

**Primary** WOOL CO-OPERATIVE LTD

# 44th Annual Report



and  
**Statement of Accounts**  
for the year ended  
**30 June 2018**

# ***Primary Wool Co-operative Limited***

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# ***Primary Wool Co-operative Limited***

## ***DIRECTORY***

Registered Office                    7 Morocco Terrace, Palmerston North 4414

Postal Address                        Box 5343, Palmerston North 4441

Telephone                            (06) 353 8200

Facsimile                             (06) 353 8201

Bankers                                Bank of New Zealand, Christchurch

Solicitors                             Fitzherbert Rowe, Palmerston North

Auditors                                KPMG, Christchurch

Directors                                M B deLautour MNZM, F.INST.D, JP (Chair)  
    H C Gardner (Deputy Chair)  
    H B deLautour  
    J R Osborne

Secretary                                Solution Integration Ltd, Palmerston North

# **Primary Wool Co-operative Limited**

## **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 2018 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:

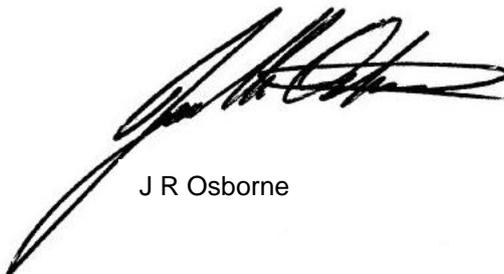
- a) The Company carried on as its principal activity a cooperative activity as that term is defined in the Cooperative Companies Act 1996;
- b) The Constitution of Primary Wool Co-operative Limited states its principal activities as being cooperative activities;
- c) Not less than 60.7% of the voting 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 29<sup>th</sup> day April 2019.

M B deLautour

H C Gardner

H B deLautour

J R Osborne

# **Primary Wool Co-operative Limited**

## **CHAIRMAN'S REPORT**

The 2018 season has seen a continuation of the low wool prices. With the massive lift in shearing rates relative to wool price, this has led to large amounts of wool being held off the market. CP Wool fronts the significant costs of handling, testing and storing wool on your behalf until it is sold. When wool is held or not sold this makes the CP Wool business difficult.

We continue to believe we must strive to add value to our wool where possible and the NZ Yarn venture is for that reason. However, as you will probably know someone who has recently installed a synthetic carpet, it will be no surprise that NZ Yarn is still finding it difficult to generate the volume of orders it would like. NZ Yarn has been looking for further investors for some time and since balance date a sale of 12% of the company has been made to Hemp interests which will mean further interesting fibre developments and another point of difference.

With no dividend being paid this year to Primary Wool Cooperative from CP Wool, the Cooperative has not been in a position to pay a rebate. However we did continue the subsidised woolpack scheme which in effect gave shareholders an average return on shareholding of 9%. We continue to get a good number of new shareholders, many of whom have not previously traded with CP Wool.

Primary Wool Cooperative members transacted 119,000 bales of wool through CP Wool during the year. This has led to our members receiving over 100,000 new woolpacks with a retail price of approximately \$12. The woolpack scheme has transformed the standard of woolpacks used in the Industry from what it was 5 years ago when the number and condition of 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> hand packs were a disgrace. This is an initiative we are very proud of.

Primary Wool Cooperative's operating result has improved by \$398,492, largely due to there being no rebate expense. Our overall financial results are largely driven by the results of our investment in CP Wool and in turn CP Wool's investment in the wool spinning mill New Zealand Yarn. Our share of the CP Wool result has improved by \$1,560,018 compared to the previous year.

The Directors have had another busy year particularly representing the Cooperative on the CP Wool Board. Janette Osborne has attended those meetings as an observer and has made a great contribution to discussion. She has subsequently joined the CP Wool Board, giving us three directors. Carrfields have also added a Director.

The Directors thank Alan White and his staff who have had to cope with a lot of difficult issues throughout the year.



M B deLautour  
Chairman



# Independent Auditor's Report

To the shareholders of Primary Wool Co-operative Limited

## Report on the financial statements

### Opinion

In our opinion, the accompanying financial statements of Primary Wool Co-operative Limited (the company) on pages 8 to 27:

- i. present fairly in all material respects the company's financial position as at 30 June 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 30 June 2018;
- the statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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



### Material uncertainty related to going concern

We draw attention to Note 22 in the financial statements, which indicates that due to the ongoing losses incurred by the company, the company is dependent on the ongoing financial support provided by two of its Directors to meet its obligations as and when they fall due. As stated in Note 22, these events or conditions, along with other matters as set forth in Note 22, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

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## Auditor's responsibilities for the audit of the financial statements

Our objective is:

- 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 independent 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. They 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 our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6/>

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Peter Taylor

For and on behalf of

KPMG  
Christchurch

29 April 2019

# **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 2018.

### **1 FINANCIAL STATEMENTS**

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

### **2 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.

### **3 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)
Janette Ruth OSBORNE	\$18,078 (Directors Fees)

Details of director's interests are covered in Note 21 to the financial report.

Any Directors trading with the Company are on normal commercial terms.

No payments were made on behalf of Directors.

### **4 DONATIONS**

No donations were made by the Company during the period.

### **5 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.

### **6 AUDIT FEES**

Audit Fees of \$12,500 are payable to KPMG for the year to 30 June 2018.

Signed on behalf of the Board on 29 April 2019



M B de Lautour  
DIRECTOR



H C Gardner  
DIRECTOR

# Primary Wool Co-operative Limited

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30TH JUNE 2018

	Notes	2018	2017
Revenue	4	280,326	913,682
Cost of Sales - Woolpacks		-	(719,559)
Gross Profit		<u>280,326</u>	<u>194,123</u>
Audit Fees		(16,350)	(8,500)
Overhead Expenses	5	(532,761)	(473,196)
Rebate Expense		-	(379,704)
Operating Profit (Loss)		<u>(268,785)</u>	<u>(667,277)</u>
Finance Income	6	246,023	215,649
Finance Expenses	6	(100,626)	(71,149)
Loss on Sale of Assets Held for Resale	13	(184,388)	-
Impairment Write Down	7	-	(200,000)
Profit (Loss) before income tax and equity accounted income		<u>(307,776)</u>	<u>(722,777)</u>
Equity Accounted Income	9	<u>(87,000)</u>	<u>(1,647,018)</u>
Profit (Loss) before income tax		<u>(394,776)</u>	<u>(2,369,795)</u>
Income tax expense	8	<u>-</u>	<u>-</u>
Profit (Loss) for the year		<u>(394,776)</u>	<u>(2,369,795)</u>
Other Comprehensive Income		-	-
Total Comprehensive Income (Loss) for the year		<u><u>(394,776)</u></u>	<u><u>(2,369,795)</u></u>

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

# Primary Wool Co-operative Limited

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30TH JUNE 2018

	Notes	Share Capital	Retained Earnings	Total Equity
Balance as previously reported at 1 July		4,405,082	(1,952,209)	2,452,873
Impact of Error		(285,492)	-	(285,492)
Restated balance at 1 July 2016	10	4,119,590	(1,952,209)	2,167,381
<b>Total comprehensive income for the year</b>				
Profit (Loss) for the year			(2,369,795)	(2,369,795)
<b>Transactions with owners, recorded directly in equity</b>				
Shares Issued	10	323,628		323,628
Shares Redeemed	10	(27,690)		(27,690)
<b>Balance at 30 June 2017</b>		<u>4,415,528</u>	<u>(4,322,004)</u>	<u>93,524</u>
Balance at 1 July 2017 (restated)	10	4,415,528	(4,322,004)	93,524
<b>Total comprehensive income for the year</b>				
Profit (Loss) for the year			(394,776)	(394,776)
<b>Transactions with owners, recorded directly in equity</b>				
Shares Issued	10	505,171		505,171
Shares Redeemed	10	(7,870)		(7,870)
Net Dividend Paid				-
<b>Balance at 30 June 2018</b>		<u>4,912,829</u>	<u>(4,716,780)</u>	<u>196,049</u>

Refer to note 10 for further details on the restatement of equity at 30 June 2017.

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

# Primary Wool Co-operative Limited

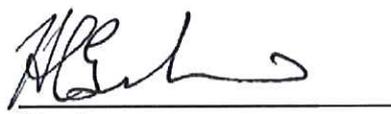
## STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2018

	Notes	2018	2017 (restated)
<b>Assets</b>			
Cash and cash equivalents	11	31,894	59,454
Trade and other receivables	12	13,430	75,281
Assets Held for Resale	13	-	335,000
<b>Total Current Assets</b>		<u>45,324</u>	<u>469,735</u>
Due from Investee	14	2,175,494	2,047,821
Equity Accounted Investments	9	-	-
<b>Total Non-Current Assets</b>		<u>2,175,494</u>	<u>2,047,821</u>
<b>Total Assets</b>		<u><u>2,220,818</u></u>	<u><u>2,517,556</u></u>
<b>Liabilities</b>			
Trade and other payables	15	67,277	94,211
Interest-bearing Loans and Borrowings	16	1,957,492	1,950,000
Provision for Rebate	10	-	379,821
<b>Total Current Liabilities</b>		<u>2,024,769</u>	<u>2,424,032</u>
<b>Total Liabilities</b>		<u>2,024,769</u>	<u>2,424,032</u>
<b>Equity</b>			
Share Capital		4,912,829	4,415,528
Retained Earnings		(4,716,780)	(4,322,004)
<b>Total Equity</b>	10	<u>196,049</u>	<u>93,524</u>
<b>Total Equity and Liabilities</b>		<u><u>2,220,818</u></u>	<u><u>2,517,556</u></u>

  
Director

Date: 29 April 2019

  
Director

Date: 29 April 2019

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

# Primary Wool Co-operative Limited

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30TH JUNE 2018

	Notes	2018	2017
<b>Net Cash Flows from Operating Activities</b>			
<i>Cash provided from:</i>			
Receipts from Customers		338,334	861,900
Interest Received		31,350	162,021
		<u>369,684</u>	<u>1,023,921</u>
<i>Cash applied to:</i>			
Payments to Suppliers		(590,201)	(1,373,567)
Interest Expense Paid		(82,626)	(68,667)
		<u>(672,827)</u>	<u>(1,442,234)</u>
<b>Net Cash from (used in) Operating Activities</b>	<b>17</b>	<u>(303,143)</u>	<u>(418,313)</u>
<b>Cash Flows from Investing Activities</b>			
<i>Cash provided from:</i>			
Sale of Assets Held for Resale		150,612	15,000
		<u>150,612</u>	<u>15,000</u>
<i>Cash applied to:</i>			
Advances to Subsidiaries and Investee		-	(50,000)
		<u>-</u>	<u>(50,000)</u>
<b>Net Cash from (used in) Investing Activities</b>		<u>150,612</u>	<u>(35,000)</u>
<b>Cash Flows from Financing Activities</b>			
<i>Cash provided from:</i>			
Shares Issued for Cash		125,350	38,136
Monument Premium Funding Ltd		7,491	-
Loans Advanced by Shareholders		-	300,000
		<u>132,841</u>	<u>338,136</u>
<i>Cash applied to:</i>			
Share Redemptions		(7,870)	(27,690)
		<u>(7,870)</u>	<u>(27,690)</u>
<b>Net Cash from (used in) Financing Activities</b>		<u>124,971</u>	<u>310,446</u>
<b>Net Increase (Decrease) in Cash Held</b>		<u>(27,560)</u>	<u>(142,868)</u>
Cash Balances at Beginning of Year		59,454	202,321
<b>Closing Cash Balances</b>	<b>11</b>	<u>31,894</u>	<u>59,454</u>

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

# **Primary Wool Co-operative Limited**

## **NOTES TO THE FINANCIAL REPORT**

FOR THE YEAR ENDED 30TH JUNE 2018

### **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 group together with brand development and marketing.

The financial statements for the year ended 30 June 2018 were approved and authorised for issue by the board on the 29th April 2019.

#### **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.

Key judgements in these financial statements relate to the Directors' assessment of the recoverability of the loan and investment in Carrfields Primary Wool Limited. Refer to Note 9.

# Primary Wool Co-operative Limited

## NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2018 (Continued)

### 3 Specific Accounting Policies

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

#### (a) 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.

#### *Cash and Cash Equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### *Trade and Other Receivables*

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

#### *Loans and Borrowings*

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

#### *Trade and Other Payables*

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

# Primary Wool Co-operative Limited

## NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2018 (Continued)

### 3 Specific Accounting Policies (Continued)

#### (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 sale 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. Sale 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 2018 (Continued)

### 3 Specific Accounting Policies (Continued)

#### (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 the 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 8 in regard to the fact losses are not recognised in this situation.

#### (h) Determination of Fair Values

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

#### (i) Capital Management

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

#### (j) New standards, interpretations and amendments effective from 1 July 2017

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 July 2017 that had a significant effect on the Company's financial statements.

#### (k) New standards, interpretations and amendments not yet effective

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective in future accounting periods that the Company has decided not to adopt early. The most significant of these are:

- NZ IFRS 9 Financial Instruments
- NZ IFRS 15 Revenue from Contracts with Customers

Both become mandatorily effective for periods beginning on or after 1 July 2018. The Company has progressed the implementation of these two new accounting standards since reporting its annual results for the year ended 30 June 2018 and is able to provide the following information regarding their likely impact:

##### NZ IFRS 9 Financial Instruments

The Company has identified that the adoption NZ IFRS 9, which replaces NZ IAS 39 Financial Instruments: Recognition and Measurement from 1 July 2018, will impact its financial statements in two areas:

- 1) The Company will need to apply an expected credit loss model when calculating impairment losses on its trade receivables. The Company has concluded that adoption of NZ IFRS 9 will have no material effect on the financial statements in this regard because it does not hold trade receivables, rather only a specific loan to its investee, Carrfields Primary Wool Limited which is individually assessed for impairment (for its expected lifetime credit losses).



# Primary Wool Co-operative Limited

## NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2018 (Continued)

### 3 Specific Accounting Policies (Continued)

- 2) The Company has decided to classify its term loan, being its investments in Carrfields Primary Wool Limited, as being at fair value through comprehensive income under NZ IFRS 9. As this is in line with the current treatment, the Company has concluded that adoption of NZ IFRS 9 will have no material effect on the financial statements in this regard.

#### NZ IFRS 15 Revenue from Contracts with Customers

The Company earns the majority of its revenues from contracts with customers from the Directors' Fees and Administration Fees from Carrfields Primary Wool Limited. The Company recognises this revenue at a point in time, typically on the first of each month as it is typically during the month of attending these meetings or providing the administration services that those performance obligations to Carrfields Primary Wool Limited are satisfied. The Company has concluded that adoption of NZ IFRS 15 is unlikely to result in revenue being recognised differently and therefore the adoption of NZIFRS 15 will have no material effect on the financial statements.

#### (l) Goods and Services Tax

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

#### (m) Changes in Accounting Policies

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

### 4 Revenue

	2018	2017
Directors Fees	180,000	180,000
Administration Fees	100,000	100,000
Revenue from Continuing Operations	<u>280,000</u>	<u>280,000</u>
Woolpack Sales	-	598,274
Miscellaneous Income	326	35,408
Total Other Income	<u>326</u>	<u>633,682</u>
Total Revenues	<u>280,326</u>	<u>913,682</u>

Sales of woolpacks in prior years at a discounted rate to shareholders 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 discounts to members. From 1 January 2019 the discounted woolpacks are supplied to shareholders directly by Carrfields Primary Wool Limited rather than by the Company.

### 5 Overhead Expenses

Directors Fees	103,078	85,000
Rent	102,039	100,833
Wages & Salaries	12,042	44,496
Woolpack Discounts to Members	174,639	36,241
Other	<u>140,964</u>	<u>206,627</u>
Total Overhead Expenses	<u>532,761</u>	<u>473,196</u>

Fees payable to KPMG for audit services for the year ended 30 June 2018 were \$13,000. No non-audit services were provided.

# Primary Wool Co-operative Limited

## NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2018 (Continued)

	2018	2017
<b>6 Finance Income and Expense</b>		
Interest Income on loans and receivables	246,023	215,649
Finance Income	<u>246,023</u>	<u>215,649</u>
Loan Interest Expense	(100,626)	(71,149)
Finance Expenses	<u>(100,626)</u>	<u>(71,149)</u>
Net Finance Income	<u>145,397</u>	<u>144,500</u>
<b>7 Impairment Write Down</b>		
Impairment of Loan to Bruce Woollen Mill Limited	-	(200,000)
Total Impairment Write Down	<u>-</u>	<u>(200,000)</u>

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 loan from \$200,000 to \$NIL. See Note 12, and Note 23.

## 8 Income Tax Expense in the Income Statement

<b>Current Tax Expense</b>		
Current Period	-	-
Adjustment for Prior Periods	<u>-</u>	<u>-</u>
<b>Deferred Tax Expense</b>		
Recognition of previously unrecognised tax losses	-	-
<b>Total Income Tax Expense</b>	<u>-</u>	<u>-</u>
<i>Reconciliation of Tax Expense</i>		
Profit/(Loss) for the year	(394,776)	(2,369,795)
Prima facie tax credit @ 28%	110,537	663,543
Adjust for non-assessable/non-deductible items:		
Non-deductible equity accounted losses (100%) 2018: \$87,000, (2017: \$1,647,018)	(24,360)	(461,165)
Non-deductible expenditure (100%) 2018 \$183,737, (2017 \$410,800)	<u>(51,446)</u>	<u>(115,024)</u>
	34,731	87,354
Tax Losses for which no deferred tax asset recognised	<u>(34,731)</u>	<u>(87,354)</u>
Tax Expense/(credit) per Statement of Comprehensive Income	<u>-</u>	<u>-</u>
<i>Imputation Credits</i>		
Opening Balance - 1 July 2017	1,151,491	1,151,491
Dividends Received	-	-
Closing Balance - 30 June 2018	<u>1,151,491</u>	<u>1,151,491</u>

# Primary Wool Co-operative Limited

## NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2018 (Continued)

### 8 Income Tax Expense in the Income Statement (Continued)

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 2018 of \$4,739,582 (30 June 2017: \$4,615,543).

2018 Non-Deductible expenditure of \$183,737 relates to non-deductible discounts on the sale of woolpacks and non-deductible legal and capital raising expenses.

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.

### 9 Equity Accounted Investments

	2018	2017
<b>Non-Current Investments</b>		
Investment in Joint Venture	-	-
Total Non-Current Investments	<u>-</u>	<u>-</u>

#### Joint Venture

Carrfields Primary Wool Limited is a joint venture in which the Company has joint control and a 50% ownership and economic interest. It is the Company's strategic investment and is principally involved in purchasing, brokering and selling of wool. Carrfields Primary Wool Limited operates throughout and was incorporated in New Zealand. The following table summarises the financial information of Carrfields Primary Wool Limited as included in its own financial statements. The table also reconciles the summarised financial information to the carrying value of the Company's interest in Carrfields Primary Wool Limited. The Company accounts for its interest in Carrfields Primary Wool Limited applying the equity method.

	50%	50%
<b>Percentage ownership interest</b>	50%	50%
Current assets (including cash and cash equivalents of 2018 \$546,000, 2017 \$174,000)	10,257,000	7,317,696
Non Current Assets	6,751,000	5,733,000
Current liabilities (including trade and other payables and provisions 2018 \$7,368,000, 2017 \$5,142,000)	(18,463,000)	(14,303,000)
Non-current liabilities (including trade and other payables and provisions 2018 \$Nil, 2017 \$Nil)	-	-
Non Controlling Interest	<u>141,000</u>	<u>640,000</u>
<b>Net Assets (100%)</b>	<u>(1,314,000)</u>	<u>(612,304)</u>
Company's share of net assets (50%)	<u>-</u>	<u>-</u>
<b>Carrying value of the interest in joint venture</b>	<u>-</u>	<u>-</u>

# Primary Wool Co-operative Limited

## NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2018 (Continued)

### 9 Equity Accounted Investments (Continued)

Revenue (including other income of \$2,106,000 (2017: \$1,262,000))	36,539,000	31,968,000
Depreciation and amortisation	409,000	345,000
Interest expense	851,000	621,000
Income Tax Expense	71,000	(337,000)
Profit and total comprehensive income (100%)	(606,000)	(4,310,000)
Non Controlling Interest share of profit (loss)	432,000	1,015,964
<b>Company's share of total comprehensive income (50%)</b>	<b>(87,000)</b>	<b>(1,647,018)</b>
<b>Dividends received by the Company</b>	<b>-</b>	<b>-</b>

The carrying value of the loan to Carrfields Primary Wool Limited has been reduced by the Company's share of the current year's equity accounted losses from Carrfields Primary Wool Limited. This reflects the fact that the loan to Carrfields Primary Wool Limited is viewed as part of the Company's long-term interest in Carrfields Primary Wool Limited, notwithstanding the fact the loan is repayable at the Company's demand.

No contingent liabilities have been incurred on behalf of, or in relation to the investee, other than as recorded in Note 23. In 2018 there was an Equity Accounting adjustment for excess losses over and above the carrying value of the investment of \$87,000 that was applied against the Advance to the Investee (2017: \$306,152). 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 14. The Directors have assessed the recoverability of the loan to Carrfields Primary Wool Limited and consider that based on all the available evidence (which includes valuation reports and equity transactions), the amount recognised at 30 June 2018 is considered appropriate.

Carrfields Primary Wool Limited Group report no contingent liability as at 30 June 2018 (2017 \$nil).

No capital commitments have been incurred on behalf of, or in relation to Carrfields Primary Wool Limited (2017 \$nil). Carrfields Primary Wool Limited reported capital commitments of \$460,000 (2017: \$812,000).

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 2018 of \$4,739,582 (30 June 2017: \$4,615,543).

2018 Non-Deductible expenditure of \$183,737 relates to non-deductible discounts on the sale of woolpacks and non-deductible legal and capital raising expenses.

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.

# Primary Wool Co-operative Limited

## NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2018 (Continued)

10 Equity	Retained Earnings	Ordinary Shares	Ordinary Rebate Shares	Redeemable Preference Shares	Total Equity
<i>Reconciliation of Movement in Equity</i>					
Balance as previously reported at 1 July	(1,952,209)	589,232	3,286,611	529,239	2,452,873
Impact of error (see below)	-	(12,174)	(273,318)	-	(285,492)
Restated balance at 1 July 2016	(1,952,209)	577,058	3,013,293	529,239	2,167,381
Total Recognised Income and Expense	(2,369,795)	-	-	-	(2,369,795)
Effects of Transactions with Non-controlling Interests Equity Holders	-	-	-	-	-
Shares Issued for Cash	-	-	38,136	-	38,136
Shares Issued from Rebates Retained	-	12,174	273,318	-	285,492
Shares Converted	-	-	-	-	-
Shares Redeemed	-	-	(1,690)	(26,000)	(27,690)
<b>Balance 30 June 2017</b>	<b>(4,322,004)</b>	<b>589,232</b>	<b>3,323,057</b>	<b>503,239</b>	<b>93,524</b>
Balance 1 July 2017	(4,322,004)	589,232	3,323,057	503,239	93,524
Total Recognised Income and Expense	(394,776)	-	-	-	(394,776)
Effects of Transactions with Non-controlling Interests Equity Holders	-	-	-	-	-
Shares Issued for Cash	-	-	125,350	-	125,350
Shares Issued from Rebates Retained	-	23,238	356,583	-	379,821
Shares Converted	-	-	-	-	-
Shares Redeemed	-	(1,500)	(6,370)	-	(7,870)
<b>Balance 30 June 2018</b>	<b>(4,716,780)</b>	<b>610,970</b>	<b>3,798,620</b>	<b>503,239</b>	<b>196,049</b>
					Total

**Shares on Issue at 30 June 2018 (All fully paid)** 610,970 3,798,620 503,239 4,912,829

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 (2017 \$455,739).

Class B: \$47,500 Being those associated with H B de Lautour which were issued in relation to the purchase of the CRT shares (2017 \$47,500).

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

Interest on both classes of Redeemable Preference Shares was waived by the holders in 2018.

### 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. Whenever a remuneration is considered to general shareholders, repayment to preference shareholders is considered as if they are a first ranking priority.

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

# Primary Wool Co-operative Limited

## NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2018 (Continued)

### 10 Equity (Continued)

#### *Interest on Preference Shares*

Interest rates on preference shares are considered and agreed by the board at each meeting and at least annually

#### *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.

#### *Restatement of prior year ordinary shares and ordinary rebate shares*

At 30 June 2017, a rebate to shareholders was approved for \$379,821. The expense for this rebate was recognised in the Statement of Comprehensive Income with a corresponding equity transaction for the issue of ordinary share capital.

Although approved at 30 June 2017, the rebate was not settled in shares until 17 October 2017 when the Directors approved the issue of additional ordinary and ordinary rebate shares. Similarly, at 30 June 2016, a rebate of \$457,042 was approved of which \$285,492 was recorded as an issue of shares at 30 June 2016 when \$285,492 had not been approved as an issue of shares until the 2017 financial year.

The impact of this restatement is to reduce equity as at 30 June 2017 by \$379,821 with a corresponding provision for rebate being recognised for the same amount. The authorisation of share capital is now reflected as a transaction with equity holders in the year ended 30 June 2018, with the provision utilised for the same amount. The correction for opening equity at 1 July 2016 was to reduce ordinary shares and ordinary rebate shares by \$285,492 with a corresponding increase in share capital issued in the year ended 30 June 2017. The corresponding rebate provision at 30 June 2016 would be \$285,492.

The Statement of Comprehensive Income nor any other aspect of the Statement of Financial Position were affected.

#### *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 (2017: Nil).

### 11 Cash and Cash Equivalents

	2018	2017
BNZ Cheque Account	16,810	15,095
BNZ Call Account	15,084	44,359
Total Cash and Cash Equivalents	<u>31,894</u>	<u>59,454</u>

### 12 Receivables and Prepayments

Trade Receivables	-	66,709
Prepayments	6,515	6,333
GST receivable	6,916	2,239
Total Receivables and Prepayments	<u>13,430</u>	<u>75,281</u>

# Primary Wool Co-operative Limited

## NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2018 (Continued)

### 12 Receivables and Prepayments (Continued)

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

The Co-operatives 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 Limited formalised on 3 November 2014. There was 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 \$200,000 investment in Bruce Woollen Mill Limited.

	2018	2017
<b>13 Assets Held For Resale</b>		
Plant, Property and Equipment	-	335,000
	<u>-</u>	<u>335,000</u>

The property, plant and equipment at Bruce Woollen Mill held as an asset for resale was sold during the 2018 financial at a loss of \$184,388.

### 14 Advances to Investee

Carrfields Primary Wool Limited - Advance Account	2,300,000	2,300,000
Add Interest Outstanding on Loan	268,646	53,973
Net Loan	<u>2,568,646</u>	<u>2,353,973</u>
Less Prior Years' Share of Joint Venture Accumulated Losses	(306,152)	-
Less Apportionment of Current Joint Venture Loss as per Note 9	<u>(87,000)</u>	<u>(306,152)</u>
Total Advances to Investee	<u>2,175,494</u>	<u>2,047,821</u>

The advance to Carrfields Primary Wool Limited has an interest rate of 10.0% (2017 10%) and is repayable on demand, however is not expected to be repaid within the next twelve months. The advance is considered to form part of the Company's investment in Carrfields Primary Wool Limited.

### 15 Accounts Payable and Accruals

Accounts Payable	62,604	89,538
Unclaimed Dividends	4,584	4,584
Unclaimed Rebates	89	89
Total Accounts Payable and Accruals	<u>67,277</u>	<u>94,211</u>

### 16 Loan and Borrowings

Monument Premium Funding Limited	7,492	-
Shareholder Loan - M B de Lautour	1,650,000	1,650,000
Shareholder Loan 2017 - M B de Lautour	100,000	100,000
Shareholder Loan 2017- H B de Lautour	100,000	100,000
Shareholder Loan 2017- H C Gardner	100,000	100,000
Total Loan and Borrowings	<u>1,957,492</u>	<u>1,950,000</u>

# Primary Wool Co-operative Limited

## NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2018 (Continued)

### 16 Loan and Borrowings (continued)

The shareholder loan is from M B de Lautour. The unsecured loan is for an undefined term, with an interest rate of 5% up to balance date. (2017 5%). Mr de Lautour previously confirmed that he would not require repayment of this loan until sufficient funds were released from Carrfields Primary Wool Limited.

The 2017 shareholder loans are unsecured and for an undefined term with an interest rate of 6% per annum up to balance date (2017 6%). The loans are repayable on demand provided that cash flow allowed.

Monument Premium Funding is for insurance premiums financed over 12 months with a flat interest rate of 8.43%. Monthly repayments are \$812.34 with the final instalment due April 2019.

	2018	2017
<b>17 Reconciliation of Cash Flow</b>		
Reported loss after taxation	(394,776)	(2,369,795)
<b>Non-Cash and Non-Operating Items:</b>		
Share Loss (Profit) in Investee	87,000	1,647,018
Impairment Write Down	-	200,000
Shares Issued Retained from Rebates	379,821	285,492
Loss on Sale of Assets Held for Resale	184,388	-
<b>Working Capital Items Classified as Investment Activities:</b>		
Increase (Decrease) in Accounts Payable	(22,909)	(243,022)
Increase (Decrease) in Dividends and Rebates Unclaimed	-	(29)
Decrease ( Increase) in Account Receivable	58,008	(58,008)
Decrease ( Increase) in Other Accrued Revenue	(214,854)	(46,688)
Decrease (Increase) in Inventory	-	72,390
Increase (Decrease) in Provision for Rebate	(379,821)	94,329
<b>Net Cash from (used in) Operating Activities</b>	<b>(303,143)</b>	<b>(418,313)</b>

### 18 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. (2017: 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.

# Primary Wool Co-operative Limited

## NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2018 (Continued)

### 18 Financial Instruments (continued)

#### *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 (2017: 10%). As all interest rate risk is between related parties it was not anticipated that there was a significant risk.

### 19 Operating Commitments

At balance date, there were no operating commitments. (2017: Nil)

### 20 Capital Commitments

At balance date, there were no capital commitments. (2017: Nil)

### 21 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 14.

#### Trading Transactions

	2018	2017
Joint Ventures		
Interest Received	245,997	215,411
Service Fees Received	280,000	280,000
Sale of Goods	-	598,274
Purchase of Goods	174,639	755,800
Amounts Owed		
Advance to Carrfields Primary Wool Limited	2,300,000	2,300,000
Less Carrfields Primary Wool Limited losses offset against the loan	(393,152)	(306,152)
Plus interest outstanding on the loan	268,646	53,973
Total advances to investee	<u>2,175,494</u>	<u>2,047,821</u>

Amounts owing to Carrfields Primary Wool Limited at 30 June 2018 were \$14,821 (2017: \$18,280).

Apart from the transactions listed above, there were no other significant trading transactions with the Investee (2017: Nil).

#### *Transactions with Directors*

Directors fees of \$103,078 were paid during the period ended 30 June 2018 (2017: \$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. (2017: Nil)

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

As disclosed in Note 16, M B de Lautour has lent the Company a total of \$1,650,000 (2017 \$1,650,000). The unsecured loan is for an undefined term, with an interest rate of 5% at balance date on the full balance (2017: 5%). Mr de Lautour has confirmed that he will not require repayment of this loan until sufficient funds are released from Carrfields Primary Wool Limited. There is no interest on the loan unpaid at balance date.

# Primary Wool Co-operative Limited

## NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2018 (Continued)

### 21 Related Party Disclosures (Continued)

As disclosed in Note 16, M B de Lautour, H B de Lautour and H C Gardner have each lent the company \$100,000 (2017 \$100,000). 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.

	2018	2017
<b>Shareholdings of Related Parties</b>		
<i>Shares under the control of the Director</i>		
<b>M B de Lautour</b>		
Shares Held at 1 July 2017		
Redeemable Preference Shares	455,739	481,739
Ordinary Shares	76,332	76,332
Ordinary Rebate Shares	500	500
	532,571	558,571
Shares Redeemed during the year		
Redeemable Preference Shares	-	(26,000)
	532,571	532,571
Shares Held at 30 June 2018		
Redeemable Preference Shares	455,739	455,739
Ordinary Shares	76,332	76,332
Ordinary Rebate Shares	500	500
	532,571	532,571
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 12. He has a 0.81% shareholding in NZ Yarn Limited which is 67.55% (at the date these financial statements were authorised, 70.21%) owned by Carrfields Primary Wool Limited.		
<b>H C Gardner</b>		
Shares Held at 1 July 2017		
Ordinary Rebate Shares	11,904	11,904
	11,904	11,904
Shares Issued		
Rebates retained and converted to Ordinary Rebate Shares	764	-
	12,668	11,904
Shares Held at 30 June 2018		
Redeemable Preference Shares	-	-
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.

# Primary Wool Co-operative Limited

## NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2018 (Continued)

### 21 Related Party Disclosures (Continued)

	2018	2017
<b>H B de Lautour</b>		
Shares Held at 1 July 2017		
Redeemable Preference Shares	47,500	47,500
Ordinary Rebate Shares	21,204	21,204
	<u>68,704</u>	<u>68,704</u>
Shares Issued		
Rebates retained and converted to Ordinary Rebate Shares	1,473	-
	<u>70,177</u>	<u>68,704</u>
Shares Held at 30 June 2018		
Redeemable Preference Shares	47,500	47,500
Ordinary Rebate Shares	22,677	21,204
	<u>70,177</u>	<u>68,704</u>

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

#### J R Osborne

Shares Held at 1 July 2017		
Ordinary Rebate Shares	4,963	4,963
	<u>4,963</u>	<u>4,963</u>
Shares Held at 30 June 2018		
Ordinary Rebate Shares	4,963	4,963
	<u>4,963</u>	<u>4,963</u>

J R Osborne became a Director of the Joint Venture Carrfields Primary Wool Limited on 27 August 2018.

<b>Total Key Management Personnel Compensation</b>	<u>203,578</u>	<u>182,134</u>
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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.

### 22 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 \$394,776, 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:

- Two of the Company's directors, Howie Gardner and Hamish de Lautour, have agreed to provide financial support to the Company in the event that it cannot meet its obligations as they fall due. Since 30 June 2018, under these letters of support, amounts have been received by the Company for \$10,000 and \$20,000 on 19 January 2019 and 20 December 2018 from Howie Gardner and Hamish de Lautour respectively. Gardner and Hamish de Lautour respectively;
- Since balance date, the \$1,950,000 of Shareholder Loans (Note 16) were converted to Redeemable Preference Shares; and

# **Primary Wool Co-operative Limited**

## **NOTES TO THE FINANCIAL REPORT**

FOR THE YEAR ENDED 30TH JUNE 2018 (Continued)

### **22 Going Concern (continued)**

- Notwithstanding the letters of support, the 2019 cash flow budget for the Company requires limited cash injections to sustain the Company's expenditure, and those requirements could be further limited by reductions in Directors' fees which the Directors will undertake if necessary. However, this assumes no further lending to the Company's investee, the Carrfields Primary Wool Group.

### **23 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 Limited 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 Limited plant by Primary Wool Co-operative Limited did not have preferential ranking as the loan was made to Bruce Woollen Mill Limited when it was insolvent. The Directors and the Company's legal counsel do not agree with this but notes that a contingent liability of up to \$150,000 exists if the liquidator is successful in proving their case. (2017: \$150,000)

The Company has given an undertaking to M B de Lautour to service the loan used to provide funding to the Company, in the event of his death. The total commitment is currently \$2,459,673 and servicing this would currently be \$11,300 per month.

There were no other contingent assets or liabilities as at 30 June 2018 (2017: Nil).

### **24 Post Balance Date Events**

Since balance date, the \$1,950,000 of Shareholder Loans (Note 16) have been converted to equity as Redeemable Preference Shares (2017 Nil). There were no other material subsequent events.