

Primary Wool Co-operative Limited

43RD ANNUAL REPORT

and Statement of Accounts for the year ended 30 JUNE 2017



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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 year ended 30 June 2017 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 31st day of October 2017.


M B de Lautour


H C Gardner


H B de Lautour

Chairman's Report

FOR THE YEAR ENDED 30TH JUNE 2017

2017 has been a perfect storm. The Co-operative is required to consolidate the CP Wool and NZ Yarn results and both produced losses for the year. The Co-operative's own operating loss is similar to previous years with holding costs for Bruce Woollen Mill being a large expense while we await the sale of the plant. As a result, the Directors considered it prudent to pay out all rebates in shares.

The effect of low wool volumes

CP Wool earns the bulk of its income from auction services to growers. With 15% of wool passed in at auction, more on hold in store and in farm sheds, and a lower wool clip from a dry season meant a large reduction in income. This is further compounded by testing and storage costs not being recovered until wool is sold. On a positive note, volumes sold to date since June are ahead of most years and clips are heavier.

NZ Yarn restructure

NZ Yarn had a change of management - marketing and deliveries had not been good in its first year of operation and Australian orders were still slow through the second year. Since Colin McKenzie ex Cavalier Managing Director took over at the start of the 2017 financial year, a lot of money has been spent upgrading machinery, and rearranging the layout to make the mill more efficient and to enable areas to be subleased. New yarn types have also been developed. The benefits are now coming through and the mill is operating profitably with a large number of new clients, largely in the USA.

Volatility is nothing new

Wool has always been a volatile commodity. There were major corrections in both 1968 and 1969 and in 1992 there was a major lack of demand. In both occasions the Wool Board bought nearly half the clip. Demand has always recovered over time. This year only crossbred prices have slumped, with possible causes being a build-up of stocks in China as well as cheap synthetic branded products being aggressively marketed. The low prices should enable wool to become more competitive at the commodity end while more innovation takes place at the top end of the market. Better style and colour wools are selling much better than the poorly sorted and mixed types.

North America

The relaunch of Just Shorn® in North America was attended by a number of growers, CP Wool reps and board members. CP Wool management have negotiated a new model that will return many times the value of the farmers' wool to New Zealand as our arrangement with Carlisle Wide Plank Flooring will return a share of the retail profit at the very top end of the market where our carpets and rugs will not be in competition with synthetic products. Our members will benefit from the added value. More capital will be required to fund inventory and extend the model to other markets in the world.

Annual General Meeting

We urge all members to attend the AGM in Dannevirke on Friday 1 December where Colin McKenzie will tell us how our wool can be made into yarn in New Zealand to make striking new carpets that will service the top priced markets in the world.

Subsequent to balance date

We welcomed Janette Osborne onto the Board in October 2017. She has wide experience in many aspects of the wool industry. And positive discussions are close to being finalised which will see the Bruce Woollen Mill plant up and running again providing important added value capacity to the New Zealand wool industry.

Finally, I thank my fellow Directors and our Secretary and his staff for what has been a difficult year.



M B deLautour
Chairman

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Primary Wool Co-operative Limited

Opinion

We have audited the financial statements of Primary Wool Co-operative Limited (the Company), on pages 8 to 25, which comprise the statement of financial position as at 30 June 2017 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements on pages 8 to 25 present fairly, in all material respects, the financial position of the Company as at 30 June 2017 and its financial performance and its cash flows for the year then ended, in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described below in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

Responsibilities of the Directors for the Financial Statements

The directors are responsible on behalf of the company for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

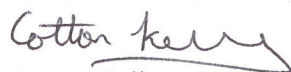
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the XRB's website at https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page8.aspx

Restriction on Responsibility

This report is made solely to the company's shareholders, as a body. 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

31 October 2017

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 2017.

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 period.

EMPLOYEE REMUNERATION

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 \$8,500 were paid to Cotton Kelly during the year to 30 June 2017.

Signed on behalf of the Board on 31 October 2017.



M B de Lautour
DIRECTOR



H C Gardner
DIRECTOR

Primary Wool Co-operative Limited

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30TH JUNE 2017

	Notes	2017	2016
Revenue	4	913,682	923,408
Cost of sales – Woolpacks		(719,559)	(828,244)
Gross Profit		194,123	95,164
Audit Fees		(8,500)	(9,300)
Overhead Expenses	5	(473,196)	(288,800)
Rebate Expense		(379,704)	(467,042)
Operating Profit (Loss)		(667,277)	(669,978)
Finance Income	6	215,649	217,665
Finance Expenses	6	(71,149)	(49,636)
Impairment Write Down	7	(200,000)	0
Profit (Loss) before income tax and equity accounted income		(722,777)	(501,949)
Equity Accounted Income	10	(1,647,018)	79,648
Profit (Loss) before income tax		(2,369,795)	(422,301)
Income tax expense	9	0	0
Profit (Loss) for the period		(2,369,795)	(422,301)
Other Comprehensive Income		0	0
Total Comprehensive Income (Loss) for the period		(2,369,795)	(422,301)
Earnings Per Share	8	(\$0.5727)	(\$0.1107)

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 2017

	Notes	Share capital	Retained earnings	Total Equity
Balance at 1 July 2015		4,361,568	(1,539,908)	2,821,660
Total comprehensive income for the period				
Profit (Loss) for the period		0	(501,949)	(501,949)
Share of Investee Income (Loss)	10	0	79,648	79,648
Effects of Transactions with Non-controlling Interests Equity Holders	10	0	10,000	10,000
Transactions with owners, recorded directly in equity				
Shares Issued	11	335,492	0	335,492
Shares Redeemed	11	(291,978)	0	(291,978)
Net Dividend Paid		0	0	0
Balance at 30 June 2016		4,405,082	(1,952,209)	2,452,873
Balance at 1 July 2016		4,405,082	(1,952,209)	2,452,873
Total comprehensive income for the period				
Profit (Loss) for the period		0	(722,777)	(722,777)
Share of Investee Income (Loss)	10	0	(1,647,018)	(1,647,018)
Effects of Transactions with Non-controlling Interests Equity Holders	10	0	0	0
Transactions with owners, recorded directly in equity				
Shares Issued	11	417,957	0	417,957
Shares Redeemed	11	(27,690)	0	(27,690)
Net Dividend Paid		0	0	0
Balance at 30 June 2017		4,795,349	(4,322,004)	473,345

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 2017

	Notes	2017	2016
Assets			
Cash and cash equivalents	12	59,454	202,321
Trade and other receivables	13	129,254	269,097
Inventory	14	0	72,390
Assets held for resale	15	335,000	0
Due from Investee	17	1,993,848	2,250,000
Total Current Assets		2,517,556	2,793,807
Investments	10	0	1,340,866
Plant and Equipment	16	0	350,000
Total Non-Current Assets		0	1,690,866
Total Assets		2,517,556	4,484,673
Liabilities			
Trade and other payables	18	94,211	381,800
Interest-bearing Loans and Borrowings	19	1,950,000	1,650,000
Total Current Liabilities		2,044,211	2,031,800
Total Liabilities		2,044,211	2,031,800
Equity			
Share Capital		4,795,349	4,405,082
Retained Earnings		(4,322,004)	(1,952,208)
Total Equity	11	473,345	2,452,873
Total Equity and Liabilities		2,517,556	4,484,673

M. B. dehauteurs

Director
Date: 31 October 2017

AB

Director
Date: 31 October 2017

Primary Wool Co-operative Limited

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2017

	Notes	2017	2016
Net Cash Flows from Operating Activities			
<i>Cash provided from:</i>			
Receipts from Customers		861,900	922,990
Interest Received		162,021	179,659
		1,023,921	1,102,649
<i>Cash applied to:</i>			
Payments to Suppliers		(1,373,567)	(1,231,411)
Interest Expense Paid		(68,667)	(49,636)
		(1,442,234)	(1,281,047)
Net Cash from (used in) Operating Activities	20	(418,313)	(178,398)
Cash Flows from Investing Activities			
<i>Cash provided from:</i>			
Sale of Assets Held for Resale		15,000	0
		15,000	0
<i>Cash applied to:</i>			
Advances to Subsidiaries and Investee		(50,000)	0
		(50,000)	0
Net Cash from (used in) Investing Activities		(35,000)	0
Cash Flows from Financing Activities			
<i>Cash provided from:</i>			
Shares Issued for Cash		38,136	50,000
Dividends Received		0	500,000
Loans Advanced by Shareholders		300,000	0
		338,136	550,000
<i>Cash applied to:</i>			
Share Redemptions		(27,690)	(291,978)
		(27,690)	(291,978)
Net Cash from (used in) Financing Activities		310,446	258,022
Net Increase (Decrease) in Cash Held		(142,867)	79,624
Cash Balances at Beginning of Year		202,321	122,697
Closing Cash Balances	12	59,454	202,321

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 2017

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. Primary Wool Co-operative Limited became a FMC reporting entity under the Financial Markets Conduct Act 2013 on 23 November 2016.

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.

The financial statements for the year ended 30 June 2017 were approved and authorised for issue by the board on the 31st of October 2017.

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 risks and rewards of the asset. Financial liabilities are derecognised if the Company's obligations in the contract expire or are discharged or cancelled.

Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset.



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2017 (Cont.)

3. Specific Accounting Policies (cont.)

Cash and Cash Equivalents

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

Trade and Other Receivables

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

Available for Sale

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. 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 method. 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.

(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.



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2017 (Cont.)

3. Specific Accounting Policies (cont.)

(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 only 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 9 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.

(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.



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2017 (Cont.)

(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.

	2017	2016
4. Revenue		
Directors Fees	180,000	180,000
Administration Fees	100,000	100,000
Revenue from Continuing Operations	280,000	280,000
Woolpack sales	598,274	643,408
Miscellaneous Income	35,408	0
Total Other Income	633,682	643,408
Total Revenues	913,682	923,408

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.

Instead of buying and selling woolpacks in their own right, the role was passed across to the joint venture partner Carrfields Primary Wool Limited from 1 April 2017. The difference between the buying and selling price of the discounted woolpacks supplied to co-operative members is paid by Primary Wool Co-operative Limited and recorded as woolpack commission.

5. Overhead Expenses

Directors Fees	85,000	85,000
Woolpack Commission	36,241	0
Rent	100,833	0
Wages and Salaries	44,496	0
Other	206,627	203,800
Total Overhead Expenses	473,196	288,800

6. Finance Income and Expense

Interest Income on loans and receivables	215,649	229,094
Less Interest Write Down Bruce Woollen Mill Limited	0	(11,429)
Finance Income	215,649	217,665
Loan Interest Expense	(71,149)	(49,636)
Finance Expenses	(71,149)	(49,636)
Net Finance Income	144,500	168,029



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2017 (Cont.)

	2017	2016
7. Impairment Write Down		
Impairment of Loan to Bruce Woollen Mill Limited	(200,000)	0
Total Impairment Write Down	(200,000)	0

The loan to Bruce Woollen Mill Limited for \$200,000 was personally guaranteed by John Stevens. Primary Wool Co-operative Limited has tried to recover the funds advanced under the personal guarantee but has been unsuccessful so the principal amount of the loan has been fully impaired, reducing the carrying value of the investment from \$200,000 to \$NIL. See Note 13.

8. 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 4,137,767 (2016: 3,815,721).



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2017 (Cont.)

9. 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
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Total Income Tax Expense

0	0
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Reconciliation of Tax Expense

Profit/(Loss) for the period	(722,777)	(501,949)
Plus Dividends Received	0	1,000,000
Plus Imputation Credits	0	388,888
Less Deductible Bad Debts Written off	0	(37,694)
Add back Non-Deductible Expenditure	410,800	184,836

Taxable Income	(311,977)	1,034,082
Total Income Tax Expense	0	0

Profit/(Loss) excluding Income Tax	(311,977)	1,034,082
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Income Tax @ 28%	(87,354)	289,543
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Tax Losses for which no deferred tax asset was recognised	87,354	(289,543)
Under (Over) Provided in Prior Periods	0	0

Total Income Tax Expense	0	0
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Imputation Credits

Opening Balance - 1 July 2016	1,151,491	762,603
Dividends Received	0	388,888
Closing Balance - 30 June 2017	1,151,491	1,151,491

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 2017 of \$4,615,543 (30 June 2016: \$4,303,565).

2017 Non-Deductible expenditure of \$410,800 relates to non-deductible losses made on the sale of woolpacks, non-deductible legal and capital raising expenses and impairment write down expenses.

2016 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 Ltd and had previously been non deductible provisions.



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2017 (Cont.)

10. Investments

Non-Current Investments

	2017	2016
Investment in Carrfields Primary Wool Limited (50%)	0	1,340,866
Total Non-Current Investments	0	1,340,866

Carrfields Primary Wool Limited's principal activity is the purchasing, brokering and selling of wool. Carrfields Primary Wool Limited was incorporated in New Zealand.

Summary of the Investee Statement of Financial Position:

Current Assets	7,318,000	12,681,000
Long-term Assets	5,733,000	5,230,000
Total Assets	13,051,000	17,911,000
Current Liabilities	(14,303,000)	(14,853,000)
Long-term Liabilities	0	0
Total Liabilities	(14,303,000)	(14,853,000)
Total Equity	(1,252,000)	3,058,000
Non Controlling Interest	0	(376,000)
Total Equity Attributable to Equity Holding of Parent	(1,252,000)	2,682,000

Results of the Investee Before Non Controlling Interests Adjustment:

Total Revenue	30,802,000	56,199,000
Profit (Loss) Before Tax	(4,647,000)	(39,640)
Add (Less) Income Tax Benefit (Expense)	337,000	(380,889)
Profit (Loss) for the Period	(4,310,000)	(420,529)

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

Profit (Loss) Before Tax	(2,323,500)	(19,820)
Add (Less) Income Tax Benefit (Expense)	168,500	(190,445)
Plus Non Controlling Interest's Share of (Profit) Loss	507,982	289,912
Share of Joint Venture Investment Profit (Loss)	(1,647,018)	79,648
Applied Against Joint Venture Investment (see below)	(1,340,866)	79,648
Applied Against Joint Venture Loan receivable (Note 17)	(306,152)	0
Profit (Loss) for the Period adjusted for Non Controlling Interests	(1,647,018)	79,648

Carrying Value of Investment in Carrfields Primary Wool Limited:

Carrying value at 1 July 2016	1,340,866	2,251,218
Less Dividends Received from Investment	0	(1,000,000)
Surplus (deficit) attributable to this company	(1,340,866)	79,648
Add Effect of Transactions with Non- Controlling Equity Holders	0	10,000
Carrying value at 30 June 2017	0	1,340,866

No contingent liabilities have been incurred on behalf of, or in relation to the investee, other than as recorded in Note 26. Therefore there is an Equity Accounting adjustment for excess losses over and above the carrying value of the investment of \$306,152 that has been applied against the Advance to the Investee (see Note 17). In accordance with NZ IAS 28 the share of loss from the joint venture is required to be applied to the overall interests in the joint venture, which not only includes the investment balance, but also the loan receivable described in Note 17.

Carrfields Primary Wool Limited and Group report no contingent liability as at 30 June 2017 (2016: Nil).

No capital commitments have been incurred on behalf of, or in relation to Carrfields Primary Wool Limited (2016: Nil).

Primary Wool Co-operative Limited has a 4.92% shareholding in Wool Equities Limited at a nil value (2016: 4.92% shareholding at nil value).



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2017 (Cont.)

11. Equity

	Retained Earnings	Ordinary Shares	Ordinary Rebate Shares	Redeemable Preference Shares	Total Equity
Reconciliation of Movement in Equity					
Balance 1 July 2015	(1,539,908)	609,876	3,008,953	742,739	2,821,660
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	(1,952,209)	589,232	3,286,611	529,239	2,452,873
Balance 1 July 2016	(1,952,209)	589,232	3,286,611	529,239	2,452,873
Total Recognised Income and Expense	(2,369,795)	0	0	0	(2,369,795)
Effects of Transactions with Non-controlling Interests Equity Holders	0	0	0	0	0
Shares Issued for Cash	0	0	38,136	0	38,136
Shares Issued from Rebates Retained	0	23,238	356,583	0	379,821
Shares Converted	0	0	0	0	0
Shares Redeemed	0	0	(1,690)	(26,000)	(27,690)
Balance 30 June 2017	(4,322,004)	612,470	3,679,640	503,239	473,345

				Total
Shares on Issue at 30 June 2017 (All fully paid)	612,470	3,679,640	503,239	4,795,349

Redeemable Preference Shares

There are two classes of Redeemable Preference Shares:

Class A: \$455,739 Being those associated with M B de Lautour loans and advances that were converted to equity. (2016: \$481,739).

Class B: \$47,500 Being those associated with H B de Lautour which were issued in relation to the purchase of the CRT shares (2016: \$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 (2016: Nil).



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2017 (Cont.)

	2017	2016
12. Cash and Cash Equivalents		
BNZ Cheque Account	15,095	134,796
BNZ Call Account	44,359	67,525
Total Cash and Cash Equivalents	59,454	202,321

13. Receivables and Prepayments

Trade Receivables	120,682	345
Accrued Income	0	6,227
Loan to Bruce Woollen Mill Ltd	200,000	200,000
Provision for Impairment to Loan to Bruce Woollen Mill Limited	(200,000)	0
Prepayments	6,333	7,046
GST receivable	2,239	55,479
Total Receivables and Prepayments	129,254	269,097

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. As recovery under the personal guarantee has been unsuccessful, this has been fully impaired.

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.

2017

Due to Bruce Woollen Mill Limited going into liquidation, and following unsuccessful legal proceedings under the personal guarantee, the Directors have fully impaired the investment in Bruce Woollen Mill 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.

14. Inventories

Finished goods – Woolpacks	0	72,390
Total inventory	0	72,390

15. Assets Held For Resale

Plant, Property and Equipment	335,000	0
	335,000	0

The property, plant and equipment at Bruce Woollen Mill has been reclassified as an asset held for sale.

Primary Wool Co-operative Limited intends to sell the assets within the next year, and the company is currently negotiating with prospective buyers.



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2017 (Cont.)

16. Property, Plant and Equipment

	2017	2016
Property, Plant and Equipment	0	350,000
Total Property, Plant and Equipment	0	350,000

Property, Plant and equipment owned by Bruce Woollen Mill Limited was acquired by Primary Wool Co-operative Limited under the general security agreement on 30th June 2016.

17. Advances to Investee

Carrfields Primary Wool Limited - Advance Account	2,300,000	2,250,000
Less Apportionment of Joint Venture Loss as per Note 10	(306,152)	0
Total Advances to Investee	1,993,848	2,250,000

The advance to Carrfields Primary Wool Limited has an interest rate of 10.0% (2016: 10%) and is repayable on demand.

18. Accounts Payable and Accruals

Accounts Payable	89,538	195,313
Rebates Liability	0	181,813
Unclaimed Dividends	4,584	4,613
Unclaimed Rebates	89	60
Total Accounts Payable and Accruals	94,211	381,800

19. Loan and Borrowings

Shareholder Loan - M B de Lautour	1,650,000	1,650,000
Shareholder Loan 2017 - M B de Lautour	100,000	0
Shareholder Loan 2017- H B de Lautour	100,000	0
Shareholder Loan 2017- H C Gardner	100,000	0
Total Loan and Borrowings	1,950,000	1,650,000

The shareholder loan is from M B de Lautour. The unsecured loan is for an undefined term, with a current interest rate of 5% at balance date. (2016 3%). Mr de Lautour has confirmed that he will not require repayment of this loan until sufficient funds are released from Carrfields Primary Wool Limited.

The 2017 shareholder loans are unsecured and for an undefined term, although this is expected to be a maximum of 12 months with a current interest rate of 6% per annum. The loans are repayable on demand provided that cash flow allows.



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2017 (Cont.)

20. Reconciliation of Cash Flow	2017	2016
Reported surplus (deficit) after taxation	(2,369,795)	(422,301)
Non-Cash and Non-Operating Items:		
Share Loss (Profit) in Investee	1,647,018	(79,648)
Impairment Write Down	200,000	0
Shares Issued Retained from Rebates	379,821	285,492
Interest from Bruce Woollen Mill Limited	0	(38,006)
Working Capital Items Classified as Investment Activities:		
Increase (Decrease) in Accounts Payable	(243,022)	29,955
Increase (Decrease) in Dividends and Rebates Unclaimed	(29)	92
Decrease (Increase) in Account Receivable	(58,008)	(300)
Decrease (Increase) in Other Accrued Revenue	(46,688)	(44)
Decrease (Increase) in Inventory	72,390	46,362
Net Cash from (used in) Operating Activities	(418,313)	(178,398)

21. Financial Instruments

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

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. (2016: 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, H B De Lautour and H C Gardner. These funds have been on-lent to Carrfields Primary Wool Limited at 10.0% per annum (2016: 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. (2016: Nil)

23. Capital Commitments

At balance date, there were no capital commitments. (2016: Nil)



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2017 (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.

Trading Transactions

	2017	2016
Joint Ventures		
Interest Received	215,411	175,479
Service Fees Received	280,000	280,000
Sale of Goods	598,274	643,408
Purchase of Goods	755,800	828,221
Amounts Owed by Joint Ventures	120,466	345
Amounts Owed to Joint Ventures	18,280	115

Apart from the transactions listed above, there were no other significant trading transactions with the Investee (2016: Nil).

Transactions with Directors

Directors fees of \$85,000 were paid during the period ended 30 June 2017 (2016: \$85,000).

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. (2016: 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 (2016: \$1,650,000). The unsecured loan is for an undefined term, with an interest rate of 5% at balance date on the full balance (2016: 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. There is no interest on the loan unpaid at balance date.

As disclosed in Note 19, M B de Lautour, H B de Lautour and H C Gardner have each lent the Company \$100,000 (2016: Nil). The unsecured loans are for an undefined term (but are expected to be repaid in 12 months), with an interest rate of 6.0% at balance date. There is no interest on the loans unpaid at balance date.

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

Shareholdings of Related Parties	2017	2016
<i>Shares under the control of the Director</i>		
M B de Lautour		
Shares Held at 1 July 2016		
Redeemable Preference Shares	481,739	695,239
Ordinary Shares	76,332	76,332
Ordinary Rebate Shares	500	500
	558,571	772,071
Shares Redeemed during the year		
Redeemable Preference Shares	(26,000)	(213,500)
	532,571	558,571
Shares Held at 30 June 2017		
Redeemable Preference Shares	455,739	481,739
Ordinary Shares	76,332	76,332
Ordinary Rebate Shares	500	500
	532,571	558,571



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2017 (Cont.)

24. Related Party Disclosures (cont.)

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 13. He has a 1.3% shareholding in NZ Yarn Limited which is 58% owned by Carrfields Primary Wool Limited.

	2017	2016
H C Gardner		
Shares Held at 1 July 2016		
Ordinary Rebate Shares	11,904	11,904
	11,904	11,904
Shares Issued		
Rebates retained and converted to Ordinary Rebate Shares	764	0
	12,668	11,904
Shares Held at 1 June 2017		
Ordinary Rebate Shares	12,668	11,904
	12,668	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 (resigned 30 November 2016).

H B de Lautour		
Shares Held at 1 July 2016		
Redeemable Preference Shares	47,500	47,500
Ordinary Rebate Shares	21,204	21,204
	68,704	68,704
Shares Issued		
Rebates retained and converted to Ordinary Rebate Shares	1,473	0
	70,177	68,704
Shares Held at 30 June 2017		
Redeemable Preference Shares	47,500	47,500
Ordinary Rebate Shares	22,677	21,204
	70,177	68,704

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

Total Key Management Personnel Compensation	182,134	349,983
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The Key Management Personnel are considered to be the Directors of the Company. Compensation of the Company's Key Management Personnel includes directors' fees, interest, rebates and loan repayments.



Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2017 (Cont.)

25. Going Concern

The financial statements of the Company have been prepared on a going concern basis. Although the Company has made a loss during the year of \$2,369,795, the Directors are of the view that the Company has the ability to meet its obligations as and when they fall due for a period of no less than 12 months from the date of authorisation of these financial statements. The Directors have reached this view on the basis of the following considerations:

- The Company's majority shareholder, M B de Lautour, has agreed to give financial support to the Company in the event that it cannot meet its obligations as they fall due, and
- The budget, which has been approved by the Board of Directors, is achievable and will result in the Company achieving a low operating loss of \$218,000 that is projected to be covered by a dividend from the joint venture investment. Critical in achieving the budget is the assumption that the wool market recovers and an increase in sales follows with a resulting share of a positive operating result from its joint venture partner; Carrfields Primary Wool Ltd who are projecting an EBITDA of \$1.4M. If actual results for the budgeted volumes differed significantly, then there would be a risk that the Company could not meet its obligations as and when they fall due without further shareholder support. If such support was not provided, then the going concern basis would not be appropriate.

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.

The liquidator of Bruce Woollen Mill Ltd has indicated \$150,000 of the \$350,000 covered by the general security agreement, and subsequently used to fund the purchase of the Bruce Woollen Mill Ltd plant by Primary Wool Cooperative Ltd did not have preferential ranking as the loan was made to Bruce Woollen Mill Ltd when it was insolvent. The Directors do not agree with this, but notes that a contingent liability of up to \$150,000 exists if the liquidator is successful proving their case.

There were no other contingent assets or liabilities as at 30 June 2017 (2016: Nil).

27. Post Balance Date Events

There are no material post balance date events (2016: Nil).