



AWTA
LIMITED

AWTA Ltd ANNUAL REVIEW 2011-2012





ANNUAL REVIEW 2011-2012

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HISTORY & OBJECTIVES

The Australian Wool Testing Authority was established in 1957 by the Commonwealth Government in response to requests from the Australian wool industry, and was created as a Statutory Authority reporting to the Minister for Primary Industry. The first meeting of the Authority was held on 12th December 1957.

Following the formation of the Australian Wool Board in 1962, AWTA was established as a separate division within that organisation on 1st July 1963. AWTA retained the same status within the Australian Wool Corporation when it was formed by the amalgamation of the Australian Wool Board and the Australian Wool Commission on 1st January 1973.

AWTA Ltd was established as a Company Limited by Guarantee on 14th May 1982 consequent to an Australian Government decision to transfer the functions of the statutory Australian Wool Testing Authority (AWTA) to the public sector. After almost 25 years of operations, the government and industry considered that there was no on-going requirement for AWTA to continue to have links with the government, particularly since it was controlled by the wool industry and funded by the commercial services it provided to the industry, not by the Government or any levies.

In April 1982, the same wool industry interests that comprised AWTA as a statutory body formed a public company limited by guarantee, to acquire all assets and liabilities of the statutory body.

AWTA Ltd commenced operations on 1st July 1982, when it took over all the previous functions of AWTA.

The objectives for which the Company was established were and are still enshrined in its Memorandum.

They include the following:

1. To promote sales of Australian wool by encouraging the growth and utilisation of objective measurement of wool, particularly by presale testing.
2. To test wool and other fibres, whether natural or otherwise, and wool products and similar products made wholly or partly from other fibres.
3. To provide an accurate and impartial testing service based upon internationally recognised testing standards as an aid to efficient wool marketing.
4. To conduct wool, fibre and textile research and/or to carry out tests on other materials and products where such activities assist or promote the development of the pastoral, agricultural, manufacturing or industrial resources of Australia.
5. To maximise the net income of the Australian wool industry by encouraging the optimum application of objective measurement of wool by wool growers, brokers, buyers and both local and overseas processors.
6. To optimise wool industry productivity through research and the implementation of new systems and technology.
7. To establish, equip and maintain laboratories, workshops and other places suitable for testing and research activities.
8. To provide and encourage the provision of data processing services aimed at the more efficient marketing of wool.
9. Generally to promote and foster the more efficient testing of wool as required by the wool and textile industry at a minimum cost.
10. To provide certificates and make reports in respect of test and research carried out by the Authority.

MISSION, VISION & VALUES

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 maintain a national and international reputation for technical expertise, commercial independence and professional integrity by providing accurate, impartial and efficient sampling, testing and certification services to our customers.

VALUES

- To maintain **technical excellence**, by taking maximum advantage of emerging technologies and providing staff with the knowledge, skills and equipment to improve customer service and lower costs.
- To ensure **commercial independence** in all activities.
- To insist on **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 process 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 aspire to provide a **safe and satisfying working environment**, which encourages employee participation and is supported by appropriate training and development programs.
- To seek to meet all legal and moral obligations 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 industrial resources of Australia.



COMPANY PROFILE

MEMBERSHIP & BOARD 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 appoint two Independent Directors and may also appoint a Director having special scientific or technological qualifications. The Chief Executive is also a Director pursuant to Article 21(d).

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

- Australian Council of Wool Exporters Inc (ACWE Inc)
- Australian Wool Processors Council Inc (AWPC Inc)
 - Wool Scourers & Carbonisers of Australia Group (WSCA Group)
 - Wool Textile Manufacturers of Australia Group (WTMA Group)
- Australian Wool Innovation Ltd (AWI Ltd)
- Private Treaty Wool Merchants of Australia Inc (PTWMA Inc)
- The National Council of Wool Selling Brokers of Australia Inc (NCWSBA Inc)
- WoolProducers Australia

Note: Australian Wool Processors Council Inc, being an amalgamation of two previously separate Member Guarantors, is entitled to appoint two Directors, one from each Group.

DIRECTORS

Directors holding office at the date of this Report are:

Chairman

D.G. McGauchie AO (elected Independent Director)

Deputy Chairman

G.W. Dickinson (elected Independent Director)
 M.A. Jackson (AWTA Ltd Managing Director)
 M.D. Avery (appointed by ACWE Inc)
 G.M. Power (nominee of WoolProducers Australia)
 P.D. Morgan (appointed by AWPC Inc from WTMA Group)
 D.B. Ritchie (appointed by AWPC Inc from WSCA Group)
 G.W. Turner (appointed by PTWMA Inc)
 D.A. Webster (appointed by AWI Ltd)
 C.J. Wilcox (appointed by NCWSBA Inc)

Profiles on each of the Directors are provided in the Directors' Report (page 15).

COMPANY SECRETARY

The Company Secretary is Mr Charles Englander (General Counsel).

BOARD RESPONSIBILITIES

The Board is responsible for the overall corporate governance of the Company, including its strategic direction and financial objectives. It sets goals for management and monitors their attainment. The Board has specifically assumed responsibility for:

- the approval of strategy and annual budgets;
- the provision of strategic direction and oversight of management;
- corporate governance;
- the selection and evaluation for succession planning of executive management;
- significant acquisitions and disposals of assets;
- significant expenditure decisions outside of the corporate budget;
- the remuneration of executive management;
- the approval of and monitoring of financial performance against corporate objectives and policies; and
- the integrity of risk management strategies and controls.

The delivery of the Company's strategic direction and goals as determined by the Board is delegated to management under the leadership 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.

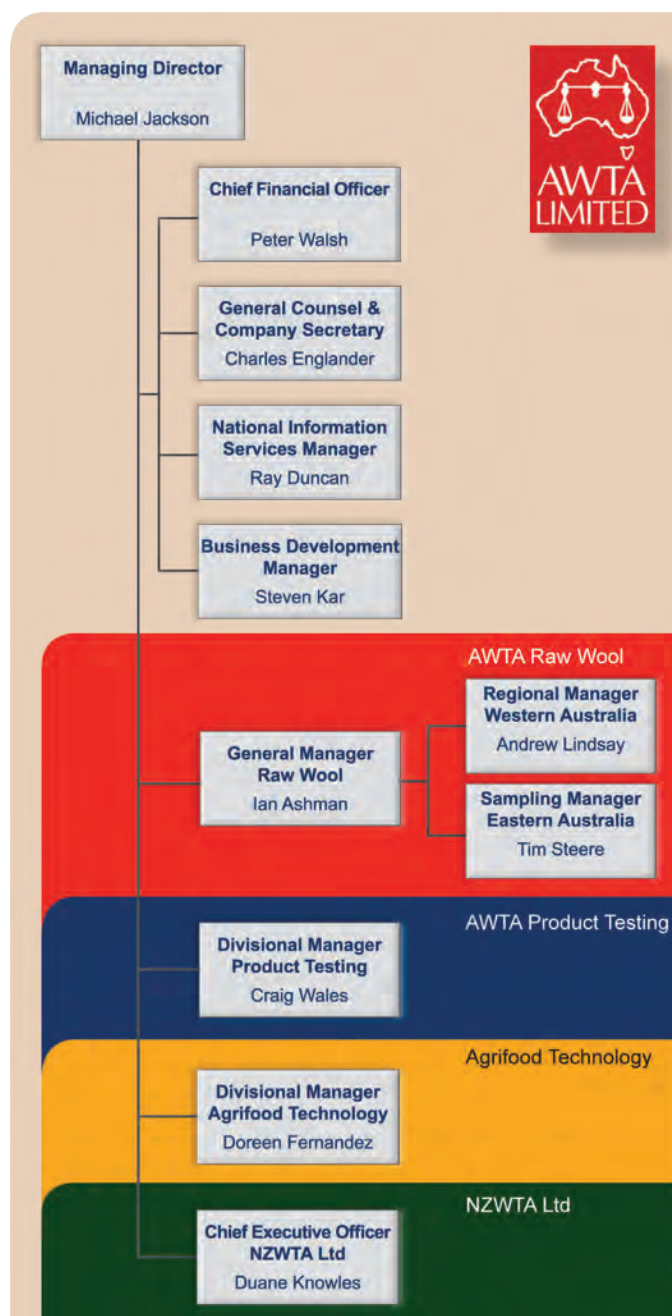
AWTA Ltd is organised for management and reporting purposes into four operating divisions. Management responsible for those divisions must account for their performance within a framework of strategic plans, budgets, position descriptions, targets, standards and policies.

The Strategy Committee, comprising senior management from Head Office and the four divisions, co-ordinates the management activity.

Strategy Committee Members are:

- Managing Director
- General Manager - Raw Wool
- Chief Financial Officer
- National Information Services Manager
- Divisional Manager - Product Testing
- General Counsel
- Chief Executive Officer - NZWTA Ltd
- Divisional Manager - Agrifood Technology
- Regional Manager - Western Australia
- Sampling Manager - Eastern Australia; and
- Business Development Manager.

ORGANISATION & REPORTING STRUCTURE



REMUNERATION & APPOINTMENTS COMMITTEE

Current members of the Remuneration & Appointments Committee are:

- Mr D.G. McGauchie AO (Committee Chairman)
- Mr G.W. Dickinson
- Mr D.A. Webster

The Managing Director attends the Committee meeting except when his own remuneration and employment conditions are being considered.

The Committee is charged with:

- setting policies and making recommendations on remuneration policies for the Company, including those governing the Directors, the Managing Director and senior management;
- reviewing candidates for vacant senior executive management positions and making specific appointment recommendations to the Board; and
- approving the recommendations of the Managing Director on the remuneration of all non-award personnel below senior officers.

Directors attendance at Committee meetings is reported in the Directors' Report.

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 Sitting Fee for Committee participation and reimbursement of travel and accommodation expenses for attendance at Board and other official Company meetings.

Executive Director & Senior Executives

The Board determines the remuneration for the Chief Executive Officer (Managing Director), the Chief Financial Officer and the General Manager - Raw Wool, upon the recommendation of its Remuneration & Appointments 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.

AUDIT & FINANCE COMMITTEE

The role of the Audit & Finance Committee is to assist the Board to fulfil its corporate governance and oversight responsibilities.

The principle objectives of this Committee are to:

- assist the Board in the discharge of its responsibilities relating to all financial matters;
- assess and advise the Company's Board on whether the annual financial report represents a true and fair view of the Company's financial position and complies with regulatory requirements;
- substantiate the existence, quality and valuation of the Company's assets;
- determine that management has implemented policies and procedures designed to ensure that the Company's risks are identified, assessed and appropriately addressed in a Risk Management Plan;
- ensure the operation of effective internal control policies and procedures;
- oversee the independence and appraise the quality of internal and external audits;
- maintain lines of communication between the Board, management and internal and external audit; and
- examine the accounting policies of the Company to determine appropriateness to general accepted practices.

The Committee comprises one Independent Director and up to two other non-executive Directors. The Chairman, the Managing Director, the Chief Financial Officer and the external auditor attend meetings by invitation.

The current members of the Committee are Mr G.W. Dickinson (Committee Chairman) and Mr D.B. Richie and Mr M.D. Avery. Attendance at Committee meetings is reported in the Directors' Report.

ENVIRONMENT & SAFETY COMMITTEE

The Company has a policy to conduct its business activities so as, wherever practicable, to minimise any adverse impact of such activities on the community and the environment and to comply with applicable legislative requirements. The Environment & Safety Committee ensures that the Company's environment and occupational health and safety obligations are implemented and maintained.

The Committee's key responsibilities are to:

- ensure that environmental management system requirements, including policies in relation to the Company's obligations with respect to environmental and health and safety issues are established, implemented and maintained;
- ensure compliance with all laws, regulations and regulatory obligations relating to environmental and safety matters by the Company;
- oversee the effective monitoring of the Company's operations in relation to environmental and occupational health and safety matters;
- keep the Board informed of the Company's activities in relation to its environmental and occupational health and safety obligations;
- ensure that the Company's environmental policy, objectives and targets are based on knowledge about the environmental impacts associated with its activities, products and services and any regulatory requirements; and
- review the environmental management system to ensure its continuing suitability.

Current members of this Committee are Mr G. W. Turner (Committee Chairman), Mr C.J. Wilcox, Mr M. A. Jackson and Mr C. Englander. Attendance at Committee meetings is reported in the Directors' Report.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE CHARTER

Whilst AWTA Ltd is not a listed company, where applicable to its structure, it follows the ASX's Corporate Governance Principles and Recommendations. The Board is responsible for the overall corporate governance of the Company, including its strategic direction, major policies and financial objectives. The Board has adopted a Charter that delineates its role and the role of individual Directors. The Corporate Governance Charter and Guide for Directors and Officers is publicly available on the Company's website.

CORPORATE CONDUCT & ETHICS

The Company recognises that it is vital to its continuing success that its staff maintain the highest possible reputation for technical expertise, commercial efficiency, impartiality, independence, equal opportunity and professional integrity. To ensure that they are aware of the ethical framework in which they are required to work, each staff employee is required to read and sign the Company's Corporate Conduct & Ethics Policy. This policy sets broad guidelines for conduct and reflects AWTA Ltd's corporate "conscience" by promoting the highest levels of behaviour.

APPOINTMENT OF AUDITORS

The Company's auditors are Pitcher Partners. The auditors' effectiveness, performance and independence is reviewed by the Audit & Finance Committee.

The audit is conducted in accordance with the Corporations Act 2001 and the Australian Auditing Standards which require auditors to comply with relevant ethical requirements related to audit engagements and to plan and perform the audit so as to obtain reasonable assurance that the financial report is free from material misstatement.

The auditors are obligated to comply with the independence requirements of the Corporations Act 2001.

The auditors are required to form an opinion whether the financial report of Australian Wool Testing Authority Ltd and its controlling entity comply with the requirements of the Corporations Act 2001, the Regulations and the Australian Accounting Standards.

RISK IDENTIFICATION AND MANAGEMENT

The Company continues to have in place a number of risk management controls including:

- guidelines and limits for approval of capital expenditure and investments;
- an annual insurance review;
- defined senior management responsibilities for areas including equal opportunity, occupational health and safety, environmental compliance, legal liability, risk identification and reporting and financial controls;
- policies and procedures for the management of financial risk and investment operations, including exposure to foreign currencies and movements in interest rates;
- strategic planning process for the implementation of 3-year strategic plans;
- annual budgeting and monthly reporting systems enabling the monitoring of progress against performance targets and the evaluation of trends;
- Director's Declarations of Interests; and
- disaster recovery procedures for the key business units of the Company.

COMPANY POLICIES

In addition to the Company Policies previously referred to, the Company has and maintains a comprehensive range of policies and procedures including:

- Accounting;
- Payroll;
- Debtors;
- Assets;
- Purchasing;
- Occupational Health & Safety;
- Environmental Compliance;
- Restrictive Trade Practices & Consumer Law Compliance;
- Staff Recruitment, Training and Termination;
- Privacy;
- Anti-Harassment, Bullying and Discrimination;
- Records & Statistics;
- Equal Opportunity; and
- Improper Conduct Policy.

The Company's policies are regularly monitored and reviewed and aim to meet or exceed best practice with comparable organisations.

ENVIRONMENTAL IMPACTS

The group's operations are subject to particular and significant regulations under relevant legislation.

Details of performance in relation to such regulations are set out below.

(a) AWTA Ltd's Kensington, Victoria site is obligated to ensure that its waste water generated by the wool testing operations complies with the requirements of City West Water Ltd's Trade Waste Agreement.

During the reporting period, trade waste was recorded as exceeding the Agreement's limits on three occasions involving daily flow, copper limit and total dissolved solids (the latter subsequently determined to be due to sampling irregularities, rather than Agreement exceedance).

(b) The AWTA Ltd's Bibra Lake, Western Australian site discharges laboratory waste to sewer pursuant to an Industrial Waste Permit issued by the Water Corporation.

During the reporting period all waste discharged to sewer complied with the Permit's stipulated limits.

(c) AWTA Ltd's Agrifood Technology division located at Werribee, Victoria is required to ensure that its waste water generated through its testing activities complies with the requirements of City West Water's Trade Waste Agreement.

During the reporting period, all laboratory effluent discharged to sewer complied with the stipulated limits of the Agreement.

(d) AWTA Ltd's New Zealand site discharges laboratory waste to sewer pursuant to the Napier City Trade Waste By-law 2008.

During the reporting period, laboratory waste discharged to sewer complied with the By-law's stipulated limits, with the exception of 2 instances occurring in February and April, 2012, when pH limits were exceeded.

HUMAN RESOURCES

STAFF NUMBERS

AWTA Ltd's staff numbers vary in response to seasonal work-flow. Variations in work-flow are managed in part by the use of casual and to a lesser extent, part-time staff. AWTA Ltd's staff numbers peaked at 412 in November 2011.

STAFF TRAINING

As part of the Company's due diligence program, the Legal Department, supported by regional and divisional management regularly conduct training in anti-discrimination, bullying, sexual harassment, restrictive trade practices, equal opportunity, occupational health and safety, internet and email use, and affirmative action.

OCCUPATIONAL HEALTH & SAFETY

The Company's occupational health and safety obligation's are monitored by Executive Management, with day-to-day responsibility resting with regional management.

Safety performance data consisting of lost time accidents, frequency rate and duration rate are calculated to AS/NZS 4801-2001 and reported monthly. The data is reviewed by management, the Environment & Safety Committee and the Board.

During 2011/12, the Company experienced 9 lost time accidents (the same number as in the previous year), a lost time frequency rate of 17.8 (being the same rate as in previous year) and a lost time duration rate of 378.2 (up from 164.1 the previous year).

Achieving a zero Lost Time Injury result is a goal of all responsible employers. Such a result can only be achieved by careful attention to systems of work, Risk Assessments, work organisation and a shared commitment by staff to safety and injury prevention. AWTA Ltd continues to work with staff to increase on-the-job awareness of safety and to maintain a culture of shared commitment to safety.

SERVICE AWARDS

It is noteworthy that a significant number of staff have been employed by AWTA Ltd for more than 20 years. Since the formation of the Statutory AWTA in 1957 to the completion of the year under review, 195 employees have reached 20 years service, 53 have achieved 30 years service and 5 have reached 40 years service. During 2011/12 the 30 year service roll increased by 3 and the 20 year service roll increased by 6.

SERVICE AWARDS

30 Years

Michael Larkin	(51 st)	Laboratory Controller (Melbourne), commenced 10 August 1981
John Ball	(52 nd)	Maintenance Officer (Melbourne), commenced 31 August 1981
Rob Hallion	(53 rd)	Sampling Manager (Fremantle), commenced 8 March 1982

20 Years

Karen Ford	(190 th)	Testing Officer (Fremantle), commenced 19 August 1991
Silvia Patterson	(191 st)	Testing Officer (Fremantle), commenced 19 August 1991
Gaye Lehtinen	(192 nd)	Testing Officer (Fremantle), commenced 19 August 1991
Doreen Fernandez	(193 rd)	Divisional Manager - Agrifood Technology, commenced 16 September 1991 (formerly with AWB)
Nipa Small	(194 th)	Senior Analyst Quality Feed Laboratory, commenced 2 June 1986 (formerly with AWB)
Karen Jackson	(195 th)	Analyst Food Safety Laboratory, commenced 27 July 1987 (formerly with AWB)

CHAIRMAN'S STATEMENT

AWTA Ltd has recorded a net loss of \$1.230 million for 2011/12, after taking up an impairment charge of \$1.347 million to reflect the lower market value of its investment portfolio. The result excluding the impairment was a modest profit of \$0.117 million.

When AWTA Ltd was privatised in 1982, it was structured as a Company Limited by Guarantee with the objective of providing services to its clients at minimum cost, rather than maximising profit for distribution to shareholders. There is no doubt that over many years the Company has been successful in this regard, the fee for AWTA Ltd's primary service (presale raw wool testing) is lower in dollars per test.

However, in the last decade, wool production in Australia has declined by almost half and AWTA Ltd's principal market has been shrinking. AWTA Ltd responded by focussing on innovation and cost control in its raw wool testing laboratories and by reducing corporate overheads. At the same time, the Board recognised that it was essential for the Company to broaden its revenue base beyond raw wool and textile testing into other services to agriculture so that fees continue to be contained as the volume of wool produced in Australia declines.

Hence, approximately 7 years ago, AWTA Ltd adopted a strategy to expand into related testing markets where independent, high quality, high integrity testing is a necessary part of the value chain.

While this approach has been successful, with a modest profit (pre-impairment), the year under review did see financial performance deteriorate from the previous year. The principle reasons for this were:

- the amount of wool presented for testing decreased on the previous year. Higher wool prices in 2010/11 had encouraged growers to release wool held on farm to the market and this did not reoccur; and
- investment income decreased by approximately \$0.8 million on the previous year compounding the impairment charge mentioned above.

AWTA Ltd, as a consolidated group, comprises 3 operating divisions in Australia (AWTA Raw Wool, AWTA Product Testing and Agrifood Technology), its wholly owned subsidiary NZWTA Ltd and its joint venture, JinAo Testing Co Ltd, which is managed through AWTA Product Testing.

I am pleased to report that total operating revenue earned outside AWTA Raw Wool continues to grow and reached \$11.571 million in 2011/12. It is noteworthy that this now represents over 32% of AWTA Ltd operating revenue. In comparison, a decade ago revenue from non-raw wool sources was less than \$2 million and only 5% of operating income. Directors are also very pleased to note that AWTA Product Testing, Agrifood Technology and NZWTA are all producing an acceptable return on the capital that AWTA Ltd has invested in them.

Total AWTA Raw Wool revenue decreased by 1.9% as the number of bales sampled fell by 2.9%. The AWI Wool Production Forecasting Committee has reported that the same amount of wool was grown in 2011/12 as the previous year. Hence, it is highly probable that the decrease in AWTA testing activity relates to wool shorn in previous seasons being released from on-farm storage in 2010/11 in response to high market prices at that time. It is positive to observe signs that wool production may have bottomed out after a long and steady period of decline. The AWI Wool Production forecasting Committee is also optimistic that wool production is turning the corner, predicting an increase of 1% for 2012/13.

Improved productivity and other cost saving initiatives partially offset wages inflation resulting in operating expenditure for the Raw Wool Division being only 1.2% higher than last year.

AWTA Product Testing division continues to evolve and react to changes in the demand for local testing of various materials and products. Revenue increased by 9.3% and the mix of test types changed considerably, with increased testing activity in the building materials and automotive sectors more than offsetting textile testing which continues to fall reflecting the depressed retail conditions in Australia.

JinAo Testing Co Ltd grew its revenue base steadily and significantly during 2011/12, to the point where it was profitable. The majority of JinAo testing was conducted for Australian customers importing Chinese products with a growing base of local processors of Australian wool looking to JinAo to provide specialist services.

The operating performance of NZWTA has improved considerably in recent years. NZWTA operating revenue increased due to the maintenance of a high market share in wool testing and a full year of operation by the textile testing laboratory, purchased from AgResearch in December 2010 and incorporated into the Napier laboratory. NZWTA Ltd has again achieved a satisfactory financial result.

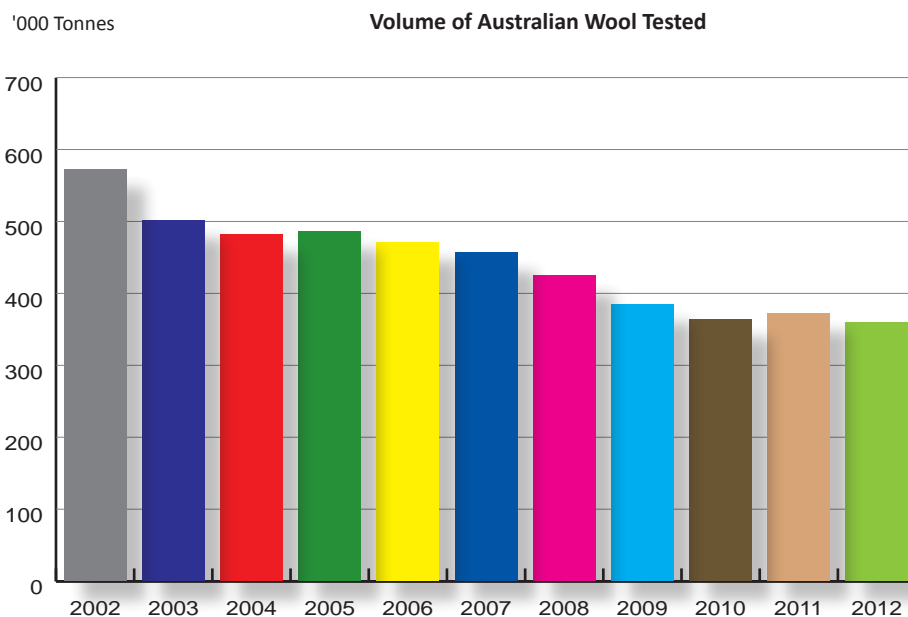
AWTA Ltd purchased Agrifood Technology from AWB in February 2008 and 2011/12 is the fourth full year that it has operated under AWTA Ltd ownership. Agrifood Technology has now successfully established its independence within the deregulated wheat industry, securing a broad range of wheat industry clients. It has also significantly increased its activity in the processed and fresh food and the hay and fodder sectors, which now generate a significant proportion of Agrifood Technology's revenue, providing some insulation against the seasonal impacts inherent in the grain industry. During 2011/12, total operating income at Agrifood Technology increased by 2.7%.

Global financial markets remained depressed during 2011/12, impacting on AWTA's non-operating revenue, through reduced investment income and precipitating the impairment I previously referred to. AWTA invests its funds in various asset classes in accordance with a balanced investment policy which is regularly reviewed by the Board. The strength of the Company's balance sheet allows it to take a long-term approach to investment and Directors accept that there is a risk of volatility and periods of short-term negative results under this policy.

Mr Don Hamblin stepped down from the Board of AWTA Ltd at the end of November 2011, after 4 years service, to make way for the appointment of Mr Geoff Power. I would like to thank Don for his valued contributions as a Director and welcome Geoff to the Board.



MR D.G. McGAUCHIE AO
CHAIRMAN - AWTA Ltd



I would also like to thank Mr John Lewis who retired from AWTA Ltd in June. For the previous 7 years, John led the AWTA Product Testing Division with dedication and foresight that enabled it to not only survive, but thrive in a period where the industry environment was very difficult. Prior to joining the management of AWTA Ltd, John served as a non-executive director of the Company. I welcome Mr Craig Wales, the new Divisional Manager for AWTA Product Testing, to the executive team.

I would also like to pay tribute to all the staff that have achieved 20 and 30 year service anniversaries during the past year and acknowledge their contribution to the Company. AWTA Ltd has a proud tradition of long service, a rare feat in most Australian companies.

Finally I wish to express my personal thanks to the Chief Executive, Michael Jackson, all Directors and the Company's employees for their support, contribution and dedicated service during 2011/12.



D.G. McGAUCHIE AO

MANAGING DIRECTOR'S INTRODUCTION

The AWTA Ltd Group reported an overall loss of \$1.230 million for 2011/12, which is made up of a profit before impairment of \$0.117 million and a \$1.347 million impairment of financial assets. This result is not as strong as 2010/11 due primarily to reduced contribution from AWTA Raw Wool and lower investment returns.

It is pleasing to report that the operating performance of AWTA Product Testing, Agrifood Technology and NZWTA remains strong and each division has made a positive contribution during 2011/12. In his report, the Chairman comments on the need for AWTA Ltd to have a broad revenue base and there is no doubt that financial success in these operating divisions is instrumental in minimising raw wool fees.

The Company remains financial stable and is well placed to continue to provide services that add value to the wool, textile, agricultural and manufacturing industries.

Following is a summary of the financial performance during 2011/12 and a brief report on each operating division with in the AWTA Ltd Group.



MR M.A. JACKSON
MANAGING DIRECTOR

FINANCIAL SUMMARY

COMPARATIVE PROFIT & LOSS STATEMENT

	2012 \$'000s	2011 \$'000s
Revenue		
Revenue from services	34,600	33,899
Revenue from investments	2,230	3,294
Profit on sale of surplus sample material	1,055	1,010
Consulting income	135	241
Rental income	300	226
Other income	97	670
Total revenue	38,417	39,340
Expenses		
Operating and administrative expenses	(37,531)	(36,763)
Unrealised impairment of financial assets	(1,347)	(549)
Realised losses on sale of investments	(769)	(907)
Total expenses	(39,647)	(38,219)
Net Profit/(Loss)	(1,230)	1,121



AWTA RAW WOOL

OVERVIEW

AWTA Raw Wool is the largest division within AWTA Ltd and is comprised of:

- Sampling Operations,
- Raw Wool Laboratories,
- Data Processing Operations; and
- Technical & Quality Control.

During 2011/12 AWTA Raw Wool operated two laboratories located in Melbourne (servicing clients in Victoria, New South Wales, Queensland, South Australia and Tasmania) and Perth (servicing clients in Western Australia).

CAPABILITIES

Each laboratory provides certified testing of Yield & Micron, Staple Length & Strength and Colour for raw wool. Certified testing of scoured wool is also conducted for a range of attributes including regain and grease content. In addition, AWTA Raw Wool offers non-certified report testing of raw wool, scoured & carbonised wool and speciality fibres such as Mohair, Alpaca and Cashmere.

The number of bales core sampled for certified tests decreased by 2.9% during 2011/12 with 2.05 million bales sampled compared with 2.11 million bales during the previous season. Production increased in South Australia and Tasmania but declined in all other states, with Western Australia experiencing an 11% decline due to ongoing dry conditions.

The number of sale lots tested for Yield & Micron results decreased by 1.9% to 369,106 lots during 2011/12 when compared with the previous season. The number of sale lots tested for Staple Length & Strength declined by 1.9 % to 231,960 lots over the same period.

AWTA Raw Wool maintains a strong focus on the three key measures of performance:

- service delivery;
- improved efficiency/productivity; and
- sound technical performance.

Service

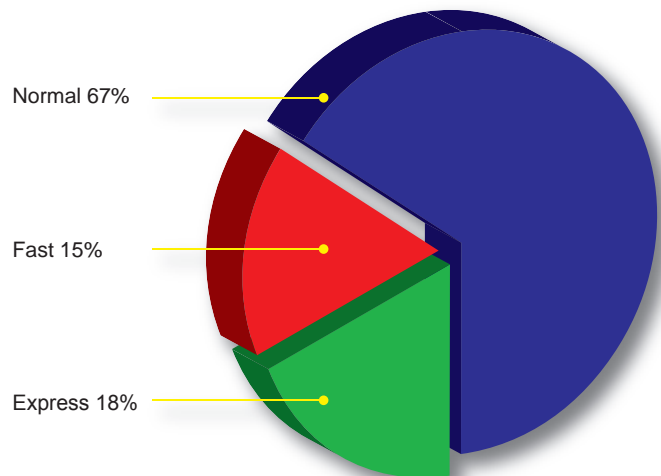
AWTA Raw Wool is committed to providing timely testing service as required by its customers. Samples are taken at 32 locations throughout Australia and dispatched overnight to one of the AWTA Raw Wool laboratories.

AWTA Ltd offers three levels of priority for service:

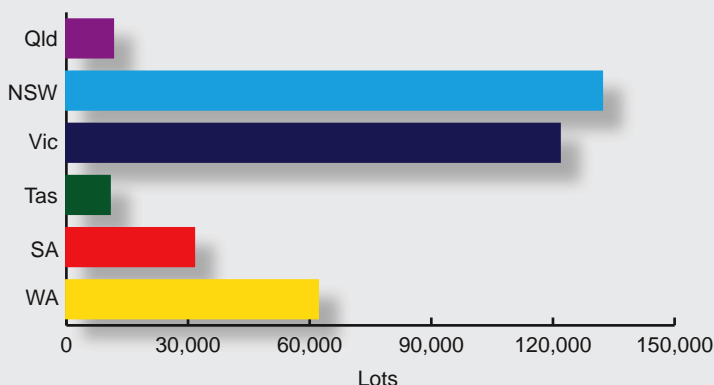
Normal: Test Certificates are available within 5 days of a sample being taken.

Fast: 95% of test Certificates are available within 3 days, and the remainder the following day.

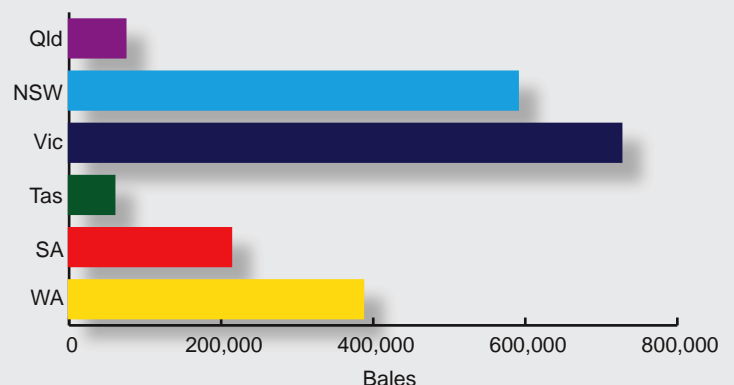
Express: 95% of test Certificates are available the following morning, with the remainder the following day.



Lots Sampled 2011/12



Bales Sampled 2011/12



Test Type	Service Measure	Normal	Fast	Express
Yield & Micron	Average (days)	3.0	1.9	1.5
	% Total Tests within Service Target	99.2	97.8	97.0
Length & Strength	Average (days)	3.7	2.2	1.6
	% Total Tests within Service Target	96.5	96.6	96.6

During the 2011/12 season service performance was, on average, well within the service time requirements. These times are all measured from the time of sampling, not when samples are received at a laboratory.

Efficiency

The efficiency of AWTA Raw Wool departments is monitored by measuring departmental productivity. Any increase in productivity reduces overall labour costs. Labour forms the majority of the cost of testing wool.

Sampling Productivity declined during 2011/12 due to the fragmentation of operations at wool coring locations.

Testing Productivity, which reflects the efficiency of all laboratory operations, increased by 0.7% during 2011/12. This increase was largely due to improved work practices and workplace management.

Technical

Confidence in wool trading requires confidence in the accuracy and precision of the wool test results. AWTA Ltd Raw Wool laboratories have rigorous quality control procedures, calibration schedules and test monitoring processes in place to ensure a high level of accuracy and precision. Trial samples are exchanged between AWTA Raw Wool laboratories to ensure consistency. Blind trials are also conducted twice weekly with overseas laboratories with the results publicly reported at the annual International Wool Textile Organisation (IWTO) Conference.

During 2011/12, all AWTA Laboratories reported ongoing stable and accurate performance to the IWTO Conference.

External queries from clients also serve as an indicator of technical performance. During 2011/12, some 1,260 results (0.21% of all tests) were queried by customers. Of these, 327 were reissued, representing less than 0.06% of the 601,066 Yield & Micron and Staple Length & Strength tests conducted.

CHALLENGES

The major challenge for Raw Wool operations is maintaining high levels of service and efficiency in an environment where revenue growth has declined in recent years and costs continue to escalate.

INDUSTRY SUPPORT

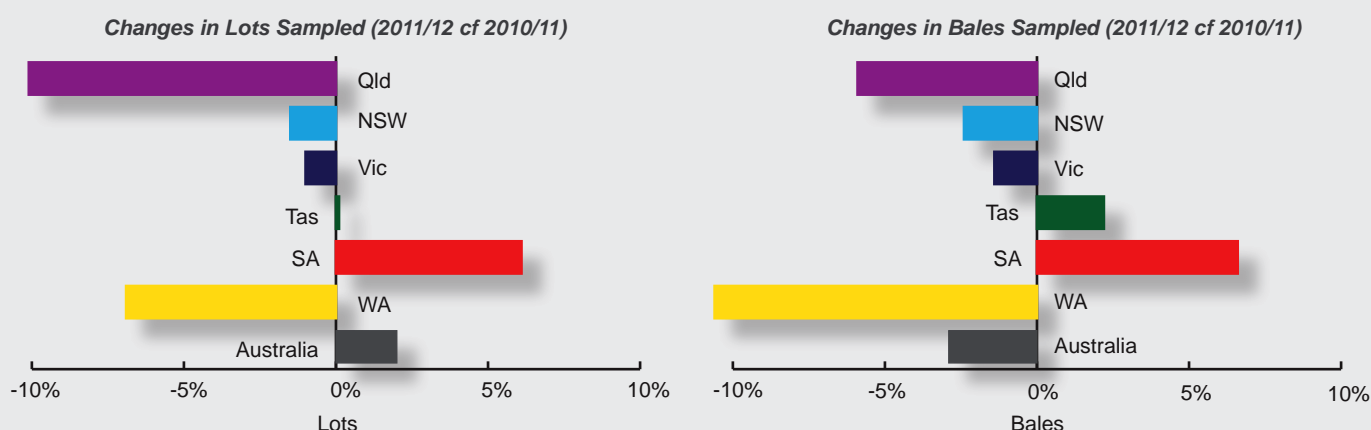
The Company focuses its industry activities, both domestically and internationally, on promoting the use and understanding of objective measurement. This is to ensure Australian wool maintains its pre-eminent position in the world wool textile market. AWTA Ltd continues to participate in International Wool Textile Organisation (IWTO) meetings where key staff contribute to the development and understanding of wool testing standards and procedures.

AWTA Ltd collates and publishes an extensive range of statistics and analytical reports which are provided free of charge to the wool industry. An example of this is the Key Test Data report - a monthly summary of the volume of wool tested and average results tested broken down by State and wool category. Other examples include a number of detailed micron split and Wool Statistical Area reports, which are crucial for the Australian Wool Production Forecasting Committee. This data, along with a range of other statistical reports, is available for download from the AWTA Ltd website.

AWTA Ltd continues to provide the TOPMARK benchmarking service for wool processors free of charge. This service allows wool processors to compare their processing performance against the average of all other mills participating in the program. The objective of this program is to improve the efficiency of wool processors.

The Company continues to support the Australian wool industry by sponsoring and providing testing assistance for major sheep shows, ram sales and research trials. Details of supported events are listed on the AWTA Ltd website to assist with the promotion of sponsored events.

AWTA Ltd also hosts meetings with industry bodies and associations and is an active member of the Federation of Australian Wool Organisations (FAWO).



AWTA PRODUCT TESTING

OVERVIEW

The Product Testing division is an independent materials testing facility available to government instrumentalities, industry and the general public. It possesses a diverse array of specialised testing equipment operated by highly-competent technicians.

CAPABILITIES

The division has internationally recognised competencies in flammability, textiles, automotive, weathering, physical, chemical and mechanical testing.

Materials evaluation can be conducted against a broad range of industry-specific, Australian and international standards. NATA Accreditation encompasses the five prime areas of retroreflection, flammability, chemical, thermal and mechanical testing which, when combined, covers 34 secondary areas of testing competence.

LOOKING FORWARD

The division will become considerably more customer-focussed with improved communication systems and strive for reduced lead-times. The competency-base will be enhanced by cross-training and appropriate use of available personnel resources, which when coupled with the introduction of specialised equipment will improve all areas of our business. The division will continue to investigate diversification opportunities and expansion into niche areas with the express intention of increasing its revenue contribution. The division will actively promote itself by advertising in carefully selected mediums.



JinAo
Testing Company

JINAO TESTING COMPANY

OVERVIEW

JinAo is a joint venture laboratory located in Nanjing, China and is a 50/50 venture between AWTA and JSIC Jiangsu, a division of China Inspection and Quarantine (CIQ).

CAPABILITIES

JinAo mainly focuses on textile and environmental testing of products predominantly of Chinese origin. Whilst it has a relatively small laboratory, it has a diverse and growing client base particularly in the Australian importing community as testing can be done at source with the security of the AWTA name behind it. JinAo also provides services to assist Chinese early stage processors to efficiently process Australian wool.

LOOKING FORWARD

JinAo's challenge is to grow its revenue base and develop a solid and ongoing domestic client base. It will over time need to branch out into additional areas of testing and grow its expertise and diversity.



AGRIFOOD TECHNOLOGY

OVERVIEW

Agrifood Technology has continued to be one of Australia's major provider of physical and chemical testing to the grain, horticultural, food and feed industries.

CAPABILITIES

Agrifood Technology is an independent, NATA ISO 17025 accredited and ISO 9001 certified testing facility that operates in a competitive environment, it is focussed on providing accurate results and rapid response times to meet the needs of our customers.

Agrifood Technology in Victoria and Western Australia are well equipped to conduct comprehensive analysis on a diverse range of food and feed products including grain quality, milling, dough rheology, end-product assessment, nutritional labelling, allergen testing, pesticide residues, mycotoxins and microbiological analysis.

The laboratories are well supported by a team of 24 technical staff and 6 administrative staff who are highly experienced and committed to the accurate and timely provision of results.

A significant improvement has been made in operational efficiency through automatic data capture into LIMS from laboratory instrumentation. Further investment in technology in the Food Safety laboratory has resulted in an increase in residue testing on fresh produce for two major supermarket chains which is a significant accomplishment in a very competitive environment.

Revenue from the Feedtest service acquired from the Victorian Department of Primary Industries has remained constant over the last twelve months. A working group has been formed to further enhance the calibration and offer more parameters to meet industry requirements.

LOOKING FORWARD

Expanding both Agrifood Technology's testing capabilities and client base will remain a priority over the next twelve months. The focus will be on marketing the testing services to targeted clients and industry sectors and improving brand awareness through advertising and increased presence at field days, seminars and conferences.



NZWTA

NZWTA LTD

OVERVIEW

NZWTA Ltd is New Zealand's leading wool and textile testing organisation, providing a comprehensive service to the whole textile industry.

CAPABILITIES

The wool laboratory provides IWTO certification for Yield, Fibre Diameter, Colour and Staple Length and Strength of greasy wool. A comprehensive service is also conducted on scoured wool, which still forms over 70% of New Zealand's wool exports.

The 2011/12 season began with the wool market at its highest point in over 20 years. However, within twelve months the effects of global economic conditions had left crossbred wool prices barely above the historic lows of 2009. Testing volumes of greasy wool in 2011/12 decreased from the previous season. The latest testing figures more closely reflected annual wool production, as the spike in crossbred wool prices in 2010/11 had released a quantity of wool held in stock at the time.

The national sheep population is estimated to have increased by 2.6% to 31.9m, although most of this increase is through trading stock held over because of good growing conditions. Sheep farming in New Zealand continues to be threatened by other profitable agricultural activities, particularly dairy.

The textile testing business acquired from AgResearch completed its first full year in the Napier laboratory. The operation has expanded its customer base and has been successfully integrated into the overall business. The acquisition has provided the company with an important revenue stream and an excellent platform for further expansion in the future.

LOOKING FORWARD

Continuing uncertainty in world markets gives little confidence of any significant improvement in wool prices in 2012/13. While other agricultural commodity markets have also been affected, this will place more pressure on sheep farming enterprises in the future.

NZWTA Ltd will continue to use its key competencies of quality, integrity and customer focus to grow its overall business. Expansion of services and customer base is a priority throughout new and traditional textile industries as local manufacturing resists the trend towards an import-based market.

RESEARCH & DEVELOPMENT

During 2011/12 the Research and Development department worked on both internal and external projects in partnership with other industry organisations. Funding partners included Australian Wool Innovation (AWI) and the Sheep CRC, while research partners included CSIRO, the University of NSW, Deakin University and the University of New England.

The input of commercial entities, including Country Road, The Merino Company and a range of wool topmakers and spinners into research projects is also acknowledged.

During 2011/12 key highlights included:

- more robust measurement of residual ASH by NIR;
- new variance and precision estimates and range checks accepted by IWTO for Classed Grower sale lots; and
- improved sample preparation systems for Automated DMFT testing approved by IWTO.

During 2011/12 the key manufacturing outcomes were:

- continuing a strong focus on improving safety of machinery;
- continue developing long-term projects for future increases in productivity;
- development and installation of upgrades and improvements to the buildings and services; and
- developing large scale upgrades to machinery to ensure longevity.

INFORMATION SERVICES

The Information Services Division is located within the corporate Head Office. In its application development role the Division develops and maintains the custom software used in production support systems, for example within the wool testing laboratories. It also supports the application packages used in both business support and production support systems such as the enterprise HR3 Payroll and the LabWare Laboratory Information Management System used in Agrifood Technology.

The Division is also responsible for the planning, deployment and support of the infrastructure required to support all operations across the enterprise. This infrastructure encompasses the wide area network, data centres and office systems across the country and all the hardware and software used within these installations.



DIRECTORS' REPORT

2011–2012
FINANCIAL STATEMENTS



AUSTRALIAN WOOL TESTING AUTHORITY LTD

AND CONTROLLED ENTITY

ABN: 43 006 014 106

DIRECTORS' REPORT

The directors present their report, together with the financial statements of the group, being the company and its controlled entity, for the financial year ended 30 June 2012. This financial report has been prepared in accordance with Australian Accounting Standards.

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

The principal activities of the consolidated group during the financial year were raw wool, textiles, agricultural products and other materials testing, and computer services. There were no significant changes in the nature of the consolidated group's principal activities during the financial year.

The Australian Wool Testing Authority Ltd (AWTA Ltd) is a Company Limited by Guarantee established to assist and 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.

Over the last 55 years, AWTA Ltd has built a highly successful business providing independent test information to its customers, primarily the wool industry in Australia. The Company has built and maintained a national and international reputation for technical expertise, commercial independence and professional integrity, while its corporate structure facilitates the minimisation of the fees that it charges for its services. During the last 2 decades wool production in Australia has fallen steadily and significantly, causing a consequent fall in testing volumes and AWTA Ltd revenue. The Company has responded to this situation with the objective of minimising fee increases for its raw wool clients by:

- reducing costs by improving labour productivity and significantly reducing management overheads; and
- diversification into related testing markets to improve profitability by growing revenue from non-wool sources.

OPERATING RESULTS

The net loss of the group for the year, after taking up an impairment charge of \$1.347 million, was \$1.230 million (2011 net profit of \$1.121 million).

REVIEW OF OPERATIONS

AWTA Ltd, as a consolidated group, comprises 3 operating divisions in Australia (AWTA Raw Wool, AWTA Product Testing and Agrifood Technology), its wholly owned subsidiary NZWTA Ltd and its joint venture, JinAo Testing Co Ltd, which is managed through AWTA Product Testing.

The financial performance of each division is separately monitored, with the cash return as a percentage of capital invested being the key measure adopted by the Board. In addition, key performance measures relating to service and technical areas are routinely monitored by the Board. The reviews following summarise the operating performance of each section of the company.

AWTA Raw Wool

The operating environment in the Australian wool industry has deteriorated slightly in 2011/12 after a considerable improvement during 2010/11. Wool prices progressively deteriorated during 2011/12, giving up some of the gains made in the previous year. In addition, during 2010/11, increasing prices encouraged growers to release wool previously stored on-farm to the market, leading to an increase in testing volumes. In 2011/12, this was not repeated and, consequently, the volume of wool tested was lower than in 2010/11 leading to a decrease in AWTA Raw Wool revenue. Despite the recent fall in price, particularly for fine wool, there is continuing optimism that wool production will slowly recover with the AWI Wool Production Forecasting Committee predicting a slight increase of 1.4% in wool production for 2012/13.

The majority of Raw Wool revenue comes from presale testing of greasy wool. The number of core tests conducted by AWTA Raw Wool decreased by 2.0% from last year. Staple length and strength testing activity also fell by a similar amount from the previous year with the proportion of core tests additionally measured for length and strength stable. Total revenue decreased by 1.9% from last year. Improved productivity and other cost saving initiatives partially offset inflation resulting in operating expenditure for the Raw Wool division being only 1.2% higher than 2010/11.

AWTA Product Testing

AWTA Product Testing division revenue increased by 9.3% from 2010/11 and the mix of test types changed considerably. Business from Australian textile manufacturers, which was once the division's largest customer group, continues to reduce as production moves off shore and as retail remains depressed. Revenue from this source is progressively being replaced by testing conducted on other products, particularly for the building materials, automotive and reflective goods industry sectors. Expenditure increased by 6.9% due to the greater workload than last year. As a consequence, operating contribution from AWTA Product Testing once again improved on the 2010/11 result.

JinAo Testing Co Ltd grew its revenue base steadily in 2011/12 to the point where it was profitable. The majority of JinAo testing was conducted for Australian customers importing Chinese products with a growing base of local processors of Australian wool looking to JinAo for specialist services.

NZWTA Ltd

The operating performance of NZWTA has improved considerably in recent years. NZWTA operating revenue increased due to the maintenance of a high market share in wool testing and a full year of revenue from the textile testing operation that was added to its Napier laboratory in January 2011. NZWTA Ltd has again achieved a satisfactory financial result in an environment where wool production continues to decline.

Agrifood Technology

Agrifood Technology continued to diversify its revenue base in 2011/12. As revenue from grain testing is highly dependant on seasonal conditions and ongoing structural changes in the wheat export industry the Division has been actively extending its activities in the fresh and processed food sectors to counter this risk. This strategy has been successful, with total revenue growing by 2.7% despite a slight fall in the grain testing sector, the traditional customer base for Agrifood Technology. During 2011/12, the return on investment from Agrifood Technology remained healthy.

Non-operating Income

Income from investments was impacted by the ongoing deterioration in financial markets and, as a consequence, overall group revenue from sources other than testing services decreased by approximately 30%.

Unrealised Impairment Charges

In accordance with AASB 139 Financial Instruments: Recognition and Measurement, an impairment charge on available-for-sale investments of \$1.347 million has been taken up in the financial statements. The strength of AWTA Ltd's balance sheet allows for a long-term approach to investment and Directors accept there is a risk of volatility and periods of short-term negative returns under the investment policy that it has adopted.

Financial Position

The net assets of the consolidated group have decreased by \$1.4 million from 30 June 2011 to \$71.5 million at the end of the financial year.

INFORMATION ON THE DIRECTORS

Mr D.G. McGauchie AO

- Appointed as an independent director by the Members of AWTA Ltd on 29 October 1999
- Appointed as Deputy Chairman on 25 January 2001 and as Chairman on 19 February 2005
- Chairman of Remuneration & Appointments Committee
- Farmer and company director, having previously been active in national farming organisations
- Partner of C&E McGauchie Terrick West
- Chairman of Nufarm Ltd and Australian Agricultural Company Ltd
- Director of a number of listed and unlisted companies, including James Hardie Industries SE and Graincorp Ltd



Mr G.W. Dickinson

- Appointed as an independent director by the Members of AWTA Ltd on 18 March 2005
- Appointed as Deputy Chairman on 15 April 2005
- Chairman of Audit & Finance Committee
- Member of Remuneration & Appointments Committee
- Chairman of Rubicon Systems Australia Ltd
- Director of Nareen Station Pty Ltd and Mutual Trust Pty Ltd



Mr M.A. Jackson

- Managing Director of AWTA Ltd since 21 May 2001
- Member of Environment & Safety Committee
- Director of New Zealand Wool Testing Authority Ltd and JinAo Testing Company Ltd
- Trustee of the Australian Wool Education Trust



Mr M.D. Avery

- Appointed as the nominee director for Australian Council of Wool Exporters Inc on 22 November 2007
- Member of Audit & Finance Committee
- General Manager - Wool, Queensland Cotton



Mr G.M. Power

- Appointed as the nominee director for WoolProducers Australia on 2 December 2011
- President of WoolProducers Australia
- Director of Australian Wool Exchange Ltd and Sheep Industry Health and Welfare Pty Ltd
- Councillor of National Farmers Federation Members Council



Mr D.B. Ritchie

- Appointed as the nominee director for the Wool Scourers and Carbonisers of Australia Group of Australian Wool Processors Council Inc on 25 February 2011
- Member of Audit & Finance Committee
- President of Australian Council of Wool Exporters & Processors Inc
- General Manager of Victoria Wool Processors



Dr P.D. Morgan

- Appointed as the nominee director for the Wool Textile Manufacturers of Australia Group of Australian Wool Processors Council Inc on 16 October 2009
- Executive Director of Australian Council of Wool Exporters & Processors Inc
- Executive Director of Private Treaty Wool Merchants of Australia Inc
- Director of International Fibre Centre Ltd
- Principal of Morgan Terrace Pty Ltd



Mr G.W. Turner

- Appointed as the nominee director for Private Treaty Wool Merchants of Australia Inc on 17 October 2008
- President of Private Treaty Wool Merchants of Australia Inc
- Chairman of Australian Wool Industries Secretariat Inc
- Chairman of Environment & Safety Committee
- Managing Director of Reeshbro Pty Ltd
- Director of Wallace Investments Pty Ltd



Mr D.A. Webster

- Appointed as the nominee director for Australian Wool Innovation Ltd on 25 November 2008
- Director of Australian Wool Innovation Ltd
- Member of Remuneration & Appointments Committee
- Chairman of Brolga Minerals Pty Ltd
- Director of Pabula Pty Ltd, Nova Downs Pty Ltd, Athena Resources Ltd, Cobpen Co Investments Pty Ltd and Organics for Rural Australia



Mr C.J. Wilcox

- Appointed as the nominee director for the National Council of Wool Selling Brokers of Australia Inc on 15 February 2008
- Member of Environment & Safety Committee
- Executive Director of National Council of Wool Selling Brokers of Australia Inc
- Chairman of the International Wool Textile Organisation's Market Intelligence Committee
- Principal of Poimena Analysis and Trustee of Poimena Trust



In addition to the directors in office, the following director held office during the year:

- Mr D. R. Hamblin (resigned 30 November 2011). Appointed as the nominee director for the WoolProducers Australia on 19 October 2007.

COMPANY SECRETARY

The following person held the position of Company Secretary at the end of the financial year:

Mr Charles Englander — Bachelor of Law, Master of Laws. Mr Englander has worked for AWTA Ltd for the past 28 years, performing legal and compliance roles. Mr Englander was appointed company secretary on 1 July 2002.

MEETINGS OF DIRECTORS

During the financial year, 7 meetings of directors and 7 committee meetings (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit & Finance Committee		Remuneration & Appointments Committee		Environment & Safety Committee	
	Number eligible	Number attended	Number eligible	Number attended	Number eligible	Number attended	Number eligible	Number attended
D.G. McGauchie AO	7	7			1	1		
G.W. Dickinson	7	7	3	3	1	1		
M.A. Jackson	7	7					3	3
M.D. Avery	7	7	3	3				
D.R. Hamblin	2	2						
P.D. Morgan	7	7						
G.M. Power	5	5						
D.B. Ritchie	7	7	3	3				
G.W. Turner	7	7					3	3
D.A. Webster	7	6			1	1		
C.J. Wilcox	7	7					3	3

INDEMNIFYING OFFICERS OR AUDITOR

During or since the end of the financial year, the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- The Company has paid premiums to insure directors and officers against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in their capacity as directors and officers of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

PROCEEDINGS ON BEHALF OF 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.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2012 has been received and is appended to this report.

MEMBER'S LIABILITY

The Company is incorporated under the Corporations Act 2001 and is a Company limited by guarantee. If the Company is wound up, the Memorandum of Association states that each member is required to contribute a maximum of \$50 each towards meeting any outstanding obligations of the Company. At 30 June 2012, the amount that members of the company are liable to contribute if the company is wound up is \$300 (2011: \$300).

AFTER BALANCE DATE EVENTS

In the opinion of the directors, there are no likely developments in the operations of the consolidated group known at the date of this report which have not been covered generally within the report.

LIKELY DEVELOPMENTS

The directors are not aware of any other future developments likely to have a significant effect on the operations of the consolidated group or on the expected results of those operations.

ASIC CLASS ORDER 98/100 ROUNDING OF AMOUNTS

The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

This Report of the Directors is signed in accordance with a resolution of the Board of Directors and dated 17 August 2012 at Melbourne.

D.G. McGAUCHIE AO
CHAIRMAN

M.A. JACKSON
MANAGING DIRECTOR

AUDITOR'S INDEPENDENCE DECLARATION

To the directors of Australian Wool Testing Authority Ltd
In relation to the independent audit for the year ended 30 June 2012, to the best of my knowledge and belief there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001; and
- No contraventions of any applicable code of professional conduct.

Stephen Schonberg,
Partner
Pitcher Partners
Melbourne

17 August 2012

AUSTRALIAN WOOL TESTING AUTHORITY LTD

AND CONTROLLED ENTITY

ABN: 43 006 014 106

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated Group		Parent Entity	
		2012	2011	2012	2011
		\$000	\$000	\$000	\$000
Revenue	2	36,359	36,409	33,150	33,388
Other income	2	1,587	2,147	1,400	1,921
Employee benefits expense		(24,717)	(23,814)	(22,887)	(22,079)
Depreciation & amortisation expense		(2,363)	(2,559)	(2,219)	(2,420)
Repairs & maintenance expense		(2,345)	(2,376)	(2,259)	(2,320)
Energy & utilities expense		(1,345)	(1,310)	(1,171)	(1,144)
Materials & supplies expense		(1,118)	(1,016)	(1,028)	(920)
Freight expense		(1,017)	(975)	(916)	(870)
Travel expense		(738)	(635)	(564)	(480)
Property, Rates & Taxes expense		(586)	(530)	(455)	(419)
Software expense		(551)	(473)	(490)	(412)
Communications expense		(450)	(459)	(396)	(401)
Printing & stationery expense		(289)	(335)	(262)	(313)
Insurance expense		(303)	(312)	(268)	(258)
Subcontract testing expense		(371)	(280)	(359)	(276)
Investment management expense		(253)	(236)	(253)	(236)
Consulting fees		(150)	(228)	(136)	(206)
Advertising & Sponsorship expense		(249)	(195)	(210)	(174)
Audit fees		(83)	(188)	(69)	(175)
Share of losses of joint ventures		-	(10)	-	(10)
Other expenses		(479)	(701)	(481)	(641)
Impairment charge on available-for-sale financial assets		(1,347)	(549)	(1,347)	(549)
Reassessment of fair value of available for sale financial assets disposed during the year		51	145	51	145
Realised gains on disposal of available for sale financial assets		420	639	420	639
Realised losses on disposal of available for sale financial assets		(769)	(907)	(769)	(907)
Profit/(Loss) before income tax	3	(1,106)	1,252	(1,518)	883
Income tax expense	4	(124)	(131)	-	-
Profit/(Loss) for the year		(1,230)	1,121	(1,518)	883

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated Group		Parent Entity	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
Profit attributable to members of the parent entity	(1,230)	1,121	(1,518)	883
Revaluation increment on property, plant & equipment	(24)	2,821	-	3,153
Revaluation increment/(decrement) on available for sale financial assets	(203)	349	(203)	349
Adjustments from translation of foreign controlled entity	40	(12)		
Total other comprehensive income	(187)	3,158	(203)	3,502
Total comprehensive income	(1,417)	4,279	(1,721)	4,385

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	Consolidated Group		Parent Entity	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	7	5,381	5,814	4,918	5,494
Trade and other receivables	8	3,175	3,402	2,812	3,043
Inventories	9	943	1,005	943	1,005
Other current assets	17	1,176	1,310	1,095	1,213
TOTAL CURRENT ASSETS		10,675	11,531	9,768	10,755
NON-CURRENT ASSETS					
Trade and other receivables	8	-	-	1,546	1,636
Investments accounted for using the equity method	10	119	86	119	86
Financial assets	12	23,721	24,118	24,961	25,340
Property, plant and equipment	15	44,739	44,646	41,854	41,704
Deferred tax assets	19	49	49	-	-
Intangible assets	16	192	256	192	256
TOTAL NON-CURRENT ASSETS		68,820	69,155	68,672	69,022
TOTAL ASSETS		79,495	80,686	78,440	79,777
CURRENT LIABILITIES					
Trade and other payables	18	2,148	2,163	1,839	1,747
Provision for taxation	4	27	93	-	-
Short-term provisions	20	5,127	4,984	4,949	4,820
TOTAL CURRENT LIABILITIES		7,302	7,240	6,788	6,567
NON-CURRENT LIABILITIES					
Other long-term provisions	20	704	540	671	508
TOTAL NON-CURRENT LIABILITIES		704	540	671	508
TOTAL LIABILITIES		8,006	7,780	7,459	7,075
NET ASSETS		71,489	72,906	70,981	72,702
EQUITY					
Reserves	21	72,184	72,301	72,517	72,650
Retained earnings		(695)	605	(1,536)	52
TOTAL EQUITY		71,489	72,906	70,981	72,702

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Retained Earnings \$000	Asset Revaluation Reserve \$000	Capital Maintenance Reserve \$000	Foreign Currency Translation Reserve \$000	Financial Assets Reserve \$000	Total \$000
Consolidated Group						
Balance at 1 July 2010	(516)	19,987	50,000	(533)	(311)	68,627
Other comprehensive income		2,821		(12)	349	3,158
Profit for the year	1,121					1,121
Balance at 30 June 2011	605	22,808	50,000	(545)	38	72,906
Other comprehensive income		(24)		40	(203)	(187)
Prior year adjustment	(70)				70	-
Profit/(Loss) for the year	(1,230)					(1,230)
Balance at 30 June 2012	(695)	22,784	50,000	(505)	(95)	71,489

	Retained Earnings \$000	Asset Revaluation Reserve \$000	Capital Maintenance Reserve \$000	Foreign Currency Translation Reserve \$000	Financial Assets Reserve \$000	Total \$000
Parent Entity						
Balance at 1 July 2010	(831)	19,459	50,000		(311)	68,317
Other comprehensive income		3,153			349	3,502
Profit for the year	883					883
Balance at 30 June 2011	52	22,612	50,000		38	72,702
Other comprehensive income					(203)	(203)
Prior year adjustment	(70)				70	-
Profit/(Loss) for the year	(1,518)					(1,518)
Balance at 30 June 2012	(1,536)	22,612	50,000		(95)	70,981

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated Group 2012 \$000	2011 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		39,956	38,944
Payments to suppliers and employees		(39,202)	(38,254)
Dividends received		1,141	1,983
Interest received		637	473
Other income received		420	639
Finance costs		-	-
Net cash provided by (used in) operating activities	24	2,952	3,785
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		168	378
Proceeds from sale of land held for resale		-	5,270
Proceeds from sale of investment property		-	430
Payment for available-for-sale financial assets		(13,511)	(13,847)
Proceeds from sale of financial assets		12,456	10,379
Purchase of property, plant and equipment		(2,498)	(2,481)
Net cash provided by (used in) investing activities		(3,385)	129
Net increase/(decrease) in cash held		(433)	3,914
Cash and cash equivalents at beginning of financial year		5,814	1,900
Cash and cash equivalents at end of financial year	7	5,381	5,814

The accompanying notes form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

This financial report includes the consolidated financial statements and notes of Australian Wool Testing Authority Ltd (AWTA Ltd) and its controlled entity, New Zealand Wool Testing Authority Ltd (NZWTA Ltd) (the 'consolidated group' or the 'group').

The separate financial statements of the parent entity, AWTA Ltd, have not been presented within this financial report as permitted by amendments made to the Corporations Act 2001, effective as at 28 June 2010.

AWTA Ltd is a company Limited by Guarantee, incorporated and domiciled in Australia.

The financial report was authorised for issue on 17 August 2012 by the Board of Directors.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

AWTA Ltd has elected to early adopt the Australian Accounting Standards – Reduced Disclosure Requirements as set out in AASB 1053:

Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The parent company is a not-for-profit entity and the subsidiary is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of the entity controlled by AWTA Ltd at reporting date. A controlled entity is any entity over which AWTA Ltd has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

Details of the controlled entity are contained in Note 13 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated in full on consolidation. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with those adopted by the parent entity.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses. A business combination is accounted for by applying the acquisition method.

The acquisition method requires an acquirer of the business must be identified. The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. The parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed at acquisition date. Acquisition related costs are expensed as incurred.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. If the fair value of the acquirer's interest is greater than consideration transferred, the surplus is immediately recognised in profit or loss as a bargain purchase.

(b) Income Tax

AWTA Ltd is exempt from income tax by virtue of Subdivision 50-B of the Income tax Assessment Act 1997. The controlled entity, NZWTA Ltd, is subject to income tax in New Zealand.

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date in the countries where the company's subsidiaries operate and generate taxable income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside the profit or loss when the tax relates to items that are recognised outside the profit or loss.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Costs are assigned on the basis of weighted average costs.

(d) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses.

The carrying amount of plant and equipment 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 that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Depreciation is recognised in the income statement.

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

Class of Fixed Asset	Depreciation Rate
Buildings	2-4%
Plant and equipment	10-33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(e) Leases

Operating leases (net of any incentives received from the lessor), where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the period of the lease.

(f) Financial Instruments

Classification

The consolidated entity classifies its financial instruments in the following categories: financial assets, loans and receivables, available-for-sale financial assets and financial liabilities. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial Assets

Trade debtors are carried at their book values less any provision for impairment. A provision for doubtful debts is recognised in the accounts when collection of any amounts owing to the consolidated group 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.

Loans and receivables

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories and are measured at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity. The cumulative gain or loss is held in equity until the financial asset is de-recognised, at which time the cumulative gain or loss held in equity is recognised in profit and loss.

Financial Liabilities

Trade creditors and other payables are recognised as amounts payable for goods and services that have been received.

Any amounts due under contracts of sale are measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Based on an interpretation of AASB 139 – Financial Instruments: Recognition and Measurement, the group has considered that an impairment trigger exists if an investment has been declining below its accounting cost for a minimum of 15 months or if the market value of the investment is more than 35% below its accounting cost.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(g) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Interests in Joint Venture

The consolidated group's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. Details of the consolidated group's interests are shown at Note 11.

The consolidated group's interest in the joint venture entity is brought to account using the equity method of accounting in the consolidated financial statements.

(i) Intangibles

Identifiable Intangible Assets

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to each class of intangible asset. The useful lives of these intangible assets are assessed to be either finite or infinite. Where amortisation is charged on assets with finite lives, this expense is taken to the income statement and charged on a straight line basis.

Useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis. Amortisation is calculated based on the timing of projected cash flows over their useful lives, currently amortised over 5 years.

(j) Foreign Currency Transactions and Balances

Functional and Presentation Currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in other comprehensive income as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Group Companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with foreign currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

(k) Employee Benefits

Provision is made for the group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

(l) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Cash balances held by investment managers, from time to time, for reinvestment purposes, are treated as available-for-sale financial assets.

(n) Revenue and Other Income

Revenue from the provision of goods and services is recognised upon delivery of the service to the customer. Revenue from the sale of goods is recognised upon delivery of the goods to customers.

Interest revenue is recognised using the effective interest rate method taking into account the interest rate applied to the financial assets.

Dividend revenue, and associated franking credit rebate is recognised when the right to receive a dividend has been established.

Rent revenue from operating leases is recognised on a straight-line basis over the term of the lease.

(o) Trade and Other Payables

Trade and other payables represent the liability outstanding at reporting date for goods and services received by the group during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(q) Comparative Figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(r) Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest \$1,000.

(s) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates

Impairment

The group assesses impairment at each reporting date by evaluating conditions and events specific to the group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

NOTE 2 REVENUE AND OTHER INCOME

	Consolidated Group	
	2012	2011
	\$000	\$000
Revenue		
Sales Revenue		
— Revenue from services	34,600	33,899
Revenue from investments		
— Dividend revenue from other corporations	1,141	1,983
— Interest from unrelated persons	618	527
	1,759	2,510
Total Revenue	36,359	36,409
Other Income		
— Gains on disposal of property, plant and equipment	72	220
— Gains on disposal of investment property	-	98
— Gain on disposal of surplus sample material	1,055	1,010
— Rent income	300	226
— Consulting income	135	241
— Other income	25	352
Total Other Income	1,587	2,147

NOTE 3 PROFIT FOR THE YEAR

	Consolidated Group	
	2012	2011
	\$000	\$000
Expenses		
Finance costs	-	-
Foreign Exchange (gains)/losses	(29)	203
Impairment Loss		
— Trade receivables	17	11
Rental expense on operating leases		
— Minimum lease payments	172	180
Amortisation		
— Customer lists	64	64
Depreciation		
— Land & buildings	731	715
— Plant & equipment	1,567	1,780

NOTE 4 INCOME TAX EXPENSE

	Consolidated Group	
	2012	2011
	\$000	\$000
a. The components of tax expense comprise:		
Current tax	124	131
Deferred tax	-	-
	124	131
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit/(loss) from ordinary activities of subsidiary before income tax at 28% (2011: 30%)		
— Consolidated group	115	111
Add:		
Tax effect of:		
— Other non-allowable items	7	23
	122	134
Less:		
Recoupment of prior year tax losses not previously brought to account	(2)	3
Income tax attributable to entity	124	131
c. Current tax relates to:		
Income tax	27	49
Current tax liability	27	49
d. Deferred tax relates to:		
Tax losses carried forward	49	49
Net Deferred tax assests	49	49

NOTE 5 KEY MANAGEMENT PERSONNEL COMPENSATION

Names and positions held of consolidated and parent entity key management personnel in office at any time during the financial year are:

Key Management Person	Position
Mr D. G. McGauchie AO	Chairman
Mr G. W. Dickinson	Deputy Chairman
Mr M. A. Jackson	Managing Director
Mr I. A. Ashman	General Manager Raw Wool
Mr M. D. Avery	Director – Non executive
Mr D. R. Hamblin	Director – Non executive (resigned 22 November 2011)
Mr G. M. Power	Director – Non executive
Mr D. B. Ritchie	Director – Non executive
Dr P. D. Morgan	Director – Non executive
Mr G. W. Turner	Director – Non executive
Mr. P. W. Walsh	Chief Financial Officer
Mr D. A. Webster	Director – Non executive
Mr C. J. Wilcox	Director – Non executive

	2012 \$000	2011 \$000
Total remuneration paid to Key Management Personnel	1,495	1,453
Remuneration of Directors		
Amounts paid or payable to Directors or former Directors of AWTALtd	937	920
Directors remuneration falls within the following bands:	No.	No.
\$10,000 to \$19,999	1	1
\$20,000 to \$29,999	1	1
\$30,000 to \$39,999	6	6
\$60,000 to \$69,999	1	1
\$120,000 to \$129,999	1	1
\$470,000 to \$479,999	1	1

NOTE 6 AUDITORS' REMUNERATION

	Consolidated Group 2012 \$000	2011 \$000
Remuneration of the auditor of the parent entity for:		
— Auditing the financial report	70	175
Remuneration of other auditors of subsidiary for:		
— Auditing the financial report of the subsidiary	12	13
— Taxation services	2	3

NOTE 7 CASH AND CASH EQUIVALENTS

	Consolidated Group 2012 \$000	2011 \$000
Cash at bank and in hand	671	564
Short-term bank deposits	4,710	5,250
	5,381	5,814
Reconciliation of cash		
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:		
Cash and cash equivalents	5,381	5,814

NOTE 8 TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2012	2011
	\$000	\$000
CURRENT		
Trade receivables	2,840	2,821
Provision for impairment	(17)	(15)
	<u>2,823</u>	<u>2,806</u>
Amounts receivable from:		
— Franking credit rebate from Australian Taxation Office	272	558
— Other sundry debtors	80	38
Total current trade and other receivables	<u>3,175</u>	<u>3,402</u>

Provision for Impairment of Receivables

Current trade receivables are non-interest bearing loans and are generally on 30 days terms. A provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired. Movement in the provision for impairment of receivables is as follows:

	2012	2011
	\$000	\$000
Balance at beginning of the year	(15)	(26)
Charge for the year	(17)	(15)
Amounts written off	15	26
Balance at end of year	<u>(17)</u>	<u>(15)</u>

NOTE 9 INVENTORIES

	Consolidated Group	
	2012	2011
	\$000	\$000
CURRENT		
Materials & supplies	<u>943</u>	<u>1,005</u>

NOTE 10 INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	Note	Consolidated Group	
		2012	2011
		\$000	\$000
Interest in joint venture entity	11	<u>119</u>	<u>86</u>

NOTE 11 JOINT VENTURE

Interest in Joint Venture Entity

AWTA Ltd has a 50% interest in the joint venture entity JinAo Testing Company Ltd, incorporated in People's Republic of China, which is involved in product testing. The voting power held by AWTA Ltd is 50%. The interest in joint venture entity is accounted for in the consolidated statements using the equity method of accounting.

NOTE 12 FINANCIAL ASSETS

	Consolidated Group	
	2012	2011
	\$000	\$000
NON CURRENT		
Available-for-sale financial assets	23,721	24,118
Total Non-current Assets	<u>23,721</u>	<u>24,118</u>
Available-for-sale financial assets comprise:		
Listed investments, at fair value	<u>23,721</u>	<u>24,118</u>

NOTE 13 CONTROLLED ENTITY

Controlled Entity Consolidated	Country of Incorporation	Percentage Owned (%)	
		2012	2011
Subsidiary of AWTA Ltd			
New Zealand Wool Testing Authority Ltd	New Zealand	100	100

NOTE 14 INVESTMENT PROPERTY

	Consolidated Group	
	2012 \$000	2011 \$000
Balance at beginning of year	-	342
Transfer from property, plant and equipment	-	-
Disposal during the year	-	342
Balance at end of year	-	-

The fair value model is applied to investment property. Investment properties are revalued on a regular basis. Values are based on an active liquid market value and are performed by a registered independent valuer.

NOTE 15 PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group	
	2012 \$000	2011 \$000
LAND AND BUILDINGS		
Freehold land at:		
— Independent valuation 2011	16,575	16,575
Total Land	16,575	16,575
Buildings at:		
— Independent valuation 2011	19,683	19,648
Less accumulated depreciation	(731)	-
Total Buildings	18,952	19,648
Total Land and Buildings	35,527	36,223
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	38,779	43,175
Accumulated depreciation	(30,967)	(35,493)
Plant and equipment under construction	1,400	741
Total Plant and Equipment	9,212	8,423
Total Property, Plant and Equipment	44,739	44,646

The group's land and buildings were revalued at 30 June 2011 by independent valuers. Valuations were based on an assessment of the property portfolio's fair value less costs to sell, based on active market and continuing current use basis. Revaluation movements were recorded directly in the asset revaluation reserve.

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Freehold Land \$000	Buildings \$000	Plant and Equipment \$000	Total \$000
Consolidated Group:				
Balance at 1 July 2010	14,645	17,998	9,535	42,178
Additions		156	2,325	2,481
Disposals			(178)	(178)
Foreign exchange translation on opening balances		(139)	(22)	(161)
Revaluation increments/ (decrements)	1,930	2,348	(1,457)	2,821
Depreciation expense		(715)	(1,780)	(2,495)
Balance at 30 June 2011	16,575	19,648	8,423	44,646
Additions		1	2,497	2,498
Disposals			(148)	(148)
Foreign exchange translation on opening balances		34	8	42
Revaluation increments/ (decrements)				
Depreciation expense		(731)	(1,567)	(2,299)
Balance at 30 June 2012	16,575	18,952	9,212	44,739

NOTE 16 INTANGIBLE ASSETS

	Consolidated Group	
	2012	2011
	\$000	\$000
Customer lists		
Cost	320	320
less: Accumulated amortisation & impairment	128	64
Total intangibles	192	256
Balance at the beginning of year	256	320
less: Amortisation	64	64
Balance at the end of the year	192	256

NOTE 17 OTHER ASSETS

	Consolidated Group	
	2012	2011
	\$000	\$000
CURRENT		
Prepayments	1,176	1,310

NOTE 18 TRADE AND OTHER PAYABLES

	Consolidated Group	
	2012	2011
	\$000	\$000
CURRENT		
Unsecured liabilities		
Trade payables	1,044	1,161
Sundry payables and accrued expenses	1,104	1,002
	2,148	2,163

NOTE 19 TAX

	Consolidated Group	
	2012	2011
	\$000	\$000
NON-CURRENT		
Deferred Tax Assets		
Balance at beginning of year	49	49
Charged directly to equity	-	-
Balance at end of year	49	49

NOTE 20 PROVISIONS

	Consolidated Group	
	2012	2011
	\$000	\$000
Employee Entitlements		
Opening balance	5,524	5,299
Additional provisions	2,864	2,568
Amounts used	(2,557)	(2,343)
	5,831	5,524
Analysis of Total Provisions		
Current	5,127	4,984
Non-current	704	540
	5,831	5,524

Provision for Long-term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

NOTE 21 RESERVES

(a) Asset Revaluation Reserve

The asset revaluation reserve records revaluations of non-current assets.

(b) Capital Maintenance Reserve

The capital maintenance reserve 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 on-going development.

The Board first considered the establishment of a testing reserve in 1984. Prior to that time, the balance sheet item for proprietorship (or equity) was simply allocated into a revaluation reserve (covering land, buildings, equipment etc acquired from the Australian Wool Corporation for \$1) 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 Australian Accounting Standards, this is now described as retained earnings.

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 Accounting Standards, directors subsequently changed the title to "capital maintenance reserve", to emphasise its capital nature.

In determining the appropriate level for the capital maintenance reserve, 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;
- 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 funds invested, which will be expended at some time in the future, but not necessarily all at once.

Directors review the level of the capital maintenance reserve as part of the annual budget process.

(c) Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on the translation of AWTA Ltd's foreign subsidiary.

(d) Financial Assets Reserve

The financial assets reserve records revaluation of financial assets.

NOTE 22 CAPITAL AND LEASING COMMITMENTS

	Consolidated Group	
	2012	2011
	\$000	\$000
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable — minimum lease payments		
— Not later than 12 months	108	114
— Between 12 months and 5 years	242	81
— Greater than 5 years	177	206
	527	401

The property leases of the parent entity, AWTA Ltd, are non-cancellable leases with 1 and 2 year terms, with rent payable monthly in advance. Contingent rental provisions within the lease agreements specify the minimum lease payments for each year. Options exist to renew the leases at the end of the 1 and 2 year terms for additional terms of 2 and 3 years. The leases allow for subletting of all lease areas.

The property leases of the subsidiary, NZWTA Ltd, relate to leasehold land. NZWTA Ltd has right of perpetual renewal over seven 21 year leases. Rental is reviewed at the renewal date for each lease. Renewal dates on the leases occur in 2012, 2017, 2018, 2022, 2023 and 2029.

	Consolidated Group	
	2012	2011
	\$000	\$000
(b) Capital Expenditure Commitments		
Capital expenditure commitments contracted for:		
Capital expenditure projects	714	891
(c) Operating Lease Income Receivables		
Income from non-cancellable operating leases contracted for but not recognised in the financial statements		
Receivable — minimum lease payments		
— Not later than 12 months	342	133
— Between 12 months and 5 years	294	95
	636	228

The property leases are non-cancellable leases with terms between 1 and 3 years, with rent receivable in advance. Contingent rental provisions within the lease agreements specify the lease amounts for each year. Options exist for lessees to renew the leases at the end of their terms for additional terms of between 1 and 3 years.

NOTE 23 CONTINGENT LIABILITIES

There are no contingent liabilities at balance date for the company.

NOTE 24 CASH FLOW INFORMATION

	Consolidated Group	
	2012	2011
	\$000	\$000
Reconciliation of Cash Flow from Operations with Profit/after Income Tax		
Profit(loss) after income tax	(1,230)	1,121
Non-cash flows in profit/(loss)		
Depreciation and amortisation	2,363	2,559
Reassessment of fair value on available-for-sale financial assets	(51)	(145)
Impairment charges on available-for-sale financial assets	1,347	549
Foreign exchange (gain)/loss	(29)	203
Changes in provisions	293	214
Net gain on disposal of property, plant and equipment	(72)	(213)
Net gain on disposal of investment property	-	(98)
Doubtful debts written off	15	11
Share of joint venture entity net (profit)/loss after income tax and dividends	(26)	10
Changes in assets and liabilities		
(Increase)/decrease in trade and term receivables	227	(401)
(Increase)/decrease in other current assets	134	(34)
(Increase)/decrease in inventories	62	(56)
Increase/(decrease) in trade payables and accruals	(15)	38
Increase/(decrease) in income taxes payable	(66)	28
Cash flow from operations	2,952	3,785

NOTE 25 RELATED PARTY TRANSACTIONS

	Consolidated Group	
	2012	2011
	\$000	\$000
The directors of AWTA Ltd have interests in organisations which utilise the services of the group in the ordinary course of business. All services are provided under the group's standard terms and conditions.		
Aggregate amount of services provided to:		
Organisations associated with directors	892	887

NOTE 26 FINANCIAL RISK MANAGEMENT

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, and loans to subsidiary.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Consolidated Group	
	2012	2011
	\$000	\$000
Financial Assets		
Cash and cash equivalents	5,381	5,814
Loans and receivables	3,175	3,402
Available-for-sale financial assets	23,721	24,118
	32,277	33,334
Financial Liabilities		
Trade and other payables	2,148	2,163
	2,148	2,163

Financial Risk Management Policies

The main risks the group is exposed to through its financial instruments are interest rate risk, liquidity risk, foreign currency risk, and credit risk.

(a) Interest rate risk

The consolidated group'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 in classes of financial assets and financial liabilities.

	Consolidated Group	
	2012	2011
	%	%
Financial Assets		
Cash and cash equivalents	4.87	5.06

(b) Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that short term cash facilities are maintained. Trade and other payables will be settled within 1 year.

(c) Foreign exchange risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency.

Forward exchange contracts

The consolidated group enters into forward exchange contracts to buy and sell specified amounts of foreign currencies in the future at stipulated exchange rates. The objective in entering into the forward exchange contracts is to protect the consolidated group against unfavourable exchange rate movements for both contracted and anticipated future sales and purchases undertaken in foreign currencies. At balance date, there were no outstanding forward exchange contracts.

(d) Credit risk

The maximum exposure to credit risk by class of recognised financial assets at balance date is equivalent to the carrying value and classification of recognised financial assets (net of any provisions for impairment of those assets) as presented in the balance sheet and notes to the financial statements. The group has no significant concentration of credit risk with any single counter party or group of counter parties.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed in Note 8.

Credit risk is managed on a group basis and reviewed regularly by the finance committee. Credit risk arises from exposures to customers as well as through deposits with financial institutions. The finance committee monitors credit risk by actively assessing the rating, quality and liquidity of counter parties:

- only banks and financial institutions with an "A" rating are utilised;
- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the group's strict credit policies may only purchase in cash or using recognised credit cards.

(e) Securities price risk

The group is exposed to securities price risk on investment held for medium to longer terms. Such risk is managed through diversification of investments across industries and geographical locations

Net Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities presented in the financial statements approximate their carrying values as presented in the statement of financial position.

Financial instruments measured at fair value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements.

The measurements used for available-for-sale financial assets are quoted prices in active markets for identical assets (Level 1).

NOTE 27 SUBSEQUENT EVENTS

There has been no matter or circumstance, which has arisen since 30 June 2012 that has significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2012, of the consolidated entity, or
- the results of those operations, or
- the state of affairs, in financial years subsequent to 30 June 2012, of the consolidated entity.

AWTA LTD ANNUAL REVIEW 2011-2012 | NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

AUSTRALIAN WOOL TESTING AUTHORITY LTD

AND CONTROLLED ENTITY

ABN: 43 006 014 106

DIRECTORS' DECLARATION

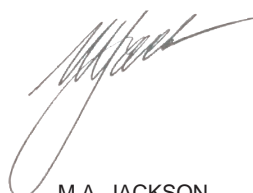
The directors of the company declare that:

- The financial statements and notes, as set out on pages 17 to 31, are in accordance with the Corporations Act 2001 and:
 - comply with Accounting Standards; and
 - give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the company and consolidated group;
- In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



D.G. McGAUCHIE AO
CHAIRMAN



M.A. JACKSON
MANAGING DIRECTOR

Dated: 17th August 2012

INDEPENDENT AUDIT REPORT



INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AUSTRALIAN WOOL TESTING AUTHORITY LTD

Report on the Financial Report

We have audited the accompanying financial report of Australian Wool testing Authority Ltd and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Opinion

In our opinion: the financial report of Australian Wool Testing Authority Ltd and its controlled entity is in accordance with the Corporations Act 2001, including

- i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001;

A handwritten signature in black ink, appearing to read "Stephen Schonberg".

Stephen Schonberg,

Partner

Pitcher Partners

Melbourne

17 August 2012

A handwritten signature in black ink, appearing to read "P. K. P. K.".

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AWTA PRODUCT TESTING



NZWTA

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