



100%  
NEW ZEALAND FARMER OWNED



Annual Report  
2018



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*Cover: Wools of New Zealand grower Kurt Portas models one of the new range of M&S Sustainable Wool Blazers at Palliser Ridge, Wairarapa. The range, produced from Responsible Wool Standard (RWS) certified New Zealand lambswool, was launched in early October 2018. More on the RWS on page nine of this report.*

# OUR VISION IS TO BE THE LEADING INNOVATIVE SALES AND MARKETING COMPANY FOR NEW ZEALAND STRONG WOOL

## MISSION

To progressively improve the profitability of our grower shareholders.

## OBJECTIVES

To retain, protect and build the value of the Wools of New Zealand brands and market relationships.

To develop the market-pull strategy by increasing branded contracts and relationships with the supply chain.

To provide transparent feedback to shareholders rewarding them for delivering fit-for-purpose product to our customers.

2013

2014

2015

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Capitalisation of  
Wools of New Zealand

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Extension of forward  
contracts

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Direct-2-Scour  
launched

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Staple supply programme

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Glacial XT Investment

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Traceability initiative  
with Oritain

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# 2016

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Launch of Glacial XT innovation

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Refinement of Direct-2-Scour

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# 2017

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Glacial XT moves to commercial production

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Review of Direct-2-Scour and launch of tender

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# 2018

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Launch of Natural Fibre Exchange

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Issue of PDS share offer to grower shareholders

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Moved to fully commercial model

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# HIGHLIGHTS



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Achieved 5-year objective of moving to a fully commercial model, concluding the WMDC commitment by growers who are being rewarded with additional shares

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A \$600k positive turnaround in after tax income

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Launch of the Natural Fibre Exchange – part of our industry collaboration strategy

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Glacial XT move to commercial production and sales

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*On 1 July 2018 your company achieved an important milestone, transitioning to a commercial model, without reliance on the Wool Market Development Commitment (WMDC). The WMDC has been an important funding source for Wools of New Zealand over the formative five years since inception, allowing for investment in R&D, opening up of new markets and innovative opportunities aimed at benefiting our grower shareholders.*



**Mark Shadbolt**  
Chairman

**Rosstan Mazey**  
Chief Executive

#### **SHARE OFFER**

In March 2018 Wools of New Zealand Limited registered a Product Disclosure Statement (PDS) for an offer of additional shares in the company for eligible grower shareholders.

The aim of the offer was to ensure that current committed grower shareholders were allocated at no cost additional shares in the company, to recognise their commitment to the company they created and have continued to help grow and develop. Accordingly, grower shareholders who were up to date with their WMDC payment obligations at 30 June 2018 became eligible for one additional share for every dollar of WMDC paid.

We note also that the PDS allows the Board at their discretion to issue shares in future for any transacting shareholders. At this point the Board have elected not to implement any additional innovation and marketing contributions but rather to focus on a fully commercial model with returns linked to transactional support and commercial contracts.

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*Our greatest challenge is to generate value for our grower shareholders. We are encouraged by the future earning potential of our initiatives, notably with Glacial XT and our collaboration with DuPont.*

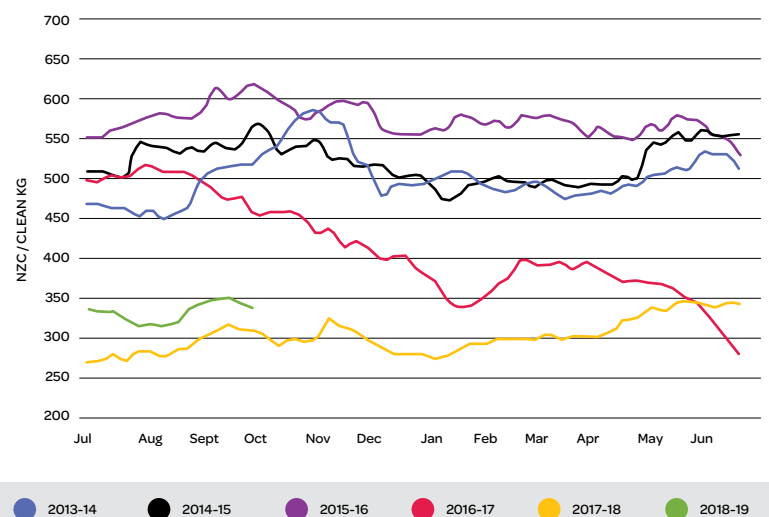
## MARKET COMMENTARY

We've remained focused on our strategic plan to develop value driven contracts, like our industry leading lambswool contract and more efficient routes to market, with continual investment in innovation and new technologies.

The market for crossbred wool has remained at a low ebb for the past two years, with high stock levels from 2017/18 diluting demand, particularly from China. This, combined with increased competition from alternative fibres, has led to high inventory levels throughout the supply chain. Recent signals that those levels were being worked through, combined with increased oil prices (which affect synthetic fibre pricing), has seen some improvement in demand, albeit at a low value which unfortunately often doesn't cover the cost of production for farmers.

### New Zealand Coarse Wool Market

Data prior to 1 Aug 2016 supplied by NZWSI



To ensure our continued commercial success it is vital that our shareholders commit to their company, primarily through transacting wool through Wools of New Zealand and being involved in value contracts where possible.

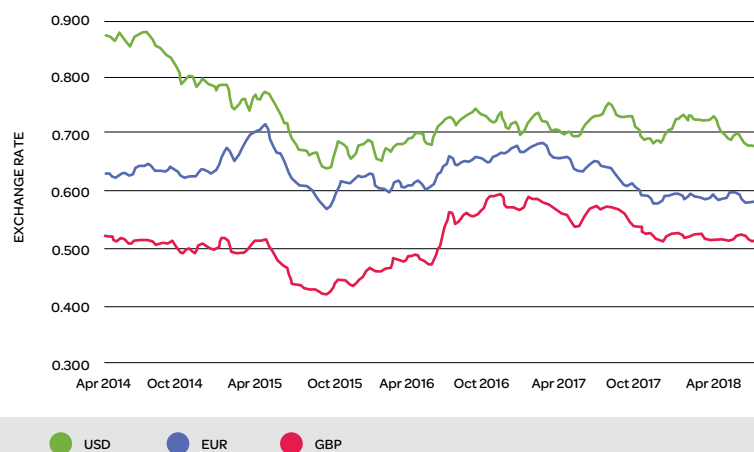
Strategically we are also focused on consolidation within the industry and continue to work on initiatives to achieve this.



## FINANCIAL PERFORMANCE

The Board of Wools of New Zealand considers the 2018 financial outcomes to be satisfactory given the challenging wool market. Revenue for the 2018 financial year was \$14.1 million, compared to \$15.9 million for the previous year. Expenses were well managed with a significant reduction in the WMDC impairment provision due to enormous efforts to collect outstanding WMDC balances. Further, the 2018 expenses included one-off costs totalling \$0.25 million relating to the closure of the Chinese entity and the restructure of the UK operations. The resulting 2018 profit before tax of \$0.5 million was a \$1.0 million turnaround from the \$0.5 million loss in the previous year. The balance sheet remained strong with improved current ratios driven by the significant improvement in cash inflows resulting in the 2018 cash balances increasing by \$1.4 million over the previous year.

### NZD v EUR, GBP & USD - 4 YEAR



Profit after taxation and attributable to the shareholders of the company amounted to \$0.3 million (2017: loss of \$0.3 million).

Importantly, we continued to advance our commercial aims and gain traction through our technology and innovation strategies. The performance reflects the direct

benefit of channels to market initiatives, including direct-to-market forward contracts, fortnightly tender, refined Direct-2-Scour process and launching of the Natural Fibre Exchange as well as encouraging higher levels of shareholder commitment and support.

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*In-market innovation and generating value add for our growers' wool through the investment in new technologies is a key area of strategic focus. We collaborate with leading companies and research organisations, as well as NZTE, enabling us to improve and enhance our products and move wool into other non-traditional strong wool opportunities.*



### **Glacial XT**

Glacial XT is an emerging technology that is integrated into the scouring process, enhancing the whiteness and brightness of our wool without compromising its integrity and providing a more consistent and clean substrate for product enhancement. This revolutionary scour process is now commercially underway with initial sales being made as our partners gain confidence and achieve improvements in the processing and performance of finished products.

### **DuPont Biomaterials**

Wools of New Zealand is progressing its collaboration with DuPont Biosciences to develop and market a new bio-sustainable yarn using a blend of Glacial XT wool and polymer which incorporates plant material. The scope of the opportunity is substantial, with potential application across a range of textiles, including upholstery, clothing and carpets.

The 200-year old DuPont organisation's polymer product range includes Kevlar, Lycra, Neoprene, Nylon and Teflon and as an organisation it employs almost 100,000 people, including more than 2,500 scientists.

### **Oritain**

Wools of New Zealand has partnered with Oritain, a New Zealand based global leader in trace technology. Use of a unique isotope-based technology provides a credible means by which the authenticity and source of products that contain our wool can be verified. Not only does this protect the integrity of the Wools of New Zealand brand, it provides a valuable lineage that protects the integrity of our customers' brands.



## Marks & Spencer RWS Blazer Launch with Wools of New Zealand

The Responsible Wool Standard (RWS) is an independent, voluntary standard developed and supported by an influential group of global brands committed to providing consumers with ethical goods. The RWS has created an industry benchmark to influence improvements in animal welfare and land management, providing a robust and traceable chain of custody, giving consumers' confidence that the wool in the products they choose is truly RWS. As a supporter of the RWS, Wools of New Zealand will continue to expand the number of accredited growers under the programme, as the standard increases in demand by consumer brands.

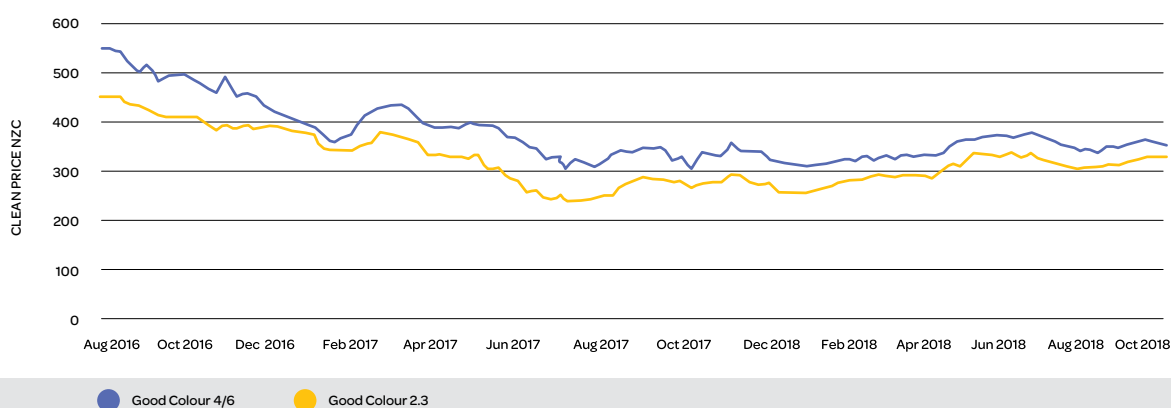
The first Wools of New Zealand shareholder farm to be certified was Palliser Ridge in the Wairarapa, owned by Jim and Marilyn Law and managed by Kurt and Lisa Portas.

It is fitting therefore that Palliser Ridge and the Portas family feature on the marketing material for the launch of the new Marks & Spencer (M&S) range of RWS menswear products.

The M&S range is being produced from Wools of New Zealand lambswool, with the fabric manufactured by Abraham Moon & Sons, renowned for creating exceptionally high quality textiles out of their world class mill in Yorkshire.



*Wools of New Zealand is constantly evaluating the cost and delivery efficiencies of its routes to market. These mechanisms include our Direct-2-Scour partnership with Cavalier Woolscourers in both the North and South Islands and fortnightly tender, which is open to multiple participants.*

**4/6" and 2/3" price comparison**

### Natural Fibre Exchange

Wools of New Zealand initiated the development and launch of the Natural Fibre Exchange (NFX) this year, an independent online trading platform to connect buyers and sellers. The first successful trading event in May was the result of engagement with wool buyers and sellers, contributing to positive collaboration within the industry. The aim of the NFX is to reduce transaction costs between sellers and buyers, increase the number of potential purchasers, enhance information flow and provide objective reference pricing.

Managers of the NFX and its information site are CRA International, global specialists in the design and administration of on-line auctions and other trading platforms, including the Global Dairy Trade (GDT). Trading events are held fortnightly, alternating with the Wools of New Zealand tender.

### Forward contracts

Forward contracts are a fundamental part of our selling model and provide price certainty for our growers. They play an important role in attracting and strengthening relationships with customers. We've responded by negotiating and offering contracts where growers can lock in forward pricing options.

Our ability to negotiate these favourable contracts, including our ongoing lambswool and second shear contracts, is underpinned by delivery of wool in specification, on time and to required volumes. Ultimately, it's about rewarding growers for producing fit for purpose wool that the market demands.

Our lambswool forward contract continues to be a leader in the market. This year we were able to offer this contract ahead of the average market price, with our positive long term relationship allowing us to negotiate a favourable two-year contract, acknowledging both the consistency of our delivery and quality of growers' lambswool.

There has also been positive interest in particular for second shear wool in the 2-3" and 2-4" range from European spinners. We note that second shear wool values are holding, or even improving, for quality good colour wool versus full fleece (3-5" or 4-6"), so the pricing between the two types of wool is actually narrowing, as evidenced by the two-year cycle graph above. There is currently around 12% differential compared to more than 20% for full fleece (4-6") as recently as last season.

We continue to evaluate the opportunity to lock in additional forward contracts, which going forward will be built on brand awareness and quality, delivering the attributes we offer.





*As one of the world's most recognisable wool brands, Wools of New Zealand has a responsibility both to its customers and growers to do justice to not only the end product but also to our brand.*

#### **Brand partnerships**

Wools of New Zealand relies on retail product brands for consumer awareness. Our focus is on promoting our wool and our innovations for the exclusive advantage of our commercial partners who carry our wool into the market. This is via formal commercial relationships, which, combined with our traceability programme, guarantees that it is Wools of New Zealand wool that is being used.

#### **Communications**

As a company 100% owned by our grower shareholders, Wools of New Zealand occupies a unique position in the New Zealand wool industry. We are aware of the need to engage regularly with our shareholders, to share our stories and recognise our achievements.

We have placed emphasis on re-connecting with grower shareholders, particularly through the PDS offering. During the past year that included work to better understand grower perceptions and the relationship between growers and Wools of New Zealand. We have taken a number of those insights and concerns on board.

Practically, growers have a direct link to the company through their Grower Liaison (GL), who are responsible for regular interaction with each of our 700 growers. We continue to send out regular newsletter updates via e-bulletin. Periodic shed meetings are also held, which, while not unique to the industry, have proven very effective as a face-to-face method of engagement.

The members of the Grower Advisory Panel (GAP) continue to play an important role in communicating feedback to the Board and management, helping to test drive a number of commercial initiatives. They were an important sounding board for the recent PDS share offer process and we thank them for their efforts.



### ***Grower of the Year***

The Wools of New Zealand Grower of the Year award is an annual award open to grower shareholders who are members of the Staple supply programme and who commit their annual strong wool production. In 2017 the recipients were the Grant Brothers Partnership, Cameron and Bronwyn Grant, and Robert and Lynne Grant, fourth generation farmers combining 4,200 hectares across four properties in Southland.

Farming in an area with reliable rainfall and excellent growing conditions, the partnership run 20,000 Romney ewes (146% lambing – 50% to terminal sire); 6,900 hoggets (2,000 put to the ram) and 970 beef cows. In accepting the award, Cameron commented: "Wools of New Zealand fits our business model which is based on loyalty and to be rewarded for being loyal, is a big incentive to keep supplying. We are also impressed with the innovations the company is investing in and excited to be finally seeing something done in the wool industry that will provide profitability for growers."

### ***Prospects***

Work since our capital raise in 2012/13 has been focused on building brand awareness and forging relationships through the value chain on behalf of our grower shareholders. We believe there is a strong future for wool. The key ingredients to achieve this include investment, commitment and collaboration. There is a growing awareness of and interest in textile product origin, production methods and assurance of integrity. We are experiencing it first hand in the form of increasing enquiry from major global brands as they seek to position themselves as sustainable and ethical.

Production advancements and our investment in technologies are also positioning us as a partner of choice for use in non-traditional products, through maturing relationships and partnerships. These send powerful messages, add value for our growers and are tremendously exciting.

We need to have confidence in the future. Success is unlikely to happen overnight, but we are building traction through our advancements and investments in scour, traceability and new technologies.

We will take our cue from other sectors where, without exception, a strong brand presence has made all the difference when underpinned by a high quality, ethically produced product.



**Mark Shadbolt**  
Chairman



**Rosstan Mazey**  
Chief Executive

*One of Wools of New Zealand's key points of difference is its in-market relationships, particularly with key strategic partners both on the supply side and in the market.*

Wools of New Zealand's experienced and committed people in New Zealand and the United Kingdom and partners in other key international markets, all work towards the same mission – to progressively improve the profitability of our grower shareholders.

In New Zealand the team work directly with growers, manage our sales, shipping and payments. Our team in the United Kingdom have a strong focus on building and cementing customer relationships and developing new business streams.

We extend our thanks and gratitude to our management team and all staff throughout our company for their hard work in often challenging market conditions.

### **Governance**

The addition of three new Directors to the Board of Wools of New Zealand in July 2017 has brought additional insight and energy to the board room table, letting us tap into skill sets that are well aligned with the strategic business objectives we've set for ourselves.

The Board currently comprises three Grower appointed Directors and two Independent Directors. We thank all of our Directors for their contribution to our company during the year.

Jamie Tuuta, an independent Director since 2012, resigned effective 20 September 2017 to dedicate additional time to his other business interests, including as Māori Trustee and CEO of Te Tumu Paeroa. Our thanks go to Jamie for his commitment and valued counsel over the past five years.

### **Mark Shadbolt**

Grower Appointed Director, Chairman

Mark is Chair of Wools of New Zealand and Director of Wools of New Zealand UK Ltd. Mark's long term passion is to see wool as an important financial contributor to the sheep industry and New Zealand.

Mark is also Managing Director of Banks Peninsula Wool Growers Limited, a company established by local wool growers with the objective of increasing the value of Banks Peninsula Strong Wool.

Mark has spent considerable time communicating with Wools of New Zealand shareholders and supporters in an effort to build grower support of those who own Wools of New Zealand shares, as well as engage with the industry and consider collaboration where commercially appropriate. Investment into innovation and technologies with a focus on new uses has been a key focus of Mark's to ensure wool price received by growers is sustainably profitable.

### **Craig Hickson**

Grower Appointed Director

Craig has been involved in farming since 1982. Craig owns Anawai, a 1,500 hectare property in Hawkes Bay. He is the Managing Director and owner of Progressive Meats Limited, a business he started with his wife in 1981 and which now employs 350 staff. In addition to Progressive Meats Limited, Craig is a shareholder and Director of several other primary industry companies, including Hawkes Bay Meat Company, Te Kuiti Meats Ltd, Lean Meats Ltd, Taylor Preston Ltd, Progressive Leathers Ltd, Venison Packers Feilding Ltd and Tomoana Pelt Processors Ltd.

**Lucy Griffiths**

Grower Appointed Director

Lucy Griffiths is the owner of Innov8 Aotearoa, a company formed to assist New Zealand food and beverage companies market their products strategically with a focus on export development. Originally from Southland farming roots, Lucy has travelled the world as a Nuffield New Zealand scholar and as part of FAME (Food & Agribusiness Market Experience). Lucy holds several additional governance positions including Director of CEDA (Central Economic Development Agency), Trust House Board Director, Masterton Community Trust Elected Trustee and is Chair of Brackenridge.

**Ian Marshall**

Independent Board Appointed Director

Ian Marshall is a retired Audit Practitioner who also chairs our Audit and Risk Committee. Ian brings strategic financial acumen and compliance to the Board table and to the Company. Ian understands the Corporate Governance model of separating strategy from execution and has extensive experience dealing with different stakeholders' needs with independence and integrity. Ian is a Massey University Counsellor and chairs the Audit and Risk Committees of Massey University and Marlborough District Council, as well as being a member of the New Zealand Auditing and Assurance Standards Board.

**Rebecca Smith**

Independent Board Appointed Director

Rebecca Smith is Director of the New Zealand Story, a Government backed initiative aimed at broadening the perception of New Zealand beyond its natural beauty. With a career spanning dairy, banking, telecoms, manufacturing, software and tourism, Rebecca has a breadth of sales and marketing experience that is proving to be invaluable to Wools of New Zealand.





## Statutory Information

FOR THE YEAR ENDED 30 JUNE 2018

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*Remuneration of Directors*

The fee paid and payable to Directors during the year were:

\$NZD	2018	2017
MP Shadbolt (Chairman)	60,000	60,000
IC Marshall (Chair of Audit)	41,250	-
CRN Hickson	30,000	30,000
LMJ Griffiths	27,500	-
RR Smith	27,500	-
JGD Tuuta	6,678	30,000
<b>Total Directors' Fees</b>	<b>192,928</b>	<b>120,000</b>

M Shadbolt performs duties over and above normal governance duties of the Chair. In consideration of this time and effort he was paid additional executive compensate of \$45,450 (2017: \$19,400) in addition to Director's Fees included in the above.

*Deeds of Indemnity*

Pursuant to section 162 of the Companies Act 1993 and the Constitution, Wools of New Zealand Limited has entered into insurance and indemnity agreements with the Directors to indemnify them to the maximum extent permitted by law, against all liabilities which they may incur in the performance of their duties as Directors of any company within the Group. Insurance cover extends to Directors and Officers for the costs and expenses of successfully defending legal proceedings. Specifically excluded are penalties and fines which may be imposed for breaches of law and criminal actions. In accordance with commercial practice, the insurance contract prohibits further disclosure of the terms of the policy.

*Remuneration of Employees*

Grouped below, in accordance with section 211(1)(g) of the Companies Act 1993, are the number of employees, who are not directors, whose remuneration and benefits in their capacity as employees, exceeded \$100,000 in the financial year:

	<b>GROUP</b>	
	2018	2017
\$100,001 – 110,000	-	1
\$110,001 – 120,000	2	-
\$120,001 – 130,000	-	2
\$130,001 – 140,000	1	-
\$140,001 – 150,000	-	1
\$150,001 – 160,000	-	-
\$160,001 – 170,000	-	-
\$170,001 – 180,000	1	-
\$180,001 – 190,000	-	1
\$220,001 – 230,000	1	1

## 18 Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2018

\$NZD	Note	2018	2017
Total Gross Revenue	4	<b>25,418,095</b>	<b>25,946,576</b>
Less Direct to Scour Wool Purchases		(11,317,723)	(10,001,592)
Net Revenue		14,100,372	15,944,984
Cost of Sales		(9,230,371)	(10,857,136)
<b>Gross Profit</b>		<b>4,870,001</b>	<b>5,087,848</b>
Operating and Administration Expenses		(3,540,227)	(3,907,584)
Provision for WMDC Write Down	4	(399,789)	(1,037,495)
Finance Expenses	5	(442,235)	(595,432)
<b>Total Expenses</b>		<b>(4,382,251)</b>	<b>(5,540,511)</b>
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>487,750</b>	<b>(452,663)</b>
Income Tax		(162,782)	131,510
<b>PROFIT/(LOSS) FOR THE YEAR AFTER TAX ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>324,968</b>	<b>(321,153)</b>
<b>Other Comprehensive Income:</b>			
Translation of Foreign Operations (net of tax)		91,795	30,820
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>416,763</b>	<b>(290,333)</b>



# Summary Consolidated Statement of Financial Position

AS AT 30 JUNE 2018

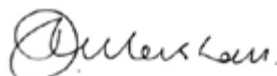
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\$NZD	2018	2017
<b>Current Assets</b>		
Cash, Short Term Deposits and Cash Equivalents	2,476,290	1,108,429
Receivables and Prepayments	1,727,172	2,640,030
Wool inventory on hand	2,226,895	3,250,454
<b>Total Current Assets</b>	<b>6,430,357</b>	<b>6,998,913</b>
<b>Non Current Assets</b>		
<b>Total Non Current Assets</b>	<b>1,727,331</b>	<b>1,820,786</b>
<b>Total Assets</b>	<b>8,157,688</b>	<b>8,819,699</b>
<b>Current Liabilities</b>		
Loans and Borrowings	265,296	736,770
Trade and Taxation Payable	1,992,670	2,819,972
Derivative Financial Liabilities	238,370	-
<b>Total Current Liabilities</b>	<b>2,496,336</b>	<b>3,556,742</b>
<b>Non Current Liabilities</b>	-	18,368
<b>Total Liabilities</b>	<b>2,496,336</b>	<b>3,575,110</b>
<b>Net Assets</b>	<b>5,661,352</b>	<b>5,244,589</b>
<b>Represented by:</b>		
<b>Equity</b>		
Share Capital	7,997,021	7,997,021
Accumulated Funds	(2,396,796)	(2,944,512)
Other Reserves	61,127	192,080
<b>Total Equity</b>	<b>5,661,352</b>	<b>5,244,589</b>

For and on behalf of the Board



MP Shadbolt *Director*  
30 August 2018



Ian Marshall *Director*  
30 August 2018

## 20 Summary Consolidated Statement of Cashflows

FOR THE YEAR ENDED 30 JUNE 2018

\$NZD	2018	2017
<b>Net Cash Inflows from Operating Activities</b>	<b>2,087,460</b>	<b>1,468,470</b>
Net Cash (Outflows)/Inflows from Investing Activities	(184,867)	526,103
Net Cash Outflows from Financing Activities	(754,734)	(1,897,277)
<b>Net increase in cash and cash equivalents</b>	<b>1,147,859</b>	<b>97,296</b>
Net foreign exchange movements	220,002	127,508
Cash and Cash Equivalents at the Beginning of Year	1,108,429	883,625
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>2,476,290</b>	<b>1,108,429</b>

## Summary Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2018

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\$NZD	Share Capital	Foreign Currency Translation Reserve	Revaluation Reserve	Accumulated Losses	Total Attributable to Equity Holders of Parent
<b>30 June 2016</b>	<b>7,997,021</b>	<b>(61,488)</b>	<b>222,748</b>	<b>(2,623,358)</b>	<b>5,534,923</b>
Loss after tax for the year	-	-	-	(321,153)	(321,153)
Translation of Foreign Operations	-	30,820	-	-	30,820
<b>Total Comprehensive Income</b>	<b>-</b>	<b>30,820</b>	<b>-</b>	<b>(321,153)</b>	<b>(290,333)</b>
<b>30 June 2017</b>	<b>7,997,021</b>	<b>(30,668)</b>	<b>222,748</b>	<b>(2,944,511)</b>	<b>5,244,589</b>
<b>30 June 2017</b>	<b>7,997,021</b>	<b>(30,668)</b>	<b>222,748</b>	<b>(2,944,511)</b>	<b>5,244,589</b>
Movement in reserve			(222,748)	222,748	-
Loss after tax for the year	-	-	-	324,968	324,968
Translation of Foreign Operations	-	91,795	-	-	91,795
<b>Total Comprehensive Income</b>	<b>-</b>	<b>91,795</b>	<b>-</b>	<b>324,968</b>	<b>416,763</b>
<b>30 June 2018</b>	<b>7,997,021</b>	<b>61,127</b>	<b>-</b>	<b>(2,396,795)</b>	<b>5,661,352</b>



## 22 Notes to the Summary Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

**Reporting Entity and Statutory Base**

Wools of New Zealand Limited (the Company) is a profit-oriented company domiciled in New Zealand and registered under the Companies Act 1993. These summary financial statements comprise the controlling entity, the Company, and its subsidiaries including Wools of New Zealand (UK) Limited and other non-trading entities (the Group). The Group's principal activity is the sales, logistics and marketing of New Zealand strong wool both internationally and locally on behalf of its shareholders and suppliers.

The information is presented in New Zealand dollars, rounded to the nearest dollar, which is the Company's functional and the Group's presentation currency.

**Significant Accounting Policies**

The principle accounting policies applied in the preparation of these summary consolidated financial statements have been consistently applied to all periods presented. Where necessary, certain comparative numbers have been restated to comply with the current year reporting requirements.

**Note 1**

The summary consolidated financial statements have been prepared in accordance with, and comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and Financial Reporting Standard No. 43 Summary Financial Statements (FRS-43). The full financial statements comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other reporting standards as appropriate for Tier 1 profit entities.

**Note 2**

The specific disclosures included in the summary consolidated financial report have been extracted from the audited financial statements dated 30 August 2018. The audit opinion expressed thereon was unmodified.

**Note 3**

This summary consolidated financial report does not provide the detail included in the full financial report, therefore should be read in conjunction with our full financial statements to provide the complete information about the Group for the 30 June 2018 financial year. The full financial statements are available on our website [www.ourwool.co.nz](http://www.ourwool.co.nz).

**Note 4****Revenue**

When the Company acts in an agency capacity rather than as the principal in a transaction 'Direct to Scour', the revenue recognised is the net of amount of selling fees made by the Company.

Included within Export Sales is \$129,593 (2017: \$667,660) of realised Foreign Exchange Gains attributable to forward contracts to manage Foreign Exchange Risk Exposure on Export Sales.

Shareholders contributed to the annual Wool Market Development Commitment (WMDC). The WMDC was set at \$0.20 per kilogram of assessed annual wool production produced by each shareholder up to cessation at 30 June 2018.

**Note 5****Net Finance Income and Expenses**

\$NZD	2018	2017
<b>Foreign Exchange Income/ (Expense) comprise:</b>		
Net (Loss) on Derivative Financial Instruments	(220,000)	(648,746)
Net (Loss)/Gain on Foreign Denominated Items	(207,307)	75,407
<b>Foreign Exchange Expense</b>	<b>(427,307)</b>	<b>(573,339)</b>
Interest Received from Short Term Deposits	15,922	31,767
Interest on Loans and Borrowings	(30,850)	(53,860)
<b>Total Finance Expenses</b>	<b>(442,235)</b>	<b>(595,432)</b>

**Note 6**

In accordance with the Product Disclosure Statement, qualifying shareholders will be entitled to additional shares in the company.

There were no subsequent events requiring adjustment to these financial statements.



# Independent Auditor's Report

To the shareholders of Wools of New Zealand Limited

**Report on the summary consolidated financial statements**

## Opinion

In our opinion, the accompanying summary consolidated financial statements of Wools of New Zealand Limited (the company) and its subsidiaries (the group) on pages 18 to 22:

- i. Has been correctly derived from the audited Group financial statements for the year ended on that date; and
- ii. Is a fair summary of the Group financial statements, in accordance with FRS 43 Summary Financial Statements.

The accompanying summary consolidated financial statements comprises:

- the summary consolidated statement of financial position as at 30 June 2018;
- the summary consolidated 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 Standard on Auditing (New Zealand) (ISA (NZ)) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Our firm has also provided other services to the group in relation to taxation assistance. This matter has not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.



## Use of this Independent Auditor's Report

This report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent 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 shareholders as a body for our audit work, this report, or any of the opinions we have formed.



## Responsibilities of the Directors for the summary Consolidated Financial Statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the summary consolidated financial statements in accordance with FRS 43 Summary Financial Statements; and



- implementing necessary internal control to enable the preparation of a summary consolidated set of financial statements that is correctly derived from the audited consolidated financial statements.



## **Auditor's Responsibilities for the summary Consolidated Financial Statements**

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with (or are a fair summary of) the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) (ISA (NZ)) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

We expressed an unmodified audit opinion on the consolidated financial statements in our audit report dated 30 August 2018.

The summary consolidated financial statements do not contain all the disclosures required for a full set of consolidated financial statements under generally accepted accounting practice in New Zealand. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of the group.

A handwritten signature in blue ink, appearing to be 'KPMG', positioned above the text 'Christchurch'.

Christchurch

30 August 2018





### ***Directors***

Directors holding office during the financial year were:

- MP Shadbolt (Chairman)
- CRN Hickson
- JGD Tuuta  
(ceased 20 September 2017)
- LMJ Griffiths  
(appointed 31 July 2017)
- IC Marshall  
(appointed 31 July 2017)
- RR Smith  
(appointed 31 July 2017)

### ***Registered Office***

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83 Victoria Street  
Christchurch 8013

### ***Independent Auditor***

KPMG  
Level 5, 79 Cashel Street  
Christchurch 8013

### ***Bank***

ANZ Banking Group Limited  
203 Queen Street  
Auckland 1010

### ***Solicitor***

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Christchurch 8013



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