

# 105<sup>TH</sup> ANNUAL REPORT

YEAR ENDED FEBRUARY 28<sup>TH</sup> 2023



**105  
YEARS**

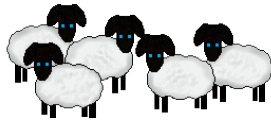
**1918 ~  
2023**

[WWW.REALWOOLSHOP.CA](http://WWW.REALWOOLSHOP.CA)

[WWW.CCWG.CA](http://WWW.CCWG.CA)

Serving Canada's Livestock Producers with Pride Since 1918  
Fièrement au service des agriculteurs Canadiens depuis 1918

# MANAGERS & STAFF / LES MEMBRES DU PERSONNEL



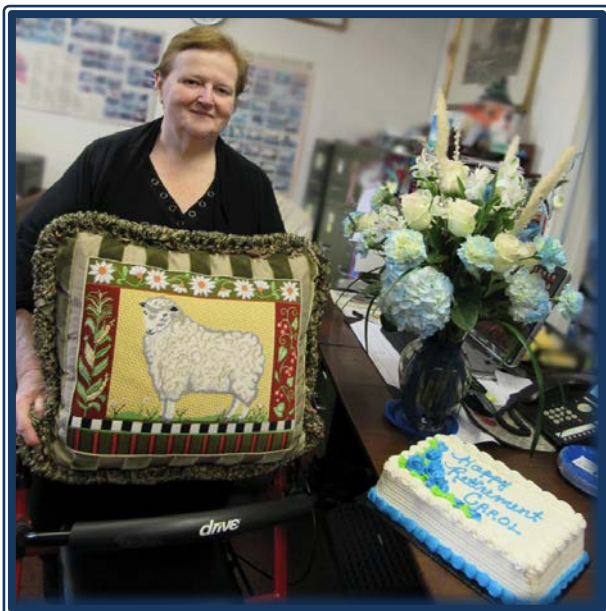
**HEAD OFFICE**  
**CARLETON PLACE, ONTARIO**  
[WWW.WOOL.CA](http://WWW.WOOL.CA) [CCWGHQ@WOOL.CA](mailto:CCWGHQ@WOOL.CA)  
613-257-2714 1-800-488-2714

General Manager / Directeur général  
- Morgan Moore  
Office Administrator/Administrateur de bureau  
- Naeem Farooqi  
Wool Superintendent / Directeur de la laine  
- Alan Davidson-Cummings  
Wool Warehouse Staff / Personnel de l'entrepôt de laine - Ed Banks, Troy Latham  
Export Logistics, Wool Accounts / Logistique d'exportation, Comptes concernant la laine  
- Carol Berger – Retired!  
Web Manager, Wool Accounts / Webmestre, Comptes concernant la laine - Cathy Holmes

**REAL WOOL SHOP**  
**CARLETON PLACE, ONTARIO**  
[WWW.REALWOOLSHOP.CA](http://WWW.REALWOOLSHOP.CA)  
[WOOLSHOP@WOOL.CA](mailto:WOOLSHOP@WOOL.CA)  
Manager/Directeur de succursale  
- Erin Pretty



**CCWG LIVESTOCK SUPPLIES & EQUESTRIAN CENTRE**  
**CARLETON PLACE, ONTARIO**  
[WWW.CCWG.CA](http://WWW.CCWG.CA)  
[CARLETONPLACE@CCWG.CA](mailto:CARLETONPLACE@CCWG.CA)  
National Director / Directeur National  
- Lee-Anne Durant-McIntyre  
Assistant Manager / Directeur adjoint  
- Andrew Brydges



**CCWG LIVESTOCK SUPPLIES**  
**COOKSTOWN, ONTARIO**  
[WWW.CCWG.CA](http://WWW.CCWG.CA) [COOKSTOWN@CCWG.CA](mailto:COOKSTOWN@CCWG.CA)  
705-458-4800 1-866-458-4800  
Branch Manager / Directeur de succursale  
- John Cuthbert  
Assistant Manager / Directeur adjoint  
- Richard Metheral



**CCWG LIVESTOCK SUPPLIES**  
**WATERLOO, ONTARIO**  
[WWW.CCWG.CA](http://WWW.CCWG.CA) [WATERLOO@CCWG.CA](mailto:WATERLOO@CCWG.CA)  
Phone/Fax 519-888-8299  
Sales Staff / Personnel des ventes  
- Glenn Kelley

**CCWG LIVESTOCK SUPPLIES**  
**LETHBRIDGE, ALBERTA**  
[WWW.CCWG.CA](http://WWW.CCWG.CA) [LETHBRIDGE@CCWG.CA](mailto:LETHBRIDGE@CCWG.CA)  
403-327-3760 1-800-567-3693  
Branch Manager / Directeur de succursale  
- Maaïke van Kuilenburg  
Accounting / Comptabilité - Sharon Barrett

**CCWG LIVESTOCK SUPPLIES**  
**SAINT-HYACINTHE, QUÉBEC**  
[WWW.CCWG.CA](http://WWW.CCWG.CA) [STHYACINTHE@CCWG.CA](mailto:STHYACINTHE@CCWG.CA)  
450-796-4242 1-888-796-4242  
Branch Manager / Directeur de succursale  
- Anne-Marie Auger  
Accounting / Comptabilité - Heidi Lancaster

**CCWG LIVESTOCK SUPPLIES**  
**BRANDON, MANITOBA**  
[WWW.CCWG.CA](http://WWW.CCWG.CA)  
[BRANDON@CCWG.CA](mailto:BRANDON@CCWG.CA)  
204-727-3276 1-877-797-3276  
Branch Manager / Directeur de succursale  
- Alvin Radcliffe  
Accounting / Comptabilité - Thelma Hofer

**WISHING CAROL**  
**A HAPPY**  
**RETIREMENT**

# 2024-25 DIRECTORS/CONSEIL D'ADMINISTRATION

## BRITISH COLUMBIA / COLOMBIE BRITANNIQUE

TERM 1 YEAR / MANDAT DE 1 AN  
Barbara Ydenberg  
27382 84 Ave  
Langley BC V1M 3L4  
604-856-3365

## ALBERTA (South/Sud) VACANT

## ALBERTA (NORTH/NORD)

TERM 2 YEARS / MANDAT DE 2 ANS  
John D. Woodburn  
Box 565, Grimshaw, AB T0H 1W0  
780-332-4481 Fax 332-2878

## SASKATCHEWAN (NORTH/NORD)

### 2<sup>ND</sup> VICE PRESIDENT /

### 2E VICE PRESIDENT

TERM 2 YEARS / MANDAT DE 2 ANS  
Arlette Seib  
Box 16 Watrous, SK S0K 4T0  
306-419-9051

## SASKATCHEWAN (South/Sud)

TERM 1 YEAR / MANDAT DE 1 AN  
Larry Kennedy  
Box 31 Shamrock SK S0H 3W0  
306-648-7522

## MANITOBA

### PRESIDENT / PRÉSIDENT

TERM 2 YEARS / MANDAT DE 2 ANS  
Morgan A. Moore  
RR 2 Site 30 Box 185  
Brandon MB R7A 5X2  
204-741-0748

## ONTARIO (WEST/OUEST)

### 1<sup>ST</sup> VICE PRESIDENT /

### 1E VICE PRESIDENT

TERM 2 YEARS / MANDAT DE 2 ANS  
Allan E. Ribbink  
2599 Bruce Rd 15  
Tiverton ON N0G 2T0  
519-368-7691

## ONTARIO (EAST / Est)

TERM 1 YEAR / MANDAT DE 1 AN  
Reggie K. Campbell  
630 Glenashton Rd  
Ashton ON K0A 1B0  
613-257-7524

## QUÉBEC (WEST/OUEST)

VACANT

## QUÉBEC (EAST/Est)

VACANT

## ATLANTIC / ATLANTIQUE

TERM 2 YEARS / MANDAT DE 2 ANS  
RUTH MATHEWSON  
989 Upper Brookside Rd  
Central North River NS B6L 6W6  
902-895-4708



## CCWG DIRECTOR ELECTIONS 2024

The following Canadian Co-operative Wool Growers Limited directors' term of office will expire in 2024. Any shareholder interested in a director position is required to file a nomination ballot supported by three shareholders from the provincial sub district in which they reside, at least 60 days prior to the provincial shareholders meeting. Copies of our corporate bylaws and nomination ballots are available upon request from any branch of the Canadian Co-operative Wool Growers Limited. All nomination ballots must be received at Head Office by **June 30, 2024**.

## L'ÉLECTION DES DIRECTEURS POUR 2024

*La durée du mandat des directeurs de la Canadian Co-operative Wool Growers Limited, notée ci-dessous, prendra fin en 2024. Tout actionnaire intéressé par un poste de direction est tenu de déposer un bulletin de mise en candidature soutenu par trois actionnaires du sous-district provincial dans lequel il réside, au moins 60 jours avant l'assemblée générale provinciale. Des copies de nos statuts sociaux et des bulletins de mise en candidature sont disponibles sur demande auprès de n'importe quelle succursale de la Canadian Co-operative Wool Growers Limited. Tous les bulletins de mise en candidature doivent être reçus au siège social pour le **30 juin 2024**.*

**BRITISH COLUMBIA**

**BARBARA YDENBERG**

**ALBERTA NORTH / NORD**

**JOHN WOODBURN**

**ALBERTA SOUTH / SUD**

**VACANT**

**SASKATCHEWAN SOUTH / SUD**

**LARRY KENNEDY**

**ONTARIO EAST / EST**

**REGGIE CAMPBELL**

**QUÉBEC EAST / EST**

**VACANT**

**QUÉBEC WEST / OUEST**

**VACANT**

### NOTICE OF ANNUAL

### GENERAL MEETING

### AVIS DE L'ASSEMBLÉE

### GÉNÉRALE ANNUELLE

THE 106<sup>TH</sup> ANNUAL GENERAL  
MEETING OF THE  
LA 106<sup>E</sup> L'ASSEMBLÉE GÉNÉRALE  
ANNUELLE DE

### CANADIAN CO-OPERATIVE WOOL GROWERS LIMITED

**OCTOBER 19<sup>TH</sup> 2024**

**LE 19 OCTOBRE 2024**

**BRANDON, MB**

FOR FURTHER INFORMATION PLEASE  
CONTACT:

*POUR PLUS D'INFORMATIONS SE IL  
VOUS PLAÎT CONTACTER:*

CANADIAN CO-OPERATIVE WOOL  
GROWERS LIMITED

BOX 130, CARLETON PLACE,  
ONTARIO K7C 3P3

TEL: 613-257-2714 EXT 4

FAX: 613-257-8896

[CCWGHQ@WOOL.CA](mailto:CCWGHQ@WOOL.CA)

[WWW.WOOL.CA](http://WWW.WOOL.CA)



[WWW.REALWOOLSHOP.CA](http://WWW.REALWOOLSHOP.CA) [WWW.CCWG.CA](http://WWW.CCWG.CA)

Serving Canada's Livestock Producers with Pride Since 1918  
Fièrement au service des agriculteurs Canadiens depuis 1918

## CCWG WOOL INDUSTRY NEWS / NOUVELLES DE L'INDUSTRIE DE LA LAINE

The CCWG recently held Management and Board of Director meetings at the 105<sup>th</sup> Annual General Meeting was held in Carleton Place, ON from October 13<sup>th</sup> - 14<sup>th</sup>, 2023.

*La CCWG a récemment tenu des réunions avec la direction et le conseil d'administration lors de la 105e Assemblée générale annuelle qui s'est tenue à Carleton Place, en ON, du 13 au 14 octobre 2023.*

The 2023/24 elected Board of Directors are as follows:

*Le conseil d'administration a été élu comme suit:*

### Executive Committee/Comité exécutif:

President / *Président*

- Morgan Moore, Brandon, MB

1st Vice President / *1er vice-président*

- Allan Ribbink, Tiverton, ON

2nd Vice President / *2e vice-président*

- Arlette Seib, Watrous, SK

- Reggie Campbell, Ashton, ON

### Additional Directors on the Board are as follows/Autres directeurs sur le comité:

Audit Committee (3) / *comité de vérification des comptes (3):*

- Larry Kennedy, Shamrock, SK

- Scott Stephens, Shawville, QC

- Barbara Ydenberg, Langley, BC

- Ruth Mathewson, North Central River, NS

- John Woodburn, Grimshaw, AB

## 2022 CERTIFICATE OF MERIT / CERTIFICAT DE MÉRITE 2022

For excellence in commercial wool production  
*pour l'excellence de la production commerciale de la laine*

### Ontario

Jennifer Woodhouse  
47248 Old Mail Rd  
Clarksburg, ON N0H 1J0  
Shearer/Tonteur:  
Donald Metheral

### Saskatchewan

Randy McDermit Ranch  
Box 427  
Southey SK SOG 4P0  
Shearer/Tonteur:  
Shaun Fajnor

### Alberta

Keho Lake Colony  
Box 125  
Barons AB TOL 0G0  
Shearers/Tonteurs:  
Colony Shearers

### Manitoba

Beth Peers  
Box 725  
Virden MB R0M 2C0  
Shearer/Tonteur:  
Louis Bisson

### Alberta

Waterton Colony  
Box 58  
Hill Spring AB T0K 1E0  
Shearers/Tonteurs:  
Colony Shearers

## STAFF AWARD CERTIFICATES PRESENTED AT THE AGM BANQUET

50 Years – Carol Berger - retired!  
35 years – Lee-Anne Durant-McIntyre  
25 years – Cathy Holmes  
15 years – Joann Thorpe

10 years – Glenn Kelley  
10 years – Heidi Lancaster  
10 years – Troy Latham  
10 years – Erin Pretty  
10 years – Valerie Wyman



### **CCWG Staff**

Front row – Cathy Holmes, John Cuthbert, Maaïke van Kuilenburg  
Back row – Alan Davidson-Cummings, Rick Metheral, Carol Berger, Lee-Anne Durant-McIntyre,  
Heidi Lancaster, Anne-Marie Auger, Andrew Brydges



### **CCWG Board of Directors**

Front row – Ruth Mathewson, Arlette Seib, Barbara Ydenberg  
Back row – Scott Stephens, Larry Kennedy, Reggie Campbell, Allan Ribbink,  
John Woodburn, Morgan Moore

# CANADIAN COOPERATIVE WOOL GROWERS LIMITED

## 2023 EXECUTIVE REPORT

Some years are so similar to other years that they are hard to recall with clarity after the passage of time. The year 2023 for the Canadian Co-operative Wool Growers will not be one of those, without question. While there have been many challenges to the company, there have also been great opportunities to pivot our focus and use these opportunities to strengthen the company.

The global wool markets are still saturated with supply of domestic wool types and the company has been faced with 2 options - pay nominal pricing for the wool and sell it for less than the handling and warehousing costs and hope that the fortunes of the retail stores will continue to subsidize the enterprise. Or we could stockpile the wool, knowing that it cannot decrease significantly more in value, and look for alternative marketing options for this product. There are strong signals that the fortunes of wool could be at a turning point, people are looking to it for its roles in the promotion of human health, comfortable fashion and a sustainable fiber with an appealing environmental footprint relative to its competition.

With this recognition that the CCWG needs to become active in seeking out alternative marketing options for the wool that we are carrying in our inventory, the company sent a delegation to Germany to investigate a wool pelletizing apparatus. This trip highlighted the European appetite for natural soil amendment products that had a favourable carbon footprint and utilized a readily available commodity ideally suited to a need in their urban horticultural markets.

Following this trip, we took a number of actions to determine the suitability of the concept in the Canadian marketplace. As a test in the retail market, we offered wool pellets in the Lethbridge branch - which we had to re-order 2 times in the month of May without advertising or promotion. We also began a search to gather the needed machinery in Canada that would be built to a specification that would have the large volume of wool throughput that we require. We engaged the expertise of BEC of Newton, Ontario who have worked tirelessly to test and develop the wool chopping components, engineer the combining of the chopping, pelletizing and bagging processes. This work is still in progress, but we are hopeful that we will be operational with our first commercial pelletization system installed and functional in Carleton Place in 2024 - with product available for the gardening season!

This spring we learned that our American equivalent counterpart, Midstates Wool Cooperative of Columbus, Ohio, was closing their doors after almost 100 years in business. This cooperative deals with approximately 40% of the American Wool clip. Out of an interest in their remaining retail inventory, wool grading software and hardware and to inquire as to the expected outcomes in the American wool sales marketplace, myself and Morgan visited the facility in June. We recognized quickly that given the present global wool market, that their challenges were very similar to ours. We can be glad that many years ago CCWG ventured strongly into the retail sales of livestock supplies, which has bolstered our company during these lean wool sales years.

Early in the year, the Executive became aware of certain areas of concern which warranted further investigation. As a result, the Board of Directors reached out to our contracted Human Resources company, Business Sherpa Group. Upon their professional recommendation the Board of Directors solicited the advice and retained the services of Emond Harnden LLP - a highly respected firm specializing in employment law. With these resources to advise the Board with respect to legal process and corporate responsibility, the Board of Directors determined to suspend the General Manager with pay pending the outcome of a thorough investigation into the issues in question. Upon recommendation of legal counsel, the Board contracted the services of Ernst & Young to complete the investigation. This investigation is still on-going but very near completion. The final year-end documents are being reviewed as we speak.

These events have resulted in very significant contributions from the Executive Members. Typically, the requirement for the Executive Members is 1-2 additional meetings/year to deliberate and advise on operational decisions. With this action, however, Morgan Moore the President of the Board of Directors assumed the role of Acting General Manager as per CCWG by-laws. This has resulted in Morgan spending most weeks in Carleton Place since mid-March 2023 - an unimaginable contribution of sacrifice to this company by his wife Amber and 3 children, his farming operation and his time. Allan Ribbink, the 1st Vice President, assumed the chairmanship roles of the Board of Directors. The full executive, including Reg Campbell and Arlette Seib, has been very involved in the decision-making processes of the company, meeting 3 times per month on average and being available to meet virtually at very short notice. The Board of Directors have met regularly to remain updated on the processes and to ensure that decisions made were strongly supported by all Directors. Thank you to all who have stepped up in these difficult times.

At this time, I would also like to recognize and acknowledge the CCWG staff. The Board of Directors knows that these are difficult times, that there are questions and concerns that persist, and that this process has been taxing from a mental health perspective. There have been, and will continue to be, a number of corporate policy and operational changes enacted in order to address the need for change within this company. We know that there will be some tough conversations to come, but they are necessary for preserving this company, supporting our industry and ensuring that the CCWG remains a viable company with a rich past and a brighter future!

Through this difficult time, we appreciate the staff members that have been patient with the disruptions and abrupt changes. We want to assure everyone that the BOD has the long-term interests of this company at heart and are committed to ensuring that it remains healthy & viable for many years to come.

Allan Ribbink  
CCWG 1st Vice President

# CANADIAN CO-OPERATIVE WOOL GROWERS LIMITED

## ACTING GENERAL MANAGER'S REPORT 2023

The Canadian Co-operative Wool Growers (CCWG) takes great pride in being a strong industry supporter returning monies back to our membership through several channels. We are pleased to sponsor many of our provincial and national association shows & sales across Canada. These included the All Canada Classic at Barriere, BC, the Royal Agriculture Winter Fair in Toronto, Grasslands Sheep Show & Sale in Humboldt, SK, the Manitoba Sheep Show & Production Sale in Minnedosa, MB, the Elite Show & Sale in Quebec, Alberta Lamb Producers and Alberta Sheep Breeders Association AGM's and more!

The CCWG was also a strong supporter of the Canadian delegation of shearers that travelled to Edinburgh, Scotland for the Golden Shears competition. The CCWG covered the costs of flight for all 7 members of Team Canada using company RBC Avion points.

There has also been a commitment made to sponsor the International Wool & Textile Organisation which is holding a Round-Table in Montreal, QC in December 2023.

The CCWG was proud to be a major sponsor of 4-H Canada, donating a trip for 2 anywhere in the world that Air Canada or WestJet flies on company RBC Avion points. This item was purchased in the 4-H Canada auction for \$6,000.00 value.

Membership by shareholders also sees reward in other forms, including the 7% allocation of dividend payments ratified in 2022 and subsequently paid out. The Shareholder Loyalty Program which returns value to shareholder wool shippers via credit at the CCWG retail is also another strong way that we offer member support. Though the company still struggles to market domestic wools in the global marketplace, the overall profitability of the Co-operative is enjoyed thanks to the hard work of the CCWG retail staff and the strong support of our customers (many of whom are shareholders). To these hard-working people we extend our appreciation yet again.

Even though the wool inventory isn't moving and providing significant cash-flow at this time, the Board of Directors voted to payout 2020 – 2022 wool stocks. Although the pricing was not exciting to producers, the Board of Directors instructed the administration to create a floor price of 10 cents per pound. This amounted to payouts in many cases that were above what the wool would trade for in the present global economy.

Finally, with the addition of Total Farm Supply to the CCWG retail network, the Co-operative has significantly increased the Net Value of the company. With an additional \$950,000 in inventory and an additional \$5,700,000 in gross sales, this has grown our company by roughly 55%. This growth comes with the added challenges of a greatly increased administrative workload.

This year has seen some upheaval with the administration staff at the CCWG Head Office in Carleton Place. The Board of Directors, upon the advice of retained legal counsel, suspended the General Manager with full pay while undertaking a very detailed investigation into several areas of concern. This work is on-going at the time of writing this report. Subsequent to this action, there was a Statement of Claim filed against the CCWG and the Board of Directors. The CCWG is well-insured through our commercial Directors and Officers policies with Cooperators Insurance and well represented by legal counsel with Emond Harnden LLP. The Board of Directors is grateful for the support of Business Sherpa Group and Carol Sinclair for the HR expertise that they have provided.



The result of these actions are that members of the Board of Directors and management staff have had to step up in many ways. The executive members of the Board have met often to give direction and to make difficult decisions by committee. Special thanks to Allan Ribbink, Reg Campbell and Arlette Seib for their strong support throughout the entire year! The staff, particularly management, at Carleton Place are also to be thanked for their patience and assistance through the abrupt transition.

In this modern age of high rates of employee turnover, with the average employee remaining with a given company for only 7 years, its amazing that we have so many long-serving employees. We would like to recognize employees that have given loyalty to the CCWG for many years.

Leading off is Carol Berger, who retired in April 2023. Carol was hired on February 15, 1972 and spent 51 years with the CCWG Administration! We wish Carol a very happy well-deserved retirement!

We are recognizing a few more employees that weren't recognized for their years of service during the Covid 19 era AGMs. These include Lee-Ann Durant McIntyre, Manager of CP Livestock Supplies branch who has 37 years (35 year recognition) with the company. Cathy Holmes, IT/Website & Office Admin who has been 25 years with CCWG at the CP Head Office. Joann Thorpe, Administrative Assistant who has worked 15 years at the CCWG Head Office.

Finally, we have a few employees who are due for recognition of 10 years with CCWG. These include Troy Latham (13 years), Wool Warehouse; Val Wyman (12 years) CP Livestock Supplies; Erin Pretty (12 years) Real Wool Shop; Glenn Kelley (11 years) Waterloo CP Livestock Supplies and Heidi Lancaster (10 years) Premier Choix Agricole. Thank you to all staff for their dedication to this company!

The growth of CCWG is worth spending some time discussing. With the addition of Total Farm Supply and strong store performances across the country, we have increased our gross retail sales from \$10.8M in retail sales in 2021/22 to \$16.4M in retail sales in 2022/23 and this has contributed an additional \$640K to our net profit margin. With this growth has come an acute need for greater administrative supports for the company. The CCWG has invested in the talent pool of the administrative staff with the hiring of Dan Lacoste, Accountant and Office Administrator. We have added Leanne Thornton as Administrative Assistant. We have actively searched for the right candidates to offer us the in-house accounting and bookkeeping skills required.

The wool side of the company has not experienced the same excitement enjoyed by the retail enterprises. Globally, there are staggering supplies of coarse wool types. In China, the almost 3 year shutdown that resulted from their economic slowdown and overlapping Covid-19 crisis with hardline shutdowns resulted in a massive stockpile of wool. Naturally, the wool closest to the textile processing facilities will have the cheapest freight costs associated and they will use that product up before reaching out globally for wool.

There are also the geo-political considerations with respect to China. The likelihood of some sort of conflict with America and China over the territorial dispute in Taiwan is very high. What will that mean for Asian and Indo-Pacific trade? We know that any life signs in the Chinese marketplace will be very fragile.

To this end, CCWG has looked at marketing alternatives closer to home. We have had contact with Chargeurs Wool in the US to re-establish sales following the shutdown of Mid States Wool Co-operative. We also are actively investing in the development of commercial machinery for the pelletizing of wool here at home. CCWG has enlisted the help of Bateman Equipment Corporation of Newton, ON for the testing and building of the

components of a commercial pellet mill for wool. CCWG has also been test-selling the wool pellets in some of our retail locations with excellent interest and sales. A delegation of Executive and staff members went to Germany in January 2023 to visit the EcoKraft Pellet Mill sales site at Plattling. It was fascinating to see the European interest in a green and natural soil amendment product. We are confident that this development will be a strong fit for our poorest quality wools. With our pre-existing network of strong retail locations across the country, and our recognition domestically for our focussed involvement in the wool industry, it is an exciting prospect for our company.

At this time, I would like to thank all our shareholders, staff and supporters who have contributed to successful operations of the past year. The people within and around this organization make it special and we will work to make sure that this 105 year heritage and industry presence of CCWG remains strong for years to come!

Morgan Moore  
President & Acting GM  
Canadian Co-operative Wool Growers Ltd.

**Canadian Co-operative Wool Growers Limited**  
**Consolidated Financial Statements**  
**February 28, 2023**

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# NEPHIN WINTER BINGLEY

CHARTERED PROFESSIONAL ACCOUNTANTS

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## Independent Auditors' Report

To the Board of Directors of  
Canadian Co-operative Wool Growers Limited

### Opinion

We have audited the accompanying consolidated financial statements of Canadian Co-operative Wool Growers Limited which comprise the consolidated statement of financial position as at February 28, 2023, the consolidated statements of income, changes in retained earnings and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Canadian Co-operative Wool Growers Limited as at February 28, 2023, and the results of its consolidated operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

As discussed in Note 16 to the consolidated financial statements, subsequent to February 28, 2023 the Company is subject to litigation arising from the placement of an employee on paid administrative leave. This matter is at the preliminary stage of discovery and the outcome and an estimate of loss, if any, are not determinable. No provision for any loss or recovery has been recorded in these consolidated financial statements. Our opinion is not modified with respect to this matter.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the organizations's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Carleton Place, Ontario  
April 4, 2024

Chartered Professional Accountants  
Licensed Public Accountants

**Canadian Co-operative Wool Growers Limited**  
**Consolidated Statement of Financial Position**  
**As at February 28, 2023**

	2023	2022
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash	-	1,068,241
Accounts receivable (Note 2)	561,761	380,927
Inventory (Note 3)	7,605,143	5,567,989
Prepaid expenses	186,459	-
Prepaid deposit	-	50,000
	8,353,363	7,067,157
<b>Property, Plant and Equipment (Note 4)</b>	2,358,157	2,399,154
<b>Other Assets</b>		
Goodwill - Investment in subsidiary (Note 6)	455,700	-
	11,167,220	9,466,311
<b>Liabilities</b>		
<b>Current</b>		
Bank overdraft	113,407	-
Bank loans (Note 5)	247,621	-
Accounts payable and accrued liabilities (Note 7) (Note 10) (Note 15)	1,675,342	1,153,749
Income taxes payable (Note 11)	15,164	68,914
Dividends payable	44,192	44,310
Current portion - long-term debt (Note 13)	26,011	-
	2,121,737	1,266,973
<b>Long-term Debt</b>		
Loan Payable (Note 13)	453,224	-
	2,574,961	1,266,973
<b>Shareholders' Equity</b>		
Capital Stock (Note 8)	331,920	325,200
Retained Earnings	8,260,339	7,874,138
	8,592,259	8,199,338
	11,167,220	9,466,311

Approved on Behalf of the Board of Directors:

Barbara Ydenberg Director

Reggie Campbell Director

**Canadian Co-operative Wool Growers Limited**  
**Consolidated Statement of Income**  
**For the Year Ended February 28, 2023**

	2023 \$	2022 \$
<b>Gross Sales</b>	17,440,785	12,530,021
<b>Cost of Sales</b> (Note 10)	12,990,561	8,301,786
<b>Gross Profit</b>	4,450,224	4,228,235
<b>Operating Expenses</b>		
General expenses	1,293,341	1,080,701
Salaries and benefits	2,444,437	2,093,327
Amortization	133,306	147,802
Interest on short and long-term debt	18,211	-
Directors' fees	39,624	17,018
	3,928,919	3,338,848
<b>Net Operating Income before Income taxes</b>	521,305	889,387
Income taxes (Note 11)	( 120,310)	( 169,775)
<b>Net Income</b>	400,995	719,612

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See accompanying notes.  
Subject to Auditors' Report dated April 4, 2024

**NEPHIN WINTER BINGLEY**  
CHARTERED PROFESSIONAL ACCOUNTANTS

**Canadian Co-operative Wool Growers Limited**  
**Consolidated Statement of Changes in Retained Earnings**  
**For the Year Ended February 28, 2023**

	2023 \$	2022 \$
<b>Retained Earnings, beginning of year as previously reported</b>	7,724,138	6,949,685
Prior period adjustment (Note 15)	150,000	150,000
<b>Retained Earnings, beginning of year as restated</b>	7,874,138	7,099,685
Net income	400,995	719,612
Unclaimed dividends recovery (Note 9)	4,240	77,402
Dividends declared	( 19,034)	( 22,561)
<b>Retained Earnings, end of year</b>	8,260,339	7,874,138

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See accompanying notes  
Subject to Auditors' Report dated April 4, 2024

**NEPHIN WINTER BINGLEY**  
CHARTERED PROFESSIONAL ACCOUNTANTS

**Canadian Co-operative Wool Growers Limited**  
**Consolidated Statement of Cash flows**  
**For the Year Ended February 28, 2023**

	2023 \$	2022 \$
<b>Cash Flows from Operating Activities</b>		
Net income	400,995	719,612
Items not (producing) requiring a current cash payment		
Amortization	133,306	147,802
	534,301	867,414
Net Changes in non-cash working capital		
(Increase) decrease in accounts receivable	( 180,834)	26,923
(Increase) decrease in inventories	(2,037,154)	( 384,826)
(Increase) decrease in deposits	( 136,459)	178,450
Increase (decrease) in accounts payable	521,592	( 512,616)
Increase (decrease) in income taxes payable	( 53,750)	( 28,225)
	(1,352,304)	147,120
<b>Cash Flows from Investing Activities</b>		
Additions to capital assets	( 92,308)	-
Acquisition of subsidiary, net of assets acquired	( 455,700)	-
	( 548,008)	
<b>Cash Flows from Financing Activities</b>		
Issue (redemption) of shares	6,720	4,400
Increase (decrease) in bank overdraft	113,407	-
Increase (decrease) in bank loan	247,621	-
Increase (decrease) in long-term debt	479,235	-
	846,983	4,400
Dividends paid (recovered)	( 14,912)	( 18,825)
<b>Increase in Cash during the year</b>	(1,068,241)	132,695
<b>Cash, beginning of year</b>	1,068,241	935,546
<b>Cash, end of year</b>	-	1,068,241



1. **Summary of Significant Accounting Policies**

**Consolidation Policy**

The accompanying consolidated financial statements include the accounts of Canadian Co-operative Wool Growers Limited and its wholly owned subsidiary Total Farm Supply Ltd. (collectively "CCWG" or the "company") as of and for the fiscal year ended February 28, 2023 as CCWG is the primary beneficiary of Total Farm Supply Ltd. operations. All significant intercompany accounts and transactions have been eliminated.

**Basis of presentation**

These consolidated financial statements have been prepared in accordance with Canadian accounting standards for private enterprises; accordingly, these consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

**Use of Estimates**

Consolidated financial statements are based on representations that often require estimates to be made in anticipation of future transactions and events and include measurements that may, by their nature, be approximations.

**Revenue recognition**

The company recognizes revenue from sale of raw wool at the time the goods are shipped to the customer. Revenue and income from sale of livestock supplies and wool related products are recognized at the point of sale.

**Inventory**

Inventory is recorded at the lower of cost or net realizable value with cost determined on an average cost basis.

**Capital assets**

Capital assets are recorded at acquisition cost. Amortization is provided for at the following rates:

Buildings	5% declining balance
Equipment	20% declining balance
Furniture and Fixtures	20% declining balance
Automobile	30% declining balance

**Income taxes**

The company follows the taxes payable method to account for income taxes.

**Foreign currency translation**

Monetary assets and liabilities in foreign currencies are translated into Canadian dollars at year end exchange rates. Revenue and expenses are translated at the exchange rate on the date cash is received or payment is made. Gains and losses from exchange translations are reflected in the revenue or expense item to which they relate.

**Comparative Figures**

Certain comparative figures have been restated where necessary to conform with current period presentation.

2. **Accounts Receivable**

Accounts receivable are presented at carrying value net of an allowance for doubtful accounts of \$10,000 (2022 - \$10,000).

**Canadian Co-operative Wool Growers Limited**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended February 28, 2023**

**3. Inventory**

	2023	2022
	\$	\$
Raw wool	1,723,851	1,421,566
Retail - Livestock supplies	5,416,821	3,671,978
Retail - Real Wool Shop	464,471	474,445
	<u>7,605,143</u>	<u>5,567,989</u>

**4. Property, Plant and Equipment**

	Cost	Accumulated Amortization	Net 2023	Net 2022
	\$	\$	\$	\$
Land	185,740	-	185,740	185,740
Buildings	2,864,245	969,138	1,895,107	1,974,070
Equipment	1,189,591	1,024,471	165,120	166,889
Equipment - Capital Lease	81,869	71,224	10,645	13,306
Furniture and fixtures	523,740	501,035	22,705	27,150
Leasehold improvements	17,994	-	17,994	-
Vehicles	151,062	90,216	60,846	31,999
	<u>5,014,241</u>	<u>2,656,084</u>	<u>2,358,157</u>	<u>2,399,154</u>

**5. Credit Facility Agreement**

The company's February 2022 agreement with the Bank of Nova Scotia provides the following credit facilities; a revolving operating loan at a maximum of \$1,735,000 (including a maximum of \$150,000 in United States currency) bearing interest at prime rate and due on demand, and a non-revolving operating loan at a maximum of \$500,000 bearing interest at prime plus 0.5% and repayable over a 5 year term. The loans are secured by a general security agreement, assignment of book debts, accounts receivable, inventory and collateral mortgage on the company's real properties.

**6. Goodwill - Investment in Subsidiary**

As discussed in Note 1 Consolidation Policy, the company acquired 100% of the shares of Total Farm Supply Ltd. effective April 4, 2022. As a result of this acquisition, the company also purchased goodwill which represents the purchase price paid over the fair value of the net identifiable assets of Total Farm Supply Ltd.

	2023	2022
	\$	\$
Purchase price	1,543,130	-
Value of net identifiable assets	(1,087,430)	-
Cost of goodwill	<u>455,700</u>	<u>-</u>

**Canadian Co-operative Wool Growers Limited**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended February 28, 2023**

**6. Goodwill - Investment in Subsidiary (continued)**

**Impairment Test**

Acquired goodwill is recognized as an intangible asset on the balance sheet. As, such, goodwill is subject to annual impairment tests or if changes in circumstances indicate the value of the asset may be impaired. The company completed its annual impairment tests for indefinite life intangible assets using value-in-use, and for the year ended February 28, 2023, concluded there was no impairment of goodwill during the fiscal year. The key assumptions used to calculate the value-in-use are cash flow forecasts, growth rates, and a discount rate.

	2023	2022
	\$	\$
Cost of goodwill - beginning of year	-	-
Value of non-identifiable assets	455,700	-
Cumulative impairment	-	-
Cost of goodwill - end of year	455,700	-

**7. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities includes government remittances payable of \$80,095 (2022 - \$127,641).

**8. Capital Stock**

Authorized: 50,000 common shares, redeemable at \$10 each, cumulative dividends at 7%

	2023	2022
	\$	\$
Common shares issued and outstanding:		
Opening Balance - 32,520 (32,080 prior year)	325,200	320,800
Issued - 857 (1,030 prior year)	8,570	10,300
Redeemed - 185 (590 prior year)	(1,850)	(5,900)
Closing Balance - 33,192 (32,520 prior year)	331,920	325,200

**9. Unclaimed Dividends Recovery**

The balance represents a reduction of dividends payable to reflect declared dividends that cannot be paid out to shareholders because they have become dormant.

**10. Related Party Transactions**

Shareholders transact with the company in their capacity as wool producers and participate in the Shareholder / Wool Shipper Loyalty Reward Program (SWSLRP). All transactions were in the normal course of operations and were measured at the exchange amount being the amount of consideration as agreed upon by the parties. Included in the Cost of Sales are wool purchases of \$142,080 (2022 - \$103,010) from shareholders acting in their capacity as wool producers. Accounts payable and accrued liabilities includes \$105,235 (2022 - \$86,098) of redeemable coupons owing to the shareholders for their participation in the SWSLRP.

**Canadian Co-operative Wool Growers Limited**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended February 28, 2023**

**11. Income Tax Expense on Accounting Income**

The company's income tax rate is made up of:

	2023 \$	2022 \$
Net Income before income taxes	521,305	889,387
Expected income tax expense at the combined basic federal and provincial income tax rate	172,265	288,921
Tax effect of timing difference between accounting expenses and deductions for income tax purposes	81,180	10,790
Small business deduction	(133,135)	(129,936)
Tax expense	120,310	169,775
Tax expense as a percentage of accounting income	23.08 %	19.09 %
Net Income before income taxes	521,305	889,387
Adjustment for differences between accounting income and taxable income	202,950	38,537
Taxable income	724,255	927,924
Tax expense	120,310	169,775
Tax expense as a percentage of taxable income	16.61 %	18.30 %

**12. Financial Instruments**

The company is exposed to certain risks related to its consolidated financial instruments. The following analysis provides a measure of the company's risk exposure and concentrations at the balance sheet date. The company's consolidated financial instruments consist of accounts receivable, bank indebtedness, bank loans, accounts payable and accrued liabilities, income taxes payable, long-term debt and capital lease obligations. The fair values of these consolidated financial instruments approximate their carrying values, unless otherwise noted.

*Credit Risk*

The company is exposed to credit risk on the accounts receivable from its customers. In order to reduce its credit risk, the company has adopted credit policies which include the analysis of the financial position of its customers and the regular review of their credit limits. In some cases, the company requires bank letters of credit. The company does not have a significant exposure to any individual customer or counterpart.

*Liquidity Risk*

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with its financial liabilities. The company is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The company expects to meet these obligations as they become due by generating sufficient cash flow from operations and through utilization of the operating demand loan facility.

**12. Financial Instruments (continued)**

*Currency Risk*

The company is exposed to currency risk due to changes in foreign exchange rates. To reduce foreign exchange risk on its financial assets, the company enters into currency hedges by purchasing or selling currency futures. The organization's exposure and management of risk has remained consistent from the end of the previous fiscal period due to continuing fluctuations in the United States currency exchange rate.

*Market Risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

*Interest Rate Risk*

The company is exposed to interest rate risk on the bank indebtedness and short term bank loans due to interest rates based on prime rate. Increases in market interest rates would increase the rate on these debts. Due to low and stable market interest rates, the organization's exposure and management of risk has not changed materially from the end of the previous fiscal period.

**13. Long-term Debt**

	2023	2022
	\$	\$
<b>Note payable - Scotiabank</b>		
Repayable in monthly blended payments of \$3,644, bearing interest of 3.81% per annum, matures April 2027.	479,235	-
Less: current portion	( 26,011)	-
	<u>453,224</u>	<u>-</u>

Principal payments due in the subsequent four years are due as follows:

2025	27,019
2026	28,067
2027	29,155
2028	368,983

**14. Commitments**

*Leases*

The company entered into a 10 year non-cancelable operating lease agreement for the Brandon, Manitoba retail location. Future minimum lease payments plus GST due in the five subsequent years are as follows:

2024	\$87,711
2025	\$89,027
2026	\$90,349
2027	\$91,676
2028	\$93,069

**15. Correction of Prior Period Error and Restatement of Retained Earnings**

Subsequent to February 28, 2023 management determined that accounts payable and accrued liabilities and salaries and benefits expense in the February 28, 2021 and previous fiscal years were overstated in the cumulative amount of \$150,000 resulting in an understatement of retained earnings. The correction of this error results in a prior period adjustment and retrospective restatement that is reflected in the opening and closing balances of the February 28, 2022 fiscal year presented. The adjustment results in an increase to opening retained earnings and a corresponding decrease in accounts payable and accrued liabilities of \$150,000.

**16. Subsequent Event**

Subsequent to February 28, 2023 the company is subject to litigation matters arising from the placement of an employee on paid administrative leave. On March 29, 2023 the employee filed a statement of claim for damages of \$1,100,000, compensation in lieu of notice of \$482,500 and payment of vacation pay and related benefits. This matter is at the preliminary stage of discovery and the outcome and an estimate of loss, if any, are not determinable. No provision for any loss or recovery has been recorded in these consolidated financial statements.