WOOLS OF NEW ZEALAND

Consolidated Annual Report

FOR THE YEAR ENDED 30 JUNE 2013

OUR WOOL
OUR BRAND
OUR FUTURE

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CHAIRMAN'S REPORT

It is with pleasure that I present the first Wools of New Zealand Annual Report to our shareholders. This is one of the many milestones set in the last two years since Wools of New Zealand was placed in Trust ownership for the benefit of all strong wool growers. Of significance was the successful capital-raise carried out at the end of 2012 through to its close on 25 February 2013.

We 'got started' which in my view will play an important part in the future of the New Zealand strong wool industry.

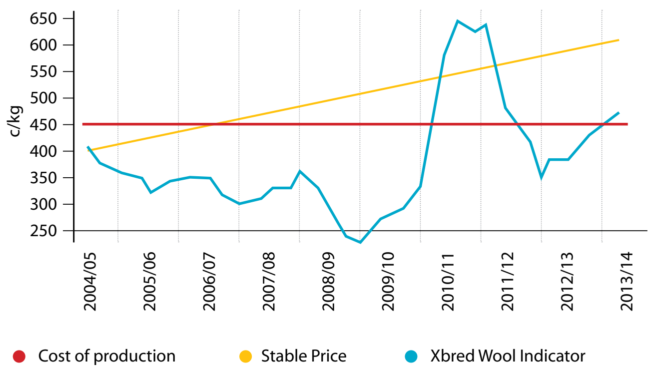
I take this opportunity, personally and on behalf of the Board and staff of Wools of New Zealand, to thank each and every one of our 720 shareholders who dug deep, invested $6.05 million of capital and committed to the Wool Market Development Commitment (WMDC) - approximately $10 million over the next five years. Currently our shareholders produce approximately 14.5 million kgs of strong wool annually. There are a further 300 supportive growers who produce approximately 5 million kgs. It is our objective to provide efficient routes to market for this wool and add value wherever possible through our branded strategy. Benefits can be derived in commercial revenues which will result in increased shareholder value, dividends (not envisaged in the short term) and in improved wool prices directly to our grower suppliers.

Some will say the capital raised was small but we got started. There have been several unsuccessful attempts in the past leading to grower apathy and confusion. The volatile returns of both meat and wool over many years highlights the need for change and a more collaborative approach from 'farm to floor'.

The graph below highlights three issues:

- ***Long term decline*** over more than 30 years (Blue line)
- ***Lack of profitability*** – in my personal view the cost of on-farm production is approximately $4.50/ kg (greasy). In the last 10 years growers have had profitable returns for less than two years; a sobering reality (Red line)
- ***Price Volatility*** –Wools of New Zealand customers from yarn spinners to retailers are concerned with price volatility. When there's a price spike manufacturers switch away from wool eroding demand and fuelling further volatility. Wools of New Zealand have developed a stable pricing model which is designed to stabilise prices for growers and customers alike which will over time provide incremental growth in demand and ultimately farm gate returns. (The yellow line indicates where we might have been had we initiated a stable pricing model over the last 10 years)

COARSE CROSSBRED MARKET



Wools of New Zealand

VISION – To be the leading innovative sales and marketing company for New Zealand strong wool.

MISSION – To progressively improve the profitability of our grower shareholders.

OBJECTIVES –

The Board of Wools of New Zealand has the following clear objectives:

- To retain, protect and build the value of the Wools of New Zealand brands and market relationships
- To provide the opportunity for all strong wool growers to own Wools of New Zealand and benefit from the brands, sales and marketing initiatives
- To build Wools of New Zealand, evolving within five years to be a fully commercial grower-owned sales and marketing business
- To develop the market-pull strategy by increasing branded contracts and relationships with the supply chain
- To provide transparent feedback to shareholders rewarding them for delivering fit-for-purpose product to our customers.

Key achievements in the 2012/13 year:

Prospectus Development

Throughout 2012 a small dedicated team developed the Wools of New Zealand prospectus which secured approval from the Financial Markets Authority (FMA) on 1 November 2012. The prospectus was mailed to all strong wool growers in New Zealand (approximately 16,000) and we undertook 48 roadshows to present the opportunity to growers. The capital-raise was successfully completed on 25 February 2013. This success would not have been possible without the support of Wool Research Organisation of New Zealand (WRONZ) and a small group of 'friends' who provided the funding to enable the Trust to purchase Wools of New Zealand from PGG Wrightson and progress the development of the prospectus. I take this opportunity to thank WRONZ and the 'friends' for their commitment and support.

Wools of New Zealand Brands / Wools of New Zealand Ltd Merger

During the development of the prospectus Wools of New Zealand Brands Ltd was merged into Wools of New Zealand Ltd to strengthen its value, simplify the ownership structure and to ensure the ownership and value of the brands was protected and held by growers. The real potential of the brands is yet to be determined.

Appointment of Directors

Keith Sutton and Jamie Tuuta were instated as Appointed Directors, Craig Hickson as a Grower Director joining Phil Guscott and Mark Shadbolt. These appointments were made to bring a balance of experience, skill sets and representation to the Board.

Since the Capital Raise:

Capital Protected

Loans from WRONZ and 'friends' have been repaid, the prospectus costs met and the retained capital is invested in the bank and managed protectively until such time as sound investments can be identified.

Financial Control

The Board has outsourced the financial management of Wools of New Zealand to Marriotts, a Christchurch based accounting firm.

Appointment of CEO

The process took five months with 62 applicants in a rigorous process with assistance from an outside recruitment agency. The Board announced the appointment of Ross Townshend who officially commenced on 1 August 2013.

Strategy Session

The Board, Chief Executive designate and senior management met in China in late June 2013 to define and develop a strategic plan for Wools of New Zealand. This was also an ideal opportunity to gain an understanding of the China market, which accounts for 50% of New Zealand's crossbred wool sales, and where we should be strategically positioned.

Partners in Market

Wools of New Zealand appreciates support from our Brand Partners and continues to review our position to be more commercially aligned with them. In time, we intend to move away from partner fees to a more commercial relationship comprising fibre supply, technical support and added value opportunities. We intend to build on what's already started.

Direct to Market Stable Price Contract

Two six-month stable price contracts direct with customers have been developed and have operated successfully. To our knowledge this is unique in the industry and will be a mechanism used widely as Wools of New Zealand develops. Our customers are all looking for a stable supply of fit-for-purpose product and most importantly sustainable prices where growers and customers are rewarded equitably.

Camira Contract

The lamb's wool contract operating with UK based fabric weaver Camira entered its second year of supply with a contract price to growers of $5.35/kg clean which was $0.55 cents ahead of the spot price at the time of introduction (1/10/12). Approximately 140 growers benefited from this contract. Sales of Camira fabrics are growing and fuelling demand for our wool; this is our targeted pull strategy in action.

Collaborative Discussions

Wools of New Zealand have openly expressed a willingness to collaborate with participants in the New Zealand wool industry. We have held fruitful discussions with New Zealand Wool Services International, Cavalier Woolscourers Ltd, spinners, AgResearch and we continue to talk to Primary Wools Cooperative as a like-minded grower owned entity towards the aligned goal of a merger.

PGG Wrightson

As at 30 June 2013 we unwound our formal relationship with PGG Wrightson (PGW) which was due to end October 2013. The consequence of this was two-fold:

- it allowed Wools of New Zealand to pursue opportunities and work collaboratively with like-minded companies in the wool industry
- up until June 2013 PGW collected the WMDC on our behalf from transacting growers. In June 2013 invoices were sent to all shareholders for their first six months WMDC based on their annual wool production as indicated in the share application form. The response from growers has been very encouraging with over 95% of payments received by mid October.

Tradeshows

Wools of New Zealand continues to represent shareholders and supportive growers' interests at major international tradeshows, to good effect.

Communications

Wools of New Zealand provides extensive grower communications by way of e-bulletins, roadshows and engaging rural media. We thank the media for their on-going interest and productive articles.

Transacting Growers' Wool

Wools of New Zealand are in the early stages of transacting growers wool after several months of discussions with other participants in the industry. Announcements will be made as negotiations are finalised.

Future Shareholding

Future shareholding will be discussed over the coming months, but no further capital is required by Wools of New Zealand in the short term. The company is seeking a means of simple transfer of shares between farmers (e.g. for farmers who sell their farms) and will offer that opportunity shortly on a willing buyer willing seller basis. Further capital raising is not envisaged until at least 2015.

The Board and management of Wools of New Zealand are committed to delivering on the outcomes set out in the prospectus.

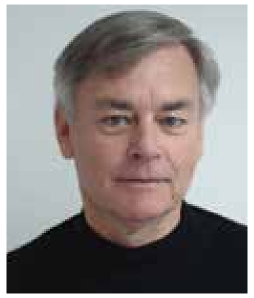
I express my thanks to my fellow Directors, the staff of Wools of New Zealand for their valued experience, long term relationships, patience and commitment. I also thank our advisors - legal, accounting, audit and communications.

It has taken five years hard work to get to this point and it will take at least another five to deliver long term stable benefits to wool growers.

Yours sincerely

Mark Shadbolt
Chairman
Wools of New Zealand Limited

CHIEF EXECUTIVE'S REPORT



While I joined Wools of New Zealand as Chief Executive after the close of the year under review, this report focuses more on the future as we build on the good work of the Board of Directors and the staff of Wools of New Zealand over the preceding year when they set up Wools of New Zealand to prosper after the capital raise.

Considerable staff effort went into developing the modelling and the prospectus required to effect the capital raising. The staff acquitted themselves well during somewhat uncertain times and when I arrived I was very pleased by the commitment, tenacity, loyalty and professionalism that they showed to Wools of New Zealand. It is unusual for a new Chief Executive to keenly want to keep 100% of the staff that they inherit. These are great people!

In my first few weeks I have visited all the Wools of New Zealand locations and met a significant range of customers and supporters who universally value wool, value New Zealand wool and who value Wools of New Zealand wool. The four Wools of New Zealand locations are somewhat specialist and I intend to ensure that the "whole is greater than the sum of the parts" by working across geographies using the technical skills in China, the relational skills in USA, the design and styling skills in UK and the supply-side skills in New Zealand to maximum effect for all stakeholders.

We are not an 'industry good' organisation; all of our efforts will be focused on maximising value for our shareholders, getting the best sustainable returns for their wool, while building true partnerships where we add real value to our customers' businesses.

Volatility is the enemy of this business. If wool prices escalate sharply we choke off demand and risk flight to synthetics, where history tells us recovery is difficult. Our customers simply cannot deal with input price volatility. We all seek stable pricing with an upward trend reflecting the true value of wool versus competing fibres.

From a 'New Zealand Incorporated' perspective we should be certain that we don't pitch New Zealand wool against New Zealand wool, when the real 'enemy' is synthetic fibre.

New Zealand strong wool is well renowned as being the world's best wool in terms of strength, brightness and whiteness. STRONG, BRIGHT and WHITE.

We need to embark on a pathway of 'price discovery' rather than price taking at the end of the textile 'food chain'.

Our strategy is centred round 'market-pull' and it is encouraging that more than 50 significant customers are committed to the Wools of New Zealand brand, with about 20 taking the next step and co-branding with our Laneve brand, a position truly unique to Wools of New Zealand. Several significant customers take us right into their business and co-brand with their brands.

Wools of New Zealand is a modest size company with aspirations to grow. We express a willingness to collaborate with all parts of the industry and we seek to leverage our brands and our competence to take New Zealand wool to higher value markets.

I look forward to reporting on progress in 2014 as we build on the great work so far.

Yours sincerely

Ross Townshend
Chief Executive
Wools of New Zealand Limited

The Directors present the following accounts for the year ended 30 June 2013

Statements of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2013

		GROUP		PARENT	
$NZD	*Note*	2013	2012	2013	2012
Revenue	*6*	**3,114,015**	**3,651,147**	**2,386,304**	**3,011,593**
Cost of Sales		(781,819)	(751,289)	(1,368,469)	(1,578,733)
WNZ Trust Distribution		522,299	-	522,299	-
Gross Profit		**2,854,495**	**2,899,858**	**1,540,134**	**1,432,860**
Expenses					
Audit Fees	*11*	45,646	35,726	31,355	15,000
Bad Debts		3,842	42,527	4,000	33,435
Amortisation of Intangible Assets	*23*	9,800	9,800	9,800	9,800
Depreciation Charges	*22*	77,031	82,933	4,498	5,702
Directors' Fees	*12*	231,867	-	231,867	-
Employee Expenses	*10*	1,703,509	1,616,933	736,150	739,093
Loss on Sale of Property, Plant & Equipment		-	58	-	58
Prospectus Costs		312,954	-	312,954	-
Operating Expenses & Corporate Charges	*9*	754,516	1,012,653	565,486	574,614
Total Expenses		**3,139,165**	**2,800,630**	**1,896,110**	**1,377,702**
PROFIT/(LOSS) FROM OPERATIONS		**(284,670)**	**99,228**	**(355,976)**	**55,158**
Finance Income and Expenses					
Finance Income	*13*	45,331	3,511	45,305	3,434
Finance Expense	*13*	(113,313)	(106,713)	(112,886)	(106,713)
		(67,982)	**(103,202)**	**(67,581)**	**(103,279)**
PROFIT/(LOSS) BEFORE TAX		**(352,652)**	**(3,974)**	**(423,557)**	**(48,121)**
Income Tax Expense/ (Benefit)	*14*	(12,215)	(50,470)	(27,380)	(49,771)
PROFIT/(LOSS) FOR THE YEAR		**(340,437)**	**46,496**	**(396,177)**	**1,650**
Other Comprehensive Income/(Expenses):					
Translation of Foreign Operations		(10,585)	(4,124)	-	-
TOTAL COMPREHENSIVE INCOME		**(351,022)**	**42,372**	**(396,177)**	**1,650**
Profit/(Loss) for the year attributable to:					
Company Shareholders		(340,437)	46,496	(396,177)	1,650
		(340,437)	**46,496**	**(396,177)**	**1,650**
Total Comprehensive Income attributable to:					
Company Shareholders		(351,022)	42,372	(396,177)	1,650
		(351,022)	**42,372**	**(396,177)**	**1,650**

Statements of Financial Position

FOR THE YEAR ENDED 30 JUNE 2013

$NZD	Note	GROUP 2013	GROUP 2012	PARENT 2013	PARENT 2012
Current Assets					
Cash or Cash Equivalents	*16*	423,792	425,934	320,002	333,581
Trade and Other Receivables	*17*	1,046,878	411,587	834,622	292,682
Inventory	*18*	53,073	45,839	20,116	16,628
Taxation Refund due	*14*	12,622	8,418	12,622	8,418
Prepayments	*19*	445,008	526,952	4,053	74,075
Short Term Deposits	*20*	3,110,313	-	3,110,313	-
Total Current Assets		**5,091,686**	**1,418,730**	**4,301,728**	**725,384**
Non Current Assets					
Property, Plant & Equipment	*22*	174,022	244,139	10,118	12,015
Intangible Assets	*23*	689,642	61,830	689,642	61,830
Investment in Subsidiary	*21*	-	-	454,603	454,603
Advance to Subsidiary	*29*	-	-	614,090	676,614
Total Non Current Assets		**863,664**	**305,969**	**1,768,453**	**1,205,062**
Total Assets		**5,955,350**	**1,724,699**	**6,070,181**	**1,930,446**
Current Liabilities					
Trade Creditors and Accruals	*24*	355,916	281,265	260,136	205,737
Revenue in Advance		97,100	124,967	84,859	113,183
Goods and Services Tax		138,832	25,082	134,839	25,082
Employee Entitlements	*25*	105,040	148,559	26,265	75,678
Shareholder Advance	*31*	-	1,604,183	-	1,604,183
Total Current Liabilities		**696,888**	**2,184,056**	**506,099**	**2,023,863**
Non Current Liabilities					
Deferred Tax Liability/(Asset)	*14*	1,181	13,396	(7,465)	19,915
Total Liabilities		**698,069**	**2,197,452**	**498,634**	**2,043,778**
Net Assets		**5,257,281**	**(472,753)**	**5,571,547**	**(113,332)**
Represented by:					
Equity					
Share Capital	*34*	7,997,021	1,915,965	7,997,021	1,915,965
Accumulated Losses		(2,823,824)	(2,483,387)	(2,425,474)	(2,029,297)
Foreign Currency Translation Reserve	*33*	84,084	94,669	-	-
Total Equity		**5,257,281**	**(472,753)**	**5,571,547**	**(113,332)**

For and on behalf of the Board

MP Shadbolt
Director
9 October 2013

KG Sutton
Director
9 October 2013

Statements of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2013

GROUP $NZD	Share Capital	Foreign Currency Translation Reserve	Retained Earnings	Total Attributable to Equity Holders of Parent
30 June 2012	**1,915,965**	**98,793**	**(2,529,883)**	**(515,125)**
Loss for the year	-	-	46,496	46,496
Other Comprehensive Income				
Translation of Foreign Operations	-	(10,585)	-	(10,585)
Issued Capital	6,081,056	-	-	6,081,056
30 June 2013	**7,997,021**	**84,084**	**(2,823,824)**	**5,257,281**
30 June 2011	**1,915,965**	**98,793**	**(2,529,883)**	**(515,125)**
Profit for the Year	-	-	46,496	46,496
Other Comprehensive Income				
Translation of Foreign Operations	-	(4,124)	-	(4,124)
30 June 2012	**1,915,965**	**94,669**	**(2,483,387)**	**(472,753)**

PARENT $NZD	Share Capital	Foreign Currency Translation Reserve	Retained Earnings	Total Attributable to Equity Holders of Parent
30 June 2012	**1,915,965**	**-**	**(2,029,297)**	**(113,332)**
Loss for the year	-	-	(396,177)	(396,177)
Other Comprehensive Income	-	-	-	-
Issued Capital	6,081,056	-	-	6,081,056
30 June 2013	**7,997,021**	**-**	**(2,425,474)**	**5,571,547**
30 June 2011	**1,915,965**	**-**	**(2,030,947)**	**(114,982)**
Profit for the year	-	-	1,650	1,650
Other Comprehensive Income	-	-	-	-
30 June 2012	**1,915,965**	**-**	**(2,029,297)**	**(113,332)**

Statements of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2013

		GROUP		PARENT	
$NZD	Note	2013	2012	2013	2012
Cash Flows from Operating Activities					
Cash was provided from:					
Receipts from Customers		2,996,818	4,507,897	2,362,458	1,658,102
Interest Received		45,331	2,107	45,305	2,026
		3,042,149	4,510,004	2,407,763	1,660,128
Cash was disbursed to:					
Payments to Suppliers and Employees		(3,640,370)	(4,677,987)	(3,070,597)	(1,673,639)
Interest Paid		(122,275)	(84,314)	(118,810)	(84,314)
		(3,762,645)	(4,762,301)	(3,189,407)	(1,757,953)
Net Cash Flows From Operating Activities	30	**(720,496)**	**(252,297)**	**(781,644)**	**(97,825)**
Cash Flows from Investing Activities					
Cash was provided from:					
Sale of Property, Plant & Equipment		-	1,293	-	1,293
		-	**1,293**	**-**	**1,293**
Cash was disbursed to:					
Purchase of Property, Plant & Equipment		(6,913)	(88,825)	(2,600)	(8,514)
Purchase of Intangible Assets including Acquisition Costs		(637,612)	(3,150)	(637,612)	(3,150)
Short Term Deposits		(3,110,313)	-	(3,110,313)	-
		(3,754,838)	(91,975)	(3,750,525)	(11,664)
Net Cash Flows From Investing Activities		**(3,754,838)**	**(90,682)**	**(3,750,525)**	**(10,371)**
Cash Flows from Financing Activities					
Cash was provided from:					
Shareholder Advance		-	545,041	-	545,041
Hire Purchase		7,432	-	7,432	-
Issued Capital		6,081,056	-	6,081,056	-
		6,088,488	545,041	6,088,488	545,041
Cash was disbursed to:					
Intercompany Advance		-	-	-	(195,567)
Shareholder Advance		(1,604,183)	-	(1,541,659)	-
		(1,604,183)	-	(1,541,659)	(195,567)
Net Cash Flows from Financing Activities		**4,484,305**	**545,041**	**4,546,829**	**349,474**
Net increase in cash and cash equivalents		8,971	202,062	14,660	241,278
Net foreign exchange movements		(11,113)	4,897	(28,239)	(5,556)
Cash and Cash Equivalents at the Beginning of Year		425,934	218,975	333,581	97,859
Cash and Cash Equivalents at the End of the Year		423,792	425,934	320,002	333,581
Comprising:					
Cash and Cash Equivalents	16	423,792	425,934	320,002	333,581

All cash balances are available to the group without restriction.

Notes to and Forming Part of the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Wools of New Zealand Limited ('the Company') is a profit-oriented company incorporated and domiciled in New Zealand under the Companies Act 1993 and is an issuer for the purposes of the Financial Reporting Act 1993.

The financial statements of the Company as at and for the year ended 30 June 2013 comprise the separate financial statements of the Company being the 'Parent', and the consolidated financial statements of the Parent and its subsidiary (together referred to as the 'Group'). The financial statements have been prepared in accordance with the Financial Reporting Act 1993.

The Group's principal activity is the provision of international marketing of New Zealand Strong Wool on behalf of New Zealand Strong Wool Growers.

The financial statements were authorised for issue by the directors on 27 September 2013.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP) as represented by the New Zealand Equivalents to the International Financial Reporting Standards (NZ IFRS) and other financial reporting standards as appropriate for profit-oriented entities. The financial statements comply with the International Financial Reporting Standards issued by the International Accounting Standards Board.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis are followed by Wools of New Zealand Limited Group, with the exception that certain assets as specified below have been revalued.

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

Use of Estimates and Judgements

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Where material, information on significant assumptions and estimates is provided in the relevant accounting policy or will be provided in the relevant note.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Subsequent actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected.

Changes in Accounting Policies

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

2. SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies which materially affect the measurement of profit and the financial position have been applied consistently to all periods presented in these financial statements.

Basis of consolidation

The Group Financial Statements consolidate the financial statements of the parent and all entities over which the Parent has the power to control the financial reporting and operating policies so as to obtain benefits from its activities (defined as subsidiaries). The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The subsidiary has a 30 June reporting date and consistent accounting policies are applied.

The acquisition method is used to prepare the consolidated financial statements, which involves adding together like terms of assets, liabilities, income and expenses on a line-by-line basis. All inter-group balances are eliminated on consolidation of group results, position and cash flows.

In the parent Company's separate financial statements investments in subsidiaries are stated at cost less any impairment losses.

Revenue

Revenue is recognised on the following basis:

The primary source of revenue in the current year is the Wool Market Development Commitment (WMDC). The WMDC is set at $0.15 per kilogram of assessed annual wool production produced by each shareholder. The WMDC is invoiced twice a year and recognised at the point the invoice is issued.

The Group also recognises revenue via the invoicing of 'Partner Fees' to its licensees in the United Kingdom, Asia and the United States of America and other revenue streams. These Partner Fees are invoiced throughout the year and in the most appropriate currency for the region the fee is issued in. The Group recognises the revenue over the period for which the arrangement exists. Any arrangements covering a period outside of the reporting period is apportion and the unexpired income shown as revenue in advance.

Royalty-earning programmes and Wool Sales Commissions are also generated in the subsidiary accounts. Royalties are earned in the United Kingdom on sales by manufacturing licences of branded carpet ranges. These are recognised when the royalty has been earned. They are invoiced to the licensees at intervals of between one and three months. Commissions on sales of wool fibre are recognised when the fibre supplier has completed its obligations to the end customer and its liability to pay the commission has therefore been crystallised.

Provided the amount of revenue can be measured reliably and it is probable that the Group will receive any consideration, revenue for services is recognised in the period in which they are rendered.

Impairment of non-financial assets (excluding inventories and deferred tax assets)

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGU's).

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income.

Impairment of financial assets

Financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. Any reversals of impairment losses are included in the profit or loss for the year within the Statements of Comprehensive Income.

Foreign currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign Currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

On consolidation, the results of overseas operations are translated into New Zealand dollars at rates approximating to those ruling when the transaction took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at average rate are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

Foreign Currency Translation Reserve

When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

The Group's accounting policy for each category is as follows:

Fair value through profit or loss

Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of cash flows – bank overdrafts.

Loans and Receivables

Loans and receivables comprise trade and other receivables and advances to subsidiaries.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers.

They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less allowance for impairment.

Impairment allowances are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such an allowance being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable discounted at the original effective interest rate of the instrument. For trade receivables, which are reported net, such allowances are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statements of Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated allowance.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Liabilities at Amortised Cost

The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables.

Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group's ordinary shares are classified as equity instruments.

Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax also includes any tax liability arising from the declaration of dividends.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an assets or liability in the Statements of Financial Position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- Investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference 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. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable group company; or
- Different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Property, plant and equipment

Items of property, plant and equipment are recognised at cost. As well as the purchase price, cost includes directly attributable costs. Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives to their residual values.

It is provided at the following rates for the current and prior years:

PROPERTY, PLANT & EQUIPMENT	PARENT	SUBSIDIARY
Leasehold	N/A	Over the mnimum lease period of the UK premises – 6 years
Plant and Equipment	N/A	12.5 – 20% SL
Fixtures and Fittings	10 – 13% DV	10% SL
IT and Communications	30 – 80% DV	20 - 30% SL
Office Equipment	30 – 100% DV	20 – 33.3% SL

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statements of Comprehensive Income when the asset is derecognised.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation expense on intangible assets with finite lives is recognised in the Statements of Comprehensive Income.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statements of Comprehensive Income when the asset is derecognised.

Inventories

Inventories are initially recognised at purchase cost on a first in, first out basis, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Short-term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Finance Income and Finance Costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss using the effective interest method.

Finance costs comprise interest on borrowings. Borrowing costs that are not directly attributable to the acquisition or production of a qualifying asset are recognised in profit or loss using the effective interest method. Foreign currency gains and losses are reported on a net basis either as finance income or finance cost depending on whether the foreign currency movements are in a net gain or net loss position.

3. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The group has elected not to early adopt the following standards which have been issued but are not yet effective:

- ***NZ IAS 28 - Investment in Associates and Joint Ventures***. This standard supersedes NZ IAS 28 - Investments in Associates as a result of the issue of NZ IFRS - 11 Joint Arrangements and NZ IFRS 12 - Disclosure of Interests in Other Entities. The revised standard describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard will be effective for periods beginning on or after 1 January 2013. Management does not consider that this will have an impact on the financial statements.
- ***Amendments to NZ IFRS 7 - Financial Instruments:*** Disclosures - Offsetting Financial Assets and Financial Liabilities. These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements).

  The disclosures are required for all recognised financial instruments that are set-off in accordance with NZ IAS 32 - Financial Instruments: Presentation. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under NZ IAS 32. The amendments will be effective for periods beginning on or after 1 January 2013. Management does not consider that this will have an impact on the financial statements.
- ***NZ IFRS 9 - Financial Instruments.*** This standard is part of the project to replace NZ IAS 39 - Financial instruments: Recognition and Measurements. The standard, which will be effective for periods beginning on or after 1 January 2015, applies to financial assets and liabilities, their classification and measurement. Management is yet to determine the impact, if any, of this new standard on the financial statement.
- ***NZ IFRS 10 - Consolidated Financial Statements.*** This standard establishes a new control model which broadens the situation when an entity is considered to control another entity, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority interest may give control. Management does not consider that this will have any impact on the financial statements. The standard will be effective for periods beginning on or after 1 January 2013.
- ***NZ IFRS 11 - Joint Arrangements.*** This standard, effective for periods beginning on or after 1 January 2013, replaces NZ IAS 31 – Interests in Joint Ventures and removes the option to account for jointly controlled entities using proportionate consolidation instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give a right to the underlying assets and obligations themselves are accounted for by recognising the share of those assets and obligations. Joint ventures that give rise to a right to the net assets are accounted for using the equity method. Management does not consider that this will have any impact on the accounting for joint arrangements in the financial statements.
- ***NZ IFRS 12 - Disclosure of Interests in Other Entities.*** This standard includes new disclosures about judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. The new standard will be effective for periods beginning on or after 1 January 2013.
- ***NZ IFRS 13 - Fair Value Measurement.*** This standard does not change when an entity is required to use fair value but provides guidance on how to determine fair value. It also expands the disclosure requirements about the assumptions made and the qualitative impact of those assumptions on the fair value determined. This may result in more detailed disclosure around the valuation assumptions but should not materially impact the reported fair values. The standard will be effective for periods beginning on or after 1 January 2013.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of financial instruments

The Group determines the fair value of financial instruments that are not quoted, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately.

Income taxes

The Group is subject to income tax in both the United Kingdom and New Zealand jurisdictions and significant judgement is required in determining the accrual for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the company recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when, despite the company's belief that its tax return positions are supportable, the company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events.

To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

5. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The Group is exposed through its operations to the following financial risks:

- Credit risk;
- Foreign exchange risk;
- Other market price risk; and
- Liquidity risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information is respect of these risks is presented throughout these financial statements.

There have been no substantive changes to the Group's exposure to financial instrument risks, its objectives, policies and processes for managing these risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises are as follows:

- Loans and Receivables
- Payables at Amortised Cost

A summary of the financial instruments held by category:

		GROUP		PARENT
$NZD	2013	2012	2013	2012
Financial Assets				
Loans and Receivables	4,580,983	837,521	4,879,027	1,302,877
Total Financial Assets	**4,580,983**	**837,521**	**4,879,027**	**1,302,877**
Financial Liabilities				
Payables at Amortised Cost	**355,916**	**1,885,448**	**260,136**	**1,809,920**
Total Financial Liabilities	**355,916**	**1,885,448**	**260,136**	**1,809,920**

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and for designing operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly management reports that cover the operating activities of the Parent and its subsidiary through which it reviews the effectiveness and appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales and from collections of Wool Marketing Development Commitment (WMDC). It is Group policy to assess the credit risk of new customers before entering contracts. The Board reviews all trade and other receivables as part of the monthly management process. As part of the agreement to purchase shares in the Company, each Shareholder agreed to contribute a Wool Market Development Commitment (WMDC) based on each shareholders' production volumes between 1 January 2013 and 30 June 2018. The Group is exposed to credit risk on these commitments. Other non-shareholding Strong Wool Growers have indicated willingness to continue to contribute funds to the organisation in the form of a voluntary fee to support the Company. Because of the nature of these fees, the Company is exposed to risk on these contributions. The Group does not enter into derivative contracts to manage risk.

Quantitative disclosures of the credit risk exposure in relation to financial assets are as follows:

$NZD	GROUP 2013 Carry Value	GROUP 2013 Maximum Exposure	GROUP 2012 Carry Value	GROUP 2012 Maximum Exposure
Financial assets – Group				
Cash and cash equivalents	423,792	423,792	425,934	425,934
Loans and receivables	1,046,878	1,046,878	411,587	411,587
Short Term Deposits	3,110,313	3,110,313	-	-
Total Financial Assets	**4,580,983**	**4,580,983**	**837,521**	**837,521**

$NZD	PARENT 2013 Carry Value	PARENT 2013 Maximum Exposure	PARENT 2012 Carry Value	PARENT 2012 Maximum Exposure
Financial assets – Parent				
Cash and cash equivalents	320,002	320,002	333,581	333,581
Advance to Subsidiary	614,090	614,090	676,614	676,614
Loans and Receivables	834,622	834,622	292,682	292,682
Short Term Deposits	3,110,313	3,110,313	-	-
Total Financial Assets	**4,879,027**	**4,879,027**	**1,302,877**	**1,302,877**

Wools of New Zealand Limited places cash and short term deposits with good credit quality counterparties. All such investments are held with counterparties having a minimum Standard and Poors credit rating of A.

Foreign exchange risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than the functional currency. The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency (Sterling, Euro, US dollar and China RMB) with cash generated from their own operations in that currency.

The Group has exposure to the following types of transactions:

1. The New Zealand parent has advanced funds to its UK subsidiary. The balance of this advance is calculated on a monthly basis with any variation being charged to profit or loss.
2. Partner fees issued to Asian Premium Partners invoiced in US dollars. The currency variation in these is calculated on a monthly basis with any variation being charged to profit or loss.
3. The parent Company transfers funds on a monthly basis to the UK, US and China operations. The transfers are completed at monthly rates – there are no forward contracts in place for these transfers.

The Group operates in China, United States, UK and New Zealand. Bank accounts are held in all of these currency denominations. The Group also records trade receivables and payables in these currencies. These financial instruments are converted into NZ dollars at the closing reporting date rates. Any variations (currency gains or losses) are charged to profit or loss. The following outlines the valuation impact of changes to assumptions, keeping all other valuation inputs constant, that the valuation is most sensitive to:

China RMB

The Group operates a China RMB bank account. A 10% movement in the exchange rate has an immaterial effect on the post-tax profit due to the minimal cash held in that account. Partner fees are issued in NZ dollars. Debtors as at reporting date in relation to the partner fees outstanding was US$41,500. The effect of a 10% strengthening of the US against NZ at the reporting date on these receivables with all other variables held constant would result in a decrease in post-tax profit for the year and equity of NZ$5,000. A weakening of 10% on the same basis would have the effect of an increase to post-tax profit and equity of a similar amount.

UK Sterling

Trade payables and receivables are recorded by the UK subsidiary. A movement in the foreign currency rate at any point in time has a material effect on the Group. For the following sensitivity analysis, the Board has determined that a 10% movement either way in the foreign exchange rates represents the upper limits of movement in the foreign currency rates that the Group is subject to as part of its operations and capital requirements in the overseas jurisdictions.

Trade Receivables: A strengthening in 10% of Sterling against the NZ dollar would result in a decrease in post-tax profits and equity of NZ$20,150. A weakening of 10% on the same basis would have the effect of an increase to post-tax profit and equity of a similar amount.

Trade Payables: A strengthening in 10% of Sterling against the NZ dollar would result in an increase in post-tax profits and equity of NZ$5,038. A weakening of 10% on the same basis would have the effect of a decrease to post-tax profit and equity of a similar amount.

US Dollar

The Group operates a US Dollar bank account. A 10% movement in the exchange rate has an immaterial effect on the post-tax profit for the year and equity due to the minimal cash held in that account.

Euro

The UK subsidiary transacts through its Euro bank account. The Domotex Europe trade show costs and various UK partner fees are all denominated in Euro. A 10% movement either way in the Euro would have a $10,780 effect on the post-tax profits and equity of the Group.

Parent Advance: A strengthening in 10% of Sterling against the NZ dollar would result in an increase in post-tax profits and equity of NZ$62,029. A weakening of 10% on the same basis would have the effect of an increase to post-tax profits and equity of a similar amount.

As there are no forward contracts in place to manage the effect on currency fluctuations, the Group will be subject to the effects of the currency rate at either reporting dates or the date of any transaction.

Market Price Risk

The Group generates its income from the New Zealand Strong Wool Growers by way of the Wool Market Development Commitment (WMDC). This commitment is set at $0.15 per kilogram of assessed annual wool production produced by each shareholder.

Non derivative financial liabilities

The following liquidity risk disclosures reflect all contractually fixed payments and repayments from recognised financial liabilities as at 30 June. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract. However, where the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay. Liquid non-derivative assets comprising cash and receivables are considered in the Group's overall liquidity risk. The Group ensures that liquid assets are available to meet all the required short term cash payments. As at the reporting date all non-derivative financial liabilities are due to be paid within six months.

Liquidity Risk

Liquidity Risk arises from the Group's management of its working capital. The Board reviews the 'cash requirements' of the New Zealand operation on a regular basis. The Board will look at the cash expectations covering at least a three month period. The policy is to ensure that there is sufficient cash available to meet its obligations to not only New Zealand suppliers but also its obligations to provide funds to Group operations overseas.

Capital Disclosures

The Board monitors all components of Equity. The Group's objectives when maintaining capital are:

1. To safeguard the entity's ability to continue as a going concern, and
2. To provide an adequate return to its Shareholders (NZ Strong Wool Growers) by pricing products and services commensurately with the level of risk.

6 REVENUE

$NZD	GROUP 2013	GROUP 2012	PARENT 2013	PARENT 2012
Wool Market Development Fee	997,169	2,710,910	1,001,563	2,710,910
Wool Market Development Commitment	1,110,193	-	1,110,193	-
Partner Fees	232,003	232,977	183,738	159,259
Royalties	191,420	166,964	21,027	15,306
Trade Show Income	92,479	113,690	10,750	8,189
Other Commercial and Commission Income	490,751	426,606	59,033	117,929
Total Revenue	**3,114,015**	**3,651,147**	**2,386,304**	**3,011,593**

7 TRADE SHOWS

$NZD	GROUP 2013	GROUP 2012	PARENT 2013	PARENT 2012
Trade Show Income	92,479	113,690	10,750	8,189
Less Related Expenses	322,872	352,812	80,876	75,762
Net Trade Show Attendances	**(230,393)**	**(239,122)**	**(70,126)**	**(65,573)**

Costs associated with trade shows are included in the Cost of Sales in the Statements of Comprehensive Income.

8 OPERATING PROFIT BEFORE TAX INCLUDES:

$NZD	GROUP 2013	GROUP 2012	PARENT 2013	PARENT 2012
Foreign currency exchange losses (gain)	11,113	(4,897)	28,239	5,556
Rental and operating lease costs	162,131	156,501	67,454	56,576

9 OPERATING EXPENSES & CORPORATE CHARGES

	GROUP		PARENT	
$NZD	2013	2012	2013	2012
Corporate Charges	20,413	53,318	20,413	53,318
Marketing	27,441	106,896	27,441	53,577
Travel Costs	131,485	200,999	131,485	119,876
Other Operating Costs	575,177	651,440	386,147	347,843
Total Operating Costs & Corporate Charges	**754,516**	**1,012,653**	**565,486**	**574,614**

10 EMPLOYEE EXPENSES

	GROUP		PARENT	
$NZD	2013	2012	2013	2012
Wages and Salaries	1,311,016	1,262,862	508,108	525,477
Social Security Costs	87,062	79,006	-	-
Staff Pensions & Kiwisaver	95,841	67,778	18,452	6,329
Other Employee Expenses	209,590	207,287	209,590	207,287
Total Employee Expenses	**1,703,509**	**1,616,933**	**736,150**	**739,093**

11 AUDITORS' REMUNERATION

	GROUP		PARENT	
$NZD	2013	2012	2013	2012
Amounts paid or due and payable to the auditor:				
For auditing the financial statements:				
Parent Company Auditor	31,355	15,000	31,355	15,000
UK Subsidiary Auditor	14,291	20,726	-	-
Total for the Audit of the Financial Statements	**45,646**	**35,726**	**31,355**	**15,000**
For other services:				
UK Subsidiary Auditor - Tax Compliance, Restructuring and Other Services	-	2,227	-	-
Total Auditors' Remuneration	**45,646**	**37,953**	**31,355**	**15,000**

Auditors also received the following fees in relation to the raising of share capital. This remuneration is included in Share Capital in the Statements of Financial Positions.

	GROUP		PARENT	
$NZD	2013	2012	2013	2012
Parent Company Auditor – Prospectus	30,650	-	30,650	-

12 PAYMENTS TO DIRECTORS

The following directors fees were paid during the year in relation to work completed during 2012 and 2013 (see Related Party Transactions note 29):

	GROUP		PARENT	
$NZD	2013	2012	2013	2012
M Shadbolt	120,000	-	120,000	-
K Sutton	37,169	-	37,169	-
P Guscott	30,000	-	30,000	-
J Tuuta	22,500	-	22,500	-
C Hickson	22,198	-	22,198	-
Total Directors' Fees	**231,867**	**-**	**231,867**	**-**

Directors also received the following fees paid to cover the Company's activities and the development of the capital raising proposal, payment of which was conditional upon the capital raising proceeding. This remuneration is included under Prospectus Costs in the Statements of Comprehensive Income, and included in Share Capital in the Statements of Financial Position:

GROUP	PROSPECTUS COSTS		SHARE CAPITAL	
$NZD	2013	2012	2013	2012
M Shadbolt	60,000	-	30,000	-
K Sutton	21,039	-	21,038	-
C Hickson	12,500	-	12,892	-
P Guscott	13,667	-	6,333	-
Total Other Payments to Directors	**107,206**	**-**	**70,263**	**-**

PARENT	PROSPECTUS COSTS		SHARE CAPITAL	
$NZD	2013	2012	2013	2012
M Shadbolt	60,000	-	30,000	-
K Sutton	21,039	-	21,038	-
C Hickson	12,500	-	12,892	-
P Guscott	13,667	-	6,333	-
Total Other Payments to Directors	**107,206**	**-**	**70,263**	**-**

13 FINANCE INCOME AND EXPENSES

	GROUP		PARENT	
$NZD	2013	2012	2013	2012
Interest was received from:				
ANZ Banking Group	45,305	3,434	45,305	3,434
UK Bank Funds Held	26	77	-	-
	45,331	**3,511**	**45,305**	**3,434**
Interest was paid to:				
ANZ Banking Group	279	354	279	354
NatWest UK	427	-	-	-
Wools of New Zealand Trust	112,607	106,359	112,607	106,359
	113,313	**106,713**	**112,886**	**106,713**

Following the capital raising, the advance from the Wools of New Zealand Trust was repaid ensuring no interest expense will occur for the year ended 30 June 2014.

14 INCOME TAX EXPENSE

$NZD	GROUP 2013	GROUP 2012	PARENT 2013	PARENT 2012
Operating surplus (deficit) before tax	(352,652)	(3,974)	(423,557)	(48,121)
Add (subtract) permanent differences				
Losses Brought Forward	(1,164,598)	(1,015,465)	(182,586)	(33,777)
Losses Lost on Change of Shareholder	301,523	33,777	301,523	33,777
Movement in Foreign Currency Translation Reserve	(10,585)	(4,124)	-	-
Non-deductible expenses	328,381	40,463	327,834	36,496
Total Permanent Differences	**(945,349)**	**(1,674,333)**	**446,771**	**36,496**
Add (subtract) timing differences				
Movement in holiday pay	(9,331)	(88,623)	(17,142)	(89,123)
Movement in bonus provision	(20,552)	25,802	(20,552)	25,802
Movement in ACC accrual	680	(2,160)	680	(2,160)
Movement in doubtful debts provision	4,000	(39,931)	4,000	(39,931)
Movement in trademark provision	-	(53,448)	-	(53,448)
Add Amortisation of Intangibles	9,800	9,800	9,800	9,800
Add Accounting Depreciation	77,031	82,933	4,498	5,702
Deduct Taxation Depreciation	(77,031)	(133,754)	(4,498)	(27,603)
Foreign Currency Translation Reserve	-	(15,894)	-	-
Total timing differences	**(15,403)**	**(215,275)**	**(23,214)**	**(170,961)**
Operating deficit for taxation purposes	**(913,334)**	**(1,164,598)**	**-**	**(182,586)**
Current taxation @ 28%	-	-	-	-
Less prepaid tax	768	-	768	-
Provisional tax paid	-	-	-	-
Resident withholding tax – Current Year	11,854	711	11,854	711
Resident withholding tax – Prior Year	-	7,707	-	7,707
Taxation credit as per Consolidated Statements of Financial Position	**(12,622)**	**(8,418)**	**(12,622)**	**(8,418)**
Current Taxation	-	-	-	-
Movement in deferred tax account	(12,215)	(50,470)	(27,380)	(49,771)
Income tax expense as per Consolidated Statements of Comprehensive Income	**(12,215)**	**(50,470)**	**(27,380)**	**(49,771)**
Deferred Taxation				
Deferred tax at beginning of period	13,396	63,866	19,915	69,686
Transferred to/from Statements of Comprehensive Income	(12,215)	(50,470)	(27,380)	(49,771)
Transferred to/from reserve account	-	-	-	-
Deferred tax as per Consolidated Statements of Financial Position	**1,181**	**13,396**	**(7,465)**	**19,915**
Non recognised deferred tax losses	913,334	1,164,598	-	182,586

15 IMPUTATION CREDIT ACCOUNT

$NZD	GROUP 2013	GROUP 2012	PARENT 2013	PARENT 2012
Balance at beginning of year	711	1,196	711	1,196
Imputation Credits				
Resident withholding tax paid during the year	11,854	711	11,854	711
Imputation credits attached to dividends received	-	-	-	-
Income tax payments during this year	-	-	-	-
Total Credits	**11,854**	**711**	**11,854**	**711**
Imputation debits				
Taxation refunds	-	-	-	-
Credits lost on shareholder change	711	1,196	711	1,196
RWT & NRWT paid during the year	-	-	-	-
Imputation credits attached to dividends paid	-	-	-	-
Total Debits	711	1,196	711	1,196
Balance at end of year available to the shareholders of the company	**11,854**	**711**	**11,854**	**711**

16 CASH OR CASH EQUIVALENT

$NZD	GROUP 2013	GROUP 2012	PARENT 2013	PARENT 2012
ANZ Banking Group Limited – Cheque Account	32,084	25,644	32,084	25,644
ANZ Banking Group Limited – Call Account	223,366	98,357	223,366	98,357
ANZ Banking Group Limited – Wool Interiors	1	502	1	502
ANZ Banking Group Limited – Deposits	-	120,196	-	120,196
Offshore Account – USA	21,389	35,137	21,389	35,137
Offshore Account – China RMB	26,035	40,145	26,035	40,145
Offshore Account – UK	103,790	90,173	-	-
Cash in Hand	17,127	15,780	17,127	13,600
	423,792	**425,934**	**320,002**	**333,581**

The ANZ Banking Group – Call Account and Offshore Accounts are general purpose accounts. Interest is received at various rates between 0.00% and 0.25%, calculated on a daily basis on the closing funds held. There are no special terms and conditions around these accounts.

The 'UK Cash at Bank' combines four bank accounts with NatWest in the UK. The UK bank balances are currently subject to a special condition that a minimum exposure on the credit card facility and potential drawing against uncleared funds.

17 TRADE AND OTHER RECEIVABLES

$NZD	GROUP 2013	GROUP 2012	PARENT 2013	PARENT 2012
Trade Receivables	983,521	399,083	788,230	292,682
Allowance for Doubtful Debts	(4,000)	-	(4,000)	-
Net Trade Receivables	**979,521**	**399,083**	**784,230**	**292,682**
Other Receivables	67,357	12,504	50,392	-
Total Trade and Other Receivables	**1,046,878**	**411,587**	**834,622**	**292,682**

Trade receivables are non-interest bearing and are generally 30 day terms.

AGED RECEIVABLES $NZD	GROUP 2013	GROUP 2012	PARENT 2013	PARENT 2012
Current	529,735	368,054	378,524	286,125
Overdue 30 days	360,488	17,145	336,168	4,377
Overdue 60 days	26,520	3,272	23,755	1,144
Older	66,778	10,612	49,783	1,036
Trade Receivables	**983,521**	**399,083**	**788,230**	**292,682**

18 INVENTORIES

$NZD	GROUP 2013	GROUP 2012	PARENT 2013	PARENT 2012
Inventories held	53,073	45,839	20,116	16,628
Total Inventories	**53,073**	**45,839**	**20,116**	**16,628**

19 PREPAYMENTS

$NZD	GROUP 2013	GROUP 2012	PARENT 2013	PARENT 2012
Retail Programmes Prepaid	396,563	389,067	-	-
Other Prepayments	48,445	137,885	4,053	75,075
Trade Prepayments	**445,008**	**526,952**	**4,053**	**74,075**

Wools of New Zealand (UK) Limited operates retail programmes with a number of retailers. These prepaid costs reflect funding towards these programmes which are later recovered from royalties.

20 SHORT TERM DEPOSITS

$NZD	GROUP 2013	GROUP 2012	PARENT 2013	PARENT 2012
Fixed Term Interest Deposits	3,110,313	-	3,110,313	-
Total Short Term Deposits	**3,110,313**	**-**	**3,110,313**	**-**

Following the successful capital raising the company currently holds fixed interest bank deposits with a maturity ranging from 90 days to 183 days. Interest rates for such deposits range from 3.25-4.00%. This investment reflects the cash requirements of the Group and is therefore short term in nature. The carrying amount of the investment represents the fair value. There are no special terms and conditions around the deposits apart from one deposit of $10,000.00 being required to act as a guarantee for the credit cards owned and operated by Wools of New Zealand Limited.

21 INVESTMENT IN SUBSIDIARY

The Board discloses the following investment in its subsidiary:

	INCORPORATED IN	BALANCE DATE	PERCENT HELD 2013	PERCENT HELD 2012	INVESTMENT HELD 2013	INVESTMENT HELD 2012
Wools of New Zealand (UK) Limited						
Shares	UK	30 June	100%	100%	454,603	454,603
Equity					614,090	676,614
Total Investment in Subsidiary					**1,068,693**	**1,131,217**

Wools of New Zealand (UK) Limited is a direct subsidiary of Wools of New Zealand Limited. The principal activity of the company is to promote the sale and marketing on behalf of the Group.

Wools of New Zealand (UK) Limited is not currently in a financial position to allow it to pay dividends. However, there are no legal restrictions on the ability of the company to pay dividends, repay loans or otherwise transfer funds to the parent company should it be in the financial position to enable it to do so in the future.

22 PROPERTY PLANT & EQUIPMENT

$NZD	Furniture & Fittings	Information Technology	Plant	Leasehold	Office Equipment	Total $
GROUP 2013						
Cost						
Balance at 1 July 2012	196,575	46,549	318,497	36,127	7,159	604,907
Additions	7,085	2,601	-	-	-	9,686
Disposals at cost	(11,523)	-	-	-	-	(11,523)
Foreign Exchange Rate Movements	(803)	-	(1,353)	(154)	-	(2,310)
Balance at 30 June 2013	191,334	49,150	317,144	35,973	7,159	600,760
Accumulated Depreciation						
Balance at 1 July 2012	83,903	38,118	236,714	(4,097)	6,130	360,768
Current year depreciation	32,486	4,049	32,997	7,354	145	77,031
Accumulated Depreciation of disposals	(9,734)	-	-	-	-	(9,734)
Reclassification of assets	-	-	(23,434)	23,434	-	-
Foreign Exchange Rate Movements	(407)	-	3,028	(3,948)	-	(1,327)
Balance at 30 June 2013	106,248	42,167	249,305	22,743	6,275	426,738
Carrying Amount	**85,086**	**6,983**	**67,839**	**13,230**	**884**	**174,022**
GROUP 2012						
Cost						
Balance at 1 July 2011	126,539	44,801	332,939	26,273	6,201	536,753
Additions	71,033	4,835	-	9,450	958	86,276
Disposals at cost	(2,869)	(3,087)	(19,563)	-	-	(25,519)
Foreign Exchange Rate Movements	1,872	-	5,121	404	-	7,397
Balance at 30 June 2012	196,575	46,549	318,497	36,127	7,159	604,907
Accumulated Depreciation and Impairment						
Balance at 1 July 2011	50,303	34,540	196,916	9,489	5,907	297,155
Current year depreciation	34,636	5,316	36,927	5,831	223	82,933
Accumulated Depreciation of disposals	(1,735)	(1,738)	-	(19,562)	-	(23,035)
Foreign Exchange Rate Movements	699	-	2,871	145	-	3,715
Balance at 30 June 2012	83,903	38,118	236,714	(4,097)	6,130	360,768
Carrying Amount	**112,672**	**8,431**	**81,783**	**40,224**	**1,029**	**244,139**

$NZD	Furniture & Fittings	Information Technology	Plant	Leasehold	Office Equipment	Total $
PARENT 2013						
Cost						
Balance at 1 July 2012	7,535	46,549	-	-	7,159	61,243
Additions	-	2,601	-	-	-	2,601
Disposals at cost	-	-	-	-	-	-
Balance at 30 June 2013	7,535	49,150	-	-	7,159	63,844
Accumulated Depreciation and Impairment						
Balance at 1 July 2012	4,979	38,119	-	-	6,130	49,228
Current year depreciation	304	4,049	-	-	145	4,498
Accumulated Depreciation of disposals	-	-	-	-	-	-
Balance at 30 June 2013	5,283	42,168	-	-	6,275	53,726
Carrying Amount	**2,252**	**6,982**	**-**	**-**	**884**	**10,118**
PARENT 2012						
Cost						
Balance at 1 July 2011	4,816	44,801	-	-	6,201	55,818
Additions	2,719	4,835	-	-	958	8,512
Disposals at cost	-	(3,087)	-	-	-	(3,087)
Balance at 30 June 2012	7,535	46,549	-	-	7,159	61,243
Accumulated Depreciation and Impairment						
Balance at 1 July 2011	4,816	34,540	-	-	5,907	45,263
Current year depreciation	163	5,316	-	-	223	5,702
Accumulated Depreciation of disposals	-	(1,737)	-	-	-	(1,737)
Balance at 30 June 2012	4,979	38,119	-	-	6,130	49,228
Carrying Amount	**2,556**	**8,430**	**-**	**-**	**1,029**	**12,015**

23 INTANGIBLE ASSETS

The Board has reviewed the useful life of the Intangible Assets held. Having considered the useful life of the Wools of New Zealand websites, associated software and brands the following determinations have been made:

Websites

These websites have an indefinite useful life while Wools of New Zealand Limited operate as an international sales and marketing company. The Board does not envisage any major change (in the architecture) of these sites, within 5 years, however some on-going maintenance and enhancement is anticipated to ensure these sites remain consistent with the Company's brand strategy as it unfolds.

$NZD	GROUP 2013	GROUP 2012	PARENT 2013	PARENT 2012
Opening Balance	42,230	42,230	42,230	42,230
Additions	-	-	-	-
Disposals	-	-	-	-
Amortisation of Intangible Assets	-	-	-	-
Impairment	-	-	-	-
Closing Balance	**42,230**	**42,230**	**42,230**	**42,230**

Software

This consists of Laneve on-line traceability for end consumers of Laneve branded products and 'Trade' (a section of the WNZ website dedicated to trade partners – including password access to exclusive information). The Board anticipates these Information Technology tools will undergo more regular enhancements to ensure they remain compelling market tools. That said, it is not envisaged they would require any substantial change or update to the basic architecture inside of 3 years. The software recorded in the financial statements is deemed to have a finite life of 3 years, and has been amortised over the 3 years on a straight line basis.

$NZD	GROUP 2013	GROUP 2012	PARENT 2013	PARENT 2012
Opening Balance	19,600	29,400	19,600	29,400
Additions	-	-	-	-
Disposals	-	-	-	-
Amortisation of Intangible Assets	9,800	9,800	9,800	9,800
Impairment	-	-	-	-
Closing Balance	**9,800**	**19,600**	**9,800**	**19,600**

Brands

The brands have an indefinite useful life which can be renewed in perpetuity and support the principal activity of the Group being the provision of international marketing of New Zealand Strong Wool. On-going enhancement is anticipated to these brands over time as the Group's strategy unfolds.

		GROUP		PARENT
$NZD	2013	2012	2013	2012
Opening Balance	-	-	-	-
Additions	637,612	-	637,612	-
Disposals	-	-	-	-
Amortisation of Intangible Assets	-	-	-	-
Impairment	-	-	-	-
Closing Balance	**637,612**	**-**	**637,612**	**-**

These brands were acquired by the amalgamation of Wools of New Zealand Brands Limited and are shown at acquired cost.

24 TRADE CREDITORS AND ACCRUALS

		GROUP		PARENT
$NZD	2013	2012	2013	2012
Trade payables	217,150	144,148	167,278	107,937
Sundry payables and accruals	138,766	137,117	92,858	97,800
Total Trade Creditors and Accruals	**355,916**	**281,265**	**260,136**	**205,737**

Trade payables are non-interest bearing and are normally settled on 60-day terms

25 EMPLOYEE ENTITLEMENTS

		GROUP		PARENT
$NZD	2013	2012	2013	2012
Holiday Pay	64,448	73,779	7,000	24,142
Compensation Accrued	18,500	43,090	18,500	43,090
Taxes and Other Benefits Owing	22,092	31,690	765	8,446
Total Employee Entitlements	**105,040**	**148,559**	**26,265**	**75,678**

26 OPERATING LEASE COMMITMENTS

As at 30 June 2013, the Group had the following lease commitments:

		GROUP		PARENT
$NZD	2013	2012	2013	2012
Property Rental : The Group leases premises in UK, China, USA & UK				
Within 1 Year	23,314	112,739	23,314	45,699
Within 1 to 5 Years	66,763	132,045	-	14,725
	90,077	**244,784**	**23,314**	**60,424**
Lease of Plant & Equipment				
Within 1 Year	2,653	5,373	780	780
Within 1 to 5 Years	3,082	11,887	455	1,235
	5,735	**17,260**	**1,235**	**2,015**

27 CAPITAL COMMITMENTS

At reporting date there was no capital expenditure contracted for but not provided for at balance date (2012 nil).

28 CONTINGENT LIABILITIES

At reporting date there were no contingent liabilities. As at 30 June 2012 the Group recorded contingent liabilities into two groups:

Remuneration Arrangements

The liability of the company to pay any remuneration to the Directors and/or advisors in respect of the year the ended 30 June 2012 was conditional upon the completion of the share issue. The share issue was completed during the year ended 30 June 2013 and therefore these liabilities have now been paid as detailed in note 12.

General Security Arrangements

As at 30 June 2012 the Group had entered into arrangements to provide security to Progressive Meats Limited to cover funds advanced to the Group. As at 30 June 2013 these funds had been repaid following the share issue and the General Security Arrangements in place at 30 June 2012 have subsequently been withdrawn.

29 RELATED PARTY TRANSACTIONS

During the year the Company entered into the following transactions:

Wools of New Zealand Limited purchased services from its subsidiary Wools of New Zealand (UK) Limited. These services for the year to 30 June 2013 totalled $1,170,472 (2012 $1,253,313). The Parent company also advanced funds to its subsidiary. The advance is interest free and repayable on demand. At 30 June 2013 the balance of the advance was $614,090 (2012 $676,614). Management fees are made in arm's length transactions at normal market prices and on normal commercial terms.

During the year ended 30 June 2012, the Parent converted $394,400 of the advances to its subsidiary into the purchase of an additional 2,000 shares in the subsidiary.

The Wools of New Zealand Trust is a related party due M Shadbolt and P Guscott being Trustees of the Trust. The Wools of New Zealand Trust is in the process of being wound up and all related party balances repaid. As at balance date there was nothing owing to/by Wools of New Zealand Trust (2012 $1,604,182 was owing to the Wools of New Zealand Trust). As at 30 June 2012 the Wools of New Zealand Trust was owed $100,000 by Wools of New Zealand Brands Limited. During the current year Wools of New Zealand Brands Limited was amalgamated with Wools of New Zealand Limited.

During the course of the financial year the Wools of New Zealand Trust disposed of its shareholding in Wools of New Zealand Limited as part of the Wools of New Zealand Limited capital raising.

M Shadbolt, P Guscott, K Sutton and C Hickson are directors of the Company and own shares in the Company. All Shareholders contribute to the income of the Company via the Wool Market Development Commitment.

The Directors of Wools of New Zealand Limited also perform other roles within the Strong Wool Industry. The details of transactions between the Wools of New Zealand Limited and other entities that are classed as related entities are set out in the table below.

Director	Related Entity	Role in Related Entity	Nature of Transaction	VALUE 2013 $NZD	VALUE 2012 $NZD	BALANCE OWING FROM 2013 $NZD	BALANCE OWING FROM 2012 $NZD
M P Shadbolt	Banks Peninsula Wool Growers Limited	Director / Shareholder	WMDF, WMDC, Commission	81,307	4,514	-	4,514
P Guscott	Kahuiti Farms Limited	Director / Trustee Shareholder	WMDF, WMDC	1,671	-	-	-
	White Rock Station (1990) Limited	Director	WMDF, WMDC	6,154	-	-	-
K Sutton	Run 351 Limited	Director / Shareholder	WMDF, WMDC	30	-	-	-
	Moanui Farm Limited	Director	WMDF, WMDC	1,188	-	1,366	-
	Te Hau Station Limited	Director	WMDF, WMDC	2,970	-	3,416	-
	Maori Soldiers Trust (Hereheretau Station)	Advisory Board member	WMDF, WMDC	3,713	-	4,269	-
C Hickson	Progressive Leathers Limited	Director	WMDF, WMDC	6,311	-	7,258	-
	C & P Hickson	Partner	WMDF, WMDC	1,485	-	-	-
J Tuuta	Maori Soldiers Trust (Hereheretau Station)	Statutory Trustee	WMDF, WMDC	3,713	-	4,269	-

Directors and employees of the Group deal with Wools of New Zealand as both Shareholders and Strong Wool Growers on normal terms and conditions within the ordinary course of trading activities.

The following directors fees were paid during the year in relation to work completed during 2012 and 2013:

		GROUP		PARENT
$NZD	2013	2012	2013	2012
M Shadbolt	120,000	-	120,000	-
K Sutton	37,169	-	37,169	-
P Guscott	30,000	-	30,000	-
J Tuuta	22,500	-	22,500	-
C Hickson	22,198	-	22,198	-
Total Directors' Fees	**231,867**	**-**	**231,867**	**-**

Directors also received the following fees paid to cover the Company's activities and the development of the capital raising proposal, payment of which was conditional upon the capital raising proceeding. This remuneration is included under Prospectus Costs in the Statements of Comprehensive Income, and included in Share Capital in the Statements of Financial Position:

GROUP	PROSPECTUS COSTS		SHARE CAPITAL	
$NZD	2013	2012	2013	2012
M Shadbolt	60,000	-	30,000	-
K Sutton	21,039	-	21,038	-
C Hickson	12,500	-	12,892	-
P Guscott	13,667	-	6,333	-
Total Other Payments to Directors	**107,206**	**-**	**70,263**	**-**

As at balance date no amounts were owed by key management personnel.

30 RECONCILIATION OF PROFIT FOR THE YEAR TO NET CASH FLOWS FROM OPERATIONS

	GROUP		PARENT	
$NZD	2013	2012	2013	2012
Profit/(Loss) for the Year	**(340,437)**	**46,496**	**(396,177)**	**1,650**
Adjustments for:				
Depreciation of Property, Plant & Equipment	77,031	82,933	4,498	5,702
Amortisation of Intangible Fixed Assets	9,800	9,800	9,800	9,800
Provision for Doubtful Debts	4,000	-	4,000	-
Loss on sale of Property, Plant & Equipment	-	58	-	58
Net foreign exchange loss/(gain)	11,113	(4,897)	28,239	5,556
Translation of Foreign Operations	(10,585)	(4,124)	-	-
Movement in Deferred Tax	(12,215)	(50,470)	(27,380)	(49,771)
	(261,293)	**79,796**	**(377,020)**	**(27,005)**
(Increase)/Decrease in trade and other receivables	(561,552)	(396,563)	(480,123)	(164,274)
(Increase)/Decrease in inventories	(7,234)	4,350	(3,488)	683
(Increase)/Decrease in trade and other payables	109,583	35,038	78,987	67,689
(Increase)/Decrease in taxes payable	-	25,082	-	25,082
Net Cash Flows from Operating Activities	**(720,496)**	**(252,297)**	**(781,644)**	**(97,825)**

31 SHAREHOLDER ADVANCES

At the commencement of the current reporting period the Company had been advanced $1,604,183 from its shareholder at the time – the Wools of New Zealand Trust. Following the capital raising this advance was fully repaid. The terms of this advance from the Wools of New Zealand Trust to Wools of New Zealand Limited is further detailed in note 29.

At the commencement of the previous reporting period the Company had been advanced funds by its then shareholder PGG Wrightson Wool Ltd. This advance was repaid in the previous financial year.

32 AMALGAMATION OF WOOLS OF NEW ZEALAND BRANDS LIMITED

On 31 July 2012 Wools of New Zealand Brands Limited was amalgamated with Wools of New Zealand Limited. The amalgamation was completed using book value accounting, meaning that the assets and liabilities were transferred at the book value of Wools of New Zealand Brands Limited.

The purpose of the amalgamation of these companies was to preserve the Brands and value of the benefits for all Strong Wools Growers, who have now had an opportunity to apply for shares in Wools of New Zealand Limited. The amalgamation resulted in Wools of New Zealand Limited owning the Wools of New Zealand and Laneve brands at a cost of $637,612.

33 FOREIGN CURRENCY TRANSLATION RESERVE

When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

34 CAPITAL RAISED

During the course of year the Company issued a prospectus inviting all New Zealand Strong Wool Growers to apply for shares in the Company. The total amount of capital raised was $6,068,385. Total Costs associated with the capital raising amount to $800,283, of which $312,954 is included in the Statements of Comprehensive Income on page 4. The remaining $487,329 reduces the share capital as shown in the Statements of Financial Position on page 5.

Under the terms of Prospectus the Company allotted 7,339,941 ordinary shares. Of these shares, 6,068,385 were issued at a $1 per share and 1,271,556 shares were issued as Additional Shares in respect of which no payment was required.

	GROUP		PARENT	
$NZD	2013	2012	2013	2012
Shares at Beginning of Period	**2,017**	**2,017**	**1,915,965**	**1,915,965**
Ordinary Shares issued via prospectus @ $1	6,068,385	-	6,068,385	-
Ordinary Additional Shares issued via prospectus	1,271,556	-	-	-
Cancellation of Ordinary Shares (previously held by Wools of New Zealand Trust)	(2,017)	-	-	-
Amalgamation of Wools of New Zealand Brands Limited	-	-	500,000	-
Costs of Share Issue Deductible from Issue Proceeds	-	-	(487,329)	-
Shares at End of Period	**7,339,941**	**2,017**	**7,997,021**	**1,915,965**

All shares have equal voting rights and share equally in dividends and any surplus on winding up.

35 COMPARISON TO PROSPECTIVE FINANCIAL INFORMATION (PFI)

Consolidated Statements of Comprehensive Income

	GROUP	
$NZD	2013 Actual	2013 Forecast
Revenue	**3,114,015**	**3,813,255**
Cost of Sales	(781,819)	(1,040,452)
WNZ Trust Distribution	522,299	-
Gross Profit	**2,854,495**	**2,772,803**
Expenses		
Audit Fees	45,646	63,876
Bad Debts	3,842	39,828
Amortisation of Intangible Assets	9,800	9,804
Depreciation Charges	77,031	84,458
Directors' Fees	231,867	202,500
Employment Expenses	1,703,509	1,779,675
Prospectus Costs	312,954	300,000
Operating Expenses & Corporate Charges	754,516	1,422,872
Total Expenses	**3,139,165**	**3,903,013**
Profit/(Loss) from Operations	**(284,670)**	**(1,130,210)**
Finance Income & Expenses	(67,982)	23,448
Profit/(Loss) before Tax	**(352,652)**	**(1,106,762)**
Income Tax Expense/(Benefit)	(12,215)	-
Profit/(Loss) for the Year	**(340,437)**	**(1,106,762)**
Other Comprehensive Income/(Expenses)		
Translation of Foreign Operations	(10,585)	(503)
Total Comprehensive Income/(Loss)	**(351,022)**	**(1,107,265)**
Profit/(Loss) for the year attributable to:		
Company Shareholders	(340,437)	(1,106,762)
	(340,437)	**(1,106,762)**
Total Comprehensive Income/(Loss) attributable to:		
Company Shareholders	**(351,022)**	**(1,107,265)**
	(351,022)	**(1,107,265)**

Consolidated Statements of Financial Position

	GROUP	
$NZD	2013 Actual	2013 Forecast
Current Assets		
Cash or Cash Equivalents	423,792	6,871,834
Short Term Deposits	3,110,313	-
Total Cash Reserves	**3,534,105**	**6,871,834**
Trade & Other Receivables	1,046,878	900,306
Inventory	53,073	34,372
Taxation Refund Due	12,622	8,418
Prepayments	445,008	371,821
Total Current Assets	**5,091,686**	**8,186,751**
Non Current Assets		
Property, Plant & Equipment	174,022	254,876
Intangible Assets	689,642	762,040
Total Non Current Assets	**863,664**	**1,016,916**
Total Assets	**5,955,350**	**9,203,667**
Current Liabilities		
Trade Creditors & Accruals	355,916	154,465
Revenue in Advance	97,100	169,039
Goods & Services Tax	138,832	41,674
Employee Entitlements	105,040	155,111
Total Current Liabilities	**696,888**	**520,289**
Non Current Liabilities		
Deferred Tax Account	1,181	13,396
Total Liabilities	**698,069**	**533,685**
Net Assets	**5,257,281**	**8,669,982**
Represented by:		
Equity		
Share Capital	7,997,021	12,165,965
Retained Earnings Attributable to Parent	(2,823,824)	(3,590,149)
Foreign Currency Translation Reserve	84,084	94,166
Total Equity	**5,257,281**	**8,669,982**

Consolidated Statements of Changes in Equity

	GROUP	
$NZD	2013 Actual	2013 Forecast
Balance as at 1 July 2012	(472,753)	(472,753)
Profit/(Loss) for the year	(340,437)	(806,762)
Other Comprehensive Income	(10,585)	(300,503)
Total Comprehensive Income	**(351,022)**	**(1,107,265)**
Amalgamation with Wools of New Zealand Brands Limited	500,000	500,000
Issued Capital	6,068,386	10,000,000
Costs of Share Issue Deductible from Issue Proceeds	(487,330)	(250,000)
Balance as at 30 June 2013	**5,257,281**	**8,669,982**

Consolidated Statements of Cash Flows

	GROUP	
$NZD	2013 Actual	2013 Forecast
Net Cash Flows from Operating Activities	(720,496)	(1,394,708)
Net Cash Flows from Investing Activities	(3,754,838)	(205,209)
Net Cash Flows from Financing Activities	4,484,305	8,045,817
Total Increase/(Decrease) in Cash Held	8,971	6,445,900
Net foreign exchange movements	(11,113)	-
Cash at Beginning of Period	425,934	425,934
Cash at end of Period shown as:		
Cash & Cash Equivalents	423,792	6,871,834
Short Term Deposits	3,110,313	-
Total Cash Reserves	**3,534,105**	**6,871,834**

A significant positive variance to the Prospective Financial Information (PFI) is the distribution received from the Wools of New Zealand Trust. As part of the restructuring of the group and capital raising, a company within the Group, Wools of New Zealand Fund Limited was removed from the Companies Register by way of voluntary removal as its activities had ceased. As part of the removal process, surplus assets were returned to the company's shareholder, the Wools of New Zealand Trust.

The Wools of New Zealand Trust which had held the shares of the company until the change in ownership resulting from the capital raising, is also in the process of being wound up. Therefore the trusts surplus assets have been distributed to the trusts beneficiaries.

Revenue, cost of sales, operating expenses and corporate charges are all less than the PFI due to the delays in completing the capital raise. The extra period taken to complete the capital raising extended the period in which the Directors were involved in the day to day management of the Company.

The actual amount raised in the Share Offer was $6,068,385. The PFI was based on the full amount available for issue under the Share Offer of $10,000,000 being raised. Therefore there is a variation in the Share Capital, Cash and Cash Equivalents and Short Term Deposits forecast and recorded at the reporting date.

In the above tables the Short Term Deposits held by the Group as at balance date have been grouped with Cash and Cash equivalents. This grouping allows a more robust comparison with the information presented in the Prospectus. The Prospectus showed that funds raised via the capital raising would be held as cash and cash equivalents. Following the capital raising, cash which was not immediately required by the Company was placed into fixed term deposits. One of these deposits is for a longer period than 90 days and is therefore classified as a short term deposit in the Statements of Financial Position.

Statutory Information

FOR THE YEAR ENDED 30 JUNE 2013

PRINCIPAL ACTIVITY AND CHANGES IN NATURE OF BUSINESS

The principal activity of the Group is the provision of international marketing of New Zealand Strong Wool on behalf of New Zealand Strong Wool Growers.

DIVIDENDS

No dividends have been paid for the current year (2012 nil).

DIRECTORS

Directors Holding Office during the year were:

PARENT	SUBSIDIARY
PJ Guscott	PJ Guscott
MP Shadbolt	MP Shadbolt
CRN Hickson (appointed 3/10/12)	
KG Sutton (appointed 3/10/12)	
JGD Tuuta (appointed 3/10/12)	

REMUNERATION OF EMPLOYEES

The numbers of employees, who are not directors, whose remuneration and benefits exceeded $100,000 in the financial year, were:

		GROUP		PARENT
	2013	2012	2013	2012
$100,000 – 110,000	-	-	-	-
$110,001 – 120,000	-	1	-	-
$120,001 – 130,000	2	1	-	-
$130,001 – 150,000	1	1	1	1
$150,001 plus	2	2	1	1

ENTRIES IN THE INTERESTS REGISTER

The Directors declare that there are entries on the Company's interest register in relation to their remuneration, share dealings and deeds of indemnity as follows:

REMUNERATION OF DIRECTORS

The following directors fees were paid during the year in relation to work completed during 2012 and 2013 (see Related Party Transactions note 29):

		GROUP		PARENT
	2013	2012	2013	2012
M Shadbolt	120,000	-	120,000	-
K Sutton	37,169	-	37,169	-
P Guscott	30,000	-	30,000	-
J Tuuta	22,500	-	22,500	-
C Hickson	22,198	-	22,198	-
Total Directors' Fees	**231,867**	**-**	**231,867**	**-**

Directors also received the following fees paid to cover the Company's activities and the development of the capital raising proposal, payment of which was conditional upon the capital raising proceeding. This remuneration is included under Prospectus Costs in the Statements of Comprehensive Income, and included in Share Capital in the Statements of Financial Position:

		GROUP		PARENT
	2013	2012	2013	2012
M Shadbolt	60,000	-	30,000	-
K Sutton	21,039	-	21,038	-
C Hickson	12,500	-	12,892	-
P Guscott	13,667	-	6,333	-
Total Other Payments to Directors	**107,206**	**-**	**70,263**	**-**

DEEDS OF INDEMNITY

Pursuant to section 162 of the Companies Act 1993 and the Constitution, Wools of New Zealand has entered into insurance and indemnity agreements with the directors of the Group to indemnify them to the maximum extent permitted by law, against all liabilities which they may incur in the performance of their duties as directors of any company within the Group. Insurance cover extends to directors and officers for the costs and expenses of successfully defending legal proceedings.

Specifically excluded are penalties and fines which may be imposed for breaches of law and criminal actions. In accordance with commercial practice, the insurance contract prohibits further disclosure of the terms of the policy.

SHARE DEALINGS

During the year some Directors who are Strong Wool Growers, directly or indirectly, acquired shares under the terms of the Prospectus. The details of these transactions are outlined below:

Name of Director	Number and Class of Shares	Nature of Relevant Interest	Consideration Paid or Received	Date of Acquisition
Mark Shadbolt	57,079 ordinary shares subscribed for plus 28,540 additional shares based on WMDF support	Shareholder (subscribed via Prospectus)	$1 per share (plus additional shares)	28 February 2013
Philip Guscott	37,079 ordinary shares subscribed for plus 18,540 additional shares based on WMDF support	Shareholder (subscribed via Prospectus)	$1 per share (plus additional shares)	28 February 2013
Keith Sutton	5,000 ordinary shares	Shareholder (subscribed via Prospectus)	$1 per share	28 February 2013
Craig Hickson	576,144 ordinary shares subscribed for plus 288,072 additional shares based on WMDF support	Shareholder (subscribed via Prospectus)	$1 per share (plus additional shares)	28 February 2013

AUDITORS' REMUNERATION

		GROUP		PARENT
$NZD	2013	2012	2013	2012
Amounts paid or due and payable to the auditor:				
For auditing the financial statements:				
Parent Company Auditor	31,355	15,000	31,355	15,000
UK Subsidiary Auditor	14,291	20,726	-	-
Total for the Audit of the Financial Statements	**45,646**	**35,726**	**31,355**	**15,000**
For other services:				
UK Subsidiary Auditor - Tax Compliance, Restructuring and Other Services	-	2,227	-	-
Total Auditors' Remuneration	**45,646**	**37,953**	**31,355**	**15,000**

FINANCIAL STATEMENTS

The financial statements for the year ending 30 June 2013 are attached to this report.

For and on behalf of the Board

Mark P Shadbolt
Director

9 October 2013

Keith G Sutton
Director

9 October 2013

BDO CHRISTCHURCH

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Wools of New Zealand Limited

Report on the Financial Statements
We have audited the financial statements of Wools of New Zealand Limited ("the Company") and group on pages 11 to 33, which comprise the consolidated and separate statements of financial position of Wools of New Zealand Limited as at 30 June 2013, the consolidated and separate statements of changes in equity, statements of comprehensive income and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements
The directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Wools of New Zealand Limited or any of its subsidiaries.

Opinion
In our opinion, the financial statements on pages 11 to 33:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of Wools of New Zealand Limited and the Group as at 30 June 2013, and the financial performance and the cash flows of the Company and Group for the year ended on that date.

BDO CHRISTCHURCH

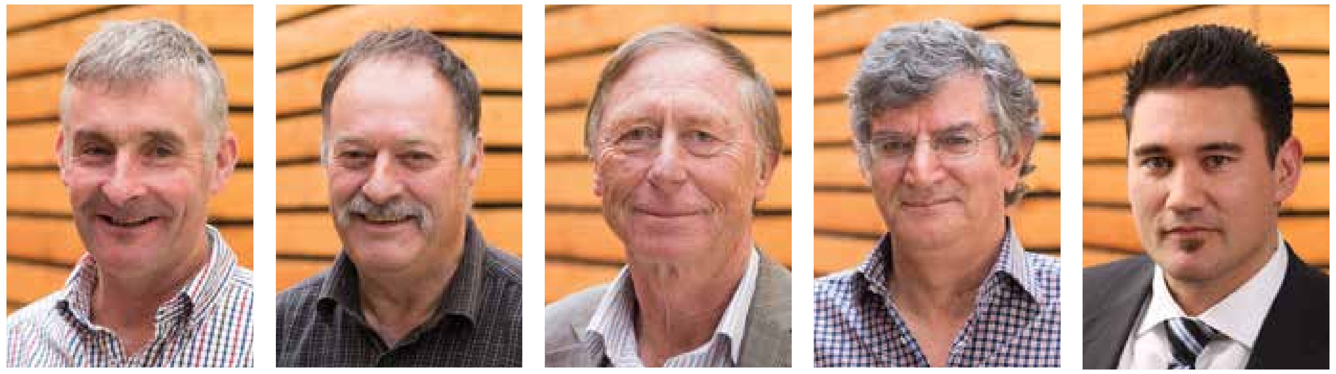
Report on Other Legal and Regulatory Requirements
In accordance with the Financial Reporting Act 1993 we report that:
- We have obtained all the information and explanations that we have required.
- In our opinion, proper accounting records have been kept by Wools of New Zealand Limited as far as appears from our examination of those records.

BDO Christchurch

BDO Christchurch
14 October 2013
Christchurch
New Zealand

DIRECTORY

The Board of Directors



MARK SHADBOLT
Chairman

PHILIP GUSCOTT

CRAIG HICKSON

KEITH SUTTON

JAMIE TUUTA

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Burnside 8053
Christchurch

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ANZ Limited
Auckland (Q & V) Branch
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203 Queen Street
Auckland

SOLICITORS
Buddle Findlay
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Christchurch 8140

Management

UK
David Hammond
Europe & North America Market Manager

Adrian Goodrich
Commercial & Financial Manager

Joanna Ramsden
Creative Manager

Steven Parsons
Market Development & Innovation Manager

John Bentham
Production Manager

CHINA
Stephen Tan
China Manager

NEW ZEALAND
Ross Townshend
Chief Executive

Tim Lonsdale
Operations Manager

USA
Hallie Cobb
Marketing Director North America

OUR WOOL
OUR BRAND
OUR FUTURE

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