PRIMARY WOOL CO-OPERATIVE LIMITED

PWC

Primary WOOL CO-OPERATIVE LTD

49th ANNUAL REPORT

and Statement of Accounts
for the 12-month period ended 31 August 2023

CONTENTS

DIRECTORS

R G Young
Chairman

W J Oliver
Grower Elected Director

H B de Lautour
Grower Elected Director

CHAIRMAN'S REPORT

Richard Young
Chairman

The Primary Wool Co-operative Limited (PWC) Board is now able to present our 2023 annual report to shareholders.

It is pleasing that we have been able to get through the audit process in good time this year and great that we have received a clean audit report from KPMG. Thanks to all involved in contributing to this outcome.

The wool industry remains a tough sector to operate in. The producer of the raw material remains in the dilemma of how much longer we persist until we start seeing the upturn necessary to make wool a viable option for dual purpose sheep farming. Finally, current wool prices have taken a significant lift over the past 3-year average, albeit not to the levels to make wool a viable financial contributor to on farm income. That said, the significant increase gives us confidence the tide is turning and the cumulative initiatives with products made from wool are gaining market share as consumers demand more natural and eco friendly alternative to plastic based alternatives. I encourage producers to stay the course, which will enable the value capture on farm. A dual-purpose sheep breed will be the only way to capture dual income streams when the necessary correction does occur.

Wools of New Zealand Limited Partnership (WNZ LP)

WNZ LP has continued to consolidate its activities following the bringing together of Wools of New Zealand Holdings Limited (WNZH) and PWC. The partnership has retained market share across our wool trading business in what has been a tough trading environment. Increased market prices have enabled producers to move wool through the system with low passing rates, accepting that the market/auction is the best determinant of price in the current industry structure. The inflationary impact on input costs on our farming business is also being felt across the Wools of New Zealand business with upward pressure on storage facility rentals, salaries, and vehicle costs. For WNZ LP to remain operational in its current form it is necessary that we pass some of these costs on. Unfortunately, this has led to small increases in consolidated charges which we have had no option but to pass on to those who use the services we provide.

The carpet trading business continues in our quest to provide "carpets that don't cost the earth" to the New Zealand consumer. As with any start up type business initial challenges will arise and we have been unfortunate to have had issues with our manufacturer producing carpet with stiff backing issues. The stiff backing issue has now been rectified with the CEO taking time to visit our Turkish manufacturer, Zenova to address the issue. Management is confident that this issue has been resolved with new stocks arriving that is much more layer friendly. The business is confident that with the manufacturing issues addressed and we are in a position to relaunch early in 2024.

Woollen carpet tiles are quickly gaining traction in the corporate sector and orders for 2024 give us confidence that this new business division will be a positive contributor to profitability in 2024.

Looking ahead it is important that we mitigate risk across our entire business, however there are things we can control and others we cannot. We continue to monitor developments in the Middle East closely especially the disruption to shipping in the Red Sea which is already disrupting the incoming delivery of new lines of manufactured carpet and the outgoing delivery of raw wool to Zenova. It is important that we continue to be open to opportunities in other markets less disrupted by macro events worldwide. We must remain nimble and evolve our business model as necessary to remain relevant in an economic and geopolitical climate that is massively disrupted at present.

Co-operative financial performance.

PWC continues to be an investment cooperative. Our investment is a 50% ownership of WNZ LP, which is both a wool procurement business and a relatively new, "start-up" consumer-focused business delivering "carpets that don't cost the earth" to the NZ consumer.

The 2023 WNZ LP financials cover a 12-month trading block, remembering the 2022 accounts became quite complicated with those being for a 14-month period of which for 3 months PWC traded as the old CPW business.

As discussed, issues with sub-optimal carpet and an increase in operating costs across the WNZ LP business has impacted the PWC accounts which included its 50% of the 2023 WNZ LP loss in accordance with the Accounting Standards. The result being the PWC accounts reflect the 50% share of that net loss which totalled $673k. The overall total comprehensive loss attributable to shareholders was $60k.

As shareholders, it is important to acknowledge that the full impact of the 50% share of the WNZ LP loss has been cushioned because of the generosity of RPS shareholders in forgiving both historical interests owed of $256k and waiving their associated RPS debt of $454k.

Directors are conscious that our equity position remains tight at $274k and it is imperative that WNZ LP is profitable in the 2024 year. PWC directors sitting on the WNZ LP board remain committed to making the LP profitable not just in the 2024 year but the years following.

The Board's view remains that the equity accounting methodology and reported PWC equity position of $274k continues to undervalue PWC's 50% investment in WNZLP.

Looking ahead

Your Board remains 100% committed to the founding principles of our co-operative, in essence, better farmgate prices for wool and value creation through your investment in PWC.

The future for sheep farming will be significantly improved, both from a profitability and confidence perspective, if the dual income streams from meat and wool can be restored. With the current decline in meat prices, it is clearer than ever before that wool needs to play a bigger part in the income streams from dual purpose animals.

Through PWC's investment in WNZ LP we can influence and deliver that improved price and value. None of this is easy which is why it is seems to be taking an eternity to turn the wool sector around. For farmers and growers, the underlying question remains "how long can we continue with dual purpose sheep with wool being a negative contributor".

Your Board remains confident that we are moving forward as we have seen prices in 2024 rebound somewhat and there continue to be green shoots as consumers preferences change to more natural and eco-friendly alternatives and away from plastics. Domestically, a change of Government that seems more receptive of supporting NZ farmers, generally, and a push to see New Zealand natural products incorporated into public service decision making is positive. Government also appears to be receptive to the idea of promoting structural change within the wool sector to deliver a model that restores profitability to growers and the participants within that deliver value rather than clip the ticket.

As growers, we need to support those organisations that are attempting to create value by delivering consumer goods which are increasing in demand. Wool selling needs to move away from a single transactional basis to a transactional relationship that gets the grower closer to customer/consumer. At present, the industry structure promotes the transactional nature of selling wool. Change to the model will need behavioural change from growers and the participants within the present structure. The reality is if we do not consider and promote that change, we can only expect a continuation of the status quo, a status quo that is not delivering.

At WNZ LP and PWC we are active in considering opportunities that will in time deliver a better industry structure. It is important, however, to simultaneously grow a business that utilises the wool of your farms to deliver high quality consumer goods. For growers, that means doing your bit to deliver the raw product in the best condition possible which enables the delivery of higher quality goods to the consumer, for the grower, a premium for well-prepared wool is evident in the current selling system.

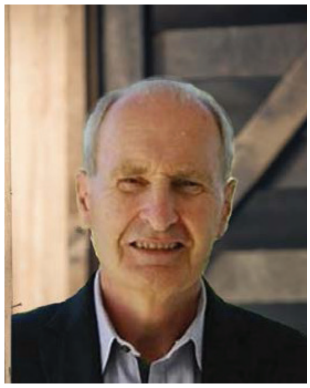
We accept, as your Board, that this is taking a long time with which we agree. As stated earlier we remain 100% committed to delivering better fortunes for our growers and shareholders.

CHIEF EXECUTIVE'S REPORT 2023

We are on a Journey

Three years ago, we identified that the over-supply of wool was causing price deflation. Our calculations suggested this oversupply to be around 7% of total production (around 45,000 bales).

Based on that we shared our strategy on how we might reduce the over-supply by entering the carpet market, the largest category that could use wool so that we might stimulate demand to reduce the oversupply. Wool carpet sales had dropped from 90% share in the 1990's, to just 14% in 2022. In the first year of our entry into the market we saw a 25% increase in the market share to 18%. Alongside this we developed a commercial wool tile to break into a category that is virtually 100% plastic. We are also working on one other significant product that is a new use for wool.



John McWhirter
Chief Executive Officer

Execution of Strategy

The entry into the market has as expected been challenging for several reasons; we had limited capital to start with and intended to use the profits from the wool trading business to support the demand strategy. But we have also had the added pressure of rising costs in the core business caused by inflationary pressures on property and expenses impacting on the business.

Capital constraints have no doubt hindered the ability to execute at speed but it has allowed us time to test and iron out the wrinkles at home first.

Flooring Business Investment

It has taken some time to get our carpet business right. We started out during Covid, experiencing production and shipping problems, but despite this the business did well in its first year. However, we started experiencing backing problems in the second year. The carpet was seen by New Zealand layers as difficult to lay due to its stiffness. This virtually stalled domestic sales, as to continue required the installation of a new backing line in the Zenova factory, a significant investment, and an investment that they willingly made.

In October last year we visited Zenova in Turkey during the commissioning of the new backing line and confirmed the scale and significance of the investment they have made into getting our product right for the Australian and New Zealand markets. Over the past three years, Zenova has ploughed many millions of US dollars into increasing their production capability and capacity, they are now likely to be the second largest spinner of wool for flooring in the world. I would suggest that they have invested more into the production capacity of finished branded wool products than the entire New Zealand wool industry has invested in recent times.

Zenova has shown a willingness to invest in both capacity and in quality systems. They have met the quality standards required to supply both Airbus and Boeing to supply wool carpet for all their aircraft, the perfect fibre when it comes to fire resistance. Wools of New Zealand had no choice but to choose to manufacture offshore using wool grown here, because there is not enough capacity or capital available to invest in New Zealand, and the partnership with Zenova offered us and our growers the best chance of success with lower manufacturing costs and being closer to the European markets.

This decision to partner with overseas businesses has been about driving growth, despite a constrained balance sheet and despite the problems we have experienced it remains the best option. Supporting Zenova to become a world class manufacturer of quality flooring products is important, as the last twenty years has seen ongoing divestment in world production capacity. Its only now we are starting to see investment in production systems to make wool products and without this investment in production capacity the industry will continue to languish!

It has not been an easy journey and we have learnt quite a few things along the way. Zenova are a willing partner they have the resources and are willing to invest, but they need us to access the western market with our brand; a brand that is well known in Australia, the US and UK markets due to the heavy investment made by the Wool Board, but time is running out. The legacy of that investment will come to an end as the generation who remember the marketing are passing on. Time is not our friend, and we need to be moving now and at pace, but to do this at speed requires capital to be invested.

Our investment lies mostly in people, skill, and energy, as that is all we have. We will grow but it will be at the pace we can resource.

Tiles

In August, we commenced selling commercial tiles in the market, with a soft launch that was helped by the PR that came from the Government synthetic flooring decision. At that point not all our environment credentials were complete. Unfortunately, we were not able to prove that wool is environmentally friendly!

Our tile pipeline looks promising, though tile sales are not an instant business. Most architects and designers tender for contracts that are 18-24 months in the future. The greater the pipeline for these leads, the better it is for us.

We are working with the NZ Institute of Architects to develop a professional development module on the use of wool flooring for commercial spaces. This will educate graduates - the future influencers and decision makers - through to currently certified practitioners, on the benefit of wool flooring in their commercial design spaces. We hope to have this signed off by them soon so we can join their events and get up front and personal with them all.

However, getting the product into the minds of the designers requires a lot of leg work and face to face interaction, so the roll out will take time.

Product Development Process

Over the past three years, Wools of New Zealand Limited Partnership has been investing in the development of a range of domestic and commercial flooring products made from wool. This was partially supported by government, through the Sustainable Farming Fund.

It was a challenging process as the scaled-up trials did not work as efficiently as the first test production runs. We then engaged with a second factory which was able to solve the problems that had been experienced. This proved to be a good move as we managed to produce an excellent product that ended up exceeding expectations. An even more difficult part of the development was achieving and environmental stand, that is required to meet the building standards required by architects. This has now been achieved.

Wool Trading

It is a good, yet sad statement to make, that the price of wool reached its highest price for five years at the end of the 2023-2024 season and has continued into the current season. This does suggest that the underlying demand for wool has at least remained stable, but even at this five year high the price is well below production and handling costs that bring the fibre to market.

At the beginning of the wool season volumes continued to drop for various reasons, while at the same time operating expenses started to rise in-line with the inflationary pressures being felt across New Zealand businesses. The impact on rising cost from property, energy, transport, interest, and insurance have all taken their toll. Volumes were expected to improve as they normally do, but the weather had other ideas. The impact of the east coast cyclone reduced the volume being transacted; thus, the wool did not arrive as expected. Even worse, it placed pressure on operating costs, particularly in the North Island.

This forced us to review our strategy and operations, and it took resource and focus away from developing the flooring business and other initiatives.

As the first half year revenue fell, we moved to reduce overhead costs through staff reductions. When the two businesses came together at the merger 85 people were employed, this is now reduced to 65. A reduction of twenty staff, of which four were involved in the flooring business. In addition, we looked at all expenses to reduce costs, but the business was already operating on a lean budget, so it was difficult to make savings. The wool that was coming in was not moving through the system due to the North Island scour being shut, causing pressure on our storage capacity. However, the changes that were made led to an improved profit in the second half of the year.

We appreciate the experience and passion bought to the wool industry over the 20 years. Our staff have remained committed to an industry they all love. Their experience can manage the tidal wave of wool that hits our stores every season. Their commitment to Wools of New Zealand means we can accurately process, weigh, type, and test wool and bring it to sale every year using certified systems that ensure the best price on the day can be paid for our growers' wool.

Industry Support

WNZ supports all the initiatives being pursued across the industry to grow the demand for wool. No one entity will make the difference by itself, it will be the efforts made by many businesses who are prepared to make the effort, invest, and take the risk. And they will be looking for a return on their investment and rightly so. There is now more collaboration and unity in the wool sector than ever before. Not all initiatives will be successful, however the likes of WNZ, WRONZ and Wool Impact are all working together to achieve a common goal – to lift the fortunes of the strong wool industry.

Political Arena

The new Coalition Government's backing for wool in public sector buildings is a vote of confidence for our sector. The Coalition Government is directing government agencies, where practical and appropriate, to prefer the use of woollen fibres rather than artificial fibres in government buildings. This decision is a significant boost to wool growers and the industry, and we are extremely proud to be a pivotal voice in the media supporting wool flooring options. There is no doubt that the Ministry of Education's desire to put plastic in rural schools has impacted on this decision.

STATUTORY INFORMATION

Directors

The directors of Primary Wool Co-operative Limited (the Company) as at 31 August 2023 are:

- Richard Young (Chairman)
- Hamish de Lautour
- William Oliver

Directors' Interest in Transactions

For the period ended 31 August 2023, no Director caused to be entered in the company's interest register any transaction or proposed transaction with the company.

Co-operative Status

The following resolution was unanimously passed by the Board on 20 December 2023:

"It is the opinion of the Board that Primary Wool Co-operative Limited (the Company) has through the period ended 31 August 2023 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 cooperative activities; and

c) Not less than 60.7% of the voting rights of Primary Wool Co-operative Limited were held by transacting shareholders as that term is defined in the Cooperative Companies Act 1996."

Information Disclosure

For the period ended 31 August 2023, no Director requested to use Company information received by them in their capacity as Directors.

Directors' Insurance

Directors' and officers' liability insurance is taken out and paid for by Wools of New Zealand Limited Partnership. In the event of a claim, the Directors may benefit under the terms of these policies.

Donations

No donations were made by the Company during the period (2022: $nil).

Auditor

KPMG were appointed as auditor of the Company. Audit fees for the period are disclosed in the notes to the financial statements.

Directors' Interests in Primary Wool Co-operative Limited Shares

The shares held in Primary Wool Co-operative Limited by each director, including beneficial interest, as at 31 August 2023 are set out in the following table:

DIRECTOR	HOLDING AS AT 31 AUGUST 2023
Richard Young	5,963
Hamish de Lautour	167,500
William Oliver	22,618

Directors' Fees

Hamish de Lautour received directors' fees of $20,833 during the period under review.

Details of Directors' interests are covered in Note 20 to the financial report.

No payments were made on behalf of Directors.

Remuneration of Employees

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.

Signed on behalf of the Board on 20 December 2023

R G Young
Director

H B de Lautour
Director

Primary Wool Co-operative Limited

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST 2023

	Notes	2023 *12 Months*	2022 *14 Months*
Continuing Operations			
Revenue	4	29,167	84,555
Gross Profit		29,167	84,555
Expenses			
Administration Expenses	5	(2,468)	(163,960)
Total Expenses		(2,468)	(163,960)
Net Finance Expenses			
Finance Income	6	111,305	240,341
Forgiveness of Interest Payable	12	256,181	-
Forgiveness of Debt	14	454,873	-
Finance Expenses	6	(237,204)	(388,800)
Net Finance Expenses		585,155	(148,459)
Share of Net (Loss) of Equity Accounted Investments	8	(707,572)	(160,832)
Fair Value Movement on Financial Assets	8	-	1,294,236
(Loss) Before Tax from Continuing Operations		(95,719)	905,539
Income Tax Expense	7	-	-
(Loss) After Tax from Continuing Operations		(95,719)	905,539
Discontinued Operations	22	-	(3,887,529)
(Loss) For the Period After Tax Attributable to Shareholders		(95,719)	(2,981,989)
Other Comprehensive Income:			
Share of Other Comprehensive Income/(Loss) from Equity Accounted Investments	8	35,040	-
		35,040	-
Total Comprehensive (Loss) Attributable to Shareholders		**(60,679)**	**(2,981,989)**

Primary Wool Co-operative Limited

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 AUGUST 2023

	Notes	Share Capital	Accumulated Losses	Total Equity
Balance at 1 July 2021	9	8,234,234	(5,119,795)	3,114,439
		8,234,234	**(5,119,795)**	**3,114,439**
Total comprehensive income for the year				
Profit (Loss) for the year		-	(2,981,989)	(2,981,989)
Other Comprehensive Income				
Share from Joint Venture Investment		-	-	-
Share Subscriptions Received	9	173,595	-	173,595
Total Comprehensive Loss		**8,407,830**	**(8,101,784)**	**306,045**
Balance at 31 August 2022		**8,407,830**	**(8,101,784)**	**306,045**
Balance at 1 September 2022	9	8,407,830	(8,101,784)	306,045
Total comprehensive income for the period				
Profit (Loss) for the period		-	(95,719)	(95,719)
Other Comprehensive Income				
Share from Joint Venture Investment	8	-	35,040	35,040
Ordinary Rebate Shares Issued	9	28,814	-	28,814
Total Comprehensive Loss	9	**8,436,644**	**(8,162,463)**	**274,180**
Balance at 31 August 2023		**8,436,644**	**(8,162,463)**	**274,180**

Primary Wool Co-operative Limited

STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2023

	Notes	2023	2022
Assets			
Cash and cash equivalents	**10**	48,201	22,621
Other receivables and prepayments	**11**	4,900	6,402
Lease Receivable	**11**	688,484	1,568,521
Total Current Assets		741,585	1,597,544
Lease Receivable - Term	**11**	496,211	2,059,089
Advance to Investee	**8**	477,468	1,150,000
Total Non-Current Assets		973,679	3,209,089
Total Assets		1,715,264	4,806,633
Liabilities			
Trade and other payables	**12**	1,445	161,342
Lease Payable	**17**	688,484	1,568,521
Current Loans and Borrowings	**13**	254,944	256,763
Total Current Liabilities		944,873	1,986,627
Non-Current Loans and Borrowings	**14**	-	454,873
Lease Payable - Term	**17**	496,211	2,059,089
Total Non-Current Liabilities		496,211	2,513,962
Total Liabilities		1,441,084	4,500,588
Equity			
Share Capital	**9**	8,436,643	8,407,829
Accumulated Losses	**9**	(8,162,463)	(8,101,784)
Total Equity	**9**	274,180	306,045
Total Equity and Liabilities		1,715,264	4,806,633

Director

Date: 20 December 2023

Director

Date: 20 December 2023

Primary Wool Co-operative Limited

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2023

	Notes	2023 *12 Months*	2022 *14 months*
Net Cash Flows from Operating Activities			
Cash provided from:			
Receipts from Customers		30,669	7,757,092
Interest Received		26,662	4
		57,331	7,757,096
Cash applied to:			
Payments to Suppliers		(60,565)	(8,110,475)
Interest Expense Paid		-	(118,441)
Interest Expense Paid on Lease Liabilities		-	(15,775)
		(60,565)	(8,244,691)
Net Cash Inflow/(Outflow) from Operating Activities	**15**	(3,234)	(487,596)
Cash Flows from Investing Activities			
Cash provided from:			
Transfer of bank overdrafts to Wools of New Zealand 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 Inflow/(Outflow) from 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
Shares Issued Retained from Rebates		28,814	-
		28,814	193,595
Cash applied to:			
Loans Repaid to Shareholders		-	(90,000)
Repayment of Lease Liabilities		-	(458,602)
Monument Premium Funding Ltd Repayments - net movement		-	(837)
		-	(549,439)
Net Cash Inflow/(Outflow) from Financing Activities		28,814	(355,843)
Net Increase (Decrease) in Cash Held		25,580	(27,372)
Cash Balances at Beginning of Period		22,621	49,993
Closing Cash Balances	**10**	48,201	22,621

Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 AUGUST 2023

Summary of Significant Accounting Policies

1 Reporting Entity

Primary Wool Co-operative Limited (The Company) 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 10 Hammersmith Drive, Wigram, Christchurch.

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

These financial statements are for Primary Wool Co-operative Limited whose principal activities have been that of an investment holding company, the provision of Director services, and the provision of share registry services.

These financial statements include the Company's share of the results of the Wools of New Zealand Limited Partnership which is an equity accounted Joint Venture.

The financial statements for the period ended 31 August 2023 were approved and authorised for issue by the Board on 20 December 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 a 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.

Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 AUGUST 2023

2 Basis of Preparation (continued)

The following key judgements have been applied to the financial statements:
- The Directors' assessment of the fair value of the investment in Wools of New Zealand Limited Partnership (refer to Note 8 and Note 12)
- The classification and measurement of the debt component of Redeemable Preference Shares (refer to Note 9)
- Going concern basis of accounting (refer Note 22)

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 further 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.

Under IFRS 9, the Company's Investment is required to be measured at Fair Value on both initial recognition and in subsequent reporting periods as the loan receivable does not pass the sole payments of principal and interest test. There is no guidance in IFRS 9 aroung the mesaurement of a financial assets' Fair Value and therefore, IFRS 13 should be 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.

The debt has been forgiven in this financial year ending 31 August 2023.

(c) Impairment

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

(e) 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.

(f) 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

(g) 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.

(h) Revenue
The Directors' fees are accounted for on an accruals basis.

Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 AUGUST 2023

3 Specific Accounting Policies (continued)

(h) Capital Management

When managing capital, management's objective is to ensure that the Company 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.

(i) New standards, interpretations and amendments

No new accounting standards were adopted in the period.

(j) 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.

(k) Goods and Services Tax

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

(l) 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 FINANCIAL REPORT

FOR THE YEAR ENDED 31 AUGUST 2023

		2023 *12 Months*	2022 *14 Months*
4	**Revenue**		
	Directors' Fees	29,167	42,917
	Revenue	29,167	42,917
	Miscellaneous Income	-	41,639
	Interest Accrual Write Off	256,181	-
	Debt Component of Redeemable Preference Shares Write Off	454,873	-
	Total Revenues	740,221	84,555

The company continued to receive Directors' Fees for the services provided by Hamish de Lautour to Wools of New Zealand Limited Partnership.

		2023	2022
5	**Administration Expenses**		
	Audit Fees	(23,000)	28,463
	Directors' Fees	20,833	50,417
	Other Administration Expenses	4,635	85,081
	Total Administration Expenses	2,468	163,960

There are no 2023 Audit Fees payable as these costs are paid for by Wools of New Zealand Limited Partnership. Fees paid for audit services for the year ended 31 August 2022 were paid by Wools of New Zealand Limited Partnership of which $23,000 was over-accrued in the year to 31 August 2022.

For 2023, the audit fees of $20,000 were paid by the LP on behalf of the Company.

		2023	2022
6	**Finance Income and Expense**		
	Interest on Finance Leases, Advance to Investee and Bank Interest	111,305	240,341
	Finance Income	111,305	240,341
	Interest on Finance Leases, Loans and Redeemable Preference Shares	(237,204)	(388,800)
	Finance Expenses	(237,204)	(388,800)
	Net Finance (Expense)	(125,899)	(148,459)

Prior year interest amounts owed to the Awakiki Ridges Limited, the Estate of Maurice Bayly de Lautour and Te Whangai Partnership have been adjusted in the current year as they were forgiven.

Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 AUGUST 2023

		2023	2022
7	**Income Tax Expense in the Income Statement**	*12 Months*	*14 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	(95,719)	905,539
	Profit/(Loss) for the period from discontinuing operations	-	(3,887,529)
	Taxable Income	(95,719)	(2,981,989)
	Prima facie tax credit @ 28%	(26,801)	(834,957)
	Adjust for non-assessable/non-deductible items:		
	Non-assessable income (100%) 2023 $0 (2022 ($332,195))	-	(332,195)
	Non-deductible expenditure (100%) 2023 $0 (2022 $857,627)	-	857,627
	Adjust for timing difference items:		
	Accruals - 2023 $0 (2022 $4,140)	-	(4,140)
	Employee Benefits 2023 $0 (2022 $62,402)	-	(62,402)
	NZ IFRS 16 Lease Adjustments - 2023 $0 (2022 $28,933)	-	28,933
		(26,801)	(347,133)
	Tax Losses for which no deferred tax asset recognised	26,801	347,133
	Tax Expense/(credit) per Statement of Comprehensive Income	-	-
	Imputation Credits		
	Opening Balance - 1 September 2022	1,151,491	1,151,491
	Dividends Received	-	-
	Closing Balance - 31 August 2023	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 has tax losses carried forward from the prior year as at 31 August 2023 of $6,308,231 (31 August 2022 of $6,498,307).

The Company's portion of deferred tax assets relating to timing differences in Limited Partnership have not been recognised.

The reason the deferred tax assets are not being recognised is due to the current loss position of the Company. The directors expect that the losses carried forward will not be used in the next reporting period.

8 Equity Accounted Investments

		2023	2022
Advances			
Current			
Wools of New Zealand Holdings (Advance)	**Note 13**	20,000	20,000
Total Current Investments		20,000	20,000

	2023	2022
Non Current		
Wools of New Zealand Limited Partnership - Joint Venture Investment	477,468	1,150,000
Total Non-Current Investments	477,468	1,150,000

			Ownership Interest	
Joint Ventures	**Country**	**Reporting date**	**2023**	**2022**
Wools of New Zealand Limited Partnership - Equity	NZ	31 Aug	50%	50%

Investment in Wools of New Zealand Limited Partnership

On 1 December 2021, 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.

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 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.

Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 AUGUST 2023

8 Equity Accounted Investments (continued)

Summarised Financial information of WNZLP	**2023** 100%	**2022** 100%
Wools of New Zealand Limited Partnership		
Current assets (including cash and cash equivalents of 2022 $Nil)	9,666,260	8,556,647
Non Current Assets	6,322,636	6,862,182
Current liabilities	(11,277,329)	(8,804,240)
Related Party Advances Payable	(6,999,800)	(6,999,800)
Non-current liabilities	(3,977,296)	(4,535,255)
Net assets (liabilities)	(6,265,529)	(4,920,466)
Excluded: Related Party Advances	6,999,800	6,999,800
Net assets (liabilities) after excluded items	734,271	2,079,334
Company's share of net assets (liabilities) (50%)	367,136	1,039,667
Carrying value of the interest in joint venture at fair value	477,468	1,150,000

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

	2023	2022
Revenue	27,275,954	24,131,592
Earnings Before Interest, Taxes, Depreciation and Amortisation	1,606,581	1,960,169
Depreciation and amortisation	(2,341,407)	(1,872,871)
Net Interest expense, foreign exchange gains & share of profit/(loss)	(680,318)	(409,162)
Income Tax Expense	-	-
Profit/(Loss) from Continuing Operations	(1,415,144)	(321,864)
Other Comprehensive Income	70,080	-
Total Comprehensive Income/(Loss)	(1,345,064)	(321,864)
Share of (Loss) from Continuing Operations	(707,572)	(160,932)
Share of Other Comprehensive Income/(Loss)	35,040	-
Share of Total Comprehensive (Loss)	(672,532)	(160,932)

Wools of New Zealand Limited Partnership Equity	**2023**	**2022**
Opening balance	-	-
Investment at cost	-	100
Share of partnership profit (loss) recognised	-	(100)
Dividend received	-	-
Closing balance	-	-

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

8 Equity Accounted Investments (continued)

	2023	2022
Wools of New Zealand Limited Partnership Advance		
Opening Balance	1,150,000	-
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	1,150,000	1,310,832
Share of partnership profit/(loss) recognised	(672,532)	(160,832)
Closing balance	477,468	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.

During the period, Management took the following steps:

In the second half of the 2023 financial year the LP’s management undertook a series of activities to shore up the business activities and to improve the LP’s profitability. These included a 35% increase in consolidation fees as part of the auction and an organisational review to right size the business. These activities will improve profitability and cash flows through to the 2024 Financial Year which will have a flow on effect through improving the carrying value of the investment in the LP by equity accounting for the LP’s profitability. The PWC Board will continue to investigate other cash flow opportunities.

Management have considered the Fair Value of the Company's investment in the LP. In accordance with the general accepted accounting principles, management has carried out two calculations to determine the fair value of the investment.

•Discounted Cash Flow - $1,453,472
•Earnings Multiple - $1,571,609

The Key Assumptions accross the two calculations are:

•Fees charged through auctions have been assumed at 3% increase year on year to ensure fees charged are cost of service plus a margin. A reduction to below 2.5% would reduce the DCF to $1.15m.
•An earnings multiple of 3 times used in the earnings multiple calculation. A multiple of 2.2 times would reduce the earnings multiple calculation to $1.15m.

Given there remains uncertainty associated with the forecast performance no adjustment to the Fair Value has been recognised in these accounts.

Management have reviewed the post equity accounted carrying value of the investment against the Company's share of Net Tangible Assets as a sense check.

8 Equity Accounted Investments (continued)

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 prior period
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

Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 AUGUST 2023

8 Equity Accounted Investments (continued)

Sale of CP Wool's net tangible assets to Wools of New Zealand Limited Partnership

In the 2022 financial year, 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 WNZLP in exchange for an unsecured advance from the limited partnership to the Company for a nominal value of $3.5M. WNZHL 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.

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 22.

CP Wool Limited

	2023	2022
Revenue (including other income of $29,431, 2021 $866,000)	-	3,088,324
Earnings before Interest, Taxes, Depreciation and Amortisation	-	209,028
Depreciation and amortisation	-	(301,462)
Interest expense	-	(66,499)
Income Tax Expense	-	-
Profit (Loss) (100%)	-	(158,933)
Other Comprehensive Income	-	-
Profit (Loss) and total comprehensive income (loss) (100%)	-	(158,933)
Non Controlling Interest share of profit (loss)	-	(23,370)
Company's share of total comprehensive income	-	(67,781)
Company	-	67,781
Company's share of total comprehensive income	-	-

Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 AUGUST 2023

9 Equity

	Retained Earnings	Ordinary Shares	Ordinary Rebate Shares	Redeemable Preference Shares	Total Equity
Reconciliation of Movement in Equity					
Balance at 1 July 2021	(5,119,795)	610,970	5,414,898	2,208,366	3,114,439
Total Comprehensive Income	(2,981,989)	-	-	-	(2,981,989)
Share Subscriptions Received	-	-	173,595	-	173,595
Balance 31 August 2022	(8,101,784)	610,970	5,588,493	2,208,366	306,045
Balance 1 September 2022	(8,101,784)	610,970	5,588,493	2,208,366	306,045
Total Comprehensive Income	(60,679)	-	-	-	(60,679)
Share Subscriptions Received	-	-	28,814	-	28,814
Balance 31 August 2023	(8,162,463)	610,970	5,617,307	2,208,366	274,180

	Ordinary Shares	Ordinary Rebate Shares	Redeemable Preference Shares	Total
Number of Shares on Issue at 31 August 2022 *(fully paid)*	610,970	8,300,794	2,663,239	11,575,003
Unpaid Shares Issued	-	-	-	-
Partially Paid Shares Issued	-	-	-	-
Total Number of Shares on Issue at 31 August 2023	610,970	8,300,794	2,663,239	11,575,003

All shares have a $1 notional face value.

9 Equity (Continued)

There are seven classes of Redeemable Preference Shares:

Class A:	$455,739	Being those associated with M B de Lautour Estate loans and advances that were converted to equity (2022 $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 (2022 $47,500).
Class E	$100,000	Being those associated with M B de Lautour Estate loan that were converted to equity (2022: $100,000)
Class F	$110,000	Being those associated with H C Gardner loan of which $100,000 was converted to equity (2022: $110,000)
Class G	$120,000	Being those associated with H B de Lautour loan of which $100,000 was converted to equity (2022: $120,000)
Class H	$1,650,000	Being those associated with M B de Lautour Estate loan that were converted to equity (2022: $1,650,000)
Class I:	$180,000	Being those associated with M B de Lautour Estate loan advanced 6 August 2018 (2022: $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 (2022: 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;
- Do not have any contractual entitlement to cash or another financial instrument; and
- Have cash flows substantially based on the profit of the Company.

OS and ORS are entitled to rebates from shareholders based on the level of transactions with the Company's equity-accounted investment, Carrfields Primary Wool Limited and now WNZLP. 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. Previously RPS, accrued interest at either 5% or 6% per annum (subject to periodic review by the Directors, 2022: 5% or 6%) and were entitled to discretionary dividends in line with ordinary shareholders. The shareholders have agreed to sign a waiver, forgoing rights, title, benefit and to all interest which has accrued (which remains unpaid) on their Shares.

RPS rank ahead of ordinary shareholders in respect of repayment, however, they 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 initially had features of both debt (a contractual entitlement to interest) and equity (only redeemable at the discretion of the Directors), they met 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 were 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.

(c) Forgiveness of Historical Interest and Redeemable Preference Shares

During the current year all the RPS holders waived their rights to accrued and future interest resulting in the previous RPS debt component of $454,873 being forgiven as well as accumulated interest of $256,181 on the RPS loan component being waived. Both of these amounts were cycled through the current year's profit and loss. Refer to Note 12 and Note 14.

9 Equity (Continued)

(d) 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 RPS have no fixed term for redemption and any redemptions are at the discretion of the Directors.

Board consideration of section 20 (3)

Section 20(3) of the Cooperative Companies Act 1996, which provides for a shareholder, who is no longer a transacting shareholder, nominally for 5 years, to require the Company to redeem their shares, and how this may override the terms of clause 5 of the RPS agreements which states redemption is at the option of the Company rather than of the shareholder. As the shareholder right is subject to the Company meeting the solvency test immediately following such a surrender, the financial position of the Company would require it to decline such shareholder requests, thereby supporting the treatment of RPS as equity.

Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 AUGUST 2023

		2023	2022
10	**Cash and Cash Equivalents**		
	BNZ Cheque Account	47,808	22,236
	BNZ Call Account	392	385
	Total Cash and Cash Equivalents	48,201	22,621

		2023	2022
11	**Other Receivables and Prepayments**		
	Prepayments	4,900	5,977
	GST receivable	-	425
	Lease Receivable - Current portion	688,484	1,568,521
	Lease Receivable - Term portion	496,211	2,059,089
	Total Receivables and Prepayments	1,189,595	3,634,012
	Current	693,384	1,574,923
	Term	496,211	2,059,089

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).

Expected Credit losses from prior years have been nil. The Directors deem it is reasonable that there are no future expected credit losses.

Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 AUGUST 2023

12 Accounts Payable and Accruals

	2023	2022
Accounts Payable and Accruals	257,626	161,342
Interest Accrual forgiven - Refer note 9	(256,181)	-
Total Accounts Payable and Accruals	1,445	161,342

13 Current Loans and Borrowings

	2023	2022
Monument Premium Funding Limited	4,944	6,763
Shareholder Loan - H B de Lautour	230,000	230,000
Wools of New Zealand Holdings Limited	20,000	20,000
Total Current Loans and Borrowings	254,944	256,763

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

H B de Lautour has signed a letter of comfort waiving the repayment of the loan until the cashflow of the Company allows. Full repayment of the loan is not anticipated within 12 months.

14 Non- Current Loans and Borrowings

	2023	2022
Debt Component of Redeemable Preference Shares	454,873	454,873
Forgiveness of Debt Component of Redeemable Preference Shares	(454,873)	-
Total Non-Current Loans and Borrowings	-	454,873

Refer to Note 9 - Forgiveness of Debt Component of Redeemable Preference Shares

15 Reconciliation of Cash Flow from Operating Activities

	2023	2022
Total comprehensive loss for the period	(95,719)	(2,981,989)
Adjustments for non-cash items		
Depreciation	-	549,001
Share of Loss of equity accounted investments	707,572	160,832
Fair Value Movement on Financial Assets	-	(1,294,236)
Gains, losses and impairments	-	3,036,286
Interest Accrual Write Off	(103,619)	-
Debt Component of Redeemable Preference Shares Write Off	(454,873)	-
Movements in working capital		
Trade and other receivables	1,502	4,298
Trade and other payables	(58,097)	17,060
Working capital transferred to Limited Partnership	-	(961,898)
Working capital transferred from CP Wool	-	983,050
Net Cash Inflow/(Outflow) from Operating Activities	(3,234)	(487,596)

Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 AUGUST 2023

16 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	
(ii) Interest Rate Risk	Exposure to changes in interest rates of loan receivable	Nil
(iii) Other price risk	No securities are bought, sold or traded	

(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 and lease receivables.

16 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 2023	0-6 Months	6-12 Months	1-2 years	2+ years	Total
Liabilities					
Accounts Payable & GST	1,445	-	-	-	1,445
Loan and Borrowings	4,944	20,000	-	230,000	254,944
	6,389	20,000	-	230,000	256,389

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	20,000	-	230,000	256,763
	168,105	20,000	-	230,000	418,105

Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 AUGUST 2023

16 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 2023	**Fair Value**	**Amortised Cost**	**Total Carrying Amount**
Assets			
Cash and Cash Equivalents	-	48,201	48,201
Other Receivables and Prepayments	-	4,900	4,900
Loans	477,468	-	477,468
Finance Lease Receivables	-	1,184,695	1,184,695
Total Assets	477,468	1,237,796	1,715,264
Liabilities			
Trade and Other Payables	-	1,445	1,445
Loans	-	254,944	254,944
Finance Lease Payables	-	1,184,695	1,184,695
Total Liabilities	-	1,441,084	1,441,084
31 August 2022			
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

The Directors have considered the fair value of assets and liabilities carried at amortised costs to not be materially different from the carrying value.

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)

Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 AUGUST 2023

17 Lease Liabilities

Carrying amount reconciliation	**2023**	**2022**
Opening Balance	3,627,610	-
Additions	-	5,407,282
Interest on Lease Liabilities	111,298	240,377
Gross repayments	(2,554,213)	(2,020,049)
Closing Balance	**1,184,695**	**3,627,610**
Current Portion	688,484	1,568,521
Non-Current Portion	496,211	2,059,089
	1,184,695	**3,627,610**

The lease was reassigned from CP Wool to Primary Wool Co-operative Limited. Under the Property Law Act 2007, the assignor of the lease remains liable through to the original term. The leases are reported as both a Finance Lease Payable and an equivalent Finance Lease Receivable.

18 Operating Commitments

At reporting date, there were no operating commitments. (2022: Nil)

19 Capital Commitments

At reporting date, there were no capital commitments. (2022: Nil)

20 Related Party Disclosures

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

Trading Transactions

Joint Ventures		**2023**	**2022**
Directors' fees received		29,167	42,917
Amounts Owed			
Advance to Wools of New Zealand Limited Partnership	**Note 8**	477,468	1,150,000
Total advances to joint venture and investee		477,468	1,150,000

Apart from the transactions listed above, there were no other significant trading transactions with the Joint Venture of the Investee (2022: $Nil).

Transactions with Directors

Directors' fees of $20,833 were paid during the period ended 31 August 2023 (2022: $50,417).

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

As disclosed in Note 14, H B de Lautour has an advance with the Company of $230,000 (2022: $230,000). The unsecured loan is for an undefined term (not anticipated to be paid within 12 months).

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

Primary Wool Co-operative Limited

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 AUGUST 2023

20 Related Party Disclosures (Continued)

	2023	2022
Shareholdings of Related Parties		
Shares under the control of the Director		
M B de Lautour Estate		
Shares Held at 31 August 2023		
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.

	2023	2022
H B de Lautour		
Shares Held at 31 August 2023		
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)

	2023	2022
W J Oliver		
Shares Held at 31 August 2023		
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.

	2023	2022
R G Young		
Shares Held at 31 August 2023		
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.

Key Management Personnel Compensation

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:

	2023	2022
Directors' fees	20,833	50,417
	20,833	50,417

21 Going Concern

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to discharge its liabilities as they fall due.

The Company has recognised a net loss after tax of $95,719 for the year ended 31 August 2023 and, as at that date, total assets exceed total liabilities. Cash and cash equivalents are $48,201.

Management have prepared projected cashflow forecasts for the next 12 months from the date of approval of these financial statements. The cashflow forecast has been prepared using the latest information available.

In the 2022 financial year, the Company transferred its operations to the Wools of New Zealand Limited Partnership. The Company is not liable for any liabilities or obligations of the Partnership.

Based on these forecasts and the letter of support from H B de Lautour (refer Note 15) the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis and there are sufficient resources to enable the Company to meet its obligations as they fall due for a period of not less than 12 months from the date of the financial statements.

During the period, Management took the following steps:

In the second half of the 2023 financial year, the Partnership's management undertook a series of activities to shore up the business activities and to improve the Partnership's profitability. These included a 35% increase in consolidation fees as part of the auction and an organizational review to right size the business. These activities will improve profitability and cash flows through FY24 which will have a flow on effect through improving the carrying value of the investment in the Partnership by equity accounting for the profitability of the Partnership. The PWC Board will continue to investigate other cash flow opportunities.

Management is of the opinion that these steps will improve the profitability and cash flow of the investment in the Partnership and therefore, improve the profitability and cash flow of the company.

Management have concluded based on the above assumptions and information that is currently available that the PWC 31 August 2023 financial statements can adopt the going concern assumption in its preparation.

22 Discontinued Operations

In the 2022 financial year, 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.

Results of discontinued operation		**2023**	**2022**
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	**Note 7**	-	-
(Loss) After Tax from Discontinued Operations		-	(851,243)

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

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.

	2023	**2022**
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)
Total Losses from Discontinued Operations	-	(3,887,529)

Net Cash Inflows/(Outflows) from discontinued operations	**2023**	**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)

23 Subsequent Events

There were no subsequent events that occurred post reporting date.

Independent Auditor's Report

To the shareholders of Primary Wool Co-operative Limited

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of Primary Wool Co-operative Limited (the 'company') on pages 10 to 39 present fairly, in all material respects:

i. the company's financial position as at 31 August 2023 and its financial performance and cash flows for the year ended on that date;

in accordance with New Zealand Equivalents to International Financial Reporting Standards issued by the New Zealand Accounting Standards Board.

We have audited the accompanying financial statements which comprise:

— the statement of financial position as at 31 August 2023;

— the statements of comprehensive income, changes in equity and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies.

Basis for opinion

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

We are independent of the company in accordance with Professional and Ethical Standard 1 *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)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

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

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at $29,800 determined with reference to a benchmark of company net loss, prior to the adjustment for interest forgiveness on the Redeemable Preference Shares. We chose the benchmark because, in our view, this is a key measure of the company's performance.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter	How the matter was addressed in our audit
Valuation of the Advance to Wools of New Zealand Limited Partnership ('WNZ LP')	
Refer to Note 8 to the Financial Statements. The advance to WNZ LP is carried at fair value and due to being considered part of the long-term interest in the Limited Partnership, the carrying value is then adjusted for the share of losses recognised within WNZ LP. We determined that this is a key audit matter due to the quantum of the balance being $477,468 at year end, and the judgement required by us in the evaluation assessment of the company's valuation approach.	Our audit procedures included: - Enquiring with key management personnel to understand the company's valuation approach and methods. - Considering external accounting advice obtained by the company in respect of the appropriateness of the accounting treatment. This included assessing the scope, competence and objectivity of the external expert providing the accounting advice. - Evaluating the approach and methods adopted by the company in the assessment of fair value for consistency with the accounting standards, industry practice and the company's policies. - Challenging the reasonableness of the key assumptions (forecast EBITDA) using our understanding of the WNZ LP's business and previous performance. - Evaluating the appropriateness of the valuation range used to determine the fair value. - Considering the sensitivity of the valuation model by varying the key assumptions within a reasonably possible range. - Assessing the adequacy of the financial statement disclosures, including the equity accounting impact of the share of WNZ LP losses using our understanding obtained from our testing and against the requirements of the accounting standard.

Other information

The Directors, on behalf of the company, are responsible for the other information included in the entity's Annual Report. Other information includes the Directory, Annual Resolution, and Annual Report. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other matter

The financial statements of Primary Wool Co-operative Limited, for the period ended 31 August 2022, were audited by another auditor who expressed a modified opinion on those consolidated financial statements on 4 August 2023. The opinion was modified due to the auditor's inability to observe physical inventory counts prior to the transfer of assets by the company into WNZ LP and they were unable to satisfy themselves by alternative means regarding the existence of inventories at the date of the transfer. Additionally, the auditor was unable to conclude on the classification of equity instruments.

Use of this independent auditor's report

This independent auditor's 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 independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the financial statements

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

— the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) issued by the New Zealand Accounting Standards Board;

— implementing necessary internal control to enable the preparation of a set of financial statements that is free from material misstatement, whether due to fraud or error; and

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

Auditor's responsibilities for the audit of the financial statements

Our objective is:

— to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— to issue an independent auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate , they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/

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

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

For and on behalf of

KPMG

KPMG
Christchurch

21 December 2023

DIRECTORY

Registered Office

10 Hammersmith Drive, Wigram, Christchurch 8042

Postal Address

10 Hammersmith Drive, Wigram, Christchurch 8042

Telephone

(03) 974 1805

Bankers

Bank of New Zealand, Christchurch

Auditor

KPMG Christchurch

Directors

R G Young (Chair)
H B de Lautour
W J Oliver