Primary WOOL CO-OPERATIVE LTD

48th

Annual Report

and Statement of Accounts

for the 14 month period ended

31 August 2022

Primary Wool Co-operative Limited

Table of Contents

Directors

R G Young
Chairman

W J Oliver
Grower Elected Director

H B de Lautour
Grower Elected Director

Primary Wool Co-operative Limited

ANNUAL RESOLUTION BY DIRECTORS OF A CO-OPERATIVE COMPANY

It was the opinion of the Board that Primary Wool Co-operative Limited has through the period ended 31 August 2022 and since the date of the registration of the Company under the Co-operative Companies Act 1996, been a Co-operative 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 Co-operative 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 Co-operative Companies Act 1996.

Dated this 18th day July 2023.

R G Young
Richard.young@woolsnz.com

W J Oliver
William.oliver@woolsnz.com

H B de Lautour
Hamish.de.lautour@woolsnz.com

Primary Wool Co-operative Limited

CHAIRS' REPORT

Introduction

The PWC Board is pleased to now be in a position to present our 2022 annual report to shareholders. The preparation and audit processes have taken significantly longer than expected and we thank you for your patience. Much of the delay relates to a nationwide shortage of audit capacity, complying with the prescribed accounting methodology, and the need to seek independent accounting and legal advice to reflect the multiple transactions involving Primary Wool Co-operative (PWC) taking full ownership of Carrfields Primary Wool (CPW), thus allowing Carrfields to take 100% ownership of NZ Natural Fibres (NZNF), then accounting for the subsequent transaction with Wools of New Zealand Holdings (WNZH) to form Wools of New Zealand Limited Partnership (WNZLP or LP). I detail the Boards' view on the audit opinion later and elaborate on the reasons why your Board finds that the opinion may be confusing to shareholders.

The past financial year

2022 has been a year touched with great sadness for PWC as we remember the contribution of Bay de Lautour who passed away in March 2022. Without Bay's foresight and vision, PWC would not have grown to be a 50% partner in CP Wool (CPW), the largest wool trading and selling business in NZ. The Board offers our condolences to Hamish as well as the wider de Lautour clan. Subsequent to this, we also pass on our condolences to the de Lautour family on the passing of Bay's wife Shona in July 2023.

Yes, we continue to feel the impacts of depressed wool prices, but I am sure Bay would have had some satisfaction that the limited partnership formed between PWC and WNZH, positions growers in the best place to capture the value from a closer end-user connection through such initiatives as the strategy of delivering affordable wool flooring to NZ consumers, with a further goal to develop innovative new products including commercial woollen flooring tiles.

Financial performance

PWC continues to be an investment Co-operative. Our investment is a 50% ownership of WNZLP. WNZLP is both a wool procurement business and a relatively new, "start-up" consumer-focused business delivering affordable woollen carpets to the NZ consumer. As with many start-ups, expenses including up-front marketing and development costs, carrying costs of inventory and carpet display stands in stores, have contributed to the LP's $322K loss, with 50% ($161K) of this total loss being attributed to each investor, PWC and WNZH. Given the financial year reported on was effectively phase 1, with a series of one-off costs, we consider the result to be acceptable. Layered on top were new initiatives, carrying out a merger, not to mention supply chain and international shipping challenges. All in all, it has been an incredibly challenging trading environment for strong wool. As you are all aware from your on-farm experience, inflationary pressures and increasing interest costs have impacted profitability, and WNZLP as a business has experienced the same pressures which have impacted expected profitability.

PWC financials report a $2.982M loss, comprising mainly:

PWC's carrying value of the investment in WNZLP was determined in accordance with the required accounting standards. The Board is of the view that the commercial value of PWC's investment in WNZLP exceeds the carrying value reflected in the 31 August 2022 financial statements.

PWC operating loss	($228K)	The cost of running PWC in its own right for the 14 months from 1 July 2021 to 31 August 2022.
Gain on equity investment in CPW	$4,739K	Mainly PWC realising its share of the value of CPW's investment in NZNF.
Investment in CPW written off	($3,904K)	Ultimately CPW was dissolved, so PWC's carrying value of CPW was written off (and replaced by PWC's investment in WNZLP).
Goodwill in CPW written off	($3,871K)	Upon dissolution of CPW, the goodwill previously shown was written off (and replaced by PWC's investment in WNZLP).
Increase in the value of the investment in WNZLP over the investment in CPW	$1,294K	The CPW net tangible assets transferred to WNZLP on 1 December 2021 became PWC's 50% share of the accounting fair value of WNZLP at 31 August 2022, after deducting PWC's 50% share of WNZLP's loss.
CPW trading loss	($851K)	For August to November 2021 when CPW was 100% owned by PWC.
50% share of WNZLP loss	($161K)	For 1 December 2021 to 31 August 2022.

Audit report

You will note that the audit report contains a disclaimer of opinion related to the inability to obtain sufficient audit evidence in respect of:

- The advance to CP Wool.
- Not being able to confirm the existence of inventory at the acquisition of CPW and when WNZLP was set up.
- The classification as equity of the various classes of shares.

Regarding the advance to CPW, the transaction was a robustly negotiated agreement between the Co-operative and Carrfields which saw Carrfields purchase the "yarn" (NZNF) components of the CP Wool business and the Co-operative purchase the "wool" components. While these were supported by earlier valuations of both components and were agreed by both parties, neither were independently revalued immediately prior to the transaction.

The resultant deal was, in the view of Directors, a sound commercial arrangement which benefitted all parties. It enabled PWC to fully recover its $3.9M advance to CPW and paved the way for the merger of the trading activities of PWC and WNZ. Details on of this transaction were explained in a series of roadshows and online Q&A forums and was ratified by both groups of shareholders.
The auditor has stated that the absence of this independent valuation at the time of sale meant they were unable to gain comfort that a fair value was achieved.

Regarding the existence of inventory, as the auditor was appointed after the transactions with Carrfields regarding CPW, and with Wools of NZ regarding WNZLP were concluded, they were unable to attend a physical count or perform any other procedures to verify the existence of inventory at the time WNZLP was set up.

Finally, regarding the classification of shares as equity, despite Ordinary Shares, Ordinary Rebate Shares and Redeemable Preference Shares being treated consistently and unchanged throughout PWC's history, the auditor was unable to obtain sufficient audit evidence to support this.

The Board notes the reasons for the audit opinion but feel it fails to recognise a commercially agreed deal, ratified by shareholders with all necessary supporting legal documents and agreements, and a consistently managed Co-operative.

WNZLP performance

It has been pleasing to see that the merging of the CPW and WNZ businesses to form the WNZLP, progressed in a seamless manner with CE John McWhirter instilling an inclusive culture across the entire business. Many mergers and acquisitions across the Ag sector have seen both staff and supply departures. With the forming of the WNZLP, we have seen all staff retained, and stability in the numbers of bales processed through the processing and logistics side of the business, which is a credit to all involved and a testament to John's leadership, especially in a climate of decreased wool production due to land use change and shedding sheep.

Unfortunately, at farm level we are yet to see any increase in wool price, albeit late season sales in 2023 have seen a premium for wool of good colour. It is my firm belief that the WNZLP strategy of being "no more than one step removed from the consumer" is the way to deliver increased on-farm wool prices. Our network of wool reps continues to deliver the best service they can to our client base. It is certainly front of mind for the Board to continue to build the close relationship between grower, WNZLP, and the consumer.

Carpet sales continue to grow albeit not at the levels projected, caused mainly by the inflationary pressures and general disruption we see domestically and globally. Global shipping costs remain challenging on two fronts with the congestion limiting the availability of popular carpet lines as well as the increased cost of container transportation which further squeezed the margins. Offshore manufacture has also presented challenges as we strive to deliver consistent product ranges to retailers.

Domestically, we are faced with inflationary pressures that impact consumers' discretionary income. However, we continue to see consumers express a desire to choose wool as a preferred flooring product, which is evidenced by a 25% market increase in woollen carpet sales. The sustainable qualities of wool and what consumers perceive those benefits to be around warmth, safety, comfort and durability in their purchase decisions, continue to grow stronger. We must continue to yell loudly about the benefits of wool in the end-products our consumers' purchase. Growers should not forget the power they have when communicating those benefits to friends and acquaintances and how they can point those potential buyers to the WNZ range of carpets available in retail stores through NZ.

Carpet tiles designed more for commercial use are building momentum following some positive trial results and resultant sales. Carpet tiles offer a further commercial opportunity to expand our suite of products and to diversify our offering to cover both domestic and commercial customers. Commercial customers are looking at every opportunity to weave sustainability and circularity into their businesses. Woollen carpet tiles facilitate this, allowing businesses to meet their customer expectations and their stakeholders' needs from shareholders from an ESG perspective.

We are excited with the prospect of carpet tile production ramping up and woollen carpet tiles becoming more readily available in NZ and abroad.

Governance

With Bay's passing we now have Hamish de Lautour, William Oliver and myself sitting as directors of PWC. At this stage we do not anticipate replacing Bay but are conscious that we must refresh the Board as we undertake to govern both PWC and, together with WNZH, the investment in WNZLP. It is important now, with our investment in WNZLP bedded down, that we extend our governance development at the Co-operative, to ensure we have fit for purpose governance in place.

Looking ahead

The world today is facing tumultuous change and economic and social challenges. Much of what is happening from a geo-political and economic sense is outside our control, so in my view we must concentrate on what we can control and build resilience into our own farming businesses as well as in our Co-operative and in WNZLP, ultimately with the overarching objective of better outcomes for our shareholders.

The Board of PWC firmly believes that opportunity exists to change the fortunes of those in the strong wool sector, and that some valuable lessons from setting up the WNZLP carpet business will help expansion into other markets with other new woollen based product lines. This will deliver profitable results for WNZLP and in time, better prices at the farm gate for wool producers. That said, we appreciate the challenges and the WNZLP Board continues to look at ways to raise capital to facilitate expansion both across markets and across product lines.

As a Board, we are ultimately responsible, and we must adapt to the landscape in front of us which has changed significantly and quickly with the growth of land usage transferring to forestry and the flow-on effect of decreasing stock numbers. We cannot continue to operate as before, and we must adapt to stay relevant. Structural change in our sector is inevitable. We cannot continue to operate as we have and expect a different result. We must continue to drive operational efficiencies within our own business and look for collaborative opportunities across the sector. Rest assured your Board is actively looking at this landscape and where we position ourselves for the future. As growers, we must also play a part. NZ wool quality has dramatically decreased. Hard as it may be on farm given the return, we must deliver our best presented product to market. Those that do will be the first to realise any price increase.

There is a lot of work to do and much to ponder but the future can be brighter.

Richard Young
Chair

CHIEF EXECUTIVE'S REPORT

Setting the Business Up for Success

The first period of operations has focused on bringing the two business together in a way that would set them up to deliver on our strategy; "to consolidate the sector and better link the supply chain from grower through to the consumer so that we could influence consumer demand for wool and capture more value for growers".

To be able to deliver on this, the business had to create a new way of doing business, a new culture with additional capabilities while maintaining its core competency around being and efficient, effective and reliable wool trading transactional business.

This required investment in people and systems that would lead to the creation of new products made from wool, then supported by the ability to take those products to market. In the first year this investment cost the business around $800,000 both in people, product development and market entry expenses.

Our People

The merger of the two businesses brought two completely different teams together. There was always risk around how successful the merger would be. Farmer support was virtually 100% for the merger and this was supported by all of our staff. The two teams came together with an extremely high level of enthusiasm and the goal of achieving better outcomes for the wool industry. From day one the new team has worked with energy, enthusiasm and a cohesiveness to deliver our vision of improving industry value.

This has resulted in staff retention being high, and we have the team to deliver on the strategy.

Business Operation

A lot of work went into merging the operations of the two business. This included:

- The merger of back-office systems to take cost out of processes and ensure the business retained a high level of service to its shareholders and suppliers.
- The merger two organisations human resources and payroll processes.
- Logistics and warehouse consolidation where required.
- The streamlining of jobs to avoid duplication.
- Implementing a Health & Safety policy in a practical way.
- Rebranding of the messaging, property, uniform and vehicles.

Flooring Business

At the same time the merger was taking place, Wools of New Zealand was in the early stages of launching its carpet business into the New Zealand market. This saw strong support from the Flooring Xtra retail group, and a number of independent retailers providing the business with a good start. Six months later the Harrison's Van sales group signed a contract to take on the WNZ products. Initially, Covid-19 impacted us with delays in supply and increased freight changes. However, our market entry was supported by a strong marketing program that included both digital and social media, instore merchandising material and a TV campaign.

During this period the wool marketing fund collected through the test houses contributed $136,620 to the TV campaign.

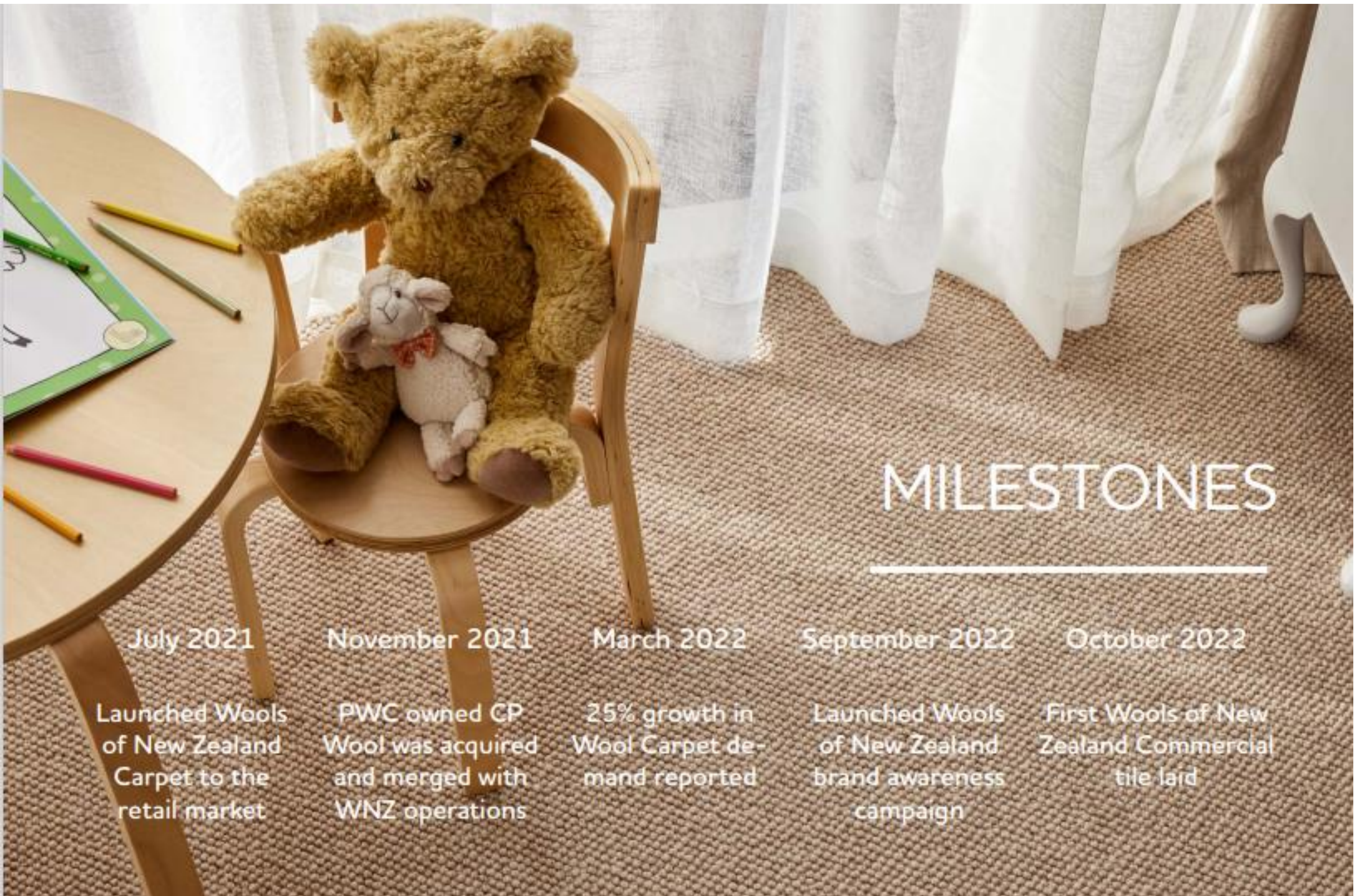
During this period wool carpet market share in New Zealand grew by 25%, a very pleasing result given it was at an all-time low of just 14% share. With growth in the wool carpet market the share rose to 18%. With a targeted share in the New Zealand market of 35%, we are only halfway there, so there is still a lot of potential for wool carpet to grow.

We started this journey in New Zealand, not only to grow demand for wool locally, but to develop a business model that could be taken globally. We see both Australia and the UK markets as real opportunities to grow the demand for New Zealand wool carpets. We have had challenges on the journey, some have been overcome and some we are still working our way through, that may take longer to fix than we would like. But once we have overcome these we will take our products to the global market with the knowledge that we have gained, thus ensuring a much higher level of success.

New Product Development

New products will always lead to greater growth in demand for wool. With this in mind we have been developing a contract wool carpet tile. Our understanding is that there is no commercial wool tile available anywhere in the world and the commercial flooring market is significant. The process will take time and requires significant investment. Initial trials are showing that we will have a product to take to market in late 2023.

John McWhirter
Chief Executive



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Independent Auditor's Report

To the Shareholders of Primary Wool Co-operative Limited

Disclaimer of opinion

We were engaged to audit the consolidated financial statements of Primary Wool Co-operative Limited ('the Company') and its subsidiaries and joint ventures ('the Group'), which comprise the consolidated statement of financial position as at 31 August 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 14 month period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for disclaimer of opinion

The financial statements of the Group for the period ended 30 June 2021 were audited by another auditor, who expressed a qualified opinion in relation to their inability to obtain sufficient audit evidence in respect of the value of the advance to Carrfields Primary Wool Limited (CPW) of $3.985million. On 1 August 2021, the Company utilised the advance to acquire the remaining 50% of CPW. The directors have used the carrying value of the advance at 30 June 2021 in determining their assessment of the fair value of the consideration paid for that remaining 50%. No independent valuation was obtained to determine the fair value of the advance, the shares purchased or of the Group's pre-existing 50% interest. This has resulted in a gain on derecognition of the Group's equity accounted investment in CPW of $0.835million, and a goodwill impairment of $3.87million being recognised. We are unable to determine by alternate means whether the Company received sufficient value when purchasing the remaining 50% shareholding in CPW that would enable us to determine whether any adjustments to the advance to CPW at 30 June 2021, the gain on derecognising the equity accounted investment or the amount of the goodwill impairment were necessary.

In addition, we were appointed auditors of the Group in May 2022 and thus could not observe the counting of physical inventories on the acquisition of CPW on 1 August 2021 nor at the date of the transfer of assets to the Wools of New Zealand Limited Partnership ('WNZLP)' on 1 December 2021 from the company and its joint venture partner. We were unable to satisfy ourselves by alternative means regarding the existence of inventories at these dates. The inventory balances affect the result of the discontinued operations of the Group, the fair value movement on the advance to WNZLP and the equity accounted result of the Limited Partnership.

Further, as disclosed in note 9 of the financial statements, the Group has different classes of shares - Redeemable preference shares, Ordinary Shares and Ordinary Rebate Shares. We were unable to obtain sufficient appropriate audit evidence that supports the classification of these shares as either liabilities or equity of the Group.

As a result of these matters, the scope of our audit has been limited and we were unable to determine whether any adjustments might have been found necessary to the group's financial performance, financial position and cash flows.

Materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group financial statements as a whole to be $105,000.

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Directors' responsibilities for the consolidated financial statements

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

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

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

Our responsibility is to conduct an audit of the Group's financial statements in accordance with International Standards on Auditing (New Zealand) and to issue an auditor's report. However, because of the matters described in the Basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor, we have no relationship with or interests in the Company or any of its subsidiaries and joint ventures, except that partners and employees of our firm deal with the Company and its subsidiaries on normal terms within the ordinary course of trading activities of the business of the Company and its subsidiaries.

Restriction on use

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

Deloitte Limited

Mike Hoshek,
Partner
for Deloitte Limited
Christchurch, New Zealand
4 August 2023

Primary Wool Co-operative Limited

STATMENT OF ACCOUNTS

The Directors submit the annual report of the Company and Group and the consolidated financial statements of the Company and Group for the 14 months ended 31 August 2022.

1 FINANCIAL STATEMENTS

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

2 PRINCIPAL ACTIVITIES

The Group's principal activities during the period were through its strategic investment in the joint venture company Carrfields Primary Wool Limited (latterly renamed CP Wool Limited) (CPW) during July 2021, through CPW as a wholly owned subsidiary during August to November 2021, and thereafter through Wools of New Zealand Limited Partnership (WNZLP). The principal activity of both of these entities was the purchasing, brokering and selling of wool, and wool products. CPW also had majority shareholding in NZ Natural Fibres Limited (previously known as NZ Yarn Limited until 4 March 2021), an independent carpet yarn mill based in Christchurch. Primary Wool Co-Operative Limited has joint control and 50% ownership and economic interest in WNZLP at balance date.

3 DIRECTORS

The Directors of the Company and their remuneration during the period under review were:

Maurice Bayly de LAUTOUR	$18,750 (Directors Fees)
Hamish Bayly de LAUTOUR	$31,667 (Directors Fees)
William John OLIVER	Nil
Richard George YOUNG	Nil

Details of director's interests are covered in Note 20 to the financial report.
No payments were made on behalf of Directors.

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. (2021: Nil)

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 $23,000 are payable to Deloitte Limited for the 14-month period to 31 August 2022.

Signed on behalf of the Board on 4 August 2023

R G Young	**H B de Lautour**
DIRECTOR	**DIRECTOR**

Primary Wool Co-operative Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 14 MONTHS ENDED 31 AUGUST 2022

	Notes	2022 *14 months*	2021 *12 months*
Continuing Operations			
Revenue	4	84,555	40,000
Gross Profit		84,555	40,000
Overhead Expenses			
Audit Fees	5	(28,463)	(19,250)
Overhead Expenses	5	(135,497)	(220,125)
Total Overhead Expenses		(163,960)	(239,375)
Net Finance Expenses			
Finance Income	6	240,341	21
Finance Expenses	6	(388,800)	(136,166)
Net Finance Expenses		(148,459)	(136,145)
Share of Net Profit (Loss) of Equity Accounted Investments	8	(160,832)	-
Fair Value Movement on Financial Assets	12	1,294,236	-
Profit (Loss) Before Tax from Continuing Operations		905,539	(335,520)
Income tax expense	7	-	-
Profit (Loss) After Tax from Continuing Operations		905,539	(335,520)
Discontinued Operations	25	(3,887,529)	-
Profit (Loss) For The Period After Tax Attributable to Shareholders		(2,981,989)	(335,520)
Other Comprehensive Income		-	-
Total Comprehensive Income (Loss) Attributable To Shareholders		(2,981,989)	(335,520)

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

Primary Wool Co-operative Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 14 MONTHS ENDED 31 AUGUST 2022

	Notes	Share Capital	Retained Earnings	Total Equity
Balance at 1 July 2020	9	7,806,196	(4,784,275)	3,021,921
Total comprehensive income for the year				
Profit (Loss) for the year		-	(335,520)	(335,520)
Transactions with owners, recorded directly in equity				
Ordinary and Redeemable Preference Shares Issued	9	2,052	-	2,052
Share Subscriptions Received	9	425,986	-	425,986
Balance at 30 June 2021		8,234,234	(5,119,795)	3,114,439
Balance at 1 July 2021	9	8,234,234	(5,119,795)	3,114,439
Total comprehensive income for the period				
Profit (Loss) for the period		-	(2,981,989)	(2,981,989)
Transactions with owners, recorded directly in equity				
Ordinary and Redeemable Preference Shares Issued	9	-	-	-
Share Subscriptions Received	9	173,595	-	173,595
Balance at 31 August 2022		8,407,830	(8,101,784)	306,045

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

Primary Wool Co-operative Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2022

	Notes	2022	2021
Assets			
Cash and cash equivalents	10	22,621	49,993
Other receivables and prepayments	11	6,402	10,701
Finance Lease Receivable	11	1,568,521	
Advance to Investee	12	-	3,980,500
Equity Accounted Investments	8	-	-
Total Current Assets		1,597,545	4,041,193
Finance Lease Receivable	11	2,059,089	-
Advance to Investee	12	1,150,000	-
Total Non-Current Assets		3,209,089	-
Total Assets		4,806,633	4,041,193
Liabilities			
Trade and other payables	13	161,342	144,281
Finance Lease Payable	13	1,568,521	
Current Loans and Borrowings	14	256,763	327,600
Total Current Liabilities		1,986,627	471,881
Other payables	15	454,873	454,873
Finance Lease Payable	15	2,059,089	-
Total Non-Current Liabilities		2,513,962	454,873
Total Liabilities		4,500,588	926,754
Equity			
Share Capital	9	8,407,829	8,234,234
Retained Earnings		(8,101,784)	(5,119,795)
Total Equity	9	306,045	3,114,439
Total Equity and Liabilities		4,806,633	4,041,193

Director

Date: 4 August 2023

Director

Date: 4 August 2023

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

Deloitte.
for Identification

Primary Wool Co-operative Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 14 MONTHS ENDED 31 AUGUST 2022

	Notes	2022 *14 months*	2021 *12 months*
Net Cash Flows from Operating Activities			
Cash provided from:			
Receipts from Customers		7,757,092	40,000
Interest Received		4	21
		7,757,096	40,021
Cash applied to:			
Payments to Suppliers		(8,110,475)	(218,137)
Interest Expense Paid		(118,441)	(116,366)
Interest Expense Paid on Lease Liabilities		(15,775)	
		(8,244,691)	(334,503)
Net Cash from (used in) Operating Activities	16	(487,596)	(294,482)
Cash Flows from Investing Activities			
Cash provided from:			
Transfer of bank overdrafts to WNZ Limited Partnership		621,320	-
Cash received via acquisition of a subsidiary		268,088	
Sale of Fixed Assets		10,118	-
		899,526	-
Cash applied to:			
Purchase of Fixed Assets		(83,459)	-
		(83,459)	-
Net Cash from (used in) Investing Activities		816,067	-
Cash Flows from Financing Activities			
Cash provided from:			
Advance from Wools of New Zealand Holdings Limited		20,000	-
Shares Issued for Cash		173,595	428,038
		193,595	428,038
Cash applied to:			
Loans Repaid to Shareholders		(90,000)	(180,000)
Repayment of Lease Liabilities		(458,602)	
Monument Premium Funding Ltd Repayments - net movement		(837)	587
		(549,439)	(179,413)
Net Cash from (used in) Financing Activities		(355,843)	248,625
Net Increase (Decrease) in Cash Held		(27,372)	(45,857)
Cash Balances at Beginning of Period		49,993	95,850
Closing Cash Balances	10	22,621	49,993

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

Summary of Significant Accounting Policies

1 Reporting Entity

Primary Wool Co-operative Limited is a co-operative company incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and the Co-operative Companies Act 1996. The registered office is 21 Jipcho Street, Wigram, Christchurch.

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

During the current reporting period the Company applied for and was granted a change to its balance date. The balance date was changed from 30 June to 31 August to align with the industry standard reporting date. The current reporting period is 14 months. The comparative period is 12 months.

The principal activities of Primary Wool Co-operative Limited are the purchasing, brokering and selling of wool, together with brand development and marketing. During the reporting period this was carried out through a joint venture in CP Wool Limited Group between 1 June to 31 July 2021, through CP Wool Limited as a subsidiary between 1 August and 30 November 2021, and through Wools of New Zealand Limited Partnership from 1 December 2021 to 31 August 2022.

These financial statements are prepared on a consolidated basis to include the Company's share of the results of CP Wool Limited for the period 1 August 2021 to 30 November 2021 and on an equity accounted basis to include the Company's share of the results of CP Wool Limited for July 2021 and the results of Wools of New Zealand Limited Partnership for the period 1 December 2021 to 31 August 2022.

The financial statements for the period ended 31 August 2022 were approved and authorised for issue by the board on 4 August 2023.

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 for-profit 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 for-profit 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 is in the assumptions and their risk factors relating to the value of the advance to Wools of New Zealand Limited Partnership.

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.

2 Basis of Preparation (continued)

Key Judgements

Key judgements in these financial statements relate to the Directors' assessment of the fair value of the investment in Wools of New Zealand Limited Partnership (refer to Note 8 and Note 12) and the classification and measurement of the debt component of Redeemable Preference Shares (refer to Note 9).

Going concern basis of accounting

Refer to Note 21.

3 Specific Accounting Policies

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

(a) Non-Derivative Financial Instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, advances to investees, 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.

Classification of Financial Assets and Liabilities

The Company's cash and cash equivalents and trade and other receivables, except for the advance to the Wools of New Zealand Limited Partnership, are held to collect contractual cashflows that are expected to represent solely payments of principal and interest. These financial assets are measured at amortised cost and classified as "Amortised Cost".

Financial liabilities are recognised at amortised cost with the exception of those recognised at fair value as detailed in Note 17.

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 financial instrument, and are stated at amortised cost using the effective interest method, less any impairment losses.

3 Specific Accounting Policies (continued)

Loans and Borrowings

Loans and borrowings originated by the Company are carried in the Statement of Financial Position at amortised cost, except for the advance to Wools of New Zealand Limited Partnership, using the effective interest method, less provision for impairment.

Trade and Other Payables

Trade and other payables are classified as other liabilities and are stated at amortised cost.

Investments in Associates and Joint Ventures

Joint Ventures are arrangements where the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint Ventures are accounted for using the equity method of accounting where the investment is recorded at cost plus its share of any profit or loss of the joint venture during the ownership period. Any cash payments received are deducted from the investment value.

If the Company's share of losses exceeds its interest in the Joint Venture, the carrying value of that interest (including any long-term investment) is reduced to nil and the recognition of futher losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the entity.

The Company's interest includes its equity interest in the Joint Venture entity together with any long-term interests that, in substance, form part of the Company's net investment in the Joint Venture because settlement is neither planned nor likely to occur in the foreseeable future. The long-term interests are accounted for in accordance with the relevant accounting standards before the equity method of accounting is applied.

(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.

Redeemable Preference Shares are compound financial instruments with the debt component recognised as a liability and the residual attributed to equity. Refer to Note 9.

(c) Impairment

The carrying amount of the Company's non financial assets are reviewed at each balance date to determine whether there is any indications 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.

The expected credit loss impairment model applies to the Company's financial assets measured at amortised cost and consequently the Company will be required to record expected credit losses either on a 12 month or lifetime basis on all trade and other receivables, including its finance lease receivables. Regular reviews of market conditions will be performed to assess any expected credit loss that may need to be recorded.

3 Specific Accounting Policies (continued)

(d) Revenue

Revenue arises from the rendering of directors services, the share of the investment in CP Wool Limited as a joint venture, CP Wool Limited as a subsidiary, and Wools of New Zealand Limited Partnership, and interest and dividends. Rendering of services is recognised as revenue in the period it is earned in proportion to the stage of completion of the related transaction at reporting date. 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. During the reporting period, CP Wool Limited ceased operations and transferred its operations to a related party on 30 November 2021. The discontinued revenue for the period of 1 August 2021 to until trading ceased on 30 November 2021, is disclosed in Note 25.

(e) Rebates Policy

Rebates are provided for based on the qualifying kilograms of wool sold for the period 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, and dividend income. 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. All borrowing costs are recognised in the Statement of Comprehensive Income using the effective interest method.

(g) Income Tax

Income tax expense comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted at reporting date, and any adjustment to tax payable in respect of previous periods.

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 joint ventures to the extent it is not probable it will reverse in the foreseeable future.

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 7 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.

3 Specific Accounting Policies (continued)

(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. The Company meets its objectives through a mix of shareholders' funds comprising share capital, and retained earnings and reserves.

(j) New standards, interpretations and amendments

No new accounting standards were adopted in the period.

(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, and whose impact is not material.

(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 periods.

Primary Wool Co-operative Limited

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

FOR THE 14 MONTHS ENDED 31 AUGUST 2022

		2022 *14 months*	2021 *12 months*
4	**Revenue**		
	Directors' Fees	42,917	40,000
	Revenue from Continuing Operations	42,917	40,000
	Miscellaneous Income	41,639	-
	Total Revenues	84,555	40,000
5	**Overhead Expenses**		
	Directors' Fees	50,417	65,000
	Other Overhead Expenses	85,081	155,125
	Total Overhead Expenses	135,497	220,125

Fees payable to Deloitte Limited for the audit for the period ended 31 August 2022 are $23,000. Fees paid to PKF Goldsmith Fox Audit for audit services for the year ended 30 June 2021 were $17,250, of which $5,462 was under-accrued in the year to 30 June 2021 and expensed in the period ended 31 August 2022. No non-audit services were provided by either auditor.

		2022	2021
6	**Finance Income and Expense**		
	Interest on Finance Leases, Advance to Investee and Bank Interest	240,341	21
	Finance Income	240,341	21
	Interest on Finance Leases, Loans and Redeemable Preference Shares	(388,800)	(136,166)
	Finance Expenses	(388,800)	(136,166)
	Net Finance Income	(148,459)	(136,145)

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7 Income Tax Expense in the Income Statement

	2022 14 months	2021 12 months
Current Tax Expense		
Current Period	-	-
Adjustment for Prior Periods	-	-
	-	-
Deferred Tax Expense		
Recognition of previously unrecognised tax losses	-	-
Total Income Tax Expense	-	-
Reconciliation of Tax Expense		
Profit/(Loss) for the period from continuing operations	905,539	(335,520)
Profit/(Loss) for the period from discontinuing operations	(3,887,529)	-
Taxable Income	(2,981,989)	(335,520)
Prima facie tax credit @ 28%	(834,957)	(93,946)
Adjust for non-assessable/non-deductible items:		
Non-assessible income (100%) 2022 $1,186,411 (2021 $NIL)	(332,195)	-
Non-deductible expenditure (100%) 2022 $3,062,955 (2021 $86,509)	857,627	(24,223)
Adjust for timing difference items:		
Accruals 2022 $14,786 (2021 $NIL)	(4,140)	-
Employee Benefits 2022 $222,863 (2021 $NIL)	(62,402)	-
NZ IFRS 16 Lease Adjustments 2022 $103,333 (2021 $NIL)	28,933	-
	(347,133)	(118,168)
Tax Losses for which no deferred tax asset recognised	347,133	(69,723)
Tax Expense/(credit) per Statement of Comprehensive Income	-	-
Imputation Credits		
Opening Balance - 1 July 2021	1,151,491	1,151,491
Dividends Received	-	-
Closing Balance - 31 August 2022	1,151,491	1,151,491

Tax losses for accounting purposes are not carried forward as a deferred tax asset, as the Limited Partnership is in a growth investment phase and is not expected to generate significant profits in the next financial period.

The company had tax losses carried forward as at 31 August 2022 of $6,350,158 (30 June 2021 of $5,250,541). The companies portion of deferred tax assets relating to timing differences in Wools of New Zealand Limited Partnership have not been recognised. These unrecognised limited partnership deferred tax assets total $115,995.

2022 Non assessible income of $1,186,511 relates to the net gain in the uplift of the fair value of net tangible assets transferred to Wools of New Zealand LP. 2022 Non-deductible expenditure of $3,062,955 relate non deductible legal fees and entertainment, and to gains, losses and impairments related to CP Wool.

2021 Non-deductible expenditure of $86,509 related to accountancy accruals, non-deductible legal expenses and expenditure regarding the proposed merger with Wools of NZ Limited.

8 Equity Accounted Investments

	2022	2021
Non-Current Investments		
Investment in Joint Venture - Wools of New Zealand Ltd Partnership	-	-
	-	-
Current periods Equity Accounted Earnings		
Investment in Joint Venture - Wools of New Zealand Ltd Partnership	(160,832)	-
	(160,832)	-

Joint Venture

CP Wool Limited, formerly called Carrfields Primary Wool Limited, (CP Wool) was a joint venture in which the Company had joint control and a 50% ownership and economic interest. Up until the transactions outlined below, CP Wool comprised the Company's strategic investment and was principally involved in purchasing, brokering and selling of wool and related products.

Significant Transactions during the period under review.

A number of significant transactions took place related to equity accounted investments during the period as outlined below.

Purchase of 50% share in CP Wool Limited from Carrfields

On 1 August 2021, the Company purchased Carrfields' 50% shareholding in CP Wool, which gave it 100% ownership of CP Wool. This was accounted for by the Company as a step acquisition in accordance with NZ IFRS 3, in accordance with which the Company was required to determine the fair value of the identifiable net assets acquired. The Directors determined the fair value of the transaction by determining that an equal valuation and equal divestment of the "yarn" and "procurement" components of the CP Wool business afforded the shareholders the best outcome.

Prior to the acquisition of the shares, when CP Wool was a 50/50 joint venture with Carrfields Limited, CP Wool was equity accounted in accordance with NZ IAS 28. Subsequent to the acquisition of the shares formerly held by Carrfields Limited, when CP Wool became 100% owned by the Company, CP Wool has been consolidated in the financial statements of the Group.

Consideration of $4,739,613 was given for identifiable net assets acquired of $867,839, therefore Goodwill of $3,871,774 was recognised on acquisition, as follows:

Identifiable Net Assets acquired	
Cash and bank	191,713
Accounts Receivable, Sundry Debtors, Prepayments	4,288,696
Inventory	2,192,233
Fixed Assets	595,414
Right of Use Assets	5,407,282
Accounts Payable, Accruals, Provisions	-5,497,879
Loans	-902,338
Lease Liabilities	-5,407,282
Fair value of identifiable net assets	867,839
Consideration	4,739,613
Goodwill Recognised	3,871,774

8 Equity Accounted Investments (continued)

Sale of CP Wool net tangible assets to Wools of New Zealand Limited Partnership (WNZLP)

During the reporting period, the Company entered into an arrangement together with Wools of New Zealand Holdings Limited (WNZHL) to merge their operating activities. The merger was in the form of a limited partnership with each of the limited partners holding 50% of the partnership units.

To effect this merger on 1 December 2021, the Company sold the net tangible assets related to the procurement business formerly trading as CP Wool Limited (CPW) it had acquired on 1 August 2021 when it purchased the remaining 50% of the shares of CPW from Carrfields Limited, to the newly formed Wools of New Zealand Limited Partnership (WNZLP) in exchange for an unsecured advance from the limited partnership to the Company for a nominal value of $3.5M. Wools of New Zealand Holdings Limited also sold its net assets, excluding some cash and intangibles, to the limited partnership in exchange for an advance. Both advances are repayable on demand, if agreed by both partners, and have interest rates set in reference to current borrowing rates (currently set at nil). Both companies received shareholder approval of these transactions by shareholder vote in November 2021 and was executed by way of formal arrangements.

On completion of this transaction, the Company fully impaired the $3,871,774 Goodwill recognised on acquisition, given that CP Wool was to be wound up (refer Note 23).

As part of the transaction with WNZLP, the Company assigned all building, vehicle and equipment leases previously held by CP Wool to WNZLP, with WNZLP paying the lease costs from 1 December 2021. As a result, the Company remeasured these lease liabilities to the next right of renewal, as at this point these leases will be novated to WNZLP. On the sale of CP Wool to WNZLP, the right of use assets were replaced with finance lease receivables equal to the lease liabilities.

The value of the gains, losses and impairments regarding the CPW transactions are shown in Note 25.

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8 Equity Accounted Investments (continued)

	2022 (unaudited)	2021 (unaudited)
CP Wool Limited (2022 is for the month of July 2021 only)		
Percentage ownership interest	50%	50%
Current assets (including cash and cash equivalents of 2022 $NIL, 2021 $120,000)	-	9,777,000
Non Current Assets	-	16,823,000
Current liabilities (including trade and other payables and provisions 2022 $NIL, 2021 $6,740,000)	-	(21,308,000)
Non-current liabilities (including trade and other payables and provisions 2022 $NIL, 2021 $NIL)	-	(7,274,000)
Non Controlling Interest		(321,000)
Net Assets (Liabilities) (100%)	-	(2,303,000)
Company's share of net assets (liabilities) (2022 100%, 2021 50%)	-	-
Carrying value of the interest in joint venture	-	-
Revenue (including other income of $29,431, 2021 $866,000)	3,088,324	29,034,000
Earnings before Interest, Taxes, Depreciation and Amortisation	209,028	
Depreciation and amortisation	(301,462)	(3,494,000)
Interest expense	(66,499)	(885,000)
Income Tax Expense	-	(260,000)
Profit (Loss) (100%)	(158,933)	519,000
Other Comprehensive Income	-	-
Profit (Loss) and total comprehensive income (loss) (100%)	(158,933)	519,000
Non Controlling Interest share of profit (loss)	(23,370)	(136,000)
Company's share of total comprehensive income (loss)	(67,781)	327,500
Comprehensive loss (income) not recognised by Company	67,781	(327,500)
Company's share of total comprehensive income (loss) (50%)	(0)	-

Wools of New Zealand Limited Partnership
Transactions related to Wools of New Zealand Limited Partnership are outlined in Note 12.

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Primary Wool Co-operative Limited

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

FOR THE 14 MONTHS ENDED 31 AUGUST 2022

9 Equity

	Retained Earnings	Ordinary Shares	Ordinary Rebate Shares	Redeemable Preference Shares	Total Equity
Reconciliation of Movement in Equity					
Balance at 1 July 2020	(4,784,275)	610,970	4,986,860	2,208,366	3,021,921
Total Recognised Income and Expense	(335,520)	-	-	-	(335,520)
Total Shares Issued	-	-			-
Share Subscriptions Received	-	-	425,986	-	425,986
Shares Issued for Cash	-	-	2,052	-	2,052
Balance 30 June 2021	(5,119,795)	610,970	5,414,898	2,208,366	3,114,439
Balance 1 July 2021	(5,119,795)	610,970	5,414,898	2,208,366	3,114,439
Total Recognised Income and Expense	(2,981,989)	-	-	-	(2,981,989)
Share Subscriptions Received	-	-	173,595	-	173,595
Shares Issued for Cash	-	-	-	-	-
Balance 31 August 2022	(8,101,784)	610,970	5,588,493	2,208,366	306,045

	Ordinary Shares	Ordinary Rebate Shares	Redeemable Preference Shares	Total
Number of Shares on Issue at 31 August 2022 *(fully paid)*	610,970	5,588,493	2,663,239	8,862,702
Unpaid Shares Issued	-	1,874,524	-	1,874,524
Partially Paid Shares Issued	-	837,777	-	837,777
Total Number of Shares on Issue at 31 August 2022	610,970	8,300,794	2,663,239	11,575,003

All shares have a $1 notional face value.

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9 Equity (Continued)

There are seven 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 (2021 $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 (2021 $47,500).
Class E	$100,000	Being those associated with M B de Lautour loan that were converted to equity (2021: $100,000)
Class F	$110,000	Being those associated with H C Gardner loan of which $100,000 was converted to equity (2021: $110,000)
Class G	$120,000	Being those associated with H B de Lautour loan of which $100,000 was converted to equity (2021: $120,000)
Class H	$1,650,000	Being those associated with M B de Lautour loan that were converted to equity (2021: $1,650,000)
Class I:	$180,000	Being those associated with M B de Lautour loan advanced 6 August 2018 (2021: $180,000)

(a) Ordinary Shares and Ordinary Rebate Shares

The Company has on issue Ordinary Shares ("OS") and Ordinary Rebate Shares ("ORS). The Company treats OS and ORS the same in relation to the right to and rates of rebates and dividends (if any), and rights to redemption. They were both issued at a nominal value of $1. Voting and distribution rights are outlined below.

Voting rights

Shareholders of OS and ORS are entitled to one vote, and on a poll each share is entitled to one vote. Since 22 September 2002 the voting rights have been capped at 20,000 votes maximum for any one shareholder.

Distribution on winding up

In the event of the Company winding up, both OS and ORS participate equally in the distribution of any surplus assets after the repayment of redeemable preference shares at par value.

Dividends

There were no dividends approved by the Company in this financial period (2021: Nil).

Classification of OS and ORS

OS and ORS are puttable financial instruments on the basis that under certain conditions specified in the Co-operative Companies Act 1996, holders have the right to surrender shares to the Company, requiring repayment. However, as permitted by IFRS, these shares have been classified as equity on the basis that they satisfy the criteria in NZ IAS 32. Specifically, OS and ORS:

9 Equity (Continued)

(a) Ordinary Shares and Ordinary Rebate Shares (continued)

Classification of OS and ORS (continued)

Are entitled to a pro-rata share of net assets in the event of liquidation;
Are subordinate to all other classes of financial assets or equity instruments;
Have identical features (refer Note 9a);
Do not have any contractual entitlement to cash or another financial instrument;
Have cash flows substantially based on the profit of the Company. OS and ORS are entitled to rebates from shareholders' level of transactions with the Company's equity-accounted investment, Carrfields Primary Wool Limited and now Wools of New Zealand LP. Rebates are paid to shareholders in their capacity as owners;

There are no other financial instruments that have total cash flows based substantially on profit, net assets or the fair value of recognised and unrecognised net assets of the Company, nor have the effect of restricting or fixing the residual return to OS and ORS holders.

(b) Redeemable Preference Shares ("RPS")

All classes of RPS have the same characteristics. RPS are perpetual instruments, have a $1 notional face value, accrue interest at either 5% or 6% per annum (subject to periodic review by the Directors, 2021: 5% or 6%) and are entitled to discretionary dividends in line with ordinary shareholders.

RPS rank ahead of ordinary shareholders in respect of repayment, however, can only be redeemed by the Company at the option of the Company, not the holders. Unpaid interest accumulates, except for where a RPS holder elects to waive their interest entitlement.

Because RPS have features of both debt (a contractual entitlement to interest) and equity (only redeemable at the discretion of the Directors), they meet the definition of a compound financial instrument. All classes continue to be redeemable at the discretion of the Directors.

In accordance with NZ IAS 32, the debt and equity components of the RPS are separated and accounted for as individual financial instruments, with the fair value of the debt component determined first and the residual being attributed to equity.

At 31 August 2022, the amortised cost of the debt component was $454,873 (2021: $454,873), with the equity component at $2,208,366 (2021: $2,208,366). The interest expense for the period was $130,142 (2021: $111,300), which has been recognised on an effective interest rate basis. Interest of $29,356 on Classes A and B of Redeemable Preference Shares was waived by the holders in 2022 (2021 $25,162).

(c) Redemption Policy

Applications for redemption of OS, ORS and RPS are considered by Directors on an annual basis. The Directors reserve the right to approve or decline an application. Whenever a redemption is considered to general shareholders, repayment to preference shareholders is considered as if they are a first ranking priority.

All 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 CONSOLIDATED FINANCIAL REPORT

FOR THE 14 MONTHS ENDED 31 AUGUST 2022

10 Cash and Cash Equivalents

	2022	2021
BNZ Cheque Account	22,236	27,612
BNZ Call Account	385	22,381
Total Cash and Cash Equivalents	22,621	49,993

11 Other Receivables and Prepayments

	2022	2021
Prepayments	5,977	6,612
GST receivable	425	4,089
Finance Lease Receivable - Current portion	1,568,521	-
Finance Lease Receivable - Term portion	2,059,089	-
Total Receivables and Prepayments	3,634,012	10,701
Current	1,574,924	10,701
Term	2,059,089	0

The Company's receivables have been reviewed for impairment in line with the accounting policy regarding Trade and Other Receivables in Accounting Policy 3(a).

12 Related Party Advances and Investments

Advances	2022	2021
Carrfields Primary Wool Limited - Advance Account	-	3,980,500
Wools of New Zealand Limited Partnership - Advance Account	1,150,000	-
Total Advances	1,150,000	3,980,500

On 1 August 2021, Carrfields Primary Wool Limited (CPW) executed an agreement for sale and purchase to sell the shares it owned in New Zealand Natural Fibres Limited to Carrfields Limited. As part of this transaction, the $3,980,500 advance from the Company to CPW was assigned to Carrfields.

Investments	2022	2021
Carrfields Primary Wool Limited - Equity	-	-
Wools of New Zealand Limited Partnership - Equity	-	-
Total Investments	-	-

Associates and Joint Ventures	**Country**	**Balance date**	**Ownership Interest 2022**	**2021**
Carrfields Primary Wool Limited - Equity	NZ	31 Aug	100%	50%
Wools of New Zealand Limited Partnership - Equity	NZ	31 Aug	50%	0%

During the reporting period, the Company entered into an arrangement together with Wools of New Zealand Holdings Limited (WNZHL) to merge their operating activities. The merger was in the form of a limited partnership with each of the limited partners holding 50% of the partnership units.

To effect this merger on 1 December 2021, the Company sold the net tangible assets related to the procurement business formerly trading as CP Wool Limited (CPW) it had acquired on 1 August 2021 when it purchased the remaining 50% of the shares of CPW from Carrfields Limited, to the newly formed Wools of New Zealand Limited Partnership (WNZLP) in exchange for an unsecured advance from the limited partnership to the Company for a nominal value of $3.5M. Wools of New Zealand Holdings Limited also sold its net assets, excluding some cash and intangibles, to the limited partnership in exchange for an advance. Both advances are repayable on demand, if agreed by both partners, and have interest rates set in reference to current borrowing rates (currently set at nil). Both companies received shareholder approval of these transactions by shareholder vote in November 2021 and was executed by way of formal arrangements.

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12 Related Party Advances and Investments (continued)

Assets and liabilities transferred to Wools of New Zealand Limited Partnership

Assets	
Cash	600
Trade and Other Receivables	2,734,264
Other Current Assets	310,654
Inventory	1,502,538
Property, Plant and Equipment	631,477
Right of Use Assets	5,004,770
Intangible Assets	-
Investments	-
Total Assets	10,184,303
Liabilities	
Bank Accounts	621,920
Trade and Other Payables	2,679,050
Other Current Liabilities	906,507
Term Debt	902,338
Lease Liabilities	5,057,892
Total Liabilities	10,167,707
Net Assets Transferred	16,596

Wools of New Zealand Limited Partnership Advance

The advance to WNZLP is classified as fair value through profit or loss as it does not meet the criteria to be accounted for using amortised cost.

Accordingly, the carrying value of the investment in WNZLP is stated at fair value. Determination of fair value utilises judgement and assumptions by management and the Directors. In the determination of the fair value of the investment at the reporting date, the Directors considered three valuation methodologies being Net Tangible Assets, Discounted Cash flows, and Earnings Multiple.

In the calculation of the Net Tangible Assets valuation, the directors considered the value of the investment as the net of all assets and liabilities excluding any assets or liabilities related to NZ IFRS 16, Leases, and the Limited Partnership's liability to the partners. The directors have assessed whether the net asset values have been fairly stated.

In the calculation of the Discounted Cashflow valuation, the directors considered cashflow projections with a discount rate of 20%. A high discounting factor was selected to factor in any uncertainty in achieving the level of profitability in the forecast cashflows.

In the calculation of the Earnings Multiple valuation, the directors considered the average EBITDA and applied an earnings multiple of 3. Consideration of the earning multiple is a key management judgement, the Directors took into consideration the current customer base and the growing brand penetration when selecting an earnings multiple.

The directors considered the three methods and selected a fair value of $2.3M, in between the net tangible asset balance excluding the loans payable to the partners ($2.2m) and the NPV of the DCF forecast ($2.7m) due to the subjectivity associated with future projections and growth assumptions. The valuation of this advance uses significant unobservable inputs therefore is deemed to be level 3 in the fair value hierarchy.

Primary Wool Co-operative Limited

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

FOR THE 14 MONTHS ENDED 31 AUGUST 2022

12 Related Party Advances and Investments (continued)

Summarised Financial information of WNZLP	**2022** **100%**
Wools of New Zealand Limited Partnership	
Current assets (including cash and cash equivalents of 2022 $Nil)	6,959,265
Non Current Assets	6,862,182
Current liabilities	(5,071,227)
Related Party Advances Payable	(7,000,000)
Non-current liabilities	(6,670,887)
Net assets (liabilities)	(4,920,667)
Excluded: Related Party Advances	7,000,000
Net assets (liabilities) after excluded items	2,079,333
Company's share of net assets (liabilities) (50%)	1,039,667
Carrying value of the interest in joint venture at fair value	1,310,832

Related party advances payable are only repayable on agreement by both partners, therefore the related party advances have been excluded from net assets.

Revenue	24,131,592
Earnings Before Interest, Taxes, Depreciation and Amortisation	1,960,169
Depreciation and amortisation	(1,872,871)
Net Interest expense	(409,162)
Income Tax Expense	-
Total comprehensive income (loss)	(321,864)
Group's share of total comprehensive income (loss)	(160,932)

Wools of New Zealand Limited Partnership Equity	**2022**	**2021**
Opening balance	-	-
Investment at cost	100	-
Share of partnership profit (loss) recognised	(100)	-
Dividend received	-	-
Closing balance	-	-

The advance forms part of the Group's interest in the Wools of New Zealand Limited Partnership

Wools of New Zealand Limited Partnership Advance	**2022**	**2021**
Opening Balance	-	-
Net assets transferred to limited partnership	16,596	-
Fair value movement of limited partnership advance	1,294,236	-
Fair value of the limited partnership advance	1,310,832	-
Share of partnership profit/(loss) recognised	(160,832)	-
Closing balance	1,150,000	-

The Company's share of limited partnership losses have been recognised in the statement of comprehensive income. In the first instance the losses reduce the investment in the limited partnership. Where the losses are greater than the investment, other interests in the limited partnership are reduced. The losses have reduced the initial investment in the limited partnership to $Nil, the remaining limited partnership losses have been recorded against the advance.

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Primary Wool Co-operative Limited

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

FOR THE 14 MONTHS ENDED 31 AUGUST 2022

13 Accounts Payable and Accruals

	2022	2021
Accounts Payable and Accruals	161,342	144,281
Finance Lease Payable - Current	1,568,521	-
Total Accounts Payable and Accruals	1,729,863	144,281

14 Current Loans and Borrowings

	2022	2021
Monument Premium Funding Limited	6,763	7,600
Wools of New Zealand Holdings Ltd	20,000	-
Shareholder Loan - H B de Lautour	230,000	320,000
Total Current Loans and Borrowings	256,763	327,600

Monument Premium Funding is for insurance premiums financed over 12 months.

The advance from Wools of New Zealand Holdings Ltd is unsecured and for an undefined term with an interest rate of 0% per annum up to balance date. The loan is repayable on demand.

The shareholder loan from H B de Lautour is unsecured and for an undefined term with an interest rate of 6% per annum up to balance date. The loan is repayable on demand provided cashflow of the Company allows. The expectation is that 15c/kg collections related to the capital raise, which were identified as providing the funds to enable loan repayments to be made, will continue to occur, but full repayment is not anticipated within 12 months.

15 Non- Current Loans and Borrowings

	2022	2021
Debt Component of Redeemable Preference Shares	454,873	454,873
Finance Lease Payable - Term	2,059,089	-
Total Non-Current Loans and Borrowings	2,513,962	454,873

16 Reconciliation of Cash Flow

	2022	2021
Total comprehensive loss for the period	(2,981,989)	(335,520)
Adjustments for non-cash items		
Depreciation	549,001	-
Share of Loss of equity accounted investments	160,832	-
Fair Value Movement on Financial Assets	(1,294,236)	-
Gains, losses and impairments	3,036,286	-
Movements in working capital		
Trade and other receivables	4,298	(257)
Trade and other payables	17,060	41,295
Working capital transferred to Limited Partnership	(961,898)	-
Working capital transferred from CP Wool	983,050	-
Net Cash from (used in) Operating Activities	(487,596)	(294,482)

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17 Financial Instruments

Exposure to market risk, interest rate and credit risk arises in respect to the Company's investment in Wools of New Zealand Limited Partnership.

No derivative financial instruments are used.

(a) Market Risk

The Directors are of the opinion that the Company's exposure to market risk is defined as

Risk Factor		Sensitivity
(i) Currency risk	No significant assets denominated in overseas currencies	Immaterial
(ii) Interest Rate Risk	Exposure to changes in interest rates of loan receivable	as below
(iii) Other price risk	No securities are bought, sold or traded	nil

(b) 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 primarily through the advance to Wools of New Zealand Limited Partnership, with the maximum exposure related to this advance being $3.5M.

17 Financial Instruments (continued)

(c) Liquidity Risk

Liquidity Risk represents the Company's ability to meet its contractual obligations. The Company evaluates its liquidity requirements on an ongoing basis.

Redeemable Preference Shares are redeemable at the discretion of the Company. Liquidity risk is limited to certain circumstances as per Note 9.

Ordinary Rebate Shares are only redeemable under conditions in the Co-operative Companies Act 1996 and would not be settled under conditions unfavourable to the Company.

The non-discounted contractual cash flows are as follows:

31 August 2022	**0-6 Months**	**6-12 Months**	**1-2 years**	**2+ years**	**Total**
Liabilities					
Accounts Payable & GST	161,342	-	-	-	161,342
Loan and Borrowings	6,763	250,000	-	-	256,763
Interest on Redeemable Preference Shares	68,230	68,230	136,460	136,460	409,380
	236,335	318,230	136,460	136,460	827,485

30 June 2021	**0-6 Months**	**6-12 Months**	**1-2 years**	**2+ years**	**Total**
Liabilities					
Accounts Payable & GST	144,167	-	-	-	144,167
Loan and Borrowings	97,600	230,000	-	-	327,600
Interest on Redeemable Preference Shares	68,230	68,230	136,460	136,460	409,380
	309,997	298,230	136,460	136,460	881,147

For Interest on Redeemable Preference Shares, one years interest has been included in the 2+ years column as Redeemable Preference Shares are a perpetual instrument.

(d) 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. The loans have been converted to Redeemable Preference Shares in August 2018 but the debt component of the Redeemable Preference Shares has been separated and accounted for as an individual financial instrument.

17 Financial Instruments (continued)

(e) Classification and Fair Values

The carrying amounts of all financial assets and liabilities approximate their fair value and are categorised below.

31 August 2022	Fair Value	Amortised Cost	Total Carrying Amount
Assets			
Cash and Cash Equivalents	-	22,621	22,621
Other Receivables and Prepayments	-	6,402	6,402
Loans	1,150,000	-	1,150,000
Finance Lease Receivables	-	3,627,610	3,627,610
Total Assets	1,150,000	3,656,633	4,806,633
Liabilities			
Trade and Other Payables	-	161,342	161,342
Loans	-	711,636	711,636
Finance Lease Payables	-	3,627,610	3,627,610
Total Liabilities	-	4,500,588	4,500,588
30 June 2021			
Assets			
Cash and Cash Equivalents	-	49,993	49,993
Other Receivables and Prepayments	-	4,088	4,088
Loans	-	3,980,500	3,980,500
Total Assets	-	4,034,581	4,034,581
Liabilities			
Trade and Other Payables	-	144,281	144,281
Loans	-	782,473	782,473
Total Liabilities	-	926,754	926,754

Determination of Fair Value

The Company does not have any assets held for trading. The Company's financial assets measured at fair value through profit or loss include the advance to Wools of New Zealand Limited Partnership.

(f) Fair Value Hierarchy

Financial instruments measured at fair value are classified according to the following levels.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

18 Operating Commitments

At balance date, there were no operating commitments. (2021: Nil)

19 Capital Commitments

At balance date, there were no capital commitments. (2021: Nil)

20 Related Party Disclosures

CP Wool Limited and Group, is a related party as described in Note 1 Reporting Entity.

Wools of New Zealand Limited Partnership, a joint venture company is a related party as described in Note 1 Reporting Entity.

Transactions with CP Wool Limited
In prior years, the Company advanced money to its investee, CP Wool Limited, as detailed in Note 12. On 1 August 2021, Carrfields Primary Wool Limited (CPW) executed an agreement for sale and purchase to sell the shares it owned in New Zealand Natural Fibres Limited to Carrfields Limited. As part of this transaction, the $3,980,500 advance from the Company to CPW was assigned to Carrfields.

Trading Transactions

Joint Ventures	2022	2021
Directors' fee received	42,917	40,000
Amounts Owed		
Advance to Wools of New Zealand Limited Partnership - Note 12	1,150,000	-
Advance to CP Wool Limited - Note 12	-	3,980,500
Total advances to joint venture and investee	-	3,980,500

Apart from the transactions listed above, there were no other significant trading transactions with the Joint Venture of the Investee (2021: Nil).

Transactions with Directors
Directors fees of $91,651 were paid during the period ended 31 August 2022 (2021: $65,000).

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

As disclosed in Note 14, H B de Lautour has advanced a loan to the Company of $230,000 (2021: $320,000). The unsecured loan is for an undefined term (not anticipated to be within 12 months). During the period principal repayments of $90,000 have been made. Interest of $17,249 has been charged with $11,465 paid and $5,784 accrued and owing.

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

20 Related Party Disclosures (Continued)

	2022	2021
Shareholdings of Related Parties		
Shares under the control of the Director		
M B de Lautour		
Shares Held at 1 July 2021		
Redeemable Preference Shares	2,385,739	2,385,739
Ordinary Shares	76,332	76,332
Ordinary Rebate Shares	500	500
	2,462,571	2,462,571
Shares Held at 31 August 2022		
Redeemable Preference Shares	2,385,739	2,385,739
Ordinary Shares	76,332	76,332
Ordinary Rebate Shares	500	500
	2,462,571	2,462,571

M B de Lautour ceased to be a Director on 14 March 2022, following his death.

	2022	2021
H B de Lautour		
Shares Held at 1 July 2021		
Redeemable Preference Shares	167,500	167,500
Ordinary Rebate Shares	22,677	22,677
	190,177	190,177
Shares Held at 31 August 2022		
Redeemable Preference Shares	167,500	167,500
Ordinary Rebate Shares	22,677	22,677
	190,177	190,177

H B de Lautour became a Director of the 50% owned Wools of New Zealand Limited Partnership on 1 December 2022. He became a Director of CP Wool Limited on 16 May 2019 and remained a Director until that company was wound up and removed from the register on 27 October 2022. He was also a Director of NZ Natural Fibres Limited until 25 August 2021, in which CP Wool Limited had a majority shareholding to 31 July 2021, and a Director/Shareholder of NZ Yarn Holdings Limited, which has a 1.99% shareholding in NZ Natural Fibres Limited.

20 Related Party Disclosures (Continued)

	2022	2021
W J Oliver		
Shares Held at 1 July 2021		
Ordinary Rebate Shares	13,438	13,438
	13,438	13,438
Shares Held at 31 August 2022		
Ordinary Rebate Shares	13,438	13,438
	13,438	13,438

W J Oliver became a Director of the 50% owned Wools of New Zealand Limited Partnership on 1 December 2022. He became a Director of CP Wool Limited on 26 June 2019 and remained a Director until that company was wound up and removed from the register on 27 October 2022.

	2022	2021
R G Young		
Shares Held at 1 July 2021		
Ordinary Rebate Shares	5,963	5,963
	5,963	5,963
Shares Held at 31 August 2022		
Ordinary Rebate Shares	5,963	5,963
	5,963	5,963

R G Young became a Director of the 50% owned Wools of New Zealand Limited Partnership on 1 December 2022. He became a Director of CP Wool Limited on 3 June 2020 and remained a Director until that company was wound up and removed from the register on 27 October 2022.

	2022	2021
Total Key Management Personnel Compensation	91,651	65,000

The Key Management personnel are considered to be the Directors of the Company.

Compensation of the Company's Key Management Personnel includes directors fees as follows:

	2022	2021
Directors' fees	91,651	65,000
	91,651	65,000

20 Related Party Disclosures (Continued)

Director of Primary Wool Cooperative Ltd	Related Entity	Relationship	Role in Related Entity	Nature of Transaction	Value 2022 $	Balance Owing 2022 $
H B de Lautour	Tangihau Ltd	Related Director	Director	Wool trading	281,065	45,798
H B de Lautour	Te Whangai Partnership	Related Director	Partner	Wool trading	68,159	0
W J Oliver	Waerenga Holdings Ltd	Related Director	Director/Shareholder	Wool trading	34,744	0
W J Oliver	Three Rivers Ag Ltd	Related Director	Director/Shareholder	Wool trading	14,902	0
R G Young	RG Young Family Trust	Related Director	Trustee	Wool trading	18,126	0

The above values reflect all trading by directors' related entities with CP Wool Ltd and with Wools of New Zealand Limited Partnership within the reporting period. Equivalent values for the prior year are not presented as they are not readily available.

21 Going Concern

The financial statements of the Company have been prepared on a going concern basis. Although the company reported a Total Comprehensive Loss for the period, this was largely due to accounting adjustments related to restructuring the operations, including the purchase of the CP Wool shares from Carrfields and the subsequent sale of CP Wool's net tangible assets to Wools of New Zealand Limited Partnership (LP), rather than trading transactions. During the period, the Group transferred the trading operations, that were operated through CP Wool Limited, to the LP. The Group is not liable for any liabilities or obligations of the LP. Group assets were greater than liabilities by $306,045 at balance date. The Directors are of the view that the Company has the ability to meet its obligations as and when they fall due, and for assets to remain greater than liabilities, for a period of no less than 12 months from the date of authorisation of these financial statements.

22 Contingent Assets and Liabilities

There were no contingent assets or liabilities as at 31 August 2022.

23 Post Balance Date Events

2022

As all net assets of CP Wool Limited were transferred to Wools of New Zealand Limited Partnership on 1 December 2021, and all trading was through the Partnership from that date. CP Wool Limited was wound up and removed from the Companies Office Register on 27 October 2022. There were no other material post balance date events.

2021

On 1 August 2021, the Company ended its joint venture with Carrfields Limited in CP Wool Limited (formerly Carrfields Primary Wool Limited). The transaction saw Carrfields Limited purchasing CP Wool Limited's majority shareholding in NZ Natural Fibres Limited and the Company purchasing Carrfields Limited's 50% shareholding in CP Wool Limited, with CP Wool Limited becoming a wholly owned subsidiary of the Company. At the same time, CP Wool Limited fully repaid its $3,980,500 shareholder loan to the Company which provided the Company with the funds to settle with Carrfields Limited for their former 50% shareholding in CP Wool Limited. A proposed merger between CP Wool Limited and Wools of New Zealand Limited was finalised on 1 December 2021 - refer Note 12.

24 Prior Period Adjustments

There have been no material adjustments to prior periods (2021 NIL)

25 Discontinued Operations

During the reporting period, the Company entered into an arrangement together with Wools of New Zealand Holdings Limited (WNZH) to merge their operating activities. The merger was in the form of a limited partnership with each of the limited partners holding 50%.

To effect this merger on 1 December 2021, the Company sold the net tangible assets related to the procurement business formerly trading as CP Wool Limited (CPW) it had acquired on 1 August 2022 when it purchased the remaining 50% of the shares of CPW from Carrfields Limited, to the newly formed Wools of New Zealand Limited Partnership (WNZLP) in exchange for an advance owing from the limited partnership to the Company. Shareholder approval of these transactions by shareholder vote in November 2021.

The categorisation of revenue and expenses into continuing operations and discontinued operations requires managements judgement.

The Consolidated Statement of Comprehensive Income and respective notes have been restated to show the discontinued operation separately from continuing operations.

Results of discontinued operation	**Note**	**2022**	**2021**
Revenue		6,274,714	-
Cost of Sales		-3,033,030	-
Gross Profit		3,241,684	-
Less Other Operating Expenses		-3,506,224	-
Operating EBITDA		-264,540	-
(Plus)/Less Net Finance Expenses		-37,702	-
Less Depreciation and amortisation		-549,001	-
Profit Before Tax from discontinued Operations		-851,243	-
Income Tax Expense	3	0	-
(Loss) After Tax from Discontinued Operations		-851,243	-

Assets and liabilities disposed of as part of the discontinued operation are disclosed in Note 12.

Net Cash Inflows/(Outflows) from discontinued operations	**2022**
Net cash from (to) operating activities	-361,501
Net cash from (to) investing activities	194,747
Net cash from (to) financing activities	162,718
Net cashflow of discontinued activity	-4,036

Gains, losses and impairments re CP Wool

As detailed in Note 8, the significant transactions during the period gave rise to the following gains, losses and impairments.

	2022	**2021**
Net Gain on Equity Investment in CP Wool	835,488	-
Impairment of Goodwill in CP Wool	(3,871,774)	-
Net gains, losses and impairment related to CP Wool	(3,036,286)	-

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