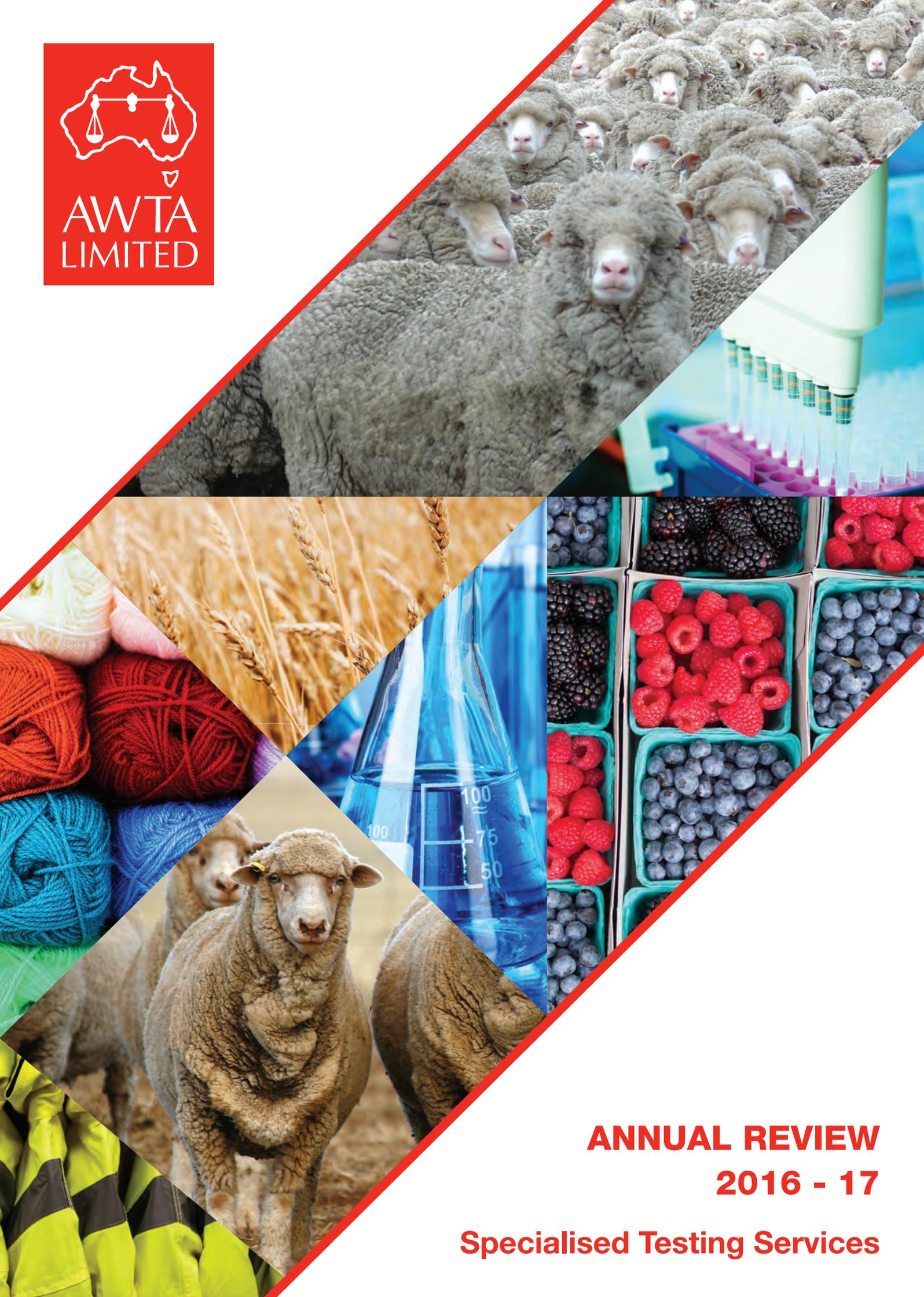




AWTA
LIMITED



**ANNUAL REVIEW
2016 - 17**

Specialised Testing Services



ANNUAL REVIEW 2016-17

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HISTORY & OBJECTIVES

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

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

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

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

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

They include the following:

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

MISSION, VISION & VALUES

MISSION

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

VISION

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

VALUES

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

INDUSTRY GOOD ACTIVITIES

- Whilst having to operate in a commercial environment, AWTA Ltd is committed to its industry good purpose underpinned by its not for profit status.
- Since its inception, the company's key goal has been to keep the fees it charges for wool testing to a minimum and predominantly under the rate of inflation. The company's major business strategies continue to be developed around this goal.
- The company sponsors agricultural events and plays a key role within the International Wool Textile Organisation, whose mission is to promote wool as a sustainable and accessible premium fibre.
- AWTA Ltd collates and freely makes available to the public, a significant amount of information to aid all facets of the wool industry, including promotion, production and productivity.
- The company invests significant resources in research and development activities which have advanced the objective measurement of wool, reduced costs for the industry and led to more efficient testing methodologies.
- AWTA Ltd maintains 2 full-function raw wool testing laboratories in Australia (Kensington, Victoria and Bibra Lake, Western Australia) and one in Napier, New Zealand, to comfortably meet peak demand loads and to provide disaster recovery or back-up facilities in the event that one or more laboratory is taken out of service for whatever reason.
- AWTA Ltd provides educational scholarships and university cadetship program placements. It provides administrative and accounting support to the Australian Wool Education Trust. The Trust, which AWTA Ltd established, endeavours to advance education in wool and textile science

and technology. It funds educational resources, programs, institutions, students and colleges, as well as scientific research undertaken for the advancement of education.

- The Agrifood Technology division provides value-adding services to Australia's grain, horticultural, food and feed industries. It assists various industry associations with technical assistance and helps to calibrate and standardise analytical methods, at no cost. It is a member of the Imported Food Consultative Committee, which assists the food and beverage importing industry and the Department of Agriculture, Fisheries and Forestry with a forum to ensure that effective food safety and compliance outcomes are delivered without unnecessary impediments to trade.
- The company's Product Testing division's staff serve on a number of Australian Standards Committees. The division participates in Interlaboratory Comparison Trials for NATA Accreditation and for both local and international laboratories. The division offers an extensive range of tests and services to the Australian industrial and manufacturing industries in furtherance of the company's charitable objects.

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)
- P.D. Morgan (appointed by AWPC Inc from WTMA Group)
- D.B. Ritchie (appointed by AWPC Inc from WSCA Group)
- D.A. Webster (appointed by AWI Ltd)
- C.J. Wilcox (appointed by NCWSBA Inc)
- R.D. Halliday (appointed by WoolProducers Australia)
- C.J. Kelly (appointed by ACWE Inc)
- B.A. Litchfield (appointed by PTWMA Inc)

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

COMPANY SECRETARY

The Company Secretaries are Mr Charles Englander (General Counsel) and Peter Walsh (Chief Financial Officer).

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;
- corporate governance;

- the revision of strategic direction and oversight of management;
- 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 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.

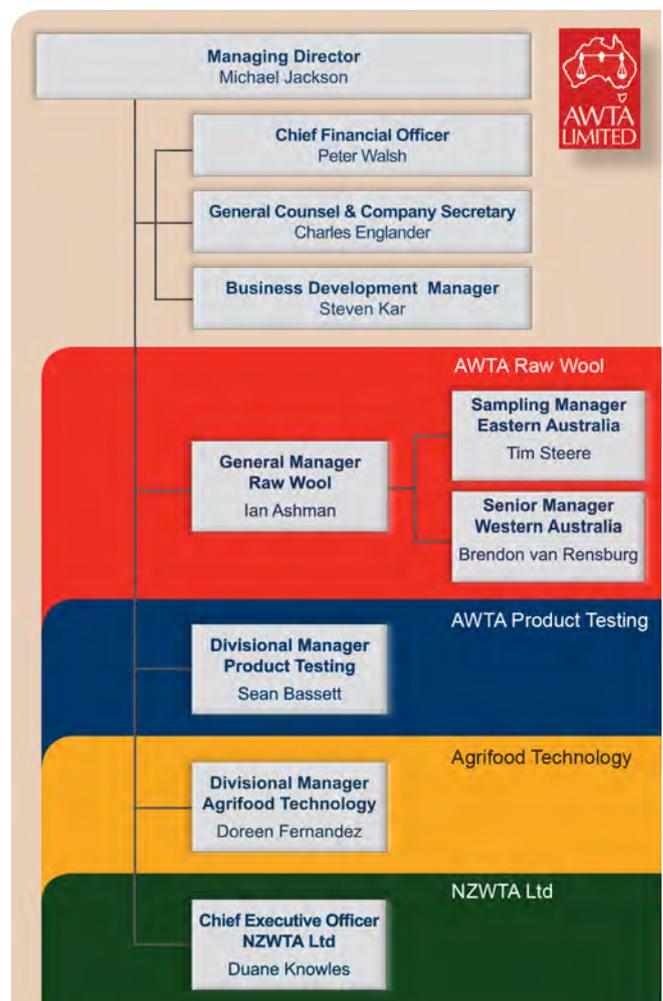
AWTA Ltd is organised for management and reporting purposes into four operating divisions. Management responsible for those divisions must account for their performance within a framework of strategic plans, budgets, position descriptions, targets, standards and policies.

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), Mr D.B. Ritchie and Mr C.J. Wilcox. 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 C.J. Wilcox (Committee Chairman), Mr B.A. Litchfield, 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 auditors' effectiveness, performance and independence are 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 onitoring 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 and safety;
- environmental compliance;
- restrictive trade practices and consumer law compliance;
- staff recruitment, training and termination;
- privacy;
- anti-harassment, bullying and discrimination;
- records and 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.

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 active staff numbers peaked at 331 in November, 2016.

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, social media 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 and divisional management.

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

During 2016/17, the company experienced 4 lost time accidents (4 more than in 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, 215 employees have reached 20 years service, 75 have achieved 30 years service and 14 have reached 40 years service. During 2016/17, the 40 year service roll increased by 2, the 30 year service roll increased by 4 and the 20 year service roll increased by 4.

SERVICE AWARDS

40 Years

Deborah Fortalski (13th) Senior Clerk (Fremantle), commenced 24 August 1976

Christine Wojtowicz (14th) Senior Testing Officer (Melbourne), commenced 13 September 1976

30 Years

Phil Traynor (72nd) Senior Sampling Officer (Adelaide), commenced 4 August 1986

Ken Yann (73rd) Sampling Controller (Melbourne), commenced 12 January 1987

Paul Scicluna (74th) Senior Testing Officer (Melbourne), commenced 27 April 1987

Jodie Sudaro (75th) Analyst/Programmer, commenced 22 June 1987

20 Years

Jorge Covarrubias (212th) Maintenance Officer (Melbourne), commenced 30 September 1996

Warren Shrimpton (213th) Systems Support Programmer, commenced 7 October 1996

Tim Steere (214th) Sampling Operations Manager (Eastern Australia), commenced 28 October 1996

Peter Kostouros (215th) Solution Architect - Enterprise Applications, commenced 5 May 1997

CHAIRMAN'S STATEMENT

AWTA Ltd has recorded a net profit of \$5.164 million for 2016/17.

This is a significant improvement from the profit of \$0.979 million reported last year. Financial performance at operating level has improved by over \$2 million, largely due to increased wool production, efficiency gains achieved by AWTA Raw Wool and growth in the Agrifood Technology business. In addition, non-operating income from the company's investment portfolio increased significantly when compared to 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 approximately the same today as it was 20 years ago. It is pleasing that the ongoing financial stability of AWTA Ltd has allowed AWTA Raw Wool fees to be held with no increase for 2017/18.

However, in the last two decades, 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 12 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 Company Ltd, which is managed through AWTA Product Testing.

In 2016/17, AWTA Raw Wool revenue increased by 9.3% over the previous year. Wool production increased during the year due to positive seasonal conditions in many areas leading to higher wool cut per sheep. Consequently, the weight of wool sampled by AWTA Raw Wool grew by 5.3%. The number of core tests conducted by AWTA Raw Wool increased by 5.6%, broadly in line with the rise in wool production. High wool prices also delivered an increase in income earned from the sale of wool samples.

The industry expects wool production to stabilise next year, with the AWI Wool Production Forecasting Committee predicting the 2017/18 clip will be very similar to this year.

Agrifood Technology continued to grow its revenue base in 2016/17. The division is now less reliant on revenue from the grain industry, providing a more diverse customer base and reducing its exposure to the risk of poor seasonal conditions that affect cropping. In recent years, the division has expanded its sales activities and extended the scope of testing it offers to its customers by establishing a microbiological testing laboratory. This strategy has helped the division grow with revenue increasing by 14.9% during the year under review. The financial success of the division is assessed by the return on investment it achieves and the Board was pleased to see further improvement in 2016/17.

The market that AWTA Product Testing serves has been depressed for a number of years. While this continued to be the case in the retail, manufacturing and particularly the automotive industries throughout 2016/17, the division has seen a significant recovery in the revenue it earns from the building materials sector and from services provided to specialist sectors of the textile industry. In addition, the division acquired the TQRMT textile testing business in May providing opportunity for further revenue growth in coming years. Total revenue for AWTA Product Testing increased by approximately 9% in the year under review. This enabled the division to again achieve a positive operating contribution and a satisfactory return on investment.

JinAo Testing Company Ltd continued to operate profitably in 2016/17. 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 achieved an increase in profitability in 2016/17, despite the ongoing fall in wool production in New Zealand. The NZWTA strategy of broadening the scope of tests that it offers the wool industry and growing its textile testing income has been successful. During the year under review, growth in textile testing revenue fully offset the decline in wool testing income. The Board is pleased with the return on the capital that it has invested in NZWTA.

AWTA Ltd invests its funds in various asset classes in accordance with a balanced investment policy which is regularly reviewed by the Board. The performance of equity markets improved during 2016/17, and this had a positive impact on AWTA Ltd's non-operating revenue as I mentioned in the introduction to this statement. 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 in the short term.

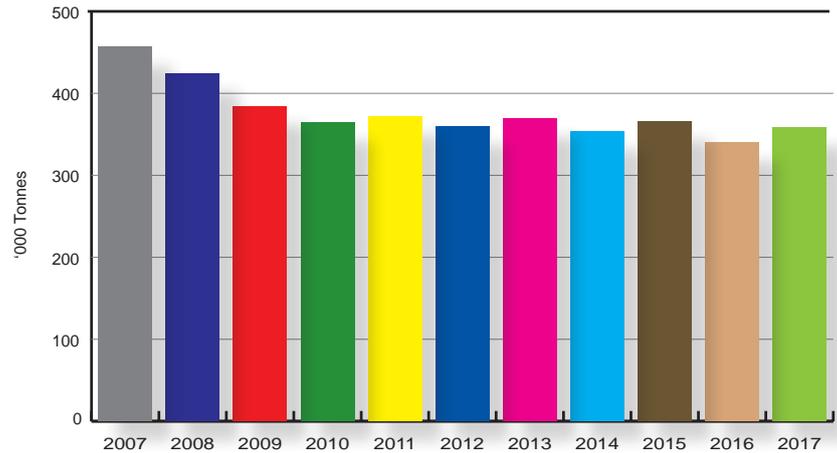
I would also like to pay tribute to all the staff that have achieved 20, 30 and 40 year service anniversaries during the past year and acknowledge their contribution to the company. AWTA Ltd has a proud tradition of long service, a rare feat in most Australian companies.

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 2016/17.



MR D.G. McGAUCHIE AO
CHAIRMAN - AWTA Ltd

Volume of Australian Wool Tested



D.G. McGAUCHIE AO

MANAGING DIRECTOR'S INTRODUCTION

The AWTA Ltd Group reported an overall profit of \$5.164 million for 2016/17.

It is pleasing to report that all of the operating divisions in Australia and NZWTA have made a positive contribution during 2016/17. 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 was instrumental in holding raw wool fees at their current levels for 2017/18.

The company remains financially 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 2016/17 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

	2017	2016
	\$'000s	\$'000s
Revenue		
Revenue from services	37,788	34,737
Revenue from investments	4,853	3,583
Profit on sale of surplus sample material	1,434	1,334
Revenue from sale of manufactured equipment	1,003	178
Consulting income	48	113
Rental income	443	457
Other income	122	337
Total Revenue	45,691	40,739
Expenses		
Operating and administrative expenses	(39,100)	(38,985)
Realised losses on sale of investments	(1,427)	(775)
Total Expenses	(40,527)	(39,760)
Net Profit/(Loss)	5,164	979



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 and quality control.

During 2016/17, 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 4.9% during 2016/17 with 2.01 million bales sampled compared with 1.91 million bales during the previous season. Bales sampled increased in all states.

The number of sale lots tested for Yield & Micron results increased by 5.6% in 2016/17 when compared with the previous season, to 334,590 lots. The increase in sale lots tested was more than the increase in bales tested indicating that the lot size has decreased in 2016/17 - from 6.03 bales/lot in 2015/16 to 6.00 bales/lot in 2016/17. The number of sale lots tested for Staple Length & Strength increased by 6.4 % to 207,140 lots over the same period due to an increase in lots tested and adoption rate.

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

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

Service

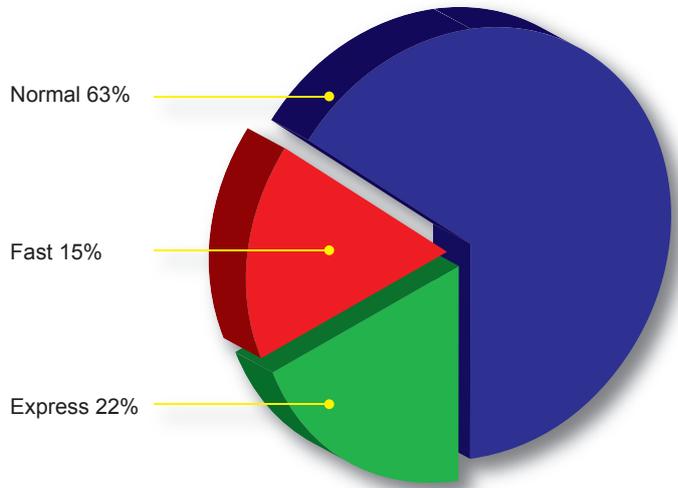
AWTA Raw Wool is committed to providing timely testing services as required by its customers. Samples are taken at 32 locations throughout Australia and dispatched overnight to one of AWTA's Raw Wool laboratories.

AWTA Ltd offers three levels of priority for service:

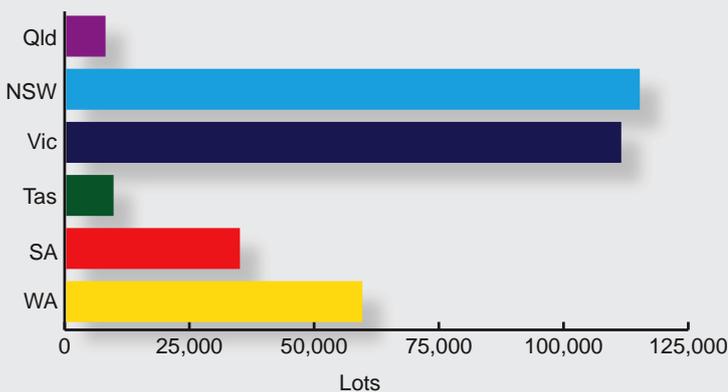
Normal: Test certificates are available within 5 days of a sample being taken.

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

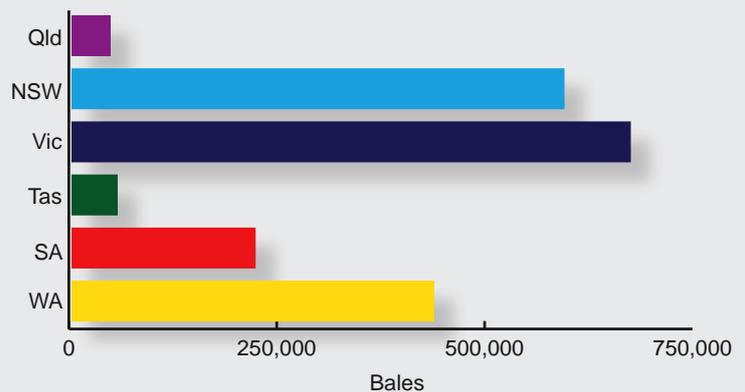
Express: 95% of test certificates are available the following morning, with the remainder the following day.



Lots Sampled 2016/17



Bales Sampled 2016/17



Test Type	Service Measure	Normal	Fast	Express
Yield & Micron	Average (days)	3.4	2.1	1.7
	% Total Tests within Service Target	98.6	95.7	96.4
Length & Strength	Average (days)	4.0	2.5	1.8
	% Total Tests within Service Target	93.3	91.4	90.8

For 2016/17 all levels of service were well controlled and average service time was well within these limits.

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 increased during 2016/17 due to the improved efficiencies at wool coring locations.

Testing Productivity, which reflects the efficiency of all laboratory operations, increased by 4.8% during 2016/17. This increase was largely due to improved efficiencies and structural improvements in laboratory operations.

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 2016/17, all AWTA Ltd laboratories reported ongoing stable and accurate performance to the IWTO Conference.

External queries from clients also serve as an indicator of technical performance. During 2016/17, some 1243 results (0.22% of all tests) were queried by customers. Of these, 367 were reissued, representing less than 0.07% of the 541,730 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 wool production 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.

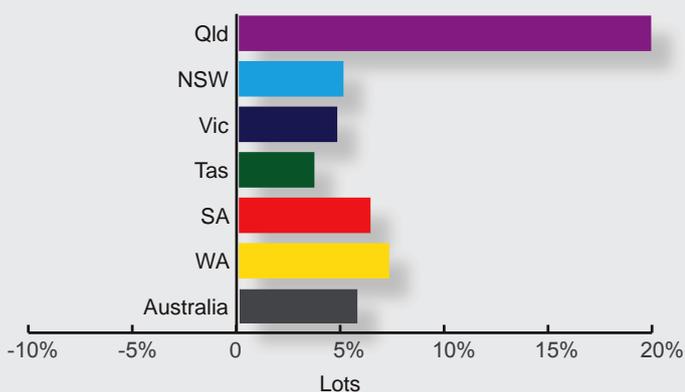
AWTA Ltd collates and publishes an extensive range of statistics and analytical reports which are provided free of charge to the wool industry. An example of this is the Key Test Data report - a monthly summary of the volume of wool tested and average results tested broken down by State and wool category.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

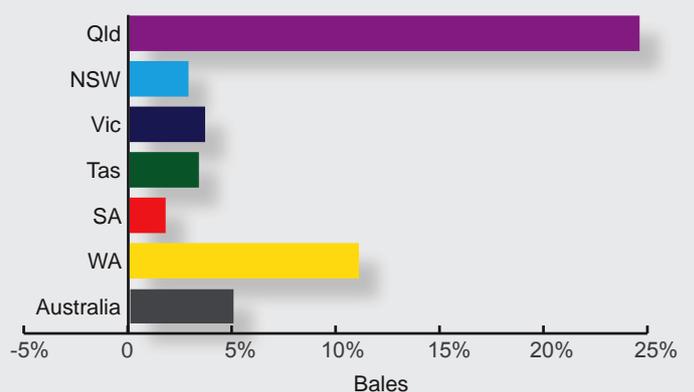
The company continues to support the Australian wool industry by sponsoring and providing testing assistance for major sheep shows, ram sales and research trials. Details of supported events are listed on the AWTA Ltd website to assist with the promotion of sponsored events.

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 (2016/17 cf 2015/16)



Changes in Bales Sampled (2016/17 cf 2015/16)



AWTA PRODUCT TESTING

OVERVIEW

AWTA Product Testing is an independent materials testing laboratory possessing a diverse range of specialised testing equipment. It has the ability to carry out more than 10,000 different tests to local and international standards for a range of industries. The division holds accreditations to both ISO 9001 and ISO 17025, along with several other specific industry organisations.

CAPABILITIES

Testing areas include mechanical, flammability, chemical, optics, weathering and thermal performance to a range of industries including apparel, health care, interior furnishings, building and transport. Examples of products that are typically tested by the laboratory are textiles, flooring, building materials, insulation, reflective materials and automotive/aerospace components.

LOOKING FORWARD

The last twelve months has seen a period of change in the local testing environment with the closure of two Australian textile laboratories. This rationalisation has led to a growth in revenue in traditional textile testing areas, as well as allowing the division to bolster its technical and sales resources. In addition, there has been quite significant growth in building testing. In May 2017, the division purchased a smaller laboratory, TQTRM, who specialise in the testing of retail apparel and textile materials. This acquisition will allow the division to further expand into this market sector. The next 12 months will be spent consolidating the activities carried out in 2016/17 to increase revenue, along with further integration and development of the TQTRM brand.

JINAO TESTING COMPANY

OVERVIEW

JinAo is a joint venture laboratory located in Nanjing, China and is a 50/50 venture between AWTA Ltd 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 Ltd 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

Over the last twelve months, Agrifood Technology has diversified its testing capabilities and services to remain one of Australia's major providers 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 focused on providing accurate results and rapid response times to meet the needs of its customers.

The laboratories in Derrimut, Werribee (Victoria) and Bibra Lake (Western Australia) are well equipped to conduct comprehensive analysis on a diverse range of food and feed products, including grain quality, milling, dough rheology, end product assessment, nutritional labelling, allergen testing, pesticide residues, agro nutritional, mycotoxins and microbiological analysis. Recently, the microbiological testing has been expanded to cover environmental samples, including hygiene swabs and water.

Ongoing investment in resources has been made to further enhance its testing capabilities through improved technology and expansion of NATA scope across all sites, including a new microbiological testing laboratory at Bibra Lake. This accreditation further enhances its ability to conduct a complete and comprehensive test package for key industry sectors across all three sites.

Agrifood Technology has continued to provide testing services to the wheat breeding sector in order for them to meet their classification requirements. The wheat breeding sector is a vital part of Australia's agricultural industry and the division will continue to develop its business relationships in this area, in order to assist wheat breeding companies to remain competitive in the international marketplace.

All laboratories are well supported by a highly experienced team of both technical, sales and administrative staff who are knowledgeable of industry requirement and are committed to the accurate and timely provision of results.

LOOKING FORWARD

Expanding both Agrifood Technology's testing capabilities and client base across all the three sites will remain a priority over the next twelve months. In particular, the focus will be to build microbiological testing services in both the Derrimut and Bibra Lake laboratories by improving brand awareness, expanding the client base and strengthening the relationship with existing customers.



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 high-visibility products to national and international standards. NZWTA Ltd is capable of testing wool and textiles materials from around the world, with testing supported by ISO 17025 accreditation to give customers 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 a wide customer base.

LOOKING FORWARD

NZWTA Ltd's Mission Statement is to provide leadership to industry through measurement, innovation, technology and service. The company's strategic approach to delivering innovative service solutions for customers is proving effective at a time where the industry is experiencing challenging market conditions. A deliberate and continued focus on this strategy will remain a priority over the next season.

RESEARCH & DEVELOPMENT

OVERVIEW

The Research and Development department continues to work on both internal and external projects, in some partnership with other industry organisations, including Australian Wool Innovation (AWI).

During 2016/17, the key research highlights included:

- upgrade of Wool ComfortMeter draft standard to a full IWTO Test Method;
- upgrade of NIR technology for measurement of residual grease and ash; and
- purchase and set-up of Hyperspectral imaging platform for vegetable matter dissection studies.

The key manufacturing outcomes in 2016/17 were:

- finishing the build and installation of a wool testing laboratory in Beijing China;
- manufacturing and delivering a portable Bale Sprayer prototype to AWI; and
- completing the installation of chillers, boilers, humidifiers and controls as part of an energy efficiency project in the Melbourne laboratory.





FEEDTEST

AWTA PRODUCT TESTING



JinAo
Testing Company



NZWTA

**FINANCIAL
STATEMENTS
2016 - 17**



**AWTA
LIMITED**

AUSTRALIAN WOOL TESTING AUTHORITY LTD

AND CONTROLLED ENTITY ABN: 43 006 014 106

DIRECTORS' REPORT

The directors present their report, together with the financial report of the consolidated entity consisting of Australian Wool Testing Authority Ltd and its controlled entity, for the financial year ended 30 June 2017 and the auditor's report thereon.

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

The principal activities of the consolidated entity during the financial year were raw wool, textiles, agricultural products and other materials testing. There has been no significant change in the nature of these 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 60 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 26 years, 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 consolidated profit after income tax attributable to the members of Australian Wool Testing Authority Ltd was \$5.164 million (2016: net profit after tax of \$0.979 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 Company Ltd, which is managed through AWTA Product Testing.

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

AWTA Raw Wool

The volume of wool tested in 2016/17 by AWTA totalled 357.9 million kilograms of greasy wool, an increase of 5.3% from the previous year. The industry expects wool production to further increase next year with the AWI Wool Production Forecasting Committee predicting that the 2017/18 clip will be 0.4% higher than this year, with slightly higher sheep numbers and average wool cut per head.

The majority of Raw Wool revenue comes from presale testing of greasy wool. The number of core tests conducted by AWTA Raw Wool increased by 5.6% from last year, indicative of the overall increase in the total weight of wool tested.

AWTA Product Testing

The market that AWTA Product Testing services has been depressed for a number of years. While this continued to be the case in the retail, manufacturing and automotive industries throughout 2016/17, the division has seen a recovery in the revenue it earns from the building materials sector. Overall, operating revenue for AWTA Product Testing increased by 8.8% in 2016/17. Expenditure increased in line with revenue and the operating contribution improved despite the difficult market conditions.

JinAo Testing Company Ltd maintained its revenue base during 2016/17 and continues to operate profitably. 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

Operating revenue for NZWTA Ltd has increased from that achieved in 2015/16 by 3.4%. The NZWTA strategy of broadening the scope of tests that it offers the wool industry and growing its textile testing income has been successful. NZWTA continues to achieve a profit that provides an adequate return on the capital invested.

Agrifood Technology

Agrifood Technology continued to grow its revenue base in 2016/17. As revenue from grain testing is highly dependent on seasonal conditions and ongoing structural changes in the wheat 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 and in conjunction with high grain production, has delivered a 14.9% increase in divisional revenue.

During 2016/17, the return on investment from Agrifood Technology remained healthy.

Non-operating Income

Non-operating income was again strong in 2016/17, reflecting the returns on funds invested in the financial markets.

Unrealised Impairment Charges

In accordance with AASB 139 Financial Instruments: Recognition and Measurement, an impairment charge on available-for-sale financial assets of \$0.091 million has been taken up in the financial statements. The strength of AWTA Ltd's balance sheet allows for a long-term approach to investment and directors accept there is a risk of volatility and periods of short-term negative returns under the investment policy that has been adopted.

Financial Position

The net assets of the consolidated group have increased by \$6.686 million from 30 June 2016 to \$104.962 million at the end of the financial year.

INFORMATION ON THE DIRECTORS

Mr D.G. McGauchie AO

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



Mr G.W. Dickinson

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



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 Australian Wool Education Trust



Mr D.A. Webster

- Appointed as nominee director for Australian Wool Innovation Ltd on 25 November 2008
- Member of Remuneration & Appointments Committee
- Director of Australian Wool Innovation Ltd
- Director of Athena Resources Ltd and Cobpen Co Investments Pty Ltd



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
- Principal of Morgan Terrace Pty Ltd



Mr C.J. Wilcox

- Appointed as nominee director for National Council of Wool Selling Brokers of Australia Inc on 15 February 2008
- Chairman of Environment & Safety Committee, Member of Audit & Finance 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
- Secretary and analyst for the Australian Wool Production Forecasting Committee
- Principal of Poimena Analysis, Trustee of Poimena Trust and Director of Poimena Super Fund Pty Ltd



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
- General Manager of Victoria Wool Processors Group



Mr B.A. Litchfield

- Appointed as the nominee director for Private Treaty Wool Merchants of Australia Inc on 17 October 2014
- Member of Environment & Safety Committee
- Director of Royal National Capital Agricultural Society
- President of Private Treaty Wool Merchants of Australia Inc
- Manager of Monaro Wool Services (Cooma)



Mr C.J. Kelly

- Appointed as the nominee director for Australian Council of Wool Exporters Inc on 17 October 2014
- President of Australian Council of Wool Exporters & Processors Inc
- Director of Australian Merino Exports Pty Ltd and Daidoh Australia Pty Ltd



Mr R.D. Halliday

- Appointed as the nominee director for WoolProducers Australia on 1 February 2015
- President of WoolProducers Australia
- Director of Australian Wool Exchange Ltd



COMPANY SECRETARY

The following held the position of company secretary at the end of the financial year:

Mr Charles Englander, Bachelor of Law, Master of Laws, appointed as company secretary on 1 July 2002. Mr Englander has worked for AWTA Ltd for the past 33 years, performing legal and compliance roles.

Mr Peter Walsh, Bachelor of Business Studies, FCPA MAICD AGIA ACIS, appointed as company secretary on 24 June 2016. Mr Walsh has worked for AWTA Ltd for the past 13 years, performing finance and administration roles.

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	5	-	-	2	1	-	-
G.W. Dickinson	6	6	3	3	2	2	-	-
M.A. Jackson	6	6	-	-	-	-	3	3
R.D. Halliday	6	6	-	-	-	-	-	-
C.J. Kelly	6	6	-	-	-	-	-	-
B.A. Litchfield	6	6	-	-	-	-	3	3
P.D. Morgan	6	6	-	-	-	-	-	-
D.B. Ritchie	6	6	3	3	-	-	-	-
D.A. Webster	6	5	-	-	2	2	-	-
C.J. Wilcox	6	5	3	3	-	-	3	2

INDEMNIFYING OFFICERS

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 Australian Wool Testing Authority Ltd or its controlled entities.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

MEMBER'S LIABILITY

The group is incorporated under the *Corporations Act 2001* and is a group limited by guarantee. If the group 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 group. At 30 June 2017 the number of members was 6. The amount that members of the group are liable to contribute of the group is wound up is \$300 (2016: \$300).

AFTER BALANCE DATE EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

LIKELY DEVELOPMENTS

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

ROUNDING OF AMOUNTS

In accordance with *ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191*, the amounts in the director's report and in the financial 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 18 August 2017 at Bibra Lake.

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 2017, 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 contravention of APES 110 *Code of Ethics for Professional Accountants*.

Stephen Schonberg,
Partner
Pitcher Partners
Melbourne

23 August 2017

AUSTRALIAN WOOL TESTING AUTHORITY LTD

AND CONTROLLED ENTITY ABN: 43 006 014 106

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$000	2016 \$000
Revenue	2	40,139	37,359
Other income	2	3,050	2,418
Employee benefits expense		(25,226)	(24,430)
Depreciation & amortisation expense		(2,874)	(2,768)
Repairs & maintenance expense		(1,733)	(1,637)
Energy & utilities expense		(1,585)	(1,644)
Materials & supplies expense		(1,565)	(1,512)
Freight expense		(1,031)	(1,023)
Travel expense		(701)	(731)
Property, rates & taxes expense		(543)	(531)
Communications expense		(527)	(542)
Cost of manufactured equipment sold		(500)	(92)
Software expense		(407)	(427)
Subcontract testing expense		(365)	(279)
Investment management expense		(363)	(383)
Advertising & sponsorship expense		(277)	(321)
Insurance expense		(202)	(220)
Printing & stationery expense		(202)	(194)
Consulting fees		(105)	(208)
Audit Fees		(100)	(89)
Other expenses		(581)	(539)
Impairment charge on available-for-sale financial assets	3	(91)	(1,302)
Reassessment of fair value of available-for-sale financial assets disposed during the year		508	8
Realised gains on disposal of available-for-sale financial assets		1,994	952
Realised losses on disposal of available-for-sale financial assets		(1,427)	(775)
Profit before income tax		5,286	1,090
Income tax expense	4	(122)	(112)
Profit for the year		5,164	979
Profit attributable to members of the parent entity		5,164	979
Other comprehensive income			
<i>Items that will not be reclassified to profit and loss</i>			
Revaluation of property, plant & equipment, net of tax		-	2,702
<i>Items that may be reclassified subsequently to profit and loss</i>			
Change in fair value of available-for-sale financial assets		1,525	(53)
Exchange differences on translation of foreign operations, net of tax		(3)	122
Other comprehensive income for the year		1,522	2,771
Total comprehensive income for the year		6,686	3,749

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

	Note	2017 \$000	2016 \$000
ASSETS			
Current assets			
Cash and cash equivalents	7	7,638	5,541
Trade and other receivables	8	4,644	4,569
Inventories	9	1,922	2,182
Other current assets	10	503	523
		14,707	12,815
Non-current assets			
Investments accounted for using the equity method	11	394	349
Financial assets	12	46,381	42,459
Property, plant & equipment	14	53,799	53,836
Deferred tax asset	4	49	49
Intangible assets	15	436	83
		101,059	96,776
Total assets		115,766	109,591
LIABILITIES			
Current Liabilities			
Trade payables	16	3,539	4,231
Current tax liability	4	92	44
Provisions	17	6,572	6,509
		10,203	10,784
Non-current liabilities			
Provisions	17	601	531
		601	531
Total liabilities		10,804	11,315
Net Assets		104,962	98,276
Equity			
Reserves	18	86,265	84,741
Retained earnings	18	18,698	13,534
		104,962	98,276

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Retained Earnings \$000	Asset Revaluation Reserve \$000	Capital Maintenance Reserve \$000	Foreign Currency Translation Reserve \$000	Financial Assets Reserve \$000	Total \$000
At 1 July 2015	12,556	27,491	50,000	(407)	4,886	94,526
Profit / (Loss) for the year	979					979
Other comprehensive income		2,702		122	(53)	2,771
At 30 June 2016	13,534	30,193	50,000	(285)	4,833	98,276
Profit / (Loss) for the year	5,164					5,164
Other comprehensive income				(3)	1,525	1,522
At 30 June 2017	18,698	30,193	50,000	(288)	6,358	104,962

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$000	2016 \$000
Cash flows from operating activities			
Receipts from customers		44,728	40,283
Payments to suppliers and employees		(39,939)	(35,664)
Cash generated from operations		4,789	4,619
Interest received		100	141
Income tax paid		(74)	(63)
<i>Net cash from operating activities</i>	21	4,815	4,697
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment		89	309
Purchases of property, plant & equipment		(2,880)	(4,772)
Payment for other non current assets		(402)	-
Payment for available-for-sale financial assets		(17,499)	(14,161)
Proceeds from sale of available-for-sale financial assets		16,086	12,429
Dividends and interest received from investments		1,888	2,098
<i>Net cash used in investing activities</i>		(2,718)	(4,097)
Net increase / (decrease) in cash and cash equivalents		2,097	600
Cash and cash equivalents at beginning of year		5,541	4,941
Cash and cash equivalents at end of year	7	7,638	5,541

The above statement should be read in conjunction with the accompanying notes.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The financial report covers the Australian Wool Testing Authority Ltd (AWTA Ltd) and its controlled entity. AWTA Ltd is a company limited by guarantee, incorporated and domiciled in Australia.

The parent company is a not-for-profit entity and the subsidiary is a for-profit entity for the purpose of preparing financial statements.

The financial report was approved by the directors on 18 August 2017.

Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

Fair value measurement

For financial reporting purposes, 'fair value' is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants (under current market conditions) at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

When estimating the fair value of an asset or liability, the entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to valuation techniques used to measure fair value are categorised into three levels according to the extent to which the inputs are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Significant accounting estimates

The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in the notes to the financial statements.

(b) Going Concern

The financial report has been prepared on a going concern basis.

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity (the 'group'), comprising the financial statements of the parent entity and of all entities which the parent entity controls. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All inter-company balances and transactions, including any unrealised profits or losses, have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is established and are de-recognised from the date that control ceases.

Equity interests in a subsidiary not attributable, directly or indirectly, to the group are presented as non-controlling interests.

Non-controlling interests are initially recognised either at fair value or at the non-controlling interests' proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis.

Non-controlling interests in the results of subsidiaries are shown separately in the consolidated Statement of Profit or Loss and Other Comprehensive Income and the consolidated Statement of Financial Position respectively.

(d) Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer or former owners of the acquiree. Deferred consideration payable is measured at its acquisition-date fair value. Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. At each reporting date subsequent to the acquisition, contingent consideration payable is measured at its fair value with any changes in the fair value recognised on profit or loss unless the contingent consideration is classified as equity, in which case the contingent consideration is carried at its acquisition-date fair value.

Goodwill is recognised initially at the excess of: (a) the aggregate of the consideration transferred, the fair value on the non-controlling interest, and the acquisition-date fair value of the acquirer's previously held equity interest (in the case of a step acquisition); over (b) the net fair value of the identifiable assets acquired and liabilities assumed.

If the net fair value of the acquirer's interest in the identifiable assets acquired and liabilities assumed is greater than the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition-date fair value of the acquirer's previously held equity interest, the difference is immediately recognised as a gain in profit or loss.

Acquisition related costs are expensed as incurred.

(e) 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.

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax balances

Deferred tax balances and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is

also not accounted for if it arises from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and a proportion of manufacturing overheads based on normal operating capacity.

Costs are assigned on the basis of weighted average costs.

(g) Property, plant and equipment

Cost and valuation

Freehold land and buildings are measured at revalued amounts, being the fair value at the date of the revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. At each balance date the carrying amount of each asset is reviewed to ensure that it does not differ materially from the asset's fair value at reporting date. Where necessary, the asset is revalued to reflect its fair value.

Increases in the carrying amounts arising from revaluation of land and buildings are recognised on other comprehensive income and accumulated in equity under the heading of asset revaluation reserve. To the extent that the increase reverses a decrease of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss.

Decreases that offset previous increases of the same asset are recognised in other comprehensive income under the heading of revaluation surplus; all other decreases are charged to profit or loss.

All other classes of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

Land is not depreciated. The depreciable amounts of all other property, plant and equipment are calculated using the straight-line basis over their estimated useful lives commencing from the time the asset is available for use, consistent with the estimated consumption of the economic benefits embodied in the asset.

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

- Buildings	2-4%
- Plant and equipment	10-33%

(h) Leases

Operating leases

Lease payments for operating leases are recognised as an expense on a straight-line basis over the term of the lease. Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(i) 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 nature of the item and the purpose for which the instruments are held.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

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 amounts owing to the consolidated group are 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 or are designated as such on initial recognition. Available-for-sale assets are subsequently 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 reclassified from equity to profit or loss as a reclassification adjustment.

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, cumulative gain or loss held in equity is recognised in profit and loss.

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 interpretation of AASB 139: *Financial Instruments: Recognition and Measurement*, the group has considered that an impairment trigger exists if an available-for-sale financial asset 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.

(j) 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.

(k) Interests in joint venture

The consolidated group's interest in the joint venture entity is brought to account using the equity method after initially being recognised at cost. Under the equity method, the profits or losses of the joint venture are recognised in the consolidated entity's profit or loss and the consolidated entity's share of the joint venture's other comprehensive income is recognised in the consolidated entity's other comprehensive income.

Details of the consolidated entity's interests in joint venture are disclosed in Note 11.

(l) 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 the 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 4 to 5 years.

(m) Foreign currency transactions and balances

Functional and presentation currency

The financial statements of each entity within the consolidated entity are 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 consolidated entity's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies of entities with the consolidated group are translated into functional currency at the rate of exchange ruling at the date of the transaction. Foreign currency monetary items that are outstanding at the reporting date are translated using the spot rate at the end of the financial year. 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.

Foreign subsidiaries

Subsidiaries that have a functional currency different to the presentation currency of the consolidated group are translated as follows:

- Assets and liabilities are translated at the closing rate on reporting date;
- Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- All resulting exchange differences are recognised in other comprehensive income.

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.

(n) Employee benefits

Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled wholly before twelve months after the end of the annual reporting period are measured at the undiscounted amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits are recognised in the provision for employee benefits.

Other long-term employee benefit obligations

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity date that approximate the terms of the obligations.

(o) Provisions

Provisions are recognised when the consolidated entity 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.

(p) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(q) 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 when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risk and rewards of ownership are considered to have passed to the buyer at the time of delivery of goods to the customer. Interest revenue is measured in accordance with the effective interest method.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint ventures are accounted for in accordance with the equity method.

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

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

(r) Goods and services tax (GST)

Revenues, expenses and purchased 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 statement of financial position are shown inclusive of GST.

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

(s) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(t) Rounding of amounts

The parent entity and the consolidated entity have applied the relief available under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and accordingly, the amounts in the consolidated financial statements and directors' report the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

(u) Critical accounting estimates and judgements

The directors evaluate estimates and judgements 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.

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 assessed using value-in-use calculations which incorporate various key assumptions.

(v) Accounting standards issued but not effective at 30 June 2017

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of these new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below.

AASB 9: Financial Instruments (December 2014), AASB 2014-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) - Application of AASB 9 (December 2009) and AASB 9 (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2018).

These Standards will replace AASB 139: Financial Instruments: Recognition and Measurement. The key changes that may affect the Group on initial application of AASB 9 and associated amending Standards include:

- simplifying the general classification of financial assets into those carried at amortised cost and those carried at fair value;
- permitting entities to irrevocably elect on initial recognition to present gains and losses on an equity instrument that is not held for trading in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';
- introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- requiring impairment of financial assets carried at amortised cost to be based on an expected loss approach.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 15: Revenue from Contracts with Customers, AASB 2014-5: Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8: Amendments to Australian Accounting Standards - Effective Date of AASB 15, AASB 2016-3: Amendments to Australian Accounting Standards - Clarifications to AASB 15 and AASB 2016-7: Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities (applicable to for profit entities for annual reporting periods commencing on or after 1 January 2018 and not-for-profit entities for annual reporting periods commencing on or after 1 January 2019).

AASB 15 will provide (except in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue.

These Standards provide a revised principle for recognising and measuring revenue. Under AASB 15, revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. To give effect to this principle, AASB 15 requires the adoption of the following 5-step model:

- identify the contract(s) with a customer;
- identify the performance obligations under the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations under the contract(s); and
- recognise revenue when (or as) the entity satisfies the performance obligations.

AASB 15 also provides additional guidance to assist entities in applying the revised principle to licences of intellectual property, warrants, rights of return, principal/agent considerations and options for additional goods and services.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's reported revenues, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- right-of-use are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
 - investment property, the lease applies the fair value model in AASB 140: Investment Property to the right-of-use asset: or
 - property, plant and equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's accounting for its operating leases, it is impracticable at this stage to provide a reasonable estimate of such impact.

NOTE 2 REVENUE AND OTHER INCOME

	2017 \$000	2016 \$000
Revenue		
Sales Revenue		
- Revenue from services	37,788	34,737
Revenue from investments		
- Dividend revenue from other corporations	2,162	2,320
- Interest from unrelated persons	189	302
	40,139	37,359
Other Income		
Gain on disposal of property, plant & equipment	14	35
Foreign exchange gain	-	244
Gain on disposal of surplus material	1,434	1,334
Gain on sale of manufactured equipment	1,003	178
Share of profit from joint venture	64	50
Rent income	443	457
Consulting income	48	113
Other income	44	8
	3,050	2,418

NOTE 3 PROFIT FOR THE YEAR

	2017 \$000	2016 \$000
Expenses		
Finance costs	1	-
Foreign exchange loss	27	9
Impairment loss		
- Trade receivables	15	35
- Available-for-sale financial assets	91	1,302
Rental expense on operating leases		
- Minimum lease payments	199	201
Amortisation		
- Customer lists	13	-
- Internally generated software	36	31
Depreciation		
- Land & buildings	684	734
- Plant & equipment	2,141	2,003

NOTE 4 INCOME TAX EXPENSE

	2017 \$000	2016 \$000
a. The components of tax expense comprise:		
Current tax	122	112
Deferred tax	-	-
	122	112
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% (2016: 28%)	104	94
Add:		
Tax effect of:		
- Other non-allowable items	18	18
	122	112
Less:		
Recoupment of prior year tax losses not previously brought to account:	-	-
Income tax attributable to entity	122	112
c. Current tax relates to:		
Income tax	92	44
Current tax (asset)/liability	92	44
d. Deferred tax relates to:		
Tax losses carried forward	49	49
Net Deferred tax assests	49	49

* The parent company is exempt from income tax, refer Note1 (e)

NOTE 5 KEY MANAGEMENT PERSONNEL

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 R.D. Halliday	Director - Non executive
Mr C.J. Kelly	Director - Non executive
Mr B.A. Litchfield	Director - Non executive
Mr D.B. Ritchie	Director - Non executive
Dr P.D. Morgan	Director - Non executive
Mr P.W. Walsh	Chief Financial Officer
Mr D.A. Webster	Director - Non executive
Mr C.J. Wilcox	Director - Non executive

	2017 \$000	2016 \$000
Total remuneration paid to key management personnel	1,657	1,602
Remuneration of Directors		
Amounts paid or payable to Directors or former Directors of AWTA Ltd	1,035	998
Directors base remuneration falls within the following bands:	No.	No.
\$40,000 to \$49,999	7	7
\$70,000 to \$79,999	1	1
\$130,000 to \$139,999	1	1
\$470,000 to \$479,999	1	1

NOTE 6 AUDITORS' REMUNERATION

	2017 \$000	2016 \$000
Remuneration of the auditor of the parent entity for:		
- Auditing the financial report	76	78
- Other consulting services	-	-
Remuneration of other auditors of subsidiary for:		
- Auditing the financial report of the subsidiary	16	16
- Other consulting services	2	3

NOTE 7 CASH AND CASH EQUIVALENTS

	2017 \$000	2016 \$000
Cash at bank and in hand	438	799
Short-term bank deposits	7,200	4,742
	7,638	5,541
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	7,638	5,541

NOTE 8 TRADE AND OTHER RECEIVABLES

	Note	2017 \$000	2016 \$000
<i>Current</i>			
Trade debtors		3,945	3,935
Provision for impairment	8(a)	(22)	(15)
		3,923	3,920
Amounts receivable from:			
- Franking credit rebate from Australian Taxation Office		374	356
- Other sundry debtors		347	294
		4,644	4,569

(a) 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.

	2017 \$000	2016 \$000
Movement in the provision for impairment of receivables is as follows:		
Balance at the beginning of the year	(15)	(1)
Change for the year	(22)	(49)
Amounts written off	15	35
Balance at the end of the year	(22)	(15)

NOTE 9 INVENTORIES

	2017 \$000	2016 \$000
<i>Current</i>		
Materials and supplies	1,922	2,182

NOTE 10 OTHER CURRENT ASSETS

	2017 \$000	2016 \$000
<i>Current</i>		
Prepayments	503	523

NOTE 11 INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	2017 \$000	2016 \$000
Interest in joint venture entity	394	349

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 the joint venture entity is accounted for in the consolidated statements using the equity method of accounting.

NOTE 12 FINANCIAL ASSETS

	2017 \$000	2016 \$000
<i>Non current</i>		
Available-for-sale financial assets	46,381	42,459
Available-for-sale financial assets comprise:		
Listed investments, at fair value	46,381	42,459

NOTE 13 CONTROLLED ENTITY

Controlled Entity Consolidated	Country of Incorporation	Percentage Owned	
Subsidiary of AWTA Ltd:		2017	2016
New Zealand Wool Testing Authority Ltd	New Zealand	100 %	100 %

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

	2017 \$000	2016 \$000
Land and buildings		
Freehold land at:		
- Independent valuation	23,059	23,059
Total land	23,059	23,059
Buildings at:		
- Independent valuation	18,691	18,695
Less: Accumulated depreciation	(684)	-
Total buildings	18,007	18,695
Total land and buildings	41,065	41,754
Plant and equipment		
Plant and equipment:		
At cost	46,607	43,060
Less: Accumulated depreciation	(35,154)	(34,313)
Plant and equipment: under construction	1,280	3,335
Total plant and equipment	12,733	12,082
Total Property, plant and equipment	53,799	53,836

The group's land and buildings were revalued at 30 June 2016 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 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
Balance at 1 July 2015	21,089	18,337	9,717	49,143
Additions		25	4,747	4,772
Disposals			(342)	(342)
Revaluation increments/(decrements)	1,919	854	(71)	2,702
Foreign exchange translation on opening balances	51	213	34	298
Depreciation		(734)	(2,003)	(2,737)
Balance at 30 June 2016	23,059	18,695	12,082	53,836
Additions			2,891	2,891
Disposals			(97)	(97)
Revaluation increments/(decrements)				-
Foreign exchange translation on opening balances		(4)	(2)	(6)
Depreciation		(684)	(2,141)	(2,825)
Balance at 30 June 2017	23,059	18,007	12,733	53,799

NOTE 15 INTANGIBLE ASSETS

	2017 \$000	2016 \$000
Customer lists		
Cost	400	-
Less: Accumulated amortisation & impairment	(13)	-
Total customer lists	387	-
Balance at the beginning of the year	-	-
Additions through business combinations	400	-
Less: Amortisation	(13)	-
Balance at the end of the year	387	-
Internally generated software		
Cost	139	137
Less: Accumulated amortisation & impairment	(90)	(54)
Total internally generated software	49	83
Balance at the beginning of the year	83	100
Foreign exchange translation on opening balances	-	6
Additions through internal development	2	8
Less: Amortisation	(36)	(31)
Balance at the end of the year	49	83

NOTE 16 TRADE AND OTHER PAYABLES

	2017 \$000	2016 \$000
<i>Current - Unsecured liabilities</i>		
Trade payables	1,092	1,715
Sundry payable and accrued expenses	2,447	2,516
	<u>3,539</u>	<u>4,231</u>

NOTE 17 PROVISIONS

	2017 \$000	2016 \$000
Employee entitlements		
Balance at the beginning of the year	7,040	6,582
Additional provisions recognised	2,798	3,086
Amounts used	(2,665)	(2,628)
Balance at the end of the year	<u>7,173</u>	<u>7,040</u>
Analysis of total provisions		
Current	6,572	6,509
Non-current	601	531
	<u>7,173</u>	<u>7,040</u>

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 18 RESERVES & RETAINED EARNINGS

	Note	2017 \$000	2016 \$000
Asset revaluation reserve	18(a)	30,193	30,193
Available for sale financial asset reserve	18(b)	6,358	4,833
Foreign currency translation reserve	18(c)	(288)	(285)
Capital maintenance reserve	18(d)	50,000	50,000
		<u>86,264</u>	<u>84,741</u>
Retained earnings	18(e)	<u>18,698</u>	<u>13,534</u>

(a) Asset revaluation reserve

This reserve is used to record increments and decrements on the revaluation of non-current assets.

	2017 \$000	2016 \$000
Balance at the beginning of the year	30,193	27,491
Change in fair value of non-current assets	-	2,702
Balance at the end of the year	<u>30,193</u>	<u>30,193</u>

(b) Available for sale financial asset reserve

This reserve is used to record unrealised movements in fair values of financial assets classified as available-for-sale as well as impairment charges on financial assets which have already been brought to account.

	2017 \$000	2016 \$000
Balance at the beginning of the year	4,833	4,886
Change in fair value of available for sale financial assets	1,525	(53)
Balance at the end of the year	<u>6,358</u>	<u>4,833</u>

(c) Foreign currency translation reserve

This reserve is used to record the unrealised exchange differences arising on translation of a foreign entity.

	2017 \$000	2016 \$000
Balance at the beginning of the year	(285)	(407)
Exchange differences on translation of foreign operations	(2)	122
Balance at the end of the year	<u>(288)</u>	<u>(285)</u>

(d) 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. In determining this sum, directors have taken the view that the company should not borrow funds to finance its activities and ongoing development.

	2017 \$000	2016 \$000
Balance at the beginning of the year	50,000	50,000
Movements during the year	-	-
Balance at the end of the year	50,000	50,000

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 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 retaining earnings.

The accounting term "reserve" has regularly been misinterpreted in the wool industry as describing monies surplus o 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 in to 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.

(e) Retained earnings

	2017 \$000	2016 \$000
Balance at the beginning of the year	13,534	12,556
Net profit attributable to members of AWTA Ltd	5,164	979
Balance at the end of the year	18,698	13,534

NOTE 19 CAPITAL AND LEASING COMMITMENTS

(a) Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements.

	2017 \$000	2016 \$000
Minimum lease payments payable:		
Within one year	154	160
Later than one year but within five years	200	280
Later than five years	271	301
	625	741

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 leases.

The property leases of the subsidiary, NZWTA Ltd, relate to leasehold land. NZWTA Ltd has right of perpetual renewal over three 21 year leases. Rental is reviewed at the renewal date of each lease. Renewal dates on the leases occur in 2023, 2031 and 2032.

(b) Capital expenditure commitments

	2017 \$000	2016 \$000
Capital expenditure commitments contracted for:		
Capital expenditure projects	1,151	1,443

NOTE 19 CAPITAL AND LEASING COMMITMENTS (CONTINUED)

(c) Operating lease income receivables

Income from non-cancellable operating leases contracted for but not recognised in the financial statements.

	2017 \$000	2016 \$000
Minimum lease payments receivable:		
Within one year	202	271
Later than one year but within five years	51	83
	<u>253</u>	<u>354</u>

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 20 CONTINGENT LIABILITIES

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

NOTE 21 CASH FLOW INFORMATION

	2017 \$000	2016 \$000
Profit / (Loss) for the year	5,164	979
<i>Adjustments for non-cash income and expenses:</i>		
- Depreciation and amortisation	2,874	2,768
- Reassessment of fair value on available-for-sale financial assets	(508)	(8)
- Impairment charges on available-for-sale financial assets	91	1,302
- Foreign exchange loss	9	9
- Foreign exchange gain	-	(244)
- Share of joint venture entity net profit after income tax and dividends	(64)	(50)
- Increase in provisions	133	458
- Doubtful debts written off	15	35
<i>Cash flow included in investing activities:</i>		
- Net (loss)/gain on disposal of property, plant and equipment	(4)	33
- Dividends and interest received	(1,888)	(2,099)
- Realised gains on available-for-sale financial assets	(1,994)	(952)
- Realised losses on available-for-sale financial assets	1,427	775
<i>Changes in operating assets and liabilities:</i>		
- (Increase) in trade and other receivables	(75)	(153)
- Decrease / (Increase) in inventories	260	(1,018)
- Decrease in other current assets	20	227
- (Decrease) / Increase in trade and other payables	(694)	2,585
- Increase in income taxes payable	48	49
	<u>4,815</u>	<u>4,696</u>

NOTE 22 RELATED PARTY TRANSACTIONS

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.

	2017 \$000	2016 \$000
Aggregate amount of services provided to:		
- Organisations associated with directors	1,309	1,007

NOTE 23 FINANCIAL RISK MANAGEMENT

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, account receivable and payable, and loans to subsidiary. The totals for each category of financial instrument, measured in accordance with AASB 139, as detailed in the accounting policies to these financial statements, are as follows:

	2017 \$000	2016 \$000
Financial assets		
Cash and cash equivalents	7,638	5,541
Loans and receivables	4,644	4,569
Available-for-sale financial assets	46,381	42,459
	58,663	52,569
Financial liabilities		
Trade and other payables	3,539	4,231
	3,539	4,231

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 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

	2017 %	2016 %
Cash and cash equivalents	2.06	2.44

(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 investments 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 making the measurements.

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

The measurements used for land and buildings are based on external valuations received which take into account recent sales history and leasing transactions of comparable properties (Level 2).

NOTE 24 SUBSEQUENT EVENTS

There has been no matter or circumstance, which has arisen since 30 June 2017 that has significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2017, of the consolidated entity, or
- the results of those operations, or
- the state of affairs, in financial years subsequent to 30 June 2017, of the consolidated entity.

NOTE 25 PARENT ENTITY INFORMATION

(a) Statement of profit or loss

	2017 \$000	2016 \$000
Revenue	36,251	33,693
Other income	2,933	1,977
Employee benefits expense	(23,009)	(22,246)
Depreciation & amortisation expense	(2,635)	(2,539)
Repairs & maintenance expense	(1,606)	(1,527)
Energy & utilities expense	(1,435)	(1,493)
Materials & supplies expense	(1,442)	(1,378)
Freight expense	(930)	(928)
Travel expense	(515)	(529)
Cost of manufactured equipment sold	(500)	(92)
Communications expense	(478)	(495)
Property, rates & taxes expense	(419)	(406)
Investment management expense	(364)	(384)
Subcontract testing expense	(350)	(271)
Software expense	(325)	(371)
Advertising & sponsorship expense	(234)	(278)
Printing & stationery expense	(187)	(176)
Insurance expense	(175)	(191)
Audit Fees	(83)	(74)
Consulting fees	(80)	(173)
Other expenses	(486)	(246)
Impairment charge on available-for-sale financial assets	(91)	(1,302)
Reassessment of fair value of available-for-sale financial assets disposed during the year	508	8
Realised gains on disposal of available-for-sale financial assets	1,994	952
Realised losses on disposal of available-for-sale financial assets	(1,427)	(775)
Profit / (Loss) before income tax	4,915	756
Income tax expense	-	-
Profit / (Loss) for the year	4,915	756

(b) Other comprehensive income

	2017 \$000	2016 \$000
Profit attributable to members of the parent entity	4,915	756
<i>Items that will not be reclassified to profit and loss</i>		
Revaluation of property, plant & equipment, net of tax	-	2,404
<i>Items that may be reclassified subsequently to profit and loss</i>		
Change in fair value of available-for-sale financial assets	1,525	(53)
Other comprehensive income for the year	1,525	2,351
Total comprehensive income for the year	6,440	3,107

(c) Statement of financial position

	2017 \$000	2016 \$000
ASSETS		
Current assets		
Cash and cash equivalents	6,191	4,574
Trade and other receivables	4,220	4,216
Inventories	1,922	2,182
Other current assets	451	438
	<u>12,784</u>	<u>11,410</u>
Non-current assets		
Trade and other receivables	1,687	1,687
Investments accounted for using the equity method	394	349
Financial assets	47,889	43,968
Property, plant & equipment	49,432	49,355
Intangible assets	387	-
	<u>99,789</u>	<u>95,359</u>
Total assets	<u>112,573</u>	<u>106,769</u>
LIABILITIES		
Current Liabilities		
Trade payables	3,074	3,822
Provisions	6,325	6,277
	<u>9,399</u>	<u>10,099</u>
Non-current liabilities		
Provisions	551	487
	<u>551</u>	<u>487</u>
Total liabilities	<u>9,950</u>	<u>10,586</u>
Net Assets	<u>102,623</u>	<u>96,183</u>
Equity	85,897	84,372
Reserves	16,726	11,811
Retained earnings	<u>102,623</u>	<u>96,183</u>

(d) Statement of changes in equity

	Retained Earnings \$000	Asset Revaluation Reserve \$000	Capital Maintenance Reserve \$000	Financial Assets Reserve \$000	Foreign Currency Translation Reserve \$000	Total \$000
At 1 July 2015	11,127	27,063	50,000	4,886		93,076
Profit / (Loss) for the year	756					756
Adjustment for prior period error, net of tax	(72)				72	-
Other comprehensive income		2,404		(53)		2,351
At 30 June 2016	11,811	29,467	50,000	4,883	72	96,183
Profit / (Loss) for the year	4,915					4,915
Other comprehensive income				1,525		1,525
At 30 June 2017	16,726	29,467	50,000	6,358	72	102,623

AUSTRALIAN WOOL TESTING AUTHORITY LTD

AND CONTROLLED ENTITY ABN: 43 006 014 106

DIRECTORS' DECLARATION

The directors declare that:

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 14 to 33, are in accordance with the *Corporations Act 2001*, including:

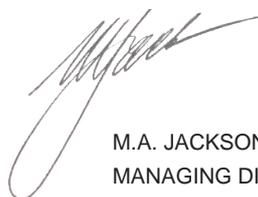
- a) complying with Accounting Standards and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements;
- b) as stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and
- c) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2017 and of its performance for the year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the Australian Wool Testing Authority Ltd 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 directors.



D.G. McGAUCHIE AO
CHAIRMAN



M.A. JACKSON
MANAGING DIRECTOR

Dated: 18 August 2017

INDEPENDENT AUDIT REPORT

AUSTRALIAN WOOL TESTING AUTHORITY
ABN 43 006 014 106



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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Australian Wool Testing Authority Ltd "the Company" and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



S SCHONBERG
Partner



PITCHER PARTNERS
Melbourne

23 August 2017



AWTA Ltd

70 Robertson Street, Kensington, VIC 3031, Australia
PO Box 240, North Melbourne, VIC 3051, Australia
Tel: 03 9371 4100

www.awta.com.au

AWTA Raw Wool

Melbourne Laboratory

24 Robertson Street, Kensington, VIC 3031, Australia
Tel: 03 9371 2100

Fremantle Laboratory

38 Clark Court, Bibra Lake, WA 6163, Australia
Tel: 08 9418 5333

www.awtawooltesting.com.au

Branches

Adelaide	08 8447 4633
Geelong	03 5277 9842
Goulburn	02 4821 8139
Launceston	03 6391 9124
Newcastle	02 4931 9195
Sydney	02 9632 5463



Agrifood Technology

Werribee Laboratory

260 Princes Highway, Werribee, VIC 3030, Australia
Tel: 1800 801 312

Derrimut Laboratory

525 Mount Derrimut Road, Derrimut, VIC 3030, Australia
Tel: 1800 801 312

Fremantle Laboratory

38 Clark Court, Bibra Lake, WA 6163, Australia
Tel: 08 9418 5333

www.agrifood.com.au



FeedTest

260 Princes Highway, Werribee, VIC 3030, Australia
Tel: 1300 655 474

www.feedtest.com.au

AWTA PRODUCT TESTING

AWTA Product Testing

191 Racecourse Road, Flemington, VIC 3031, Australia
Tel: 03 9371 2400

www.awtaproducttesting.com.au



JinAo
Testing Company

JinAo

Floor M, No.1 Building, No.39 Chuang Zhi Road, Jianye District, Nanjing, China
Tel: +86 25 8450 3078

www.jinao.org



NZWTA

NZWTA

Cnr Bridge & Lever Streets, Ahuriri, Napier, 4110, New Zealand
Tel: +64 6 835 1086

www.nzwta.co.nz

