payable	29,955	76,446
Increase (Decrease) in Dividends and Rebates Unclaimed	92	0
Decrease (Increase) in Account Receivable	(300)	11,450
Decrease (Increase) in Other Accrued Revenue	(44)	(1,984)
Decrease (Increase) in Inventory	46,362	(82,436)
Net Cash from (used in) Operating Activities	<u>(178,398)</u>	<u>(335,575)</u>

21. Financial Instruments

Exposure to interest rate and credit risk arises in respect to the Company's investment in Carrfields 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 Carrfields Primary Wool Limited. The Company holds second security over the assets of Carrfields 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. (2015: 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 Carrfields Primary Wool Ltd at 10.0% per annum (2015: 10%). As all interest rate risk is between related parties it is not anticipated that there is a significant risk.

22. Operating Commitments

At balance date, there were no operating commitments. (2015 Nil)

23. Capital Commitments

At balance date, there were no capital commitments. (2015: Nil)



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2016 (Cont.)

24. Related Party Disclosures

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

Transactions with Carrfields Primary Wool Limited

The Company has advanced money to its investee, Carrfields Primary Wool Limited. This advance is detailed in note 17.

The Company earned from Carrfields Primary Wool Limited, Director's Fees during the period ended 30 June 2016 of \$180,000 (2015: \$135,000) and Administration Fees of \$100,000 (2015: \$75,000). 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 (2015: Nil).

For investment in NZ Yarn Limited, please refer to Note 27.

Transactions with Directors

Directors fees of \$85,000 were paid during the period ended 30 June 2016 (2015: \$78,750).

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. (2015: Nil)

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

As disclosed in Note 19, M B de Lautour has lent the Company a total of \$1,650,000 (2015: \$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 (2015: 3%). Mr de Lautour has confirmed that he will not require repayment of this loan until funds are released from Carrfields 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.

	2016	2015
Shareholdings of Related Parties		
<i>Shares under the control of the Director</i>		
M B de Lautour		
Shares Held at 1 July 2015		
Redeemable Preference Shares	695,239	762,739
Ordinary Shares	76,332	76,332
Ordinary Rebate Shares	500	500
	772,071	839,571
Shares Redeemed during the year		
Redeemable Preference Shares	(213,500)	(67,500)
	558,571	772,071
Shares Held at 30 June 2016		
Redeemable Preference Shares	481,739	695,239
Ordinary Shares	76,332	76,332
Ordinary Rebate Shares	500	500
	558,571	772,071

M B de Lautour is a Director of the Joint Venture Carrfields Primary Wool Limited, as well as the subsidiaries of that company Wool Exports NZ Limited, Wool Marketing Enterprises Limited, as well as Bruce Woollen Mill 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 Carrfields Primary Wool Limited.



Primary Wool Co-operative Limited
NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2016 (Cont.)

24. Related Party Disclosures (cont.)

	2016	2015
H C Gardner		
Shares Held at 1 July 2015		
Redeemable Preference Shares	0	0
Ordinary Rebate Shares	11,904	11,904
	11,904	11,904
Shares Redeemed during the year		
Redeemable Preference Shares	0	0
	11,904	11,904
Shares Transferred during the year		
Redeemable Preference Shares	0	0
Ordinary Rebate Shares	0	0
	11,904	11,904
Shares Held at 30 June 2016	11,904	11,904
Redeemable Preference Shares	0	0
Ordinary Rebate Shares	11,904	11,904
	11,904	11,904

H C Gardner is a Director of the Joint Venture Carrfields 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 July 2015		
Redeemable Preference Shares	47,500	47,500
Ordinary Rebate Shares	21,204	21,204
	68,704	68,704
Shares Redeemed during the year		
Redeemable Preference Shares	0	0
	68,704	68,704
Shares Held at 30 June 2016	68,704	68,704
Redeemable Preference Shares	47,500	47,500
Ordinary Rebate Shares	21,204	21,204
	68,704	68,704

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



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2016 (Cont.)

25. Going Concern

The directors continue to adopt the going concern assumption and are able to meet the solvency requirements of the Companies Act 1993.

26. Contingent Assets and Liabilities

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

There were no other contingent assets or liabilities as at 30 June 2016 (2015: Nil).

27. Investment in Subsidiary

2015 Comparative information only

A 50% holding of 350,000 shares in NZ Yarn Limited was transferred to the Investee Company Carrfields Primary Wool Limited in November 2014 for the nominal cost of \$350. Carrfields Primary Wool Limited's shareholding in NZ Yarn Limited was 2,207,500 shares (58.87% of the shares) as at 30 June 2016. Accordingly NZ Yarn Limited is no longer a subsidiary of Primary Wool Co-operative Limited requiring consolidation.

28. Post Balance Date Events

2016

There were no material post balance date events.

2015

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.

