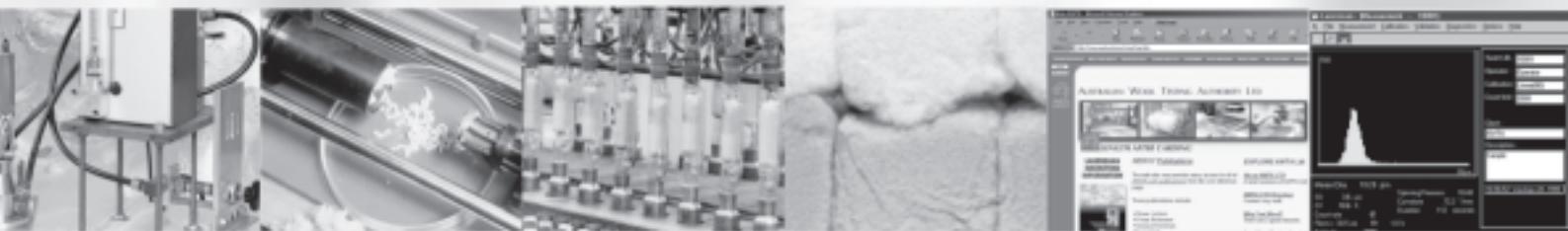




# ANNUAL review 1999-2000



a year of change



#### **COVER DEPICTION**

AWTA Ltd has been actively involved with a number of significant events during the year under review. In fact, it could be described as a "Year of Change". Most other Wool Industry participants have shared in some of these events, but some are unique to this Company. Foremost among the list are:

- the first electronic auctions;
- the first electronic tenders;
- the Year 2000 systems issue;
- introduction of the GST;
- replacement of Airflow by LASERSCAN;
- the development by CSIRO of an in-shed fibre diameter measurement system;
- finalisation of a distributorship agreement for international sales of LASERSCAN; and
- four (4) new Directors appointed to the AWTA Ltd Board.



## ANNUAL review 1999–2000

# contents

### MISSION

- To assist or promote the development of the pastoral, agricultural, manufacturing and industrial resources of Australia, in particular, by providing independent objective data and information services which will facilitate the efficient production, marketing and processing of wool, other fibres, textile products and related materials.

### VISION

- To be, and be recognised as, the world leader in raw wool testing, and to improve the Company's competitiveness in the provision of all other services, by being the most technologically advanced, cost-effective and responsive service provider.

### VALUES

- Providing staff with the knowledge, skills and equipment to improve customer service and lower costs.
- To ensure **commercial independence** in all activities.
- To maintain **technical excellence**, by taking maximum advantage of emerging technologies and activities.
- To insist upon **professional integrity** within the Company, by remaining impartial and avoiding conflicts of interest.
- To be **alert and responsive**, by monitoring and understanding the changing needs of clients.
- To ensure that a **reliable business continuity** plan is in place, to minimise disruption to the wool marketing processes in the event of a disaster.
- To foster **sound industrial relations**, based on mutual respect and recognition of the common interests which are shared with all employees and managerial staff.
- To provide a **safe and satisfying working environment**, which encourages employee participation and is supported by appropriate training and development programmes.
- To meet all legal and moral obligations expected of a **good corporate citizen**.
- To adopt business strategies which **transfer cost saving benefits** arising from the Company's income tax exemption, so as to assist or promote the development of the relevant industry resources of Australia.

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- Compensation and Remuneration
- Directors
- Management
- Risk Management and Internal Controls
- Ethical Standards

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- Customer Profiles
- Raw Wool Testing Operations
- Textile Testing Operations
- Research & Development
- Information Services
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### DIRECTORS' REPORT

### FINANCIAL STATEMENTS



### Board Membership and Composition

AWTA Ltd is a Company Limited by Guarantee. As described in the Company's Articles of Association, each Member Guarantor is entitled to appoint a Director to the Board. Additionally, the Member Guarantors may appoint two Independent Directors. The Board may appoint a Director having special scientific and/or technological qualifications.

The Chief Executive of the Company is also a Director.

The following organisations or their nominees are the Member/Guarantors constituting the Company:

- Australian Council of Wool Exporters Inc
- Australian Wool Processors Council Inc
  - Wool Scourers & Carbonisers of Australia Group
  - Wool Textile Manufacturers of Australia Group
- Australian Wool Research & Promotion Organisation
- Private Treaty Wool Merchants of Australia Inc
- The National Council of Wool Selling Brokers of Australia Ltd
- Wool Council of Australia Inc

### Directors

Directors holding office at the date of this Report are:

- A. G. McGregor, AO (Chairman)  
D. J. Ward, OAM (Managing Director)  
D. J. Fraser  
C. S. Gynn  
J. B. Robinson  
D. G. McGauchie  
G. Ostini  
B. P. van Rooyen  
B. C. Walker  
D. H. Wolfenden  
A. Artomonow (Company Secretary)

### Compensation and Remuneration

#### Non-executive Directors

The Company's Memorandum of Association provides that, whilst its income cannot be transferred by way of dividend or bonus, it can be used for payment in good faith to any officer or servant of the Company (including Directors) for any services actually rendered to the Company.

Non-executive Directors' fees are reviewed annually by the Member Guarantors having regard to performance, relevant comparative remuneration and independent advice.

Non-executive Directors may receive a Siting Fee for Committee participation and reimbursement of travel and accommodation expenses for attendance at Board and other official Company Meetings.

Independent Directors only are entitled to retirement benefits, as determined by the Member Guarantors.

#### Executive Director and Senior Executives

The remuneration for the Executive Director (Managing Director), Deputy Managing Director and General Manager - Corporate Services is determined by the Board, based on recommendations from its Remuneration Committee. Remuneration is decided following an annual review that considers performance, relevant comparative remuneration and independent advice. The Committee comprises Non-executive Directors only when it deals with the remuneration and employment conditions of the Managing Director.

### Management

The Board delegates responsibility for the operation and administration of the Company to the Managing Director who, together with the executive team, is accountable to the Board.

Senior executives, their staff and technical specialists in Head Office support the Managing Director.

AWTA Ltd is organised for management and reporting purposes into functional units. Management responsible for those units must account for their performance within a framework of Strategic Plans, Budgets, targets, standards and policies.

## Risk Management and Internal Controls

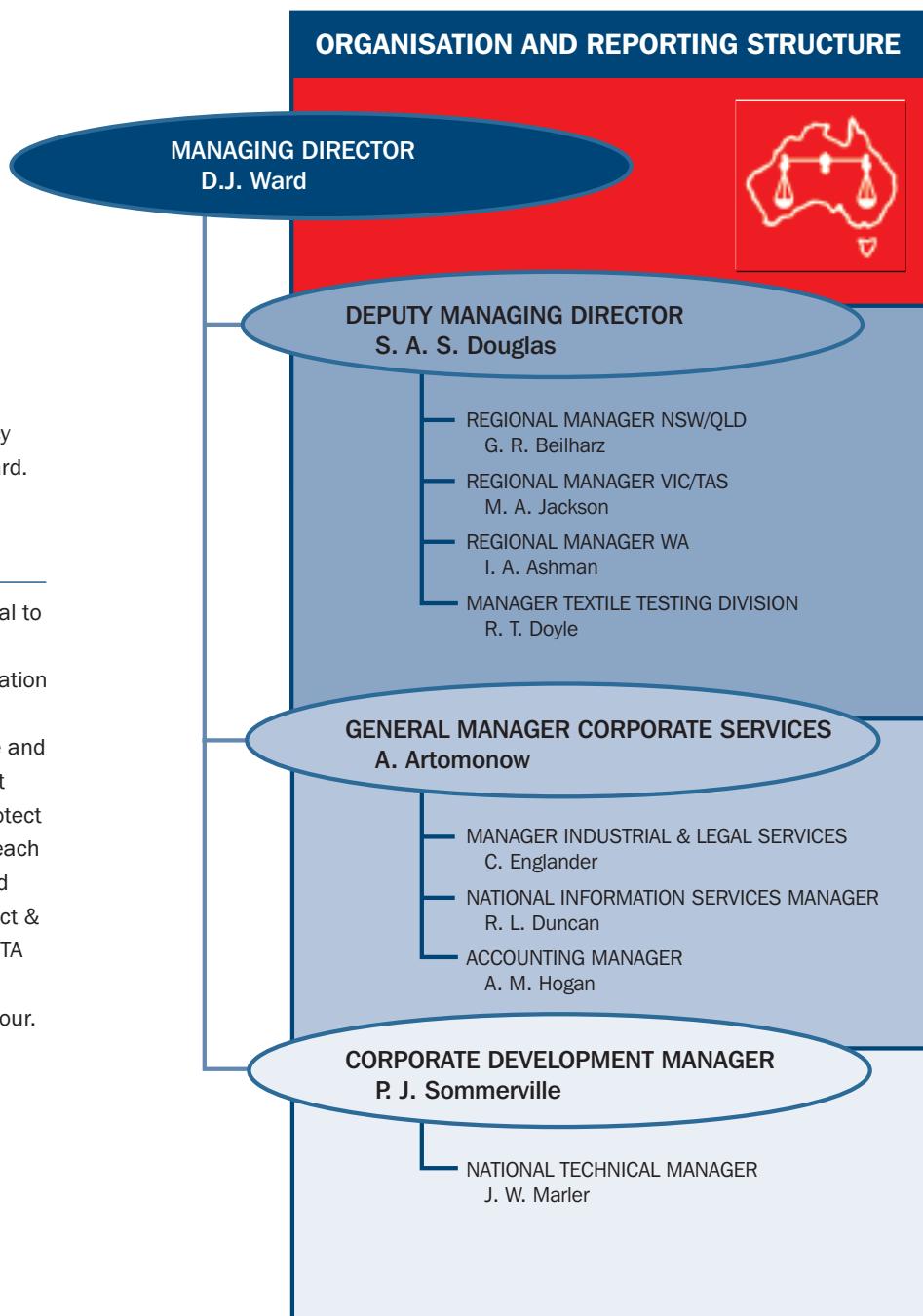
The Board and Management are responsible for setting and maintaining measures for the management of risk across the business.

Cash management and financial instruments are managed through policies, procedures and limits that are subject to internal and external review.

The Board has established an Audit Committee to assist in the execution of its responsibilities. Additionally, the Board has established an Environment and Safety Committee, which ensures that the environmental management system requirements, including policies relating to the Company's obligations with respect to environmental and health & safety issues are established, implemented and maintained. It also reviews policy and recommends changes to the Board.

## Ethical Standards

The Company recognises that it is vital to its continuing success that its staff maintains the highest possible reputation for technical expertise, commercial efficiency, impartiality, independence and professional integrity. To ensure that they are aware of this, and also to protect the Company's intellectual property, each staff employee is required to read and sign the Company's Corporate Conduct & Ethics Policy. This policy reflects AWTA Ltd's corporate "conscience" and promotes the highest levels of behaviour.



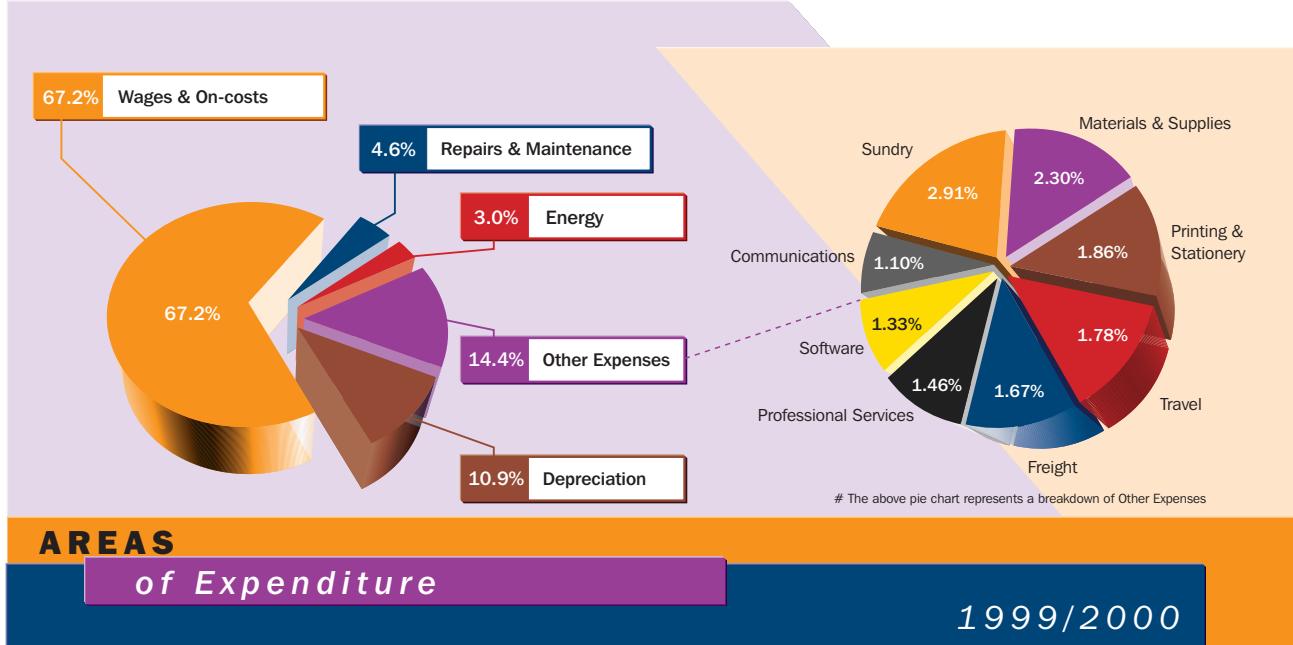
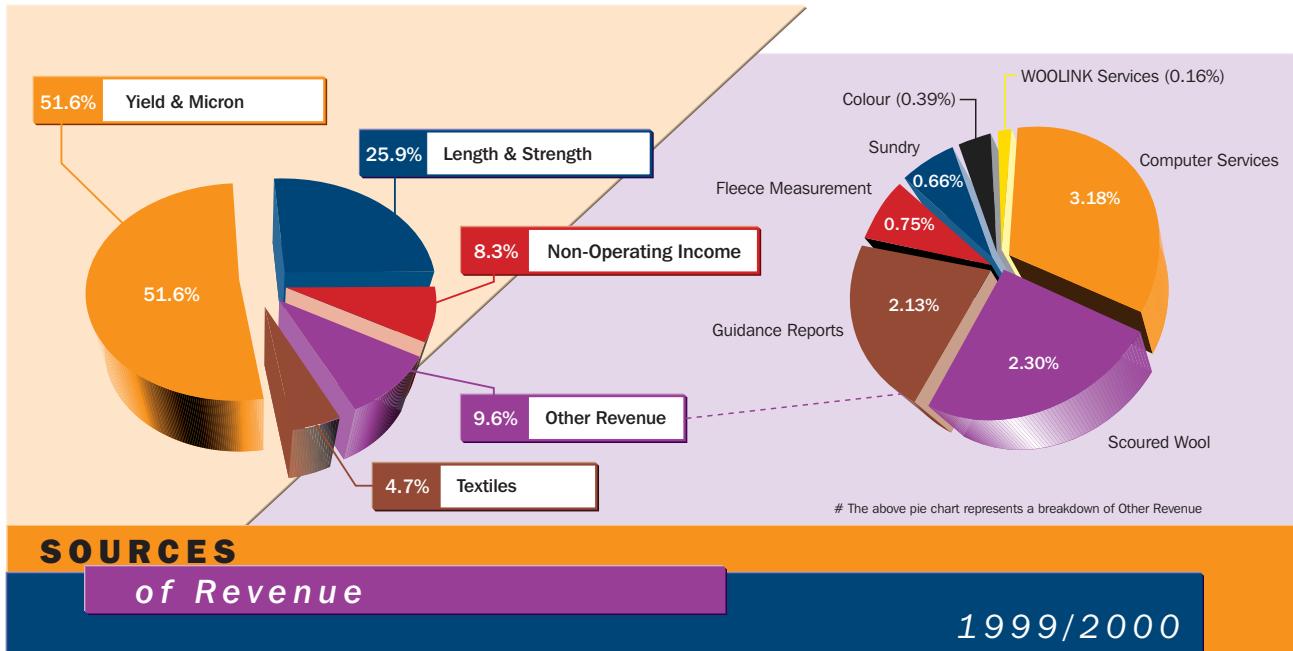


## PROFIT &amp; LOSS STATEMENT FOR YEAR ENDED 30TH JUNE 2000

	2000 \$'000	1999 \$'000	1998 \$'000	1997 \$'000	1996 \$'000
<b>Revenue from Operations</b>					
Testing Revenue	37,928	35,335	35,188	36,329	33,938
Profit on Sale of Surplus Sample Material	1,015	1,153	1,454	1,460	1,568
	38,943	36,488	36,642	37,789	35,506
<b>Less Expenses</b>					
Profit (Loss) on Operations	38,755	38,675	40,075	38,604	36,665
	188	(2,187)	(3,433)	(815)	(1,159)
<b>Plus Other Revenue</b>					
Interest on Investments	1,935	1,692	1,877	2,591	2,719
Other Income	467	162	170	545	352
	2,590	(333)	(1,386)	2,321	1,912
<b>Plus (Less) Extraordinary Items</b>					
	-	-	-	(3,000)	-
<b>Operating Profit (Loss)</b>					
	2,590	(333)	(1,386)	(679)	1,912

## BALANCE SHEET AS AT 30TH JUNE 2000

	2000 \$'000	1999 \$'000	1998 \$'000	1997 \$'000	1996 \$'000
<b>Members Equity</b>					
Capital Maintenance Reserve	45,000	45,000	45,000	45,000	45,000
Revaluation Reserve	4,823	4,823	4,823	1,489	1,489
Retained Profits	14,054	11,464	11,797	13,183	13,862
	63,877	61,287	61,620	59,672	60,351
<i>This is represented by:</i>					
<b>Current Assets</b>					
Cash & Short Term Deposits	38,862	34,736	36,901	41,635	37,852
Trade & Sundry Debtors	3,605	2,924	2,478	2,980	3,023
Stock of Supplies & Spare Parts	1,121	1,118	994	952	962
Other Current Assets	(83)	186	285	146	(81)
	43,505	38,964	40,658	45,713	41,756
<b>Less Current Liabilities</b>					
Trade Creditors	1,943	1,334	1,530	1,630	1,534
The AWTA Ltd Wool Education Trust	-	-	-	3,000	-
Provision for Employee Entitlements	4,635	3,793	3,852	3,508	2,806
	6,578	5,127	5,382	8,138	4,340
WORKING CAPITAL	36,927	33,837	35,276	37,575	37,416
<b>Plus Non-Current Assets</b>					
Property, Plant & Equipment	54,060	51,934	53,960	47,121	45,325
Less Provision for Depreciation	25,536	22,430	26,052	23,990	21,625
	28,524	29,504	27,908	23,131	23,700
Other Non-Current Assets	-	44	100	204	340
	28,524	29,548	28,008	23,335	24,040
<b>Less Non-Current Liabilities</b>					
Provision for Employee Entitlements	1,574	2,098	1,664	1,238	1,105
NET ASSETS	63,877	61,287	61,620	59,672	60,351





### CHAIRMAN'S statement

It is pleasing to see the improving economic outlook for the Wool Industry that is now evident in many quarters. The increased optimism largely reflects the improvement in prices being paid for raw wool in the finer end of the wool clip. Demand for the broader wools still remains very subdued and the position for many growers has not improved substantially.

AWTA Ltd has been actively involved with a number of significant events during the year under review. In fact, it could be described as a "Year of Change". Most other Wool Industry participants have shared in some of these events, but some are unique to this Company. Foremost among the list are:

- the first electronic auctions;
- the first electronic tenders;
- the Year 2000 systems issue;
- introduction of the GST;
- replacement of Airflow by LASERSCAN;
- the development by CSIRO of an in-shed fibre diameter measurement system;
- finalisation of a distributorship agreement for international sales of LASERSCAN; and
- four (4) new Directors appointed to the AWTA Ltd Board.

On 17th September 1999, AWTA Ltd's WOOLINK® system was the vehicle for the first electronic auctions of wool to be held in Australia. These auctions were conducted with buyers located in Fremantle, Adelaide, Melbourne and Sydney, all competing for catalogues on offer from Adelaide, Parkes and Fremantle. In all, 1,291 bales were on offer and 672 bales were sold. A similar auction for similar quantities was held a few weeks later. Perhaps the most satisfying aspect of these auctions was the successful demonstration of the technology, proving that electronic auctions in some form are now a real possibility.

WOOLINK has not been adopted by AWEX. Instead, AWEX is pursuing the development of a new system, based on different technology. Nonetheless, the electronic systems features encapsulated in WOOLINK have certainly accelerated the industry progress towards electronic selling, not simply by demonstrating the possibilities, but perhaps more importantly, by providing the business models for the various modes of electronic selling that might be required. Indeed the jargon now widely used by the Industry to describe electronic selling systems has largely been derived from WOOLINK.

Whereas gaining trade acceptance of electronic auctions has been difficult, the acceptance of electronic tenders has progressed rapidly. There are now a number of electronic tender systems in operation, using the Internet - some for raw wool and some for wool top. G H Michell & Sons (Australia), the largest processor and private buyer in Australia, has been using WOOLINK to run weekly tenders since the beginning of this calendar year.



Alan G. McGregor AO  
CHAIRMAN

*"AWTA Ltd's WOOLINK®  
system was the vehicle  
for the first electronic  
auctions of wool to be  
held in Australia"*

I am pleased to report that apart from some minor problems, the Year 2000 systems transition proceeded smoothly for AWTA Ltd. This reflected the professional efforts of the Information Services Department in the months preceding the 1st January changeover. I can also report that the implementation of the GST has proceeded equally smoothly such that the necessary changes to the Company's financial systems were all in place by the 1st July 2000 commencement date.

The 1st July 2000 was an important date for other reasons. It marked the replacement of Airflow by LASERSCAN as the Company's standard service for certifying Mean Fibre Diameter. This was the culmination of an extensive research and engineering effort, which extended over a decade. It also involved the complete re-engineering of AWTA Ltd's computer software systems during the preceding 12 months. Australian wool is now being certified using a superior technology and with the availability of additional information, such as Coefficient of Variation of Diameter, Comfort Factor and Mean Fibre Curvature. Importantly, this transition has been achieved without any increase in costs to woolgrowers or other clients.

The new technology has also been incorporated into a new system, developed by CSIRO, which can provide growers with diameter data for individual fleeces during shearing. The availability of this technology has stimulated considerable interest among woolgrowers and, already, several commercial companies have been established to offer this service to woolgrowers.

AWTA Ltd purchased the manufacturing rights for LASERSCAN in 1998. This agreement provided for AWTA Ltd to manufacture instruments for its own use, the non-exclusive rights to sell the instruments within Australia and New Zealand, and to supply Wool Testing Bureau of South Africa, and INTA - the major provider of wool testing services in Argentina. CSIRO/AWRAP retained distributorship rights to the rest of the world.

AWTA Ltd, Woolmark and CSIRO have since agreed that AWTA Ltd can also distribute instruments throughout the world. In this regard AWTA Ltd has appointed a subsidiary company of The Woolmark Company, Wool Developments International (WDI), as its distributor in Europe, Asia and the Americas.

Mindful of the state of the industry, the Directors decided to accept a recommendation from Management to budget for a loss in 1999/2000, thereby avoiding any increase in fees. The Company actually achieved a significant profit, due to much greater workload than expected and to strongly improved efficiency. I congratulate and thank the Management and Staff for this performance, which has made it possible to avoid any increase in General Raw Wool Fees for 2000/2001.

Mr K Perrott retired from the Board on 29th October 1999, after 17½ years of service as a Director. He was appointed as an Independent Director on 31st October 1988. Prior to this, he served as the nominee Director for the Wool Textile Manufacturers of Australia from 14th May 1982 to 31st October 1988, and had been Member/Guarantor of the Company from 5th May 1982 to 14th October 1988. Mr Perrott contributed greatly to the Company during his term and, on behalf of the Board, I wish to thank him for his long and valued service. Mr Donald McGauchie was appointed by the Members to fill this Independent Director vacancy.

Mr Gary Turner, nominee Director for the Private Treaty Wool Merchants of Australia Inc, Mr Jim Lillie, nominee Director for the Australian Council of Wool Exporters Inc, and Mr Syd Lodge, nominee Director for the Wool Scourers & Carbonisers Group of Australian Wool Processors Council Inc have also relinquished their directorships. The respective organisations have appointed Mr Graeme Ostini, Mr Claus Gyrn and Mr Jim Robinson as their nominee Directors. I welcome all these Directors and thank all the retiring Directors for their valued contributions during their terms of office.

Finally, I wish to express my thanks to current Directors and employees for their support, contributions and dedicated service to the Company during 1999/2000.

*"The Company actually achieved a significant profit, due to much greater workload than expected and to strongly improved efficiency."*



David J. Ward OAM  
MANAGING DIRECTOR

## Overview of Performance

### General

In the 1999/2000 financial year, AWTa Ltd recorded a Net Profit of \$2.590 million compared with a Net Loss of \$0.333 million in 1998/99. This was a considerable turnaround from the budget, which projected a Net Loss of \$1.693 million.

Key operational data for AWTa Ltd's services for the 12 months ending 30th June are compared (see adjacent graphs) against the previous year. These illustrate the reasons for the better than expected performance.

Raw Wool Testing Income increased by 7.85% compared to 1998/99, due largely to a 6.81% increase in Presale Yield & Micron tests and an 11.06% increase in Staple Length & Strength tests. In line with industry expectations, the Company's budget assumed that wool production would fall. The source of the additional wool is subject to conjecture, but undoubtedly most was due to the release of wool stored on-farm into the market and, some to increased production in areas of NSW, arising from improved seasonal conditions.

Non-Operating Income also increased substantially (13.62%).

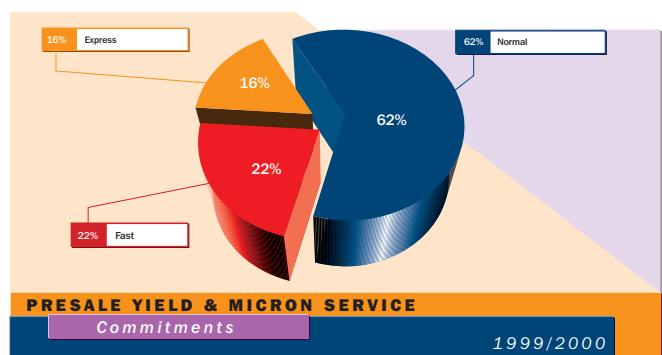
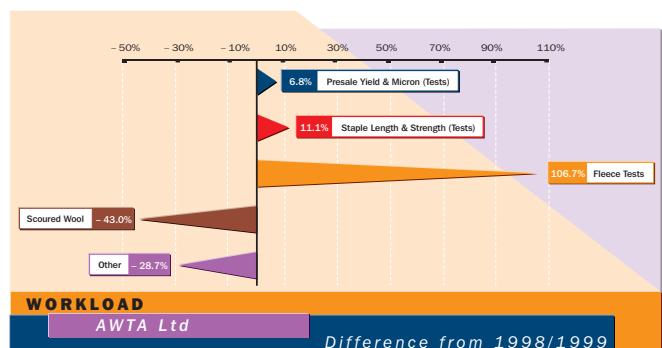
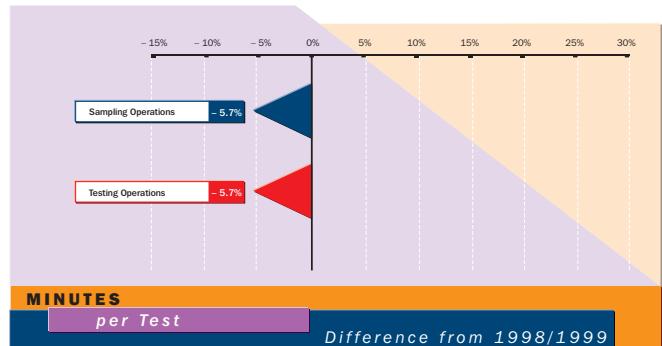
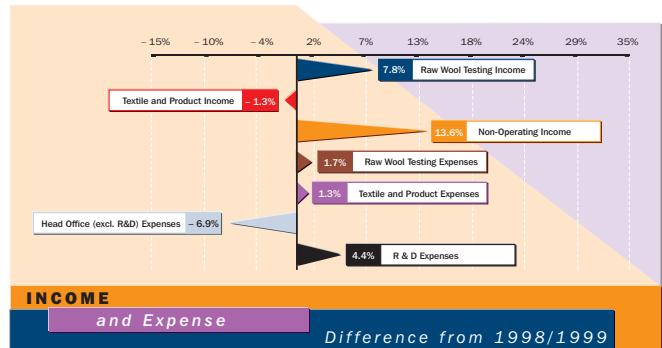
Increased productivity in both Sampling and Testing activities also contributed to the better than expected performance.

The exceptional growth in Fleece Tests (105.72%) reflects the efforts made 2 years ago to develop more automated equipment, enabling the cost of this service to be reduced. The new equipment, developed by the Research & Development Division and staff from the NSW Region, was installed at the beginning of 1998/1999, and a 35.5% increase in the business occurred in that year. AWTa Ltd's fee structure is now extremely competitive. However, consistent with its goal of continuous improvement in performance in every other area, the Company decided to reduce the maximum service time to complete these tests from 10 to 7 working days, thereby enabling its customers to plan the on-farm activities associated with this testing more reliably.

The demand for rapid turnaround of test results also exists in other areas. This is best illustrated by the adjacent chart, which shows relative volumes of Presale Core Tests for each of the service categories the Company offers.

AWTA Ltd provides 3 service options, which can be selected as and when required. Normal Service is designed to complete the test within 5 working days of the date the sample is taken, while Fast Service and Express Service provide 95% turnaround within 3 working days and overnight, respectively.

During 1999/2000, the 2 faster services constituted 38% of the total Presale Yield & Micron workload. Volumes in the Fast and Express categories increased over the previous year by 6.5% and 15%, respectively.



A more detailed discussion of service performance is provided later in this review.

During 1999/2000, there was a significant decline in the Company's Scoured Wool testing business. A number of factors have contributed to this, but principal among them is an increasing trend for companies who commission-scout their deliveries in Australia to rely upon the original Presale Test Certificates for the greasy wool to monitor overall efficiency and to predict combing performance.

## Information Technology

### Electronic Auctions

AWTA Ltd's WOOLINK system has been continually developed since 1992. Although best known for its electronic selling modules, WOOLINK provides a raft of other services. These include on-line processing of Combination Certificates and OML's, a range of statistical reports, and sale catalogues.

AWTA Ltd developed WOOLINK because it recognised the benefits of streamlining the flow of information within the industry, and facilitating this flow is an integral part of the Company's business.

The first Electronic Auction System (EAS) module was added in late 1996. With the active involvement of WOOLINK subscribers, this was progressively enhanced and expanded over the ensuing 3 years.

On September 17th 1999, 3 brokers, located in 3 different states, used the WOOLINK EAS to conduct the first Electronic Auction in Australia. Buyers located in Fremantle, Adelaide, Melbourne and Sydney all competed for the lots on offer.

Another auction was held on 10th November 1999.

The selling systems within WOOLINK were developed to demonstrate the potential of the technology and to provide a platform that could be used by the industry to explore this

potential. Nevertheless, the Company also recognised that the success or failure of Electronic Selling Systems would ultimately rest with the sellers and buyers. AWTA Ltd has no desire to become the manager of the selling process. Rather, the Company sees itself as an innovator and a facilitator, by using its physical and intellectual resources to provide the platforms and the business models that can allow electronic selling to occur.

AWEX commenced its electronic auction trials in Melbourne on 23rd November 1999. These and subsequent trials experienced some technical and practical problems and AWEX is still developing its system to resolve these. It has since introduced alternative selling systems based on the business models that already existed in WOOLINK. In view of industry preference for AWEX to undertake this role, AWTA Ltd is not actively promoting its WOOLINK EAS, but the system will be maintained and will remain available, should any of the Company's clients wish to use it.

### Electronic Tenders

A considerable proportion of Australian wool is purchased and sold outside the traditional auction system. Private purchases and tender sales have, for a long time, provided competition to the physical auction.

G. H. Michell & Sons (Australia) engaged AWTA Ltd to launch an innovative electronic tender system that significantly streamlines this wool sale process. Michell buys more than 15% of the Australian wool clip, but not all of the wool purchased is suitable for the company's extensive processing activities. The surplus is exported in greasy form or is re-sold to other processors and exporters, utilising the AWTA Ltd system to offer wool to the trade in a series of regular weekly tenders. The flexibility of the WOOLINK system, and the cutting edge technology used to develop it, makes it possible for AWTA Ltd to introduce tailor-made business rules within a few days.

Under the WOOLINK electronic tender system, buyers view the available lots

on computer screens, along with the test data, type and description. They can then log their bids electronically. Once the tender is closed, the WOOLINK system automatically determines which is the highest bid. Results are known immediately after the close of the tender - a major bonus for the buyers, who may be operating in the auctions during the same period.

### Mainframe Upgrade

In October 1999, the Board approved a major upgrade of the Company's mainframe system, to increase the capability of the system to handle a larger number of concurrent users. The upgrade enabled batch programs to run 300% faster, generated a 50% reduction in response-time, and increased the maximum number of concurrent users by 65%.

### Year 2000 Issue

It is not generally appreciated that AWTA Ltd's information technology systems contain approximately 35-40 million lines of code. During the year under review, the Information Services Division completed the work necessary to ensure there would be no disruption to the business as a result of any Year 2000 problems embedded in this code. Consequently, and to the credit of the staff involved, the transition from 31st December 1999 to 1st January 2000 passed uneventfully.

### GST Introduction

AWTA Ltd's accounting systems are completely computerised. The introduction of the Goods & Services Tax on July 1st 2000 required a major effort by the Information Services Department, together with the Accounting Department, to ensure that the Company's accounting systems fully complied with the requirements of the relevant legislation. All required system changes were in place before the due date.



## LASERSCAN

Planning for the replacement of Airflow by LASERSCAN on July 1st 2000 continued throughout 1999/2000. Eighteen (18) instruments were manufactured and installed in the 3 laboratories by February, 2000. In the following months, the operations and technical staff worked to refine the logistical systems, tested the ancillary systems and fine-tuned the quality control systems.

A considerable effort was required to ensure that the industry was fully aware of any implications of the change. This involved the following activities:

- The business rules to be applied in issuing Certificates during the transition were publicised in seminars involving selected industry groups, meetings with individual clients, direct correspondence to clients (particularly overseas clients), presentations to IWTO, and via the Company's Newsletter and website ([www.awta.com.au](http://www.awta.com.au)).
- Progressively, clients were provided with regular updates concerning the differences noted between LASERSCAN and Airflow, via the Newsletter and website.
- A video was prepared and distributed to buyers, brokers and their travellers, and to woolgrower organisations. Copies were also distributed overseas with English, Italian, Japanese, Korean and Russian commentaries.
- Half-page advertisements were placed in all the major rural media, advising growers of the change, and providing contact details for further information.
- A series of press briefings were organised in Melbourne, Sydney and Fremantle, to inform the media about the change and to provide them with copy for their articles.
- Regional staff made presentations to numerous grower meetings in all Regions.

## In-shed Testing

A significant development during the year under review has been the commercialisation of the CSIRO-developed SIROLAN™-FLEECESCAN. This technology combines a LASERSCAN instrument with a fleece coring module and a solvent washing module, to provide measurements of the Mean Fibre Diameter and Diameter Distribution of freshly shorn individual fleeces. The system can process up to 900 fleeces in an 8-hour shift, thereby maintaining pace with a shed of up to 5 shearing stands.

The timing of commercialisation was fortuitous, as it provided additional widespread publicity about the LASERSCAN technology. At the end of the financial year, individuals or companies wishing to provide contracting services to woolgrowers had purchased 11 systems. FLEECESCAN is now in operation in Western Australia, Queensland, New South Wales and Victoria.

AWTA Ltd's principal role in this development is manufacturing the LASERSCAN instruments and ensuring it is able to enhance the technology, as and when required.

## International Activities

### IWTO

The Company made a submission to the Christchurch Congress in May 2000, to amend the LASERSCAN Test Method to require that a minimum of 2 instruments must be used to issue an IWTO-12 Certificate. Amendments were also proposed to set range limits to be applied to individual specimens when issuing these Certificates.

These amendments were proposed for technical reasons. They bring IWTO-12 into line with the stringent requirements that already exist in IWTO-28 (Airflow). Both amendments were accepted.

IWTO-47 (OFDA) was also amended to require 2 instruments to be used for IWTO-47 Certificates.

The Congress also approved the adoption of a new calibration system for Colour measurement, based on standard tiles instead of reference wool. This work had been initiated by AWTA Ltd and was progressively developed over several years.

### Thailand & India

Mr Sas Douglas (Deputy Managing Director) and Dr Georg Beilharz (Regional Manager - NSW & Qld) visited various wool industry organisations and wool processing companies in India during November 2000. The purpose of the visit was to introduce Dr Beilharz, who is now responsible for AWTA Ltd liaison in India, to the Indian industry and to brief the industry about the change to LASERSCAN.

### Western Europe

Mr Jim Marler (National Technical Manager) visited Italy in late 1999. This followed up visits in the previous financial year to assist some of the Italian mills to resolve differences in core/comb Mean Fibre Diameter. Mr Marler has been coordinating cooperative work between the mill laboratories and AWTA Ltd to assist the mills in standardising their procedures to current IWTO Test Methods. He also visited clients in Belgium and Germany.

Mr David Ward (Managing Director) and Mr Michael Jackson (Regional Manager - Vic/Tas) made a visit to Italy during June 2000, specifically to brief the Italian industry about the changeover from Airflow to LASERSCAN.

#### China

As a key part of its client education and promotion for the LASERSCAN changeover in July 2000, AWTa Ltd participated in a special Wool Conference in Nanjing on the 18th April, organised by the Chinatex Group. In view of the importance of China as a market for Australian wool, the Company agreed to be a major sponsor of this Conference.

Mr Ian Ashman (Regional Manager - WA and Manager responsible for China & Asia Pacific liaison) and Dr Trevor Mahar (Senior Research Scientist based in AWTa Ltd's R&D Division) represented AWTa Ltd.

The Conference focused heavily on the important new LASERSCAN test information that will be available to Chinese traders and mills post-July 2000. Changes to Test Certificate documentation arising from the introduction of the new LASERSCAN technology was also on the agenda, particularly to minimise the risk of disputes caused by misunderstandings.

Other organisations speaking at this Conference included the Chinese Ministry of Foreign Trade & Economic Cooperation (MOFTEC), The Woolmark Company, The Australian Embassy and AWEX. A special introduction from Mr Luan Richeng, Vice President of the Chinatex Group, covered the topics of the national textile outlook for China and the impact of WTO.

All major Chinese mills, trading organisations and relevant Government authorities attended.

#### Japan, Korea & Taiwan

Mr Ashman also visited clients in Japan, Korea and Taiwan, specifically to provide briefings on the LASERSCAN changeover.

## Outlook for 2000-2001

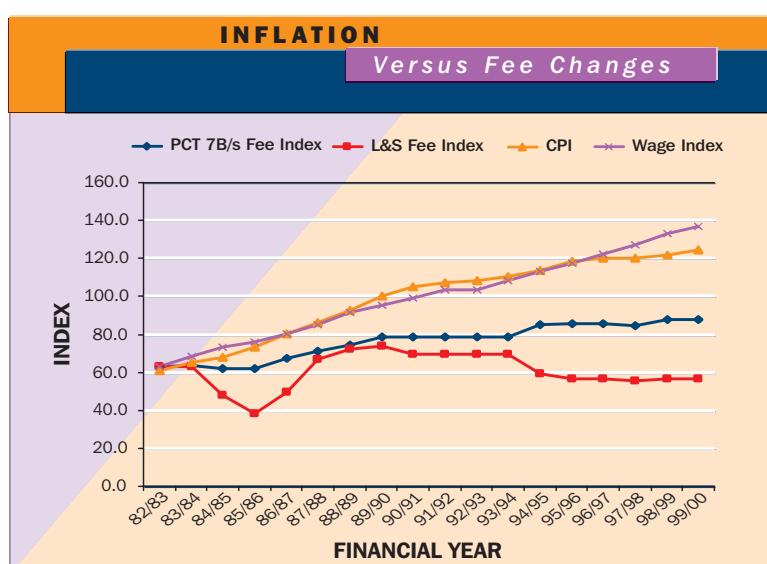
The excellent financial performance during 1999/2000 has again enabled the Company to avoid any General Raw Wool Fee increase for 2000/2001. In this regard, it is noteworthy that there has not been a major change to fees since 1994/1995. Even then, the change was revenue neutral, since the increase in Presale Core Test (PCT) fees were offset by a decrease in Length & Strength (L&S) fees.

Overall, raw wool testing fees have not increased for the last 10 years, despite continued increases in labour costs and inflation. Although there have been some years when losses were incurred during that period, these have been covered by profits in other years, ensuring that the Company's financial position remained sound.

It is important to recognise that this performance has been achieved while wool production has fallen by some 400 million kilograms. With a shrinking market, it has been increasingly difficult to increase productivity. The Company is continuing its efforts to increase the efficiency of sampling, testing and data processing operations, and in the potential application of new technologies.

Fees for OFDA tests had to be increased substantially to cover the full costs associated with using this technology for full certification according to the IWTO Test Method and Regulations. The software used by this technology is relatively old and does not lend itself to integration with the Company's computer systems network. This has made it very difficult to implement the requirements of the IWTO Test Method efficiently, particularly because the procedures are very labour intensive.

The third Enterprise Agreement with the Company's sampling and testing employees was successfully renegotiated in November 1999 for another 3-year period. As a result, the Company is better able to control and predict its costs through to late 2002. With salary and wages constituting 67% of expenditure, this is a critical issue for AWTa Ltd and all of its stakeholders.





### Human Resources

#### Staff Numbers

AWTA Ltd's staff, being largely seasonal, peaked at 828 employees during October 1999.

#### Occupational Health and Safety

The Company's commitment to maintaining a safe system of work is reinforced by Regional and Divisional Safety Committees who actively assist in identifying and eliminating workplace hazards. Where necessary, independent external expertise is sought to investigate and report upon potential safety concerns.

Occupational Health and Safety performance is monitored using measures defined in AS 1885-1990. In the Raw Wool and Textile Testing operations, the accident frequency rate, compared to 1998/1999 was down by 20%. The lost time duration rate, whilst calculated on a low sample of lost time accidents, was down by 9.6% and the number of lost time accidents was down by 19%.

#### Enterprise Bargaining

In August and September 1999, the Company, Staff and the National Union of Workers negotiated the parties 4th Enterprise Agreement.

### Service Awards

#### 30 YEARS SERVICE

A total of 15 staff have exceeded 30 years service with AWTA Ltd. The latest to achieve this milestone are:

Malcolm Brown

*Printing Controller (Head Office), commenced 22nd December, 1969.*

Eric Reiher

*Sampling Controller (Newcastle), commenced 2nd February, 1970.*

Rod Coy

*Sampling Officer (Sydney), commenced 20th July, 1970.*

#### 20 YEAR

A total of 78 staff have exceeded 20 years service with AWTA Ltd. The latest to achieve this Milestone are:

Leonard Forward

*Senior Clerk (Fremantle), commenced 23rd July, 1979.*

Kaye Shivers

*Courier (Fremantle), commenced 30th August, 1979.*

Brian Ridley

*Sampling Officer (Fremantle), commenced 14th April, 1980.*

Monica Steele

*Senior Testing Officer (Fremantle), commenced 14th April, 1980.*

#### Vale

Michael Tabone

*Data Processing Manager - VIC/TAS, commenced January 1985, died 21st July, 2000.*

This Agreement remains in force until 1st October 2002, and delivers pay increases of 10% to non-Senior Sampling and Testing Staff and 11% to Senior Sampling and Testing Staff over its three year life. The wage increases cover all productivity and efficiency improvements together with the introduction of new services, machinery and computer systems over the life of the Agreement.

The Agreement includes a no further claims provision during its term.

No industrial disruption was experienced during the year.

### Customer Profiles

Arising from its raw wool testing operations and its Textile Testing Division operations, AWTA Ltd's customer base includes individual woolgrowers, Wool-Selling Brokers, Private Treaty Merchants, Wool Buyers and Exporters, Scourers and Carbonisers, Topmakers, Spinners, Weavers, Manufacturers and Retailers.

During 1999/2000, this customer profile has remained essentially the same. The number of customers within each sector continues to change as the industry rationalises in the wake of the recession that has blighted the industry for so many years. However, the customer base now includes contractors who are operating the SIROLAN™ FLEECESCAN system to provide on-farm testing services for woolgrowers who want to use objective measurement to class their clips.

Australian Wool Handlers (AWH) remains AWTA Ltd's largest single customer and the Company continues to work with AWH (together with Elders Ltd and Wesfarmers/Dalgety Ltd) in their efforts to improve efficiency. AWH is now also using LASERSCAN instruments manufactured by AWTA Ltd within its wool store as an aid to preparing interlots and to assist in giving woolgrowers greater equity when their lines are incorporated into interlots. This is an extra dimension to the wool store operations and also an extra dimension to the supplier/customer relationship between AWTA Ltd and AWH.

## Raw Wool Testing Operations

### Overview

AWTA Ltd's raw wool operations consist of sampling, testing and data processing services for greasy and scoured wool.

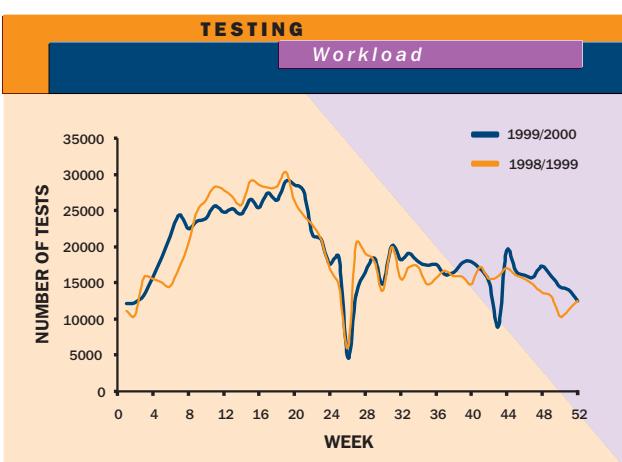
The Company's raw wool testing laboratories are located in Sydney, Melbourne and Fremantle. The Sydney Laboratory services the Northern Region (NSW and Qld), the Melbourne Laboratory services the Southern Region (Vic, Tas, and SA) and the Fremantle Laboratory services the Western Region (WA). During most of the year under review SA was serviced largely by Fremantle. Melbourne, because of its proximity, provided services for more urgent tests. However, the Company decided that Melbourne will now service all the requirements of SA. This brings the laboratory operations in line with the regional structure adopted by the rest of the industry.

The laboratories provide certification services for Yield and Micron, Length & Strength, Colour, and Fibre Diameter Distribution. Testing of scoured wool for Moisture Regain and Grease Content is also conducted.

Non-certified services include Report Tests for Yield and Micron, Length & Strength, Colour and Fibre Diameter Distribution on submitted samples from private traders, individual woolgrowers and others.

The laboratories also provide a Fleece Measurement testing service for Yield, Mean Fibre Diameter, Diameter Distribution, Fibre Curvature and Length & Strength. Special tests such as Resistance to Compression can also be provided. The Sydney Laboratory also provides a range of tests for the Mohair and Cashmere industries.

During 1999/2000, a total of 1,215,501 individual tests were conducted compared to 1,083,981 in 1998/1999, an increase of 12.1%. A 6.8% increase in Presale Core Tests, an 11.1% increase in Length & Strength tests and a 105.7% increase in Fleece Measurement tests contributed to this increase.



### Sydney Operations

The Northern Region laboratory in Sydney services all clients based in Queensland and New South Wales. Of all the Regions it is the most diverse, with wool production occurring in pastoral zones, mixed cropping areas, and in specialist superfine country stretching along the western flanks of the Great Dividing Range. The Region is also unique in that approximately 40% of the lots tested are stored and sampled in rural towns.

Regional (rural) sampling services are supplied via specific arrangements designed to recover the extra costs incurred by AWTA Ltd in operating in remote locations where the volume of work is relatively small when compared with the major metropolitan centres of Sydney, Newcastle, Goulburn and Brisbane. There are 3 options available from which the client can select one that suits his or her business needs.

There are currently 24 Regional Sampling Centres in the Northern Region, and 37 separate sampling sites. During 1999/2000, two new sites were opened - Lyons Wool in Wagga Wagga and DA & RV Fry in Mudgee.

During the year under review the technical and production staff in the Sydney Laboratory has been evaluating Near Infrared Reflectance (NIR) technology as a replacement for the measurement of residual grease after scouring. This particular measurement is part of the Yield testing procedure. The current method, soxhlet extraction, has been in use for over 30 years. The IWTO Specification for Yield (IWTO-19) does allow the use of NIR but until now applying it to commercial testing operations has proven complex.

AWTA Ltd first evaluated NIR in the 1970's but the technology then available was affected by interference from contaminants in the wool. Techniques now exist to remove measurement errors arising from these interferences. The early instrumentation was also very slow, but improvement of the technology over recent years has greatly increased the speed of measurement. The evaluation has been encouraging and suggests NIR's commercial use in AWTA Ltd's laboratories is now viable.

The Company has advertised its intent to offer certification of Mean Fibre Diameter by IWTO-47 (OFDA) during 2000/2001, as an ancillary service to the standard LASERSCAN service. The Sydney Laboratory successfully underwent NATA assessment and is now accredited to provide this service.

During the year under review, considerable energy has gone into improving the safety of work processes. Although general safety procedures have always been a feature of operator training, particular attention was given to tailoring specific ergonomic training to each work process.

During 1999/2000, the Sydney laboratory maintained its service performance while at the same time improving productivity by 2.8%.

**Northern Regional Sampling Centres**  
 Armidale  
 Bathurst  
 Canowindra  
 Condobolin  
 Cooma  
 Cowra  
 Dubbo  
 Forbes  
 Goondiwindi  
 Griffith  
 Inverell  
 Moree  
 Mudgee  
 Narrabri  
 Orange  
 Parkes  
 Tamworth  
 Temora  
 Wagga Wagga  
 Walgett  
 Warren  
 Warwick  
 Wellington  
 West Wyalong



## Melbourne Operations

The Melbourne laboratory provides sampling and testing services for clients located in Victoria and Tasmania. Although regional sampling does occur it is on a much smaller scale than New South Wales.

For the past 3 years Melbourne has also serviced clients in Adelaide whenever an Express Service was requested. During the review year the Company decided that all samples from Adelaide would be tested in Melbourne. This has resulted in a considerable saving in freight charges, as well as improving the service to Adelaide clients by reducing the average time between sampling and the availability of the Test Certificates.

Barcodeing for Staple Measurement samples was introduced into all laboratories during 1999/2000, to improve the system used to identify the samples. Based on the same system that has been used for Yield and Micron testing for a number of years, the barcodes eliminate the need for operators to key identification numbers. The barcode for each Staple Measurement sample is assigned at the sampling line.

The Sampling Operations Manager (Mr Tim Steere) has developed, with the assistance of International Fibre Centre (IFC), a customised wool industry training course. It provides AWTa Ltd supervisory staff with an overview of the wool industry, from fibre to fabric. As the course is conducted at the IFC in Geelong, attendees are able to gain hands on experience from wool harvesting and classing, through to the variety of wool processing functions.

For the first time the Melbourne laboratory provided fibre diameter results for all sheep in the Australian Sheep and Wool Show. The introduction of objective measurement to the Show coincided with the Show's move from Melbourne to Bendigo. The laboratory continued to provide results for the Royal Melbourne Show's Fleece Competition. In addition the AWTa Ltd hosted the presentation of awards functions for the Fleece Competition.

The Melbourne Laboratory provides length After Carding (LAC) services. The number of LAC tests conducted on scoured or carbonised consignments grew considerably in the 1999/2000 season, although this increase is from a very small base. At the request of a number of Italian clients, an Almeter Hauteur Diagram is now provided with the LAC Report upon request.

Within Victoria/Tasmania the testing pattern during 1999/2000 was abnormal. It appears that significant volumes of wool previously held on-farm were consigned for sale and that a trend towards autumn shearing within the state appears to be strengthening.

During the year, the Melbourne laboratory maintained its service and productivity performance.

## Western Region Operations

The decision to redirect all Adelaide samples to Melbourne has had, and will continue to have, a significant impact on the operation of the Fremantle Laboratory.

Western Australia is unusual in that the proportion of wool purchased privately is very much greater than in the other states. This, together with other factors, has resulted in the number of Fast and Express tests requested being very much higher than in Melbourne or Sydney. For 1999/2000 these proportions were 35% and 19% respectively.

Throughout 1999/2000, the Fremantle Laboratory maintained its service performance and improved productivity by 5.5%

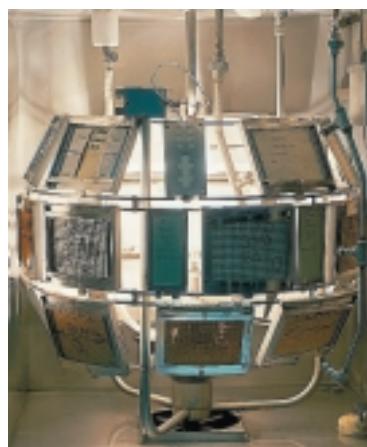
## Textile Testing Operations

During 1999/2000, the Textile Testing Division has experienced a significant reduction in apparel testing, while other parts of the business, such as testing of automotive components, have shown significant growth.

The market for testing of apparel products has been depressed since about September 1999. Due to the impending introduction of the GST there was considerable uncertainty in the retail sector. This led to reduced forward orders and hence reduced testing, particularly for the RAPITEST® service. In addition, more importers of product from Asia began to use laboratories in the country of origin for their testing. While much of this testing is now lost to the Division, some companies are returning, because of problems they have experienced with products that achieved satisfactory results from the laboratories in the country of origin, but failing in service in Australia.

In 1998, the Division commenced a program to increase its penetration into the automotive component testing market. The market consists of suppliers of components that are used in the interior of the passenger compartment, be they textile, plastic or metal. In the last 12 months there has been substantial growth in this market. A need for several significant pieces of test equipment which are not widely available in Australia was recognised, and the Company has committed capital to install both an additional Xenon Arc Weatherometer and a Fogging Tester in the next 12 months to assist growth in this area of testing.

In late 1999, the Division commenced a program to add a range of waste water analyses to the range of tests available. Accreditation by NATA has been obtained, and has been recognised by local water authorities. This new capability will now form part of the standard range of services available from the Division with the initial target market being the early stage wool processors in Victoria, but with the intention of extending the service to general industry in Victoria.



## Research & Development

The Research & Development Division is based at the Sydney laboratory site. During 1999/2000, 3.3% of the Company's total expenses was directed at R&D activities. The function of the Division is threefold:

- Wool Metrology Research;
- Equipment Development; and
- Equipment Manufacturing.

The Division incorporates a wool metrology group and an engineering group.

The management of the Division also monitors the technical performance of the Company's Raw Wool laboratories initiating corrective action as required, and represents the Company at IWTO on technical issues.

During 1999/2000, the metrology group focussed on issues related to the measurement of Fibre Diameter. Activities for the year include:

- Developing a water-based replacement for isopropanol as the transport medium for LASERSCAN. This development offers the following advantages over the current solvent-based system:
  - simpler and cheaper materials handling;
  - substantially reduced potential Occupational Health and Safety issues since a solvent is no longer involved; and
  - potentially quicker service time (current trials are indicating there is no need to condition the wool prior to inserting the sample in the LASERSCAN).
- Auditing all the Company's Shirley Analysers for compliance with the IWTO Test Method for Airflow measurement of Mean Fibre Diameter.
- Initiating improvements to the design of the Lasercore instruments used for sample preparation. In combination with the Development engineers, simple improvements were made to ensure correct operation.
- Demonstrating, in conjunction with Wool Testing Bureau South Africa (WTB SA), the relationships between Airflow, LASERSCAN and OFDA measurement of Mean Fibre Diameter for South African wools. These results confirmed earlier observations, in collaboration with New Zealand Wool Testing Authority Limited (NZWTA Ltd), on Australian and New Zealand wools, that small differences between measurements using these instruments were influenced by the country of origin of the wool, the clip line and the sheep breed. This knowledge is essential to the understanding of the relationships between the Core Test Mean Fibre Diameter of the greasy wool and the Mean Fibre Diameter of the top that is produced.
- Designing and coordinating a technical evaluation of the OFDA Instrument for greasy wool testing, in collaboration with NZWTA Ltd and the WTB SA.

This demonstrated that the effect of Fibre Curvature on the OFDA Mean Fibre Diameter measurement was largely removed by using a calibration derived to emulate the form of core samples (i.e. the current procedure for testing greasy wool specified in the IWTO OFDA Test Method (IWTO-47-98). However, doing so introduced biases in the measured Standard Deviation of Fibre Diameter.

- Demonstrating that the time of spreading affected the OFDA measured Mean Fibre Diameter (a factor not controlled by the current wording in the OFDA Test Method and consequently a source of biased results).
- Updating the IWTO Test Methods for LASERSCAN (IWTO-12-98) and OFDA (IWTO-47-98) to ensure that, where an IWTO Certificate is required for Mean Fibre Diameter of Greasy Wool, it is mandatory to use a minimum of two instruments.
- Updating the IWTO Test Method for LASERSCAN (IWTO-12-98) to include between-specimen range check limits.
- Auditing the LASERSCAN Laboratory Operational Procedures in each of AWTA Ltd's laboratories and providing detailed recommendations that have subsequently been acted upon.
- Developing a new quality control procedure specifically designed for monitoring of every LASERSCAN within the Company.

The engineering group continued manufacturing 18 LASERSCAN instruments to enable AWTA Ltd to replace Airflow as its Standard Service for Mean Fibre Diameter as scheduled on 1st July, 2000. This manufacturing program was completed by December 1999. An additional 20 instruments were constructed for external sale, the last batch of 10 being completed by June, 2000. So far the group has manufactured and delivered a total of 53 instruments. A new batch of 15 instruments was commenced in late June 2000, and if the current demand continues, a total production of 35 instruments is anticipated during 2000/2001.

The engineering group has also manufactured a range of ancillary equipment, including minicores for use within AWTA Ltd, and also for external sale. Sample preparation equipment (snippet spreaders) for the OFDA instruments that are now located in each of the Laboratories have also been manufactured.

As external sales increase, the engineering group will be increasingly required to fulfill a servicing role for these instruments.



## Information Services

Major accomplishments by Information Services during 1999/2000 include:

### Year 2000:

All systems were examined for Year 2000 compliance. Any necessary corrective action was taken, and the systems tested. No significant problems were encountered as the new millennium arrived.

### Goods & Services Tax:

Changes were made to both the accounting and certification systems to accommodate the GST.

New data entry screens for manually typed Debit Notes were implemented to ensure the automatic inclusion of the GST.

Manual Debit and Credit Notes were automated in Debtors.

### LASERSCAN:

The introduction of LASERSCAN involved reworking a very large number of programs including the complete testing, certification, EDI and accounting suites.

The CSIRO designed LASERSCAN software was modified to suit the laboratory operations, which among other things, requires extra specimens to be tested immediately if specified range limits are exceeded. This involved reconstructing the Graphical User Interface for ease of operation, and on-line real time transfer of results to the Regional mainframe database.

Changes were also required to the laboratory B20 systems, the Regional distributed database system, the Central certification process, EDI and Accounts. New business rules were programmed for Combinations and OML's along with Certificate printing charges.

Software for external LASERSCAN instruments was supported.

### WOOLINK:

Four new releases were issued.

The first Electronic Auction was held.

The Electronic Tender System was modified to incorporate business rules specified by G H Michell & Sons (Australia) to facilitate its weekly electronic tenders using the WOOLINK system.

### Accounts:

Accounts Receivables and Sales Reports were implemented in the CPA Accounting Database.



### EDI:

WIEDPUG Version 22 and 24 changes were implemented (Version 23 was superceded by Version 24).

LASERSCAN and GST changes were implemented.

### Statistical Reports:

A statistical report summarising Certificate data by Wool Statistical Area was implemented.

All statistical information reports now run from the CENTRAL Database.

### B20 Replacement:

The B20 system is the backbone of the on-line data capture system in the laboratories. Length & Strength implementation was completed, and a system for mainframe entry and verification reference data was introduced.

### Fleece Measurement:

The COBOL on-line system was converted to LINC on the Region mainframes.

### Textiles:

Systems were changed for Year 2000 and GST compliance.

Manual Debit and Credit systems were automated.

### PC's:

The conversion of local area networks from Novell to NT was finalised and NT fully supported.

## Service Performance

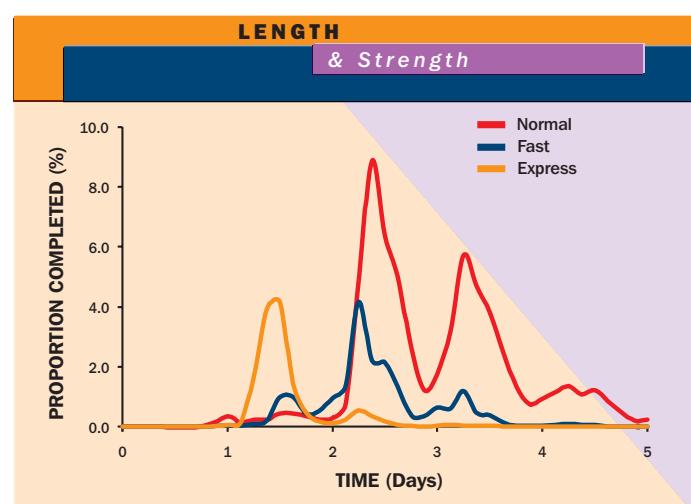
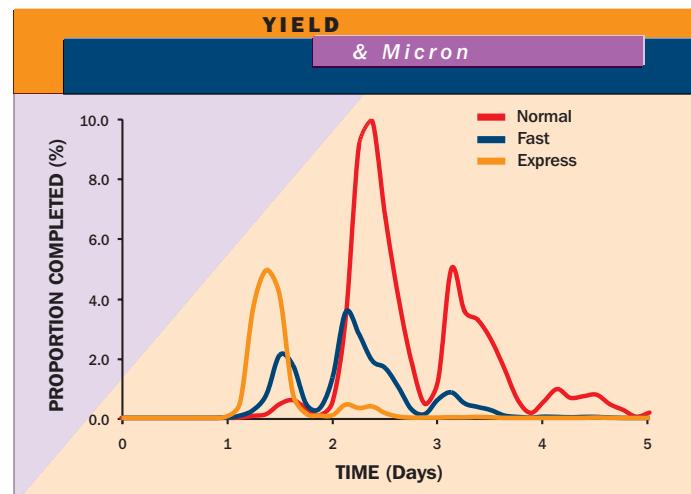
AWTA Ltd believes that customer service is equally important to accuracy and cost minimisation. Customer service is viewed in terms of providing sampling services and test Certificates in a timely manner. To achieve this, the Company offers three levels of service:

- **Normal:** all test Certificates available within 5 days.
- **Fast:** 95% of test Certificates available within 3 days with the residue within a further 24 hours; and
- **Express:** 95% of test Certificates available the following morning with the residue within 24 hours;

These options enable each client to select a service that meets their own requirements. Certificates are deemed available once the client can collect the electronic version via the EDI system. For WOOLINK clients, Certificates are available the instant the last component is received in the central database and the necessary computations completed.

Service performance for 1999/2000, for the major services of Yield & Micron and Length & Strength Certificates, is shown as distributions in the illustration. In this representation the three service levels are clearly identifiable as three distinct distributions within the overall distributions. Note that the Fast and Normal distributions are bimodal. This reflects the effect of distance from the laboratory on the service delivered. In both cases the second peak in these distributions are for samples delivered from remote locations where delivery to the laboratory can only be affected on the morning after the date of sampling.

Performance was substantially the same as in the previous year with the vast majority of tests completed within the stipulated service time.



## Technical Performance

Technical performance is monitored by the Independent Laboratories Round Trial Group (ILRT) which includes the 3 AWTA Ltd laboratories, NZWTA Ltd and WTB SA. The ILRT Group requires each participating laboratory to test two different samples each week using normal commercial test procedures which comply with the relevant IWTO Test Specification. The results are forwarded to a coordinator who collates the data, analyses the between-laboratories differences and reports the outcome of the analysis to all the participants.

The ILRT Group reported the summaries of these trials over an approximate six monthly interval to the IWTO Meetings in December 1998 and May 1999. As has been the case for a number of years the reports were accepted without any criticism from the delegates present at the meetings.

The procedures used by all the laboratories have been in place for many years and from all the analyses presented, all laboratories were in statistical control. The variation that is reported arises mainly from the natural variation in the wool itself. The three AWTA Ltd laboratories have successfully maintained their accreditation to ISO Guide 25 and their Certification to ISO 9002 during 1999/2000.



The Directors of Australian Wool Testing Authority Limited (AWTA Ltd) submit the financial accounts for the financial year ended 30th June, 2000 and report as follows:

### DIRECTORS

The names, qualifications, experience and special responsibilities of the Directors in office as at 1st September, 2000 are:

**MR. A. G. McGREGOR** AO, MA(Cantab), LLB, (Aged 64)

- Appointed as an Independent Director by the Members of this Company on 20th November, 1992 and has served as Chairman since that date
- Chairman of Audit and Remuneration & Appointments Committees
- Company Director and grazier, having formerly practised as a lawyer
- Chairman of: James Hardie Industries Limited  
F.H. Faulding & Co Limited  
Burns Philp & Company Limited  
Intercast & Forge Pty Limited
- Director of a number of other listed and unlisted companies, including Kidman Holdings Pty Limited and Minelab Electronics Pty Ltd
- Member of Boards or Committees of numerous charitable and other community-related organisations, including The Centre for Independent Studies (Chairman), the Finance Committee - University of Adelaide and The Winston Churchill Memorial Trust of Australia
- Attended 8 (of 8) Directors' Meetings and 7 (of 7) Committee Meetings

**MR. D. J. WARD** OAM, BSc (Hons), FAICD, (Aged 59)

- Managing Director of this Company since 14th May, 1982
- Formerly the Director of the Statutory Australian Wool Testing Authority from 26th September, 1966 until its closure on 8th August, 1982
- Member of Audit and Remuneration & Appointments Committees
- Trustee of AWTA Superannuation Plan and The AWTA Ltd Wool Education Trust
- Immediate Past Chairman of International Wool Textile Organisation (IWTO) Technology & Standards Committee and Member of its Steering Committee
- Chairman of Australian National Committee of IWTO
- No other directorships
- Attended 8 (of 8) Directors' Meetings and 7 (of 7) Committee Meetings

**MR. D. J. FRASER,** (Aged 62)

- Appointed as the nominee Director for The National Council of Wool Selling Brokers of Australia Ltd on 30th October, 1997
- Member of Environment & Safety Committee
- Director of B. J. Underwood (Consolidated) Pty Ltd a wool handling and warehousing company for Woolgrowers Independent Selling Services Pty Ltd
- President of The National Council of Wool Selling Brokers of Australia Ltd
- No other directorships
- Attended 8 (of 8) Directors' Meetings and 2 (of 2) Committee Meetings

**MR. C. S. GYRN,** (Aged 56)

- Appointed as the nominee Director for Australian Council of Wool Exporters Inc on 29th October, 1999
- Member of Ad Hoc WA Property Committee
- Managing Director of BWK AustralAsia Pty Ltd, which is a wool exporting and processing company
- President of Australian Council of Wool Exporters Inc
- Director of Geelong Wool Combing, Topsoil Pty Ltd and Textile Developments Pty Ltd
- Attended 4 (of 4) Directors' Meetings and 1 (of 1) Committee Meetings

**MR. D. G. McGAUCHE,** (Aged 50)

- Appointed as an Independent Director by the Members of this Company on 29th October, 1999
- Member of Audit and Remuneration & Appointments Committees
- Farmer and Company Director, having previously been active in national farming organisations
- Chairman of WoolStock Australia Ltd
- Director of a number of listed and unlisted companies, including Telstra Corporation Ltd, Ridley Corporation Ltd, Vicgrain Ltd, Victorian Grain Services Ltd and Farm Plan Pty Ltd
- Attended 4 (of 4) Directors' Meetings and 3 (of 3) Committee Meetings

**MR. G. F. OSTINI, (Aged 39)**

- Appointed as the nominee Director for the Private Treaty Wool Merchants of Australia Inc on 29th October, 1999
- Managing Director of Ostini Wool Pty Ltd, which is a wool buying and broking company
- President of Private Treaty Wool Merchants of Australia Inc
- Director of Yennora Woolbrokers Pty Ltd
- Attended 4 (of 4) Directors' Meetings

**MR. J. B. ROBINSON, BEc, (Aged 38)**

- Appointed as the nominee Director for the Wool Scourers & Carbonisers of Australia Group of Australian Wool Processors Council Inc on 29th October, 1999
- Member of Environment & Safety Committee
- Managing Director of E.P. Robinson Pty Ltd, which is a wool processing company
- Vice-President of Australian Wool Processors Council Inc
- Director of Woolgrease Traders of Australia Pty Ltd
- Attended 4 (of 4) Directors' Meetings and 2 (of 2) Committee Meetings

**MR. B. P. VAN ROOYEN, (Aged 55)**

- Appointed as the nominee Director for the Wool Textile Manufacturers of Australia Group of Australian Wool Processors Council Inc on 8th November, 1996
- Member of Remuneration & Appointments Committee
- Chairman of Trustees for AWTA Superannuation Plan and AWTA Productivity Fund
- Chief Executive of Australian Country Spinners Pty Ltd and Kolotex Australia Pty Ltd
- Immediate Past President of Australian Wool Processors Council Inc
- Director of WoolStock Australia Ltd, Bruck Textiles Pty Ltd and Textile Developments Pty Ltd
- Member of Textile, Clothing, Footwear & Leather Advisory Board
- Member of CSIRO Textiles, Clothing & Footwear Sector Advisory Committee
- Attended 8 (of 8) Directors' Meetings and 4 (of 4) Committee Meetings

**MR. B. C. WALKER, (Aged 57)**

- Appointed as the nominee Director for the Australian Wool Research & Promotion Organisation on 16th September, 1996
- Member of Remuneration & Appointments Committee
- Managing Director of Ledgerton (Yass) Pty Ltd and grazier active in wool industry organisations
- Woolgrower Member of the Advisory Board for The Woolmark Company's European Development Centre
- Director of Australian Wool Network Pty Ltd
- Attended 7 (of 8) Directors' Meetings and 5 (of 6) Committee Meetings

**MR. D. H. WOLFENDEN, BAgSc, (Aged 48)**

- Appointed as the nominee Director for Wool Council of Australia Inc on 30th October, 1997
- Farmer active in wool industry organisations
- President of Wool Council of Australia Inc
- General Councillor of NSW Farmers' Association
- Attended 8 (of 8) Directors' Meetings

In addition to the Directors currently in office, the following Directors held office during the year:

- Mr. J.M. Lillie (1st July, 1999 - 29th October, 1999; Attended 4 (of 4 ) Directors' Meetings)
- Mr. S. Lodge (1st July, 1999 - 29th October, 1999; Attended 4 (of 4 ) Directors' Meetings)
- Mr. K. J. Perrott (1st July, 1999 - 29th October, 1999; Attended 4 (of 4 ) Directors' Meetings)
- Mr. G. W. Turner (1st July, 1999 - 29th October, 1999; Attended 4 (of 4 ) Directors' Meetings)

During the financial year, 8 Meetings of Directors and 10 Committee Meetings (3 Environment & Safety Committee Meetings, 6 Remuneration & Appointments Committee Meetings and 1 Audit Committee Meeting) were held. The number of Meetings attended by each Director is stated in this Report.

During and since the end of the financial year, no Director has received, or become entitled to receive, a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Accounts, or the fixed salary of a full-time employee of the Company) because of a contract made by the Company, or by an entity that the Company controlled, or by a related body corporate, with the Director or a firm of which the Director is a member or an entity in which the Director has a substantial financial interest.



During the financial year, the Company has paid premiums to insure each of the following persons against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was \$70 for each person.

Directors: Mr. A. G. McGregor AO

Mr. D. J. Ward OAM

Mr. D. J. Fraser

Mr. C. S. Gynn

Mr. J.M. Lillie

Mr. S. Lodge

Mr. D. G. McGauchie

Mr. G. F. Ostini

Mr. K. J. Perrott

Mr. J. B. Robinson

Mr. G. W. Turner

Mr. B. P. van Rooyen

Mr. B. C. Walker

Mr. D. H. Wolfenden

Secretary: Mr. A. Artomonow

## ACTIVITIES

The principal activities of the Company during the course of the financial year were raw wool, textiles and other materials testing, and computer services.

## OPERATING RESULT

The Net Profit of the Company for the year was \$2.590 million. No amount has been provided for Income Tax, as AWTA Ltd is exempt from such tax by virtue of Section 50-40 of the Income Tax Assessment Act 1997.

## REVIEW

The 1999/2000 financial year can aptly be described as the year in which the Australian wool industry experienced firm signs of recovery, after a prolonged period of adverse trading conditions. AWTA Ltd's activity was boosted accordingly.

Prior to the start of the financial year, the Australian Wool Production Forecasting Committee had estimated that shorn wool production would be 5% down on the previous year. However, this was progressively corrected during the year and the final estimate (March 2000) represented a reduction of only 1.7%. Whilst this total level of wool production has a direct bearing on the size of the available raw wool testing market, the actual level of sampling activity does not necessarily follow the shearing pattern, particularly if growers hold their wool on-farm until market price conditions encourage them to deliver wool to the stores where sampling is undertaken.

It was noted in last year's review that wool receivals had been abnormally high in May/June, as wool prices were starting to improve. This trend continued into the new financial year and was accentuated by abnormally mild and dry climatic conditions, which enabled shearing to progress without the normal winter delays. Consequently, AWTA Ltd's raw wool testing activity commenced early and it continued to reflect growers' responses to price trends as the year progressed. At the end of the first quarter, total Presale core tests was 10.5% above the total for the same period in 1998. At the end of December and March, testing was still above the previous year by 3.3% and 4.5%, respectively, and it finished 6.3% up for the year as a whole. At the same time, total bales sampled Presale finished up by only 4.9% for the year, due to a significant decrease in lot-size and a repeat of the 1999 surge in wool receivals in May/June as wool prices again improved after March. Nevertheless, this meant that sampling activity was almost 10% higher than originally indicated by the production forecast.

The average Presale core test lot-size, which had risen to 6.64 bales in 1998/1999, dipped to 6.55 bales in 1999/2000. Similarly, the average staple test lot-size fell from 7.82 to 7.38 bales.

Staple Length & Strength testing activity increased by 10.9% over the previous year, although the Australia-wide adoption rate (calculated on a bale basis as a percentage of all core tested wool) fell marginally from 81.4% to 81.3% of the total estimated combing wool.

The demand for Average Yellowness testing fell away as the year progressed, due principally to major brokers withdrawing from the previous contract basis for packaged discounts. In this regard, the Company has now gained international approval for significant enhancements to the technology, which will be commissioned before relaunching the Colour testing service in the Australian market during the 2000/2001 year.

With regard to sampling and testing services for the Australian wool scouring and carbonising industry, the Company's income from this sector was 2.9% lower than in the previous year, due principally to fee reductions applicable to tailored testing packages. In fact, sampling activity fell by only 0.5% of bales, whereas total batches tested increased by 0.9%.

During 1999/2000, the level of testing activity for the textile and building sectors progressively deteriorated. At the end of the first quarter income was 1.7% ahead of the previous year, reflecting an increase in fees per test of that order. By the end of the second and third quarters, it was only ahead of the previous year by 1.2% and 0.8%, respectively, and total income for the full year finished down by 1.3 on 1998/1999. There was a significant reduction in Fabric testing, due to reduced demand leading up to the introduction of the GST, and routine Flammability testing also slowed pending the introduction of a new Standard. These were offset to some extent by an increase in testing activity for the automotive industry.

With regard to Non-operating income, interest earned on investments was 14.4% above the previous year, due to the combination of higher interest rates and the significantly increased availability of funds for investment. At the same time, income from the sale of surplus sample material was 12.0% lower than previously.

It is noteworthy that the Company is now the sole manufacturer of Laserscan instruments for Fibre Diameter measurement and, in this regard, it sold 13 units during the year under review.

Commencing in 1996/1997 and on a pro-rata basis until 2002/2003, the Company is providing for the early retirement of senior executives of long-standing, pursuant to its planned management succession programme. One (1) such Manager retired during 1999/2000.

## SIGNIFICANT CHANGES

There were no significant changes in activities during the year.

## MATTERS SINCE END OF FINANCIAL YEAR AND FUTURE DEVELOPMENTS

In the opinion of the Directors, other likely developments in the operations of the Company known at the date of this Report have been covered generally within the Report. The Directors are not aware of any other future development(s) likely to have a significant effect on the operations of the Company or on the expected results of those operations.

## ENVIRONMENTAL ISSUES

The Company's operations are subject to particular and significant environmental regulation under State laws. Details of its performance in relation to such Regulations are set out below.

- (a) The Company's Yennora, New South Wales, site is required to treat its waste water generated through wool testing, to meet the agreed requirements of the Sydney Water Corporation. The Company continues to produce waste water that meets the Corporation's limits and continues to strive to reduce the levels of Total Grease to a 95th percentile value of 50mg/L, as required by the Effluent Improvement Program.
- (b) The Company's Kensington, Victoria, site has renewed its Trade Waste Agreement with City West Water Ltd. The Agreement contains self-monitoring, sampling and reporting obligations. The Company's pollutant discharges, as monitored under the Agreement, have not exceeded City West Water Ltd's threshold limits.

- (c) The Company's South Fremantle, Western Australia, site discharges laboratory waste to sewer pursuant to an Industrial Waste Permit issued by the Water Corporation, which defines the allowable discharges to sewer, including the quantities.

The South Fremantle site continues to meet the Permit requirements, with the exception of its pH units, which exceed the Water Corporation's range.

The Company continues to consider options to reduce the pH units, noting the Water Corporation's advice that it is considering the introduction of a charge for out-of-range pH discharges.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

## ROUNDING

The Company has applied the relief available to it in ASIC Class Order 98/100 and, accordingly, amounts in the Financial Statements and Director's Report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Directors and dated 1st September, 2000 at Melbourne.

A. G. McGREGOR AO

CHAIRMAN

D. J. WARD OAM

MANAGING DIRECTOR



## FINANCIAL statements

## AUSTRALIAN WOOL TESTING AUTHORITY LTD

A.C.N. 006 014 106 A.B.N. 43 006 014 106

## PROFIT &amp; LOSS STATEMENT FOR YEAR ENDED 30TH JUNE, 2000

	NOTES	2000 \$'000	1999 \$'000
Operating Profit (Loss)	2	2,590	(333)
Retained Profits at Beginning of Year		<u>11,464</u>	<u>11,797</u>
Retained Profits at End of Year		<u><u>14,054</u></u>	<u><u>11,464</u></u>

The accompanying Notes form an integral part of these financial statements

## BALANCE SHEET AS AT 30TH JUNE, 2000

	NOTES	2000 \$'000	1999 \$'000
MEMBERS' EQUITY	3		
Reserves	4	49,823	<u>49,823</u>
Retained Profits	5	<u>14,054</u>	<u>11,464</u>
TOTAL MEMBERS' EQUITY		<u><u>63,877</u></u>	<u><u>61,287</u></u>
This is represented by:-			
CURRENT ASSETS			
Cash		2,162	1,236
Receivables	6	39,729	36,053
Inventories	7	1,121	1,118
Other	8	<u>493</u>	<u>557</u>
TOTAL CURRENT ASSETS		43,505	38,964
NON-CURRENT ASSETS			
Property, Plant and Equipment	9	28,524	29,504
Other	10	<u>-</u>	<u>44</u>
TOTAL NON-CURRENT ASSETS		<u><u>28,524</u></u>	<u><u>29,548</u></u>
TOTAL ASSETS		<u><u>72,029</u></u>	<u><u>68,512</u></u>
CURRENT LIABILITIES			
Accounts Payable	11	1,943	1,334
Provisions	12	<u>4,635</u>	<u>3,793</u>
TOTAL CURRENT LIABILITIES		6,578	5,127
NON-CURRENT LIABILITIES			
Provisions	13	<u>1,574</u>	<u>2,098</u>
TOTAL NON-CURRENT LIABILITIES		<u><u>1,574</u></u>	<u><u>2,098</u></u>
TOTAL LIABILITIES		<u><u>8,152</u></u>	<u><u>7,225</u></u>
NET ASSETS		<u><u>63,877</u></u>	<u><u>61,287</u></u>

The accompanying Notes form an integral part of these financial statements

## STATEMENT OF CASH FLOWS FOR YEAR ENDED 30TH JUNE, 2000

	2000 \$'000	1999 \$'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	38,799	36,136
Payment to Suppliers & Employees	(33,744)	(34,652)
Interest Received	2,061	1,754
Net Cash Provided by Operating Activities	<u>7,116</u>	<u>3,238</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Plant & Equipment	510	474
Payment for Property, Plant & Equipment	(3,500)	(5,877)
Net Cash Used by Investing Activities	<u>(2,990)</u>	<u>(5,403)</u>
Net Increase (Decrease) in Cash Held	4,126	(2,165)
Cash at Beginning of Year	34,736	36,901
Cash at End of the Year	<u>38,862</u>	<u>34,736</u>

### NOTES TO STATEMENT OF CASH FLOWS

1. For the purposes of this Statement of Cash Flows, cash includes:

- (i) cash on hand and at banks;
- (ii) cash invested in the overnight money market;
- (iii) term deposits with banks; and
- (iv) bank bills.

Cash at the end of the financial year, as shown in the Statement of Cash Flows, is reconciled to the related items in the Balance Sheet as follows:

<b>CURRENT ASSETS</b>		
Cash	2,162	1,236
Short Term Deposits	36,700	33,500
	<u>38,862</u>	<u>34,736</u>

2. Reconciliation of Cash Flow from Operations with Operating Loss

Operating Profit (Loss)	2,590	(333)
Non-cash Flows in Operating Loss:		
Depreciation	4,162	3,867
Charges to Provisions	319	374
Profit on Sale of Property & Equipment	(111)	(60)
Loss on Sale of Property & Equipment	7	13
Changes in Assets and Liabilities		
Increase in Current Receivables	(476)	(406)
Increase in Inventories	(3)	(125)
Decrease in Other Current Assets	64	59
Increase (Decrease) in Accounts Payable	521	(208)
Decrease in Other Non-current Assets	43	57
Net Cash Provided by Operating Activities	<u>7,116</u>	<u>3,238</u>

3. The Company does not have credit standby arrangements or unused loan facilities.

**The accompanying Notes form an integral part of these financial statements**



## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2000 AUSTRALIAN WOOL TESTING AUTHORITY LTD - A.C.N. 006 014 106 A.B.N. 43 006 014 106

### 1. STATEMENT OF ACCOUNTING POLICIES

(a) The accounting policies adopted are in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board, and are consistent with those adopted in the previous year. The financial report is a general purpose financial report that has been prepared on an accruals basis in accordance with the historical cost convention, except for certain fixed assets which are at valuation.

#### (b) **Depreciation of Fixed Assets**

Depreciation is provided for all property, plant and equipment, excluding freehold land, at rates which are appropriate to write off each asset progressively over its useful life to AWTA Ltd. The straight line method is used.

The carrying amount of fixed assets is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employed and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	4%
Plant and Equipment	10-25%

#### (c) **Stocks of Supplies on Hand**

Stocks of Supplies & Spares are valued at cost, using the weighted average method.

#### (d) **Income Tax**

AWTA Ltd is exempt from Income Tax by virtue of Section 50-40 of the Income Tax Assessment Act 1997.

#### (e) **Provision for Employee Benefits & Costs**

Provision for Employee Benefits covers accrued recreation leave, rostered days off, annual leave bonus, long service leave and estimated productivity superannuation, workers compensation and payroll-tax expenses. In determining the long service leave provision, all permanent staff are included in the calculation from date of commencement.

Employee Benefits expected to be settled within one year have been measured at their nominal amount. Other Employee Benefits payable after one year have been determined with regard to the present value of the estimated future cash outflows to be made for those benefits.

#### (f) **Software Costs**

Amounts expended on software are being absorbed over their estimated period of utilisation, but not exceeding a period of 5 years. Software developed by the Company is written off as an expense in the year in which it is incurred.

#### (g) **Financial Instruments**

##### Financial Assets

Trade Debtors are carried at their book values less any provision for doubtful debts. A provision for doubtful debts is recognised in the accounts when collection of any amounts owing to the Company is not probable.

Short Term Deposits, which include discounted Bank Bills, are valued at face value. Interest income received in advance, which principally relates to discounted Bank Bills, is recognised over the term of the Bank Bills.

##### Financial Liabilities

Trade Creditors are recognised as amounts payable for goods and services that have been received.

#### (h) **Revenue**

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

## 2. OPERATING RESULT

	2000	1999
	\$'000	\$'000
(a) Operating Revenue consists of the following items:		
Sales Revenue	37,928	35,335
Other Revenue		
Interest from Unrelated Persons	1,935	1,692
Profit from the Sale of Non-current Assets	111	60
(Gross Proceeds \$509,787, 1999 -\$416,732)		
Profit on Sale of Surplus Sample Material	1,015	1,153
Rent Income	47	47
Other	317	68
	<hr/> 41,353	<hr/> 38,355
(b) Operating Result has been determined after charging the following items:		
Transfers to Provisions:		
Employee Benefits & Costs	319	375
Depreciation:		
- Buildings	307	304
- Plant & Equipment	3,855	3,563
	<hr/> 4,162	<hr/> 3,867
Net Expense resulting from movement in Provisions	<hr/> 4,481	<hr/> 4,242
Auditor's Remuneration:		
Audit of the Accounts	66	63
Other Services	-	-
Loss on Sale of Non-current Assets	7	13

## 3. MEMBERS' EQUITY

AWTA Ltd is a Company Limited by Guarantee and it does not have share capital. The liability of the six Members (1999-6 Members) is limited to \$50 (1999-\$50) each in the event that the Company is wound up.

## 4. RESERVES

### Capital Maintenance

Movements During the Year:		
Balance at Beginning of Year	45,000	45,000
Transferred from Retained Profits	-	-
Balance at End of Year	<hr/> 45,000	<hr/> 45,000

The Capital Maintenance account represents the financial resources considered by Directors to be required to provide and maintain facilities to service clients' requirements for raw wool, textiles and other materials testing, and for computer services, from time-to-time. In determining this sum, Directors have taken the view that the Company should not borrow funds to finance its activities and ongoing development.

The Board first considered the establishment of a Testing Reserve in 1984. Prior to that time, the Balance Sheet item for Proprietorship (or Members Equity) was simply allocated into a Revaluation Reserve (covering the Land, Buildings, Equipment etc. acquired from the Australian Wool Corporation for \$1.00) and an Accumulated Profit figure. The principal concern of the Directors was that, as time progressed, the increasing Accumulated Profit figure would inevitably mislead some analysts into believing that the Company was accumulating excessive profits. The establishment of the Testing Reserve was to highlight the Company's essential financial structure.



In June 1984, Directors created the Testing Reserve by the transfer of the Revaluation Reserve and an appropriation from accumulated profit. The balance was then described as Unappropriated Profit and, in accordance with the Australian Accounting Standards, this is now to be described as Retained Profits.

Unfortunately, the accounting term "Reserve" has regularly been misinterpreted in the wool industry as describing monies surplus to current requirements. Whilst it was mandatory to retain this terminology to comply with the Accounting Standards, Directors subsequently changed the title to "Capital Maintenance Account", to emphasise its capital nature.

In determining the appropriate level for the Capital Maintenance Account, external advice has been taken and the following key points are considered. In particular, Directors note that:

- there is no "absolutely correct" level; it is a matter for commercial judgement, which must take into account the current performance objectives and the likely future expenditure on developing services;
- the Company has consistently adopted the strategy of generating required capital through profits;
- in addition to profits, provisions for non-cash expenditure (e.g. Depreciation, Employee Benefits and other Non-Current Liabilities) add to the Company's positive cash flow and significantly increase the funds available for investment in the money markets;
- the most secure position for the Company is to maintain these provisions in a realisable form; and
- these factors, coupled with the use of accrual accounting, mean that AWTA Ltd will always have substantial cash invested, which will be expended at some time in the future, but not necessarily all at once.

Directors review the level of Capital Maintenance Account as part of the annual Budget process.

	2000	1999
	\$'000	\$'000
Revaluation Reserve		
Movements During the Year:		
Balance at Beginning of Year	4,823	4,823
Balance at End of Year	<u>4,823</u>	<u>4,823</u>
Total Reserves	49,823	49,823

## 5. RETAINED PROFITS

Retained Profits is the difference between Members Equity and the established Reserves described under Note 4. This amount is considered by Directors as surplus to the current Capital needs of the Company, which can be reduced by either operating losses or abnormal losses.

Directors review the level of Retained Profits as part of the annual Budget and fee setting process.

## 6. RECEIVABLES AS CURRENT ASSETS

Trade Debtors	3,565	2,961
Less Provision for Doubtful Debts	67	93
	<u>3,498</u>	<u>2,868</u>
Sundry Debtors	107	56
Short Term Deposits	36,700	33,500
Less Income Received in Advance	<u>576</u>	<u>371</u>
	<u>39,729</u>	<u>36,053</u>

Short Term Deposits, which include discounted Bank Bills, are valued at face value. Income received in advance principally relates to interest on discounted Bank Bills.

	2000	1999
	\$'000	\$'000
<b>7. INVENTORIES AS CURRENT ASSETS</b>		
Stocks of Supplies & Spares on Hand	<u>1,121</u>	<u>1,118</u>
<b>8. OTHER CURRENT ASSETS</b>		
Unabsorbed Software Costs	44	90
Prepayments	<u>449</u>	<u>467</u>
	<u>493</u>	<u>557</u>
<b>9. PROPERTY, PLANT AND EQUIPMENT</b>		
(a) Land		
At Independent Valuation 30.06.98	8,321	8,321
Total Land	<u>8,321</u>	<u>8,321</u>
(b) Buildings		
At Cost	84	74
<b>Less</b> Provision for Depreciation	<u>14</u>	<u>5</u>
	<u>70</u>	<u>69</u>
At Independent Valuation 30.06.98	7,464	7,465
<b>Less</b> Provision for Depreciation	<u>597</u>	<u>299</u>
	<u>6,867</u>	<u>7,166</u>
Total Buildings	<u>6,937</u>	<u>7,235</u>
Total Land & Buildings	<u>15,258</u>	<u>15,556</u>
(c) Plant & Equipment		
At Cost	38,191	36,074
<b>Less</b> Provision for Depreciation	<u>24,925</u>	<u>22,126</u>
Total Plant & Equipment	<u>13,266</u>	<u>13,948</u>
Total Property, Plant & Equipment	<u>28,524</u>	<u>29,504</u>

The Independant Valuation as at 30th June, 1998 in respect of Land and Buildings was carried out by Registered Valuers and Property Consultants and was based on their assessment of current market values.

The valuation was made in accordance with a policy of revaluing Land & Buildings every 3 years.

No provision has been made in respect of any potential Capital Gains Tax as the Company is exempt from such tax.

#### 10. OTHER NON-CURRENT ASSETS

Unabsorbed Software Costs	—	44
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#### 11. ACCOUNTS PAYABLE AS CURRENT LIABILITIES

Trade Creditors	<u>1,943</u>	<u>1,334</u>
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#### 12. PROVISIONS AS CURRENT LIABILITIES

Employee Entitlements & Costs	4,635	3,793
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	2000	1999
	\$'000	\$'000
<b>13. PROVISIONS AS NON-CURRENT LIABILITIES</b>		
Testing Claims	-	25
Employee Entitlements & Costs	<u>1,574</u>	<u>2,073</u>
	<u>1,574</u>	<u>2,098</u>

**14. FINANCIAL REPORTING BY SEGMENTS**

The Company provides a testing service for the wool and textile industries and only operates within Australia. Therefore, reporting by geographical or industrial segments is inappropriate and impractical.

**15. COMMITMENTS FOR EXPENDITURE**

Capital Expenditure											
Sums Approved for Capital Expenditure on Projects in Progress due not later than one year							<u>1,180</u>				<u>1,135</u>

**16. CONTINGENT LIABILITIES**

There are no Contingent Liabilities as at 30th June, 2000.

**17. FINANCIAL INSTRUMENTS**

Interest Rate Risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities is as follows:

	Fixed Interest Rate Maturing									
	Weighted Average Effective Interest		Floating Interest Rate		Within Year		Non-interest Bearing		Total	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash	5.44	<b>4.91</b>	1,960	850	-	-	202	386	2,162	1,236
Receivables	5.47	<b>4.93</b>	-	-	36,700	33,500	3,029	2,553	39,729	36,053
Total Financial Assets			<u>1,960</u>	<u>850</u>	<u>36,700</u>	<u>33,500</u>	<u>3,231</u>	<u>2,939</u>	<u>41,891</u>	<u>37,289</u>
Trade & Sundry Creditors	-	-	-	-	-	-	1,943	1,334	1,943	1,334
Total Financial Liabilities	-	-	-	-	-	-	<u>1,943</u>	<u>1,334</u>	<u>1,973</u>	<u>1,334</u>

Credit Risk

The maximum exposure to credit risk at 30th June, 2000 to recognised financial assets is the amount, net of provision for doubtful debts, as disclosed in the balance sheet and notes to the financial statements. The Company does not have any material credit risk exposure to any single debtor or group of debtors.

Net Fair Values

The net fair values of Short Term Deposits, which include discounted Bank Bills, are valued at face value. For other assets and other liabilities, the net fair value approximates their carrying values.

18. REMUNERATION OF DIRECTORS	2000	1999
	\$'000	\$'000
Amounts paid or payable to Directors of AWTA Ltd	702	619
(a) Number of Directors of AWTA Ltd whose remuneration and retirement benefits fall within the following bands:		
\$ 0 - \$ 9,999	3	-
\$ 10,000 - \$ 19,999	4	5
\$ 20,000 - \$ 29,999	4	3
\$ 50,000 - \$ 59,999	2	1
\$400,000 - \$409,999	-	1
\$420,000 - \$429,999	1	-

These amounts include salaries, Directors fees, Committee fees, allowances, fringe benefits taxes, provision of motor vehicles and superannuation contributions.

Article 21(f) of the Company's Articles of Association entitles a Director, having been granted Leave of Absence by the Board, to appoint an Alternate Director in his place during such period as he thinks fit. The names of each person holding the position of Director of AWTA Ltd during the financial year are listed below, together with any duly appointed Alternate Directors:

A. G. McGregor AO (Chairman)	G. F. Ostini
D. J. Ward OAM (Managing Director)	K. J. Perrott
D. J. Fraser	J. B. Robinson
C. S. Gyrn	G. W. Turner
J. M. Lillie	B. P. van Rooyen
S. Lodge	B. C. Walker
D. G. McGauchie	D. H. Wolfenden

## 19. OTHER RELATED PARTY DISCLOSURES

Each of A. G. McGregor AO (Chairman), D. J. Fraser, C. S. Gyrn, J. M. Lillie, S. Lodge, D. G. McGauchie, G. F. Ostini, J. B. Robinson, G. W. Turner, B. P. van Rooyen, B. C. Walker and D. H. Wolfenden have interests in organisations which utilise the services of the Company in the ordinary course of business. All services are provided under the Company's standard terms and conditions.

## 20. SUPERANNUATION COMMITMENTS

### (a) Superannuation/Retirement Benefits

During 1999/2000, the Company participated in the Australian Wool Testing Authority Superannuation Plan, which provides defined benefits on retirement, resignation, disablement or death. The principal type of benefit provided for under the Plan is pension. Employees contribute to the Plan at various percentages of their wages and salaries and, in addition, the Company contributes to the Plan on behalf of employees at varying levels.

Contributions are not legally enforceable and the Company has the right to reduce or discontinue contributions upon one month's notice given to Members and the Trustees.

An independent actuarial assessment, as at 30th June 2000, was conducted by D. Orford, BSc MBA, Fellow of the Institute of Actuaries of Australia.

Sufficient funds are available for the purposes of the Plan to satisfy all benefits that would have been vested under the Plan in the event of:

- termination of the Plan;
- voluntary termination of the employment of each employee on the initiative of that employee; and
- compulsory termination of the employment of each employee of the Company by the Company.

Details of the Defined Benefit Section of the AWTA Superannuation Plan as at the date of the last actuarial assessment on 30th June, 2000 were:

Accrued Benefits of the Plan	\$25,963,526
Net Market Value of the Plan's Assets	\$25,963,526
Surplus	<u><u>-</u></u>
Vested Benefits of the Plan	\$25,963,526



At 30th June 2000, the Defined Benefits Section was effectively closed, the surplus allocated to members and all benefits transferred to the accumulation section, Category ACC.

Contributions from 1st July, 2000 are legally enforceable. As the Plan will be an accumulation fund from the 1st July 2000, AWTA Ltd does not guarantee the benefits to Members.

(b) Productivity Superannuation Benefits

The Company funds the Australian Wool Testing Authority Productivity Fund and the Australian Wool Testing Authority Superannuation Plan-Category ACC, with the principal type of benefit provided being in the form of pensions.

In both cases, the basis of contributions for the 1999/2000 financial year was 7% (1998/1999 : 7%) of normal wages and salaries paid by the Company.

The Company has a legally enforceable obligation under the Superannuation Guarantee (Administration) Act 1992, Industrial Awards or employment contracts to contribute to the Fund or Plan-Category ACC.

Being accumulating benefits funds with contributions fully vested, actuarial assessments are not relevant.

Sufficient funds are available to satisfy all benefits in the event of:

- termination of the funds;
- voluntary termination of the employment of each employee on the initiative of that employee; and
- compulsory termination of the employment of each employee of the Company by the Company.

## DIRECTORS' DECLARATION

The Directors of Australian Wool Testing Authority Limited declare that,

the financial statements and notes for the year ended 30th June, 2000 set out on Pages 22 to 30

- (a) comply with Accounting Standards and the Corporations Law;
- (b) give a true and fair view of the performance of the Company for the year ended 30th June, 2000;
- (c) give a true and fair view of the Company's financial position as at 30th June, 2000; and

in the opinion of the Directors of Australian Wool Testing Authority Limited there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors and dated 1st September, 2000.

A. G. McGREGOR AO  
CHAIRMAN

D. J. WARD OAM  
MANAGING DIRECTOR

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
AUSTRALIAN WOOL TESTING AUTHORITY LIMITED**

**SCOPE**

We have audited the financial report of Australian Wool Testing Authority Limited for the financial year ended 30th June, 2000 set out on Pages 22 to 30. The Company's Directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the Members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the Company's financial position and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

**AUDIT OPINION**

In our opinion, the financial report of Australian Wool Testing Authority Limited is in accordance with:

- (a) the Corporations Law, including:
  - (i) giving a true and fair view of the Company's financial position as at 30th June, 2000 and its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

HALL CHADWICK  
Chartered Accountants

J. H. DAVIS  
Partner

Melbourne  
5th September, 2000



## AUSTRALIAN WOOL TESTING AUTHORITY LTD - locations

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### **FREMANTLE LABORATORY**

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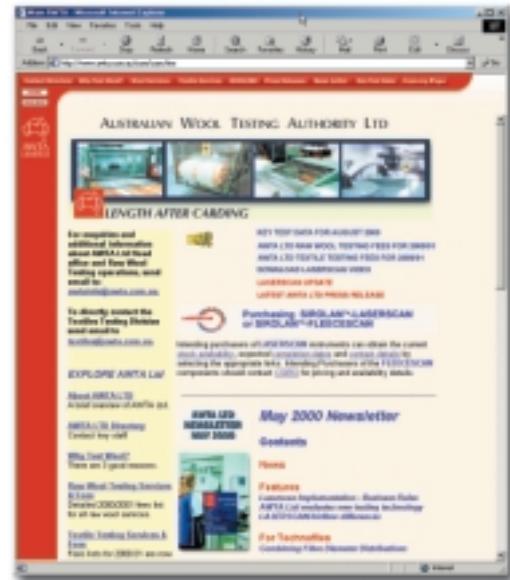
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