



100% New Zealand Grower Owned



## Wools of New Zealand Shareholder Update No. 103, 31 October 2018



**From the Chief Executive**

**Rosstan Mazey**

### **Continuing our Forward Momentum**

Wools of New Zealand has today published its Annual Report for the year to end June 2018. The abbreviated report can be found at [www.ourwool.co.nz](http://www.ourwool.co.nz)

The results were satisfactory in light of what was once again a challenging international wool market.

In a very real sense it was a defining year for the company, with highlights including:

- Achieving our five-year objective of moving to a fully commercial model, concluding the WMDC commitment by growers who are being rewarded with additional shares through our Product Disclosure Statement (PDS)
- A \$1 million positive turnaround in profit before tax
- Launch of the Natural Fibre Exchange – part of our industry collaboration strategy
- Glacial XT move to commercial production and sales.

Importantly, we continued to advance our commercial aims and gain traction through our technology and innovation strategies, for example with significant investment into our exclusive Glacial XT wool scour process which successfully moved to commercial production and sales during the year. You will be hearing more about that in the coming months.

Our clear focus on revenue, WMDC collection and managing expenses has resulted in a significant reduction in WMDC impairment provision to \$0.4 million. The 2018 expenses also include one-off costs of \$0.25 million related to the closure of the Chinese entity and the restructure of the UK operations.

The performance reflects the direct benefit of efficient channels to market initiatives, including direct to market forward contracts, fortnightly tender, more efficient D2S process and the launch of the Natural Fibre Exchange – which is being used as a selling mechanism by an increasing number of our growers to enhance transparency around price discovery.

This and a number of our more recent commercial initiatives, for example the Responsible Wool Standard (RWS) partnership with M&S Menswear in the UK, has seen an encouraging level of shareholder commitment and support, through transacting wool, a vital component of our commercial success.

This year our industry leading lambswool forward contract was again offered ahead of the average market price. It was negotiated, for the first time, with a longer-term supply commitment, extended to a two-year contract with a significant increase in volume. It's the result of both the consistency of our delivery and quality of growers' wool – a real joint effort between all parties in the supply chain.

As we've recently communicated, a number of our growers have also locked in positive returns for second shear wool, in the 2-3" and 2-4" range, which is attracting interest particularly from European spinners.

We continue to evaluate opportunities to lock in additional forward contracts, which we expect to be increasingly built on brand integrity and quality, delivering the attributes we offer.

Looking forward the key message is that the growing global awareness of textile product origin, production methods and assurance of integrity has positioned Wools of New Zealand and our more than 700 shareholders positively for the future.

## Organic Wool Expression of Interest

WNZ has received an enquiry for certified organic wool that would be used in Global Organic Textile Standard (GOTS) certified textiles. If you are a certified organic wool grower and are interested in this opportunity, please contact your local Grower Liaison.

What we would like to know:

- Your wool type (e.g. second shear 2-3" or 2-4"; full fleece; lambs)
- Your sheep breed
- Your shearing patterns and seasonality
- Volume of wool produced
- The name of the programme you're certified under.

## Contact Us

Please contact your regional Grower Liaison (GL) directly if you wish to discuss anything.

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