





ANNUAL REVIEW 2012-13

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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; and
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; and
- 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.

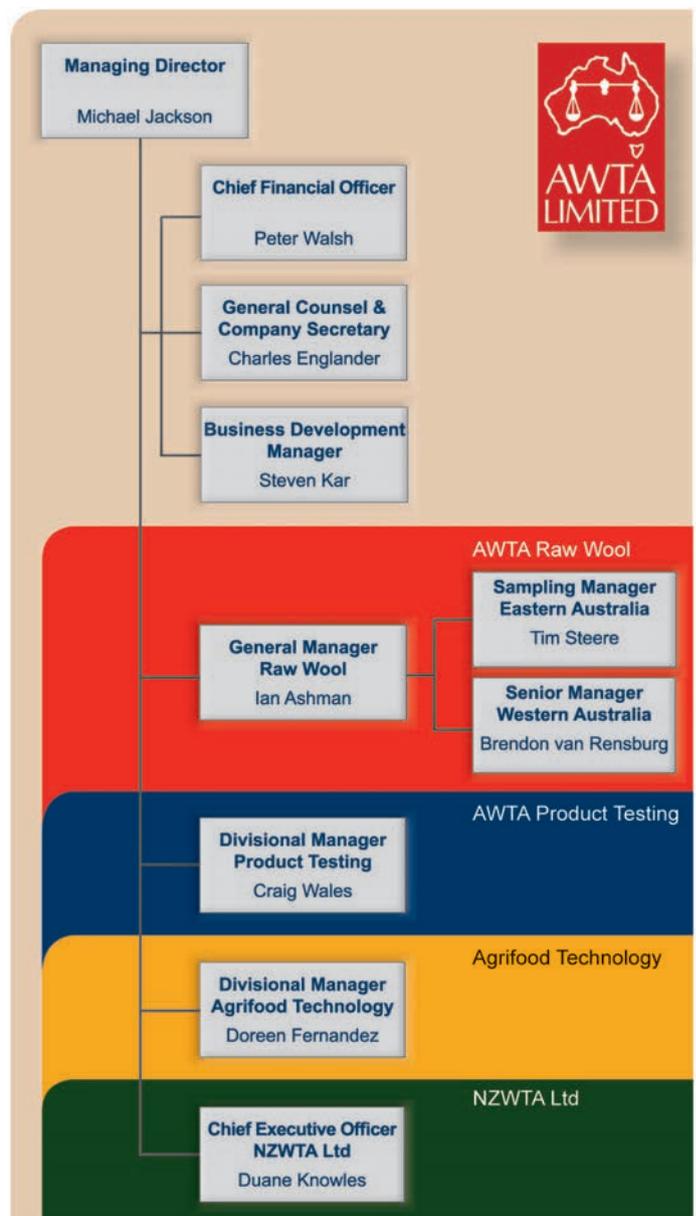
AWTA Ltd is organised for management and reporting purposes into four operating divisions. Management responsible for those divisions must account for their performance within a framework of strategic plans, budgets, position descriptions, targets, standards and policies.

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

Strategy Committee Members are:

- Managing Director
- Chief Financial Officer
- General Counsel
- General Manager - Raw Wool
- Chief Executive Officer - NZWTA Ltd
- Divisional Manager - Agrifood Technology
- Divisional Manager - Product Testing
- Senior Manager - Western Australia
- Sampling Manager - Eastern Australia
- 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

AWTA Ltd follows the Australian Charities and Not-for-profits Commission governance standards and, whilst not a listed company, it also adopts any applicable ASX 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 auditor's effectiveness, performance and independence is reviewed by the Audit & Finance Committee.

Audits are 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 complies 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;
- Corporate Conduct and Ethics Policy; 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 Company's operations are subject to particular and significant environmental regulations under State laws. Details of its performance in relation to such regulations are summarised in the Directors' Report (see page 14).

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, 2012.

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 obligations are monitored by Executive Management, with day-to-day responsibility resting with regional management.

reported monthly. The data is reviewed by management, the Environment & Safety Committee and the Board.

During 2012/13, the Company experienced 7 lost time accidents (2 less than in the previous year), a lost time frequency rate of 14.3 (compared to 17.8 in the previous year) and a lost time duration rate of 142.0 (down 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, 200 employees have reached 20 years service, 57 have achieved 30 years service and 5 have reached 40 years service. During 2012/13 the 30 year service roll increased by 4 and the 20 year service roll increased by 5.

SERVICE AWARDS

30 Years

Elsie Castanos	(54 th)	Testing Officer (Melbourne), commenced 12 July 1982
Avelyn Bisset	(55 th)	Testing Officer (Melbourne), commenced 14 July 1982
Rod Agar	(56 th)	Laboratory Production Manager (Melbourne), commenced 16 August 1982
Mick Alvaro	(57 th)	Testing Officer (Fremantle), commenced 4 January 1983

20 Years

Lidia Trimarchi	(196 th)	Accounts Payable Clerk, commenced 20 July 1992
Scott Balshaw	(197 th)	Systems Coordinator, commenced 4 December 1992 (formerly with AWB)
Stan Kirk	(198 th)	Maintenance Officer (Fremantle), commenced 14 December 1992
Bob Paz	(199 th)	Analyst Quality Milling Laboratory, commenced 28 January 1993 (formerly with AWB)
Dino Raffaele	(200 th)	Data Processing Controller (Fremantle), commenced 5 April 1993

Safety performance data consisting of lost time accidents, frequency rate and duration rate are calculated to AS/NZS 4801-2001 and

CHAIRMAN'S STATEMENT

AWTA Ltd has recorded a net profit of \$8.095 million for 2012/13, a significant increase on the net loss of \$1.230 million reported in 2011/12.

The primary contributing factor to the improved result is the refund of \$5.500 million dollars of payroll and land tax that was paid in the 4 years prior to 2012/13. By contrast, the 2011/12 result included an impairment charge of \$1.347 million to reflect the falling value of AWTA's investment portfolio. The underlying 2012/13 result, excluding the payroll and land tax refund, was \$2.595 million, which was still a significant improvement on pre-impairment profit of \$0.117 million the previous year.

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 today than it was in 1994.

However, in the last decade, wool production in Australia has declined 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 8 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 and this approach has clearly been successful.

AWTA Ltd, as a consolidated group, now 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.

In 2012/13, AWTA Raw Wool revenue increased by 3.0% over the previous year. Wool production increased slightly during the year as generally better seasonal conditions contributed to improved fleece weights, resulting in an increase of 2.6% in the number of bales sampled. The average tested lot size increased during the year, which is often the case when seasonal conditions improve. Hence, the number of core tests conducted by AWTA Raw Wool decreased by 1.1% despite the increase in the number of bales. The AWI Wool Production Forecasting Committee remains optimistic that wool production has stabilised, with only a small decline of 1.4% predicted for 2013/14 despite the fact that more difficult growing conditions have been experienced.

The Raw Wool Division has always sought to achieve continuous productivity improvement and Directors were pleased to see significant progress in this area in 2012/13. This, combined with other cost savings initiatives and the payroll tax exemption that was achieved, has allowed the AWTA Raw Wool Division achieve a 2.3% reduction in total expenditure this year.

AWTA Product Testing Division continues to operate in a difficult environment. The demand for local testing of various materials and products has been depressed in the retail, manufacturing and building industries during 2012/13 and this has had a negative impact on AWTA Product Testing revenue. Revenue decreased by approximately 20% with less testing received from most of the market segments that the Division operates in. Expenditure decreased by 8.7% as management focussed on reducing costs in response to falling revenue. This enabled the Division to achieve a positive operating contribution despite the difficult market conditions, albeit significantly lower than in 2011/12.

JinAo Testing Co Ltd continued to grow its revenue base during 2012/13, and has once again recorded a profit. 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.

Although NZWTA's operating revenue decreased in 2012/13, it continues to achieve a profit that provides a healthy return on the capital that AWTA has invested in it. NZWTA is broadening the scope of tests that it offers to the wool industry in New Zealand and its textile testing laboratory is growing its revenue base. The AWTA group is currently adapting the software systems used to run NZWTA's Napier laboratory so that they can also be utilised in Australia, improving synergies between the raw wool laboratories and reducing cost.

AWTA Ltd purchased Agrifood Technology from AWB in February 2008 and 2012/13 is the fifth 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. In addition, Agrifood Technology has established a laboratory in Perth and is growing its client base in Western Australia. During 2012/13 total operating income at Agrifood Technology increased by approximately 10%.

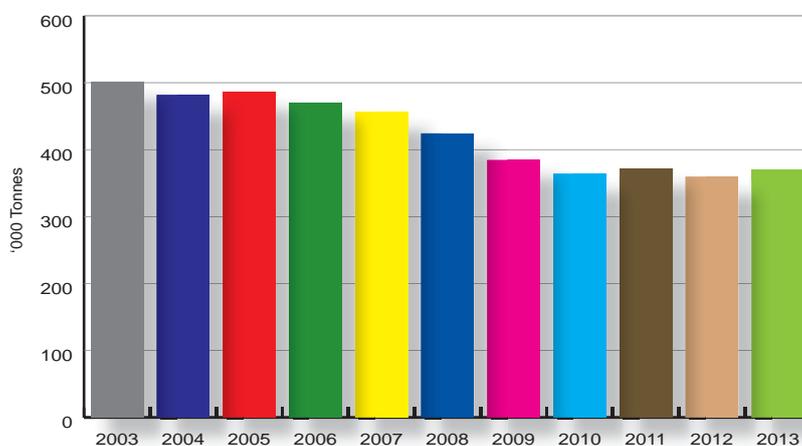
AWTA invests its funds in various asset classes in accordance with a balanced investment policy which is regularly reviewed by the Board. The strength of the Company's balance sheet allows it to take a long-term approach to investment and Directors accept that there is a risk of volatility as we have seen in recent years. Equity markets recovered during 2012/13, and this had a positive impact on AWTA's non-operating revenue and there were no significant impairments required this financial year.

Mr Ray Duncan served as the National Information Services Manager of AWTA for 25 years before retiring in January. Ray held this role during a time of rapid change in the IT world and he led many significant changes to AWTA Ltd systems during his career. I would like to thank Ray for his dedication to the Company and congratulate him on the contribution that he has made.



MR D.G. McGAUCHIE AO
CHAIRMAN - AWTA Ltd

Volume of Australian Wool Tested



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 2012/13.



D.G. McGAUCHIE AO

MANAGING DIRECTOR'S INTRODUCTION

The AWTA Ltd Group reported an overall profit of \$8.095 million for 2012/13, which is made up of an underlying profit for the year of \$2.595 million and a refund of payroll and land tax paid in previous years of \$5.500 million. The underlying result is an improvement on 2011/12, primarily due to significantly higher operating contributions by the AWTA Raw Wool and Agrifood Technology divisions and better investment returns.

It is pleasing to report that all of the operating divisions in Australia and NZWTA have made a positive contribution during 2012/13. 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 2012/13 and a brief report on each operating division with the AWTA Ltd Group.



MR M.A. JACKSON
MANAGING DIRECTOR

FINANCIAL SUMMARY

COMPARATIVE PROFIT & LOSS STATEMENT

	2013 \$'000s	2012 \$'000s
Revenue		
Revenue from services	34,785	34,600
Revenue from investments	2,936	2,230
Profit on sale of surplus sample material	1,014	1,055
Consulting income	170	135
Rental income	348	300
Other income	6,071	97
Total revenue	45,324	38,417
Expenses		
Operating and administrative expenses	(36,587)	(37,531)
Unrealised impairment of financial assets	(46)	(1,347)
Realised losses on sale of investments	(596)	(769)
Total expenses	(37,229)	(39,647)
Net Profit/(Loss)	8,095	(1,230)



AWTA RAW WOOL

OVERVIEW

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

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

During 2012/13 AWTA Raw Wool Australia 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 increased by 2.7% during 2012/13 with 2.10 million bales sampled compared with 2.05 million bales during the previous season. Bales sampled increased in all states except Queensland and Victoria. Western Australia experienced a 9% increase thanks to seasonal improvements after very dry conditions in the previous season.

The number of sale lots tested for Yield & Micron results decreased by 1.1% to 365,216 lots during 2012/13 when compared with the previous season. The decline in sale lots tested while bales tested increased indicates that the lot size has increased in 2012/13. The number of sale lots tested for Staple Length & Strength declined by 1.0 % to 229,578 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

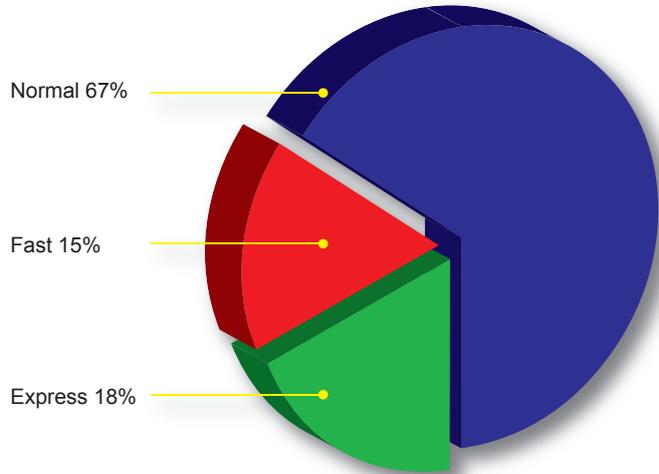
AWTA Raw Wool is committed to providing timely testing services as required by its customers. Samples are taken at 32 locations throughout Australia and dispatched overnight to one of AWTA's Raw Wool laboratories.

AWTA Ltd offers three levels of priority for service:

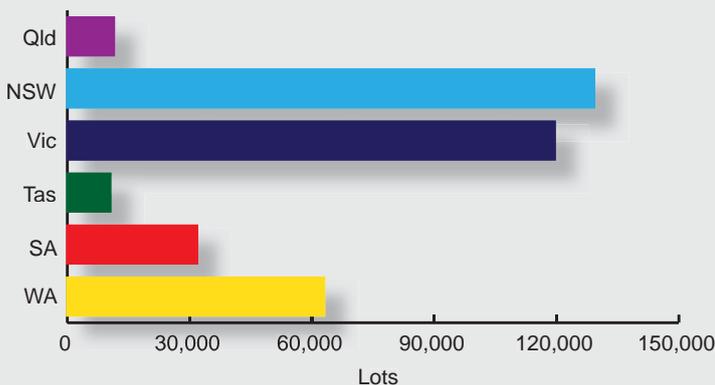
Normal: Test Certificates are available within 5 days of a sample being taken.

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

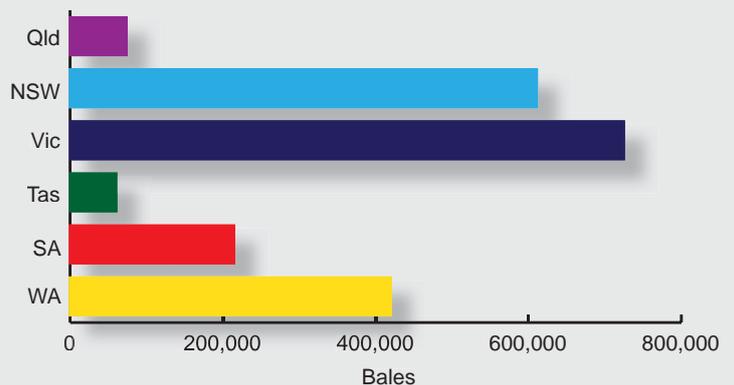
Express: 95% of test Certificates are available the following morning, with the remainder the following day.



Lots Sampled 2012/13



Bales Sampled 2012/13



Test Type	Service Measure	Normal	Fast	Express
Yield & Micron	Average (days)	3.0	1.9	1.5
	% Total Tests within Service Target	99.0	98.0	97.4
Length & Strength	Average (days)	3.8	2.2	1.6
	% Total Tests within Service Target	95.8	96.2	96.3

During the 2012/13 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 improved during 2012/13 due to improvements in the operations at wool coring locations, plus some improvements in MTS operations.

Testing Productivity, which reflects the efficiency of all laboratory operations, increased by 3.8% during 2012/13. This increase was largely due to improved work practices and workplace supervision and management.

Technical

Confidence in wool trading requires confidence in the accuracy and precision of the wool test results. AWTA 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 2012/13, 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 2012/13, some 1,229 results (0.21% of all tests) were queried by customers. Of these, 326 were reissued, representing less than 0.06% of the 594,794 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.

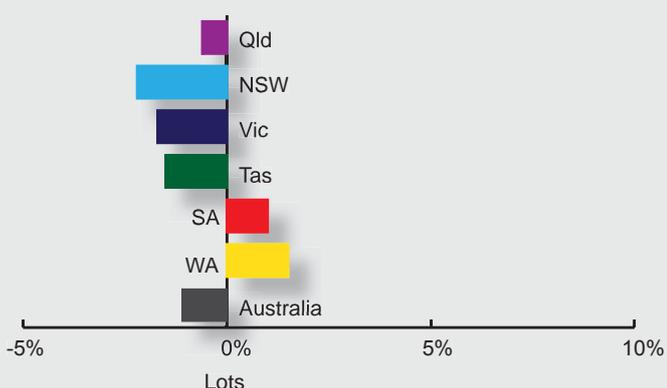
AWTA Ltd collates and publishes an extensive range of statistics and analytical reports which are provided free of charge to the wool industry. An example of this is the Key Test Data report - a monthly summary of the volume of wool tested and average results tested broken down by State and wool category. 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.

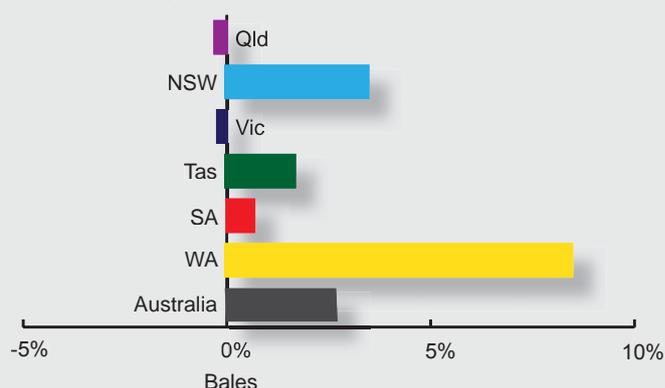
The Company continues to support the Australian wool industry by sponsoring and providing testing assistance for major sheep shows, ram sales and research trials. Details of supported events are listed on the AWTA Ltd website to assist with the promotion of sponsored events.

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

Changes in Lots Sampled (2012/13 cf 2011/12)



Changes in Bales Sampled (2012/13 cf 2011/12)



AWTA PRODUCT TESTING

OVERVIEW

AWTA Product Testing is an independent materials testing facility available to government instrumentalities, industry and the general public. It possesses a diverse array of specialised testing equipment, available to industries within Australasia and internationally, which are operated by highly competent technicians.

CAPABILITIES

The division has internationally recognised competencies in flammability, textiles, automotive, weathering, physical, chemical and mechanical testing. AWTA Product Testing is able to provide extensive testing services encompassing the assessment of fibres, yarns, textiles, plastics, product flammability, automotive components, building products, glass, carpets/flooring materials, retail products, health care consumables, insulation materials, clothing and laminates. It has specialised capabilities in thermal conductivity, spectrophotometry, measurement of static electricity and retro-reflective performance.

LOOKING FORWARD

Using the efficiency improvements introduced over the last year, the division will continue to take the initiative in providing customers with better lead times, improved responsiveness and an increased testing capability.

The application of competitive pricing and value-added packages is expected to provide some impetus in a sluggish market as the product mix veers from the traditional textile testing towards building products. The division will continue to investigate diversification opportunities and expansion into niche areas with the express intention of increasing its revenue contribution.

In an increasingly challenging market, the division must focus on operational flexibility and enhancing its brand awareness through targeted advertising and attendance at selected events.



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 remained 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 9001:2008 certified testing facility that operates in a competitive environment and is focussed on providing accurate results and rapid response times to meet the needs of our customers.

The laboratories in Bibra Lake and Werribee 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.

Both laboratories are well supported by a team of 24 technical staff and 8 administrative staff who are highly experienced and committed to the accurate and timely provision of results.

Agrifood Technology were the proud recipients of the 2012 Wyndham Business Awards in the medium service category for its contribution to the local industry and its reputation as a service provider to the agricultural and food sector.

Ongoing investment in technology has enabled Agrifood Technology to increase its testing capabilities and has remained a significant provider of food safety testing for the horticultural and processed food sector.

Revenue from the FeedTest service acquired from the Victorian Department of Primary Industries has remained constant over the last twelve months. More parameters are being offered through improvement in the calibration 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. In particular, the focus will be on marketing the testing services in Western Australia 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 range of services to the wider textile industry.

CAPABILITIES

The wool laboratory provides IWTO certification on a variety of tests covering greasy and scoured wool. The textiles operation offers a comprehensive range of tests covering fibres, fabrics, carpets, flammability, wool grease, and products which contain high-visibility and/or retro-reflective properties.

NZWTA Ltd operates in a competitive environment. Where available all testing is supported by ISO 17025 accreditation to give customers utmost confidence in the accuracy of test results. The quality management system is supported by a focus on providing quality testing within service expectations to meet the needs of our wide customer base across the wool and textiles operations.

NZWTA Ltd is also capable of testing wool, textiles and general materials from outside New Zealand. Where necessary, products can be imported through our permit as a Government-approved transitional facility which covers New Zealand's strict biosecurity measures.

As New Zealand's leading greasy wool testing facility, NZWTA also collects a significant amount of data representing the New Zealand wool clip. Confidentiality of this data is critical to the values and integrity of NZWTA and its customers. However, many parts of the overall database can be analysed to provide useful statistics for the local and international industry without jeopardising this confidentiality. These statistics, along with other aspects of the company, can be viewed on NZWTA's website.

LOOKING FORWARD

Ongoing challenges in the sheep and wool sectors ensure NZWTA Ltd must adapt to industry changes. The organisation continues to use its key competencies of quality, integrity and customer focus to expand its services and customer base and support the industries in which the business operates.

RESEARCH & DEVELOPMENT

During 2012/13, 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, Deakin University and the University of New England.

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

During 2012/13 key research highlights included:

- acceptance testing of the first batch of Wool Handlemeters;
- working Group Drafts for Wool Handlemeters and Wool Comfortmeters; and
- acceptance test of NextGen Laserscan Prototype.

During 012/13 the key manufacturing outcomes were:

- continuing a strong focus on increasing the safety of machinery;
- continue developing long term projects for future increases in productivity - for example the installation and commissioning of the automated weighing stations on the greasy line;
- development and installation of upgrades and improvements to the buildings and services such as LED lighting upgrade;
- worked with external company to develop large scale upgrades to machinery to ensure product longevity; and
- first production NextGen Laerscan sold.



DIRECTORS' REPORT

2012-2013

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 2013. 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 56 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 profit after tax of the consolidated group for the year was \$8.095 million (2012 had a net loss of \$1.230 million).

REVIEW OF OPERATIONS

AWTA Ltd, as a consolidated group, comprises of 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

Wool production stabilised in 2012/13 with AWTA Raw Wool testing 369.8 million kilograms of greasy wool, an increase of 2.8% from the previous year. The industry remains optimistic that wool production has stabilised in Australia, with the AWI Wool Production Forecasting Committee predicting that the 2013/14 clip will be only 1.4% lower than this year despite the fact that more difficult growing conditions are expected to reduce fleece weights.

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 1.1% from last year despite the increase in total weight of wool tested as mentioned above. This is due to an increase in the average lot size from 5.55 to 5.75 bales per test which inevitably occurs when there is an improved growing season and consequently higher fleece weights.

AWTA Product Testing

The operating environment in the retail, manufacturing and building industries continued to be depressed throughout 2012/13 and this has had a significant impact of the AWTA Product Testing division. Operating Revenue in 2012/13 was 20.6% lower than the previous year with less testing received from most of the major market segments serviced by the division. Expenditure decreased by 9.4% as management focussed on reducing costs in response to falling revenue. This enabled the division to achieve a positive operating contribution despite the difficult market conditions, albeit significantly lower than in 2011/12.

JinAo Testing Co Ltd grew its revenue base steadily during 2012/13 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.

NZWTA Ltd

Although NZWTA Ltd's operating revenue decreased in 2012/13, it continues to achieve a profit that provides an adequate return on the capital that AWTA Ltd has invested in it. NZWTA is broadening the scope of tests that it offers the wool industry in New Zealand and its textile testing laboratory continues to grow its revenue base.

Agrifood Technology

Agrifood Technology continued to grow its revenue base in 2012/13. 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 9.7% despite a slight fall in the grain testing sector, the traditional customer base for Agrifood Technology.

During 2012/13, the return on investment from Agrifood Technology remained healthy.

Non-operating Income

This year's Non-operating Income includes a refund of payroll tax and land tax of \$5.500 million from the State Governments of Victoria, Western Australia, South Australia, Queensland, New South Wales and Tasmania for financial years before 2012/13.

Financial Position

The net assets of the consolidated group have increased by \$16.2 million from 30 June 2012 to \$87.7 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 & Australian Agricultural Company Ltd
- Director of a number of listed and unlisted companies, including James Hardie Industries SE & 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 Water Australia Ltd
- Director of Nareen Station Pty Ltd & 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
- Director of Australian Wool Exchange Ltd
- 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 & 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 & 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 Reeashbro 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 Athena Resources Ltd & Broлга Minerals Pty Ltd
- Director of Pabula Pty Ltd, Nova Downs Pty Ltd, Cobpen Co Investments Pty Ltd & 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 the National Council of Wool Selling Brokers of Australia Inc
- Chairman of the International Wool Textile Organisation's Market Intelligence Committee
- Principal of Poimena Analysis & Trustee of Poimena Trust



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 29 years, performing legal and compliance roles. Mr Englander was appointed Company Secretary on 1 July 2002.

MEETINGS OF DIRECTORS

During the financial year, 6 meetings of directors and 8 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	6	6	-	-	2	2	-	-
G.W. Dickinson	6	5	3	3	2	2	-	-
M.A. Jackson	6	6	-	-	-	-	3	3
M.D. Avery	6	6	3	3	-	-	-	-
P.D. Morgan	6	6	-	-	-	-	-	-
G.M. Power	6	6	-	-	-	-	-	-
D.B. Ritchie	6	5	3	3	-	-	-	-
G.W. Turner	6	6	-	-	-	-	3	3
D.A. Webster	6	6	-	-	2	2	-	-
C.J. Wilcox	6	6	-	-	-	-	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 2013 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 2013, the amount that members of the company are liable to contribute if the company is wound up is \$300 (2012: \$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 23 August 2013 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 2013, 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

23 August 2013

AUSTRALIAN WOOL TESTING AUTHORITY LTD

AND CONTROLLED ENTITY

ABN: 43 006 014 106

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated Group		Parent Entity	
		2013 \$000	2012 \$000	2013 \$000	2012 \$000
Revenue	2	36,395	36,359	33,285	33,150
Other income	2	7,603	1,587	7,471	1,400
Employee benefits expense		(23,663)	(24,717)	(21,893)	(22,887)
Depreciation & amortisation expense	3	(2,441)	(2,363)	(2,287)	(2,219)
Repairs & maintenance expense		(2,218)	(2,345)	(2,069)	(2,259)
Energy & utilities expense		(1,531)	(1,345)	(1,364)	(1,171)
Materials & supplies expense		(1,069)	(1,118)	(993)	(1,028)
Freight expense		(1,030)	(1,017)	(944)	(916)
Travel expense		(673)	(738)	(500)	(564)
Communications expense		(496)	(450)	(443)	(396)
Software expense		(491)	(551)	(416)	(490)
Subcontract testing expense		(463)	(371)	(454)	(359)
Consulting fees		(374)	(150)	(356)	(136)
Property, Rates & Taxes expense		(373)	(586)	(287)	(455)
Insurance expense		(307)	(303)	(273)	(268)
Printing & stationery expense		(286)	(289)	(271)	(262)
Advertising & Sponsorship expense		(254)	(249)	(244)	(210)
Investment management expense		(252)	(253)	(252)	(253)
Audit fees		(93)	(83)	(70)	(69)
Other expenses		(469)	(479)	(436)	(481)
Impairment charge on available-for-sale financial assets		(46)	(1,347)	(46)	(1,347)
Reassessment of fair value of available for sale financial assets disposed during the year		416	51	416	51
Realised gains on disposal of available for sale financial assets		910	420	910	420
Realised losses on disposal of available for sale financial assets		(596)	(769)	(596)	(769)
Profit/(Loss) before income tax	3	8,199	(1,106)	7,888	(1,518)
Income tax expense	4	(104)	(124)	-	-
Profit/(Loss) for the year		8,095	(1,230)	7,888	(1,518)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated Group		Parent Entity	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Profit attributable to members of the parent entity	8,095	(1,230)	7,888	(1,518)
Revaluation increment on property, plant & equipment	4,707	(24)	4,451	-
Revaluation increment/(decrement) on available for sale financial assets	3,336	(203)	3,336	(203)
Adjustments from translation of foreign controlled entity	65	40	-	-
Total other comprehensive income	8,108	(187)	7,787	(203)
Total comprehensive income	16,203	(1,417)	15,675	(1,721)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Note	Consolidated Group		Parent Entity	
		2013 \$000	2012 \$000	2013 \$000	2012 \$000
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	7	5,197	5,381	4,602	4,918
Trade and other receivables	8	7,897	3,175	7,565	2,812
Inventories	9	857	943	857	943
Other current assets	16	1,140	1,176	1,062	1,095
TOTAL CURRENT ASSETS		15,091	10,675	14,086	9,768
NON-CURRENT ASSETS					
Trade and other receivables	8	-	-	1,419	1,546
Investments accounted for using the equity method	10	210	119	210	119
Financial assets	12	30,663	23,721	31,996	24,961
Property, plant and equipment	14	49,218	44,739	45,919	41,854
Deferred tax assets	18	49	49	-	-
Intangible assets	15	128	192	128	192
TOTAL NON-CURRENT ASSETS		80,268	68,820	79,672	68,672
TOTAL ASSETS		95,359	79,495	93,758	78,440
CURRENT LIABILITIES					
Trade and other payables	17	1,829	2,148	1,552	1,839
Provision for taxation	4	31	27	-	-
Short-term provisions	19	5,168	5,127	4,950	4,949
TOTAL CURRENT LIABILITIES		7,028	7,302	6,502	6,788
NON-CURRENT LIABILITIES					
Other long-term provisions	19	639	704	600	671
TOTAL NON-CURRENT LIABILITIES		639	704	600	671
TOTAL LIABILITIES		7,667	8,006	7,102	7,459
NET ASSETS		87,692	71,489	86,656	70,981
EQUITY					
Reserves	20	80,292	72,184	80,304	72,517
Retained earnings		7,400	(695)	6,352	(1,536)
TOTAL EQUITY		87,692	71,489	86,656	70,981

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

Consolidated Group	Retained Earnings \$000	Asset Revaluation Reserve \$000	Capital Maintenance Reserve \$000	Foreign Currency Translation Reserve \$000	Financial Assets Reserve \$000	Total \$000
Balance at 1 July 2011	605	22,808	50,000	(545)	38	72,906
Other comprehensive income	-	(24)	-	40	(203)	(187)
Prior year adjustment	(70)	-	-	-	70	-
Loss for the year	(1,230)	-	-	-	-	(1,230)
Balance at 30 June 2012	(695)	22,784	50,000	(505)	(95)	71,489
Other comprehensive income	-	4,707	-	65	3,336	8,108
Profit for the year	8,095	-	-	-	-	8,095
Balance at 30 June 2013	7,400	27,491	50,000	(440)	3,241	87,692

Parent Entity	Retained Earnings \$000	Asset Revaluation Reserve \$000	Capital Maintenance Reserve \$000	Foreign Currency Translation Reserve \$000	Financial Assets Reserve \$000	Total \$000
Balance at 1 July 2011	52	22,612	50,000	-	38	72,702
Other comprehensive income	-	-	-	-	(203)	(203)
Prior year adjustment	(70)	-	-	-	70	-
Loss for the year	(1,518)	-	-	-	-	(1,518)
Balance at 30 June 2012	(1,536)	22,612	50,000	-	(95)	70,981
Other comprehensive income	-	4,451	-	-	3,336	7,787
Profit for the year	7,888	-	-	-	-	7,888
Balance at 30 June 2013	6,352	27,063	50,000	-	3,241	86,656

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated Group	
		2013 \$000	2012 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		41,391	39,975
Payments to suppliers and employees		(38,986)	(39,202)
Dividends received		1,015	1,141
Interest received		595	618
Other income received		908	420
Finance costs		-	-
Net cash provided by (used in) operating activities	23	4,923	2,952
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		238	168
Payment for available-for-sale financial assets		(15,827)	(13,511)
Proceeds from sale of financial assets		12,625	12,456
Purchase of property, plant and equipment		(2,143)	(2,498)
Net cash used in investing activities		(5,107)	(3,385)
Net decrease in cash held		(184)	(433)
Cash and cash equivalents at beginning of financial year		5,381	5,814
Cash and cash equivalents at end of financial year	7	5,197	5,381

The accompanying notes form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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 23 August 2013 by the Board of Directors.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

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 as 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.

All revenue is stated net of the amount of goods and services tax (GST).

(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	
	2013	2012
Revenue	\$000	\$000
Sales Revenue		
— Revenue from services	34,785	34,600
Revenue from investments		
— Dividend revenue from other corporations	1,015	1,141
— Interest from unrelated persons	595	618
	<u>1,610</u>	<u>1,759</u>
Total Revenue	<u>36,395</u>	<u>36,359</u>
Other Income		
— Gains on disposal of property, plant and equipment	35	72
— Foreign exchange gain	181	-
— Gain on disposal of surplus sample material	1,014	1,055
— Gain on sale of manufactured equipment	271	-
— Share of profit from joint venture	75	-
— Refund of payroll and land taxes	5,500	-
— Rent income	348	300
— Consulting income	170	135
— Other income	9	25
Total Other Income	<u>7,603</u>	<u>1,587</u>

NOTE 3 PROFIT FOR THE YEAR

	Consolidated Group	
	2013	2012
Expenses	\$000	\$000
Finance costs	-	-
Impairment Loss		
— Trade receivables	3	17
Rental expense on operating leases		
— Minimum lease payments	166	172
Amortisation		
— Customer lists	64	64
Depreciation		
— Land & buildings	732	732
— Plant & equipment	1,645	1,567

NOTE 4 INCOME TAX EXPENSE

	Consolidated Group	
	2013	2012
	\$000	\$000
a. The components of tax expense comprise:		
Current tax	104	124
Deferred tax	-	-
	<u>104</u>	<u>124</u>
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% (2012: 28%)		
— Consolidated group	94	115
Add:		
Tax effect of:		
— Other non-allowable items	5	7
	<u>99</u>	<u>122</u>
Less:		
Recoupment of prior year tax losses not previously brought to account	5	(2)
Income tax attributable to entity	<u>104</u>	<u>124</u>
c. Current tax relates to:		
Income tax	31	27
Current tax liability	<u>31</u>	<u>27</u>
d. Deferred tax relates to:		
Tax losses carried forward	49	49
Net Deferred tax assets	<u>49</u>	<u>49</u>

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 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

	2013 \$000	2012 \$000
Total remuneration paid to Key Management Personnel	1,526	1,495
Remuneration of Directors		
Amounts paid or payable to Directors or former Directors of AWTA Ltd	963	937
Directors base remuneration falls within the following bands:	No.	No.
\$10,000 to \$19,999	-	1
\$20,000 to \$29,999	-	1
\$30,000 to \$39,999	7	6
\$60,000 to \$69,999	-	1
\$70,000 to \$79,999	1	-
\$120,000 to \$129,999	-	1
\$130,000 to \$139,999	1	-
\$470,000 to \$479,999	1	1

NOTE 6 AUDITORS' REMUNERATION

	Consolidated Group	
	2013 \$000	2012 \$000
Remuneration of the auditor of the parent entity for:		
— auditing the financial report	73	70
— other consulting services	7	-
Remuneration of other auditors of subsidiary for:		
— auditing the financial report of the subsidiary	13	12
— taxation services	3	2

NOTE 7 CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2013 \$000	2012 \$000
Cash at bank and in hand	567	671
Short-term bank deposits	4,630	4,710
	5,197	5,381
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	5,197	5,381

NOTE 8 TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2013 \$000	2012 \$000
CURRENT		
Trade receivables	3,044	2,840
Provision for impairment	(14)	(17)
	<u>3,030</u>	<u>2,823</u>
Amounts receivable from:		
— Franking credit rebate from Australian Taxation Office	246	272
— Payroll and land tax refund receivable from State Revenue Office of Victoria	4,618	-
— Other sundry debtors	3	80
Total current trade and other receivables	<u>7,897</u>	<u>3,175</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:

	2013 \$000	2012 \$000
Balance at beginning of the year	(17)	(15)
Charge for the year	-	(17)
Amounts written off	3	15
Balance at end of year	<u>(14)</u>	<u>(17)</u>

NOTE 9 INVENTORIES

	Consolidated Group	
	2013 \$000	2012 \$000
CURRENT		
Materials & supplies	<u>857</u>	<u>943</u>

NOTE 10 INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	Note	Consolidated Group	
		2013 \$000	2012 \$000
Interest in joint venture entity	11	<u>210</u>	<u>119</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	
	2013 \$000	2012 \$000
NON CURRENT		
Available-for-sale financial assets	<u>30,663</u>	<u>23,721</u>
Total non-current assets	<u>30,663</u>	<u>23,721</u>
Available-for-sale financial assets comprise:		
Listed investments, at fair value	<u>30,663</u>	<u>23,721</u>

NOTE 13 CONTROLLED ENTITY

Controlled Entity Consolidated	Country of Incorporation	Percentage Owned (%)	
		2013	2012
Subsidiary of AWTA Ltd			
New Zealand Wool Testing Authority Ltd	New Zealand	100	100

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group	
	2013 \$000	2012 \$000
LAND AND BUILDINGS		
Freehold land at:		
— Independent valuation 2011	-	16,575
— Independent valuation 2013	20,425	-
Total Land	20,425	16,575
Buildings at:		
— Independent valuation 2011	-	19,683
— Independent valuation 2013	19,660	-
Less accumulated depreciation	-	(731)
Total Buildings	19,660	18,952
Total Land and Buildings	40,085	35,527
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	39,752	38,779
Accumulated depreciation	(31,676)	(30,967)
Plant and equipment under construction	1,057	1,400
Total Plant and Equipment	9,133	9,212
Total Property, Plant and Equipment	49,218	44,739

The group's land and buildings were revalued at 30 June 2013 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 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
Depreciation expense	-	(731)	(1,567)	(2,299)
Balance at 30 June 2012	16,575	18,952	9,212	44,739
Additions	-	3	2,140	2,143
Disposals	-	-	(212)	(212)
Foreign exchange translation on opening balances	-	181	37	218
Revaluation increments	3,850	1,256	(399)	4,707
Depreciation expense	-	(732)	(1,645)	(2,377)
Balance at 30 June 2013	20,425	19,660	9,133	49,218

NOTE 15 INTANGIBLE ASSETS

	Consolidated Group	
	2013 \$000	2012 \$000
Customer lists		
Cost	320	320
Less: Accumulated amortisation & impairment	(192)	(128)
Total intangibles	128	192
Balance at the beginning of year	192	256
Less: Amortisation	(64)	(64)
Balance at the end of the year	128	192

NOTE 16 OTHER ASSETS

	Consolidated Group	
	2013	2012
	\$000	\$000
CURRENT		
Prepayments	1,140	1,176

NOTE 17 TRADE AND OTHER PAYABLES

	Consolidated Group	
	2013	2012
	\$000	\$000
CURRENT		
Unsecured liabilities		
Trade payables	1,066	1,044
Sundry payables and accrued expenses	763	1,104
	1,829	2,148

NOTE 18 TAX

	Consolidated Group	
	2013	2012
	\$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 19 PROVISIONS

	Consolidated Group	
	2013	2012
	\$000	\$000
Employee Entitlements		
Opening balance	5,831	5,524
Additional provisions	2,742	2,864
Amounts used	(2,766)	(2,557)
	5,807	5,831
Analysis of Total Provisions		
Current	5,168	5,127
Non-current	639	704
	5,807	5,831

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 20 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 21 CAPITAL AND LEASING COMMITMENTS

	Consolidated Group	
	2013	2012
	\$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	159	108
— Between 12 months and 5 years	332	242
— Greater than 5 years	171	177
	662	527

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 2017, 2018, 2022, 2023, 2029 and 2034.

	Consolidated Group	
	2013	2012
	\$000	\$000
(b) Capital Expenditure Commitments		
Capital expenditure commitments contracted for:		
Capital expenditure projects	668	714
(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	223	342
— Between 12 months and 5 years	382	294
	605	636

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 22 CONTINGENT LIABILITIES

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

NOTE 23 CASH FLOW INFORMATION

	Consolidated Group	
	2013 \$000	2012 \$000
Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit/(loss) after income tax	8,095	(1,230)
Non-cash flows in profit/(loss)		
Depreciation and amortisation	2,441	2,363
Reassessment of fair value on available-for-sale financial assets	(416)	(51)
Impairment charges on available-for-sale financial assets	46	1,347
Foreign exchange gain	(202)	(29)
Changes in provisions	(28)	293
Net gain on disposal of property, plant and equipment	(26)	(72)
Doubtful debts written off	3	15
Share of joint venture entity net profit after income tax and dividends	(75)	(26)
Changes in assets and liabilities		
(Increase)/decrease in trade and term receivables	(4,722)	227
Decrease in other current assets	36	134
Decrease in inventories	86	62
Decrease in trade payables and accruals	(319)	(15)
Increase/(decrease) in income taxes payable	4	(66)
Cash flow from operations	4,923	2,952

NOTE 24 RELATED PARTY TRANSACTIONS

	Consolidated Group	
	2013 \$000	2012 \$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	1,010	892

NOTE 25 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	
	2013 \$000	2012 \$000
Financial Assets		
Cash and cash equivalents	5,197	5,381
Loans and receivables	7,897	3,175
Available-for-sale financial assets	30,663	23,721
	43,757	32,277
Financial Liabilities		
Trade and other payables	1,829	2,148
	1,829	2,148

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.

Effective Weighted Average Interest Rates

	Consolidated Group	
	2013 %	2012 %
Financial Assets		
Cash and cash equivalents	3.54	4.87

(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 26 SUBSEQUENT EVENTS

There has been no matter or circumstance, which has arisen since 30 June 2013 that has significantly affected or may significantly affect:

- a. the operations, in financial years subsequent to 30 June 2013, of the consolidated entity, or
- b. the results of those operations, or
- c. the state of affairs, in financial years subsequent to 30 June 2013, of the consolidated entity.

AUSTRALIAN WOOL TESTING AUTHORITY LTD

AND CONTROLLED ENTITY

ABN: 43 006 014 106

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 17 to 31, are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standards; and
 - b. give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the Company and consolidated group;
2. 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: 23rd August 2013

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 (the Company) and Australian Wool Testing Authority Ltd and its controlled entity (the consolidated entity), which comprises the statement of financial position as at 30 June 2013, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 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 and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (including Australian Accounting Interpretations) 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 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity'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 company and consolidated entity's financial position as at 30 June 2013 and of their performance for the year ended on that date; and
- ii. Complying with Australian Accounting Standards – Reduced Disclosure Requirements (including Australian Accounting Interpretations) and the Corporations Regulations 2001.

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

Stephen Schonberg,

Partner

Pitcher Partners

Melbourne

23 August 2013

Handwritten initials in black ink, possibly "P.S." or similar.



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