



AWTA
LIMITED

ANNUAL REVIEW

2015 - 2016



ANNUAL REVIEW 2015-16

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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 Fremantle, 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. It participates in Interlaboratory Comparison Trials for NATA Accreditation and for 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.

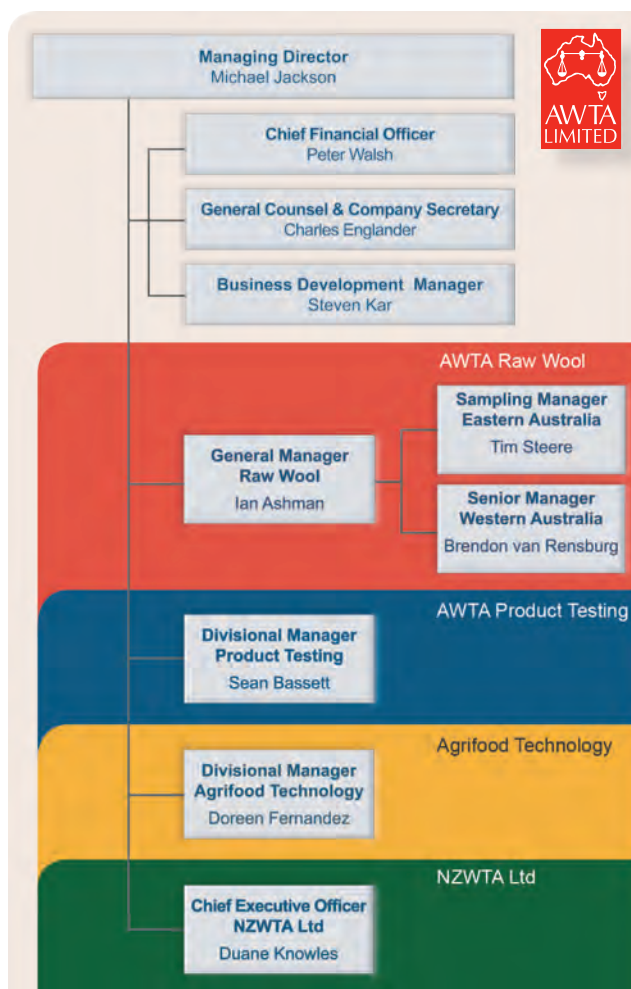
AWTA Ltd is organised for management and reporting purposes into four operating divisions. Management responsible for those divisions must account for their performance within a framework of strategic plans, budgets, position descriptions, targets, standards and policies.

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 monitoring of progress against performance targets and the evaluation of trends;
- Director's Declarations of Interests; and
- disaster recovery procedures for the key business units of the Company.

COMPANY POLICIES

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

- Accounting.
- Payroll.
- Debtors.
- Assets.
- Purchasing.
- Occupational health 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.
- 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 339 in September, 2015.

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 2015/16, the Company experienced no lost time accidents (5 less 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, 211 employees have reached 20 years service, 71 have achieved 30 years service and 12 have reached 40 years service. During 2015/16, the 40 year service roll increased by 1, the 30 year service roll increased by 7 and the 20 year service roll increased by 4.

SERVICE AWARDS

40 Years

John Buchanan (12th) Sampling Controller (Portland), commenced 1 December 1975

30 Years

Rick Stadler (65th) Client Services Manager (FeedTest), commenced 15 July 1985

Tome Spasevski (66th) Laboratory Supervisor (Melbourne), commenced 16 September 1985

Eugene Mastrogiannis (67th) Senior Testing Officer (Melbourne), commenced 3 March 1986

Dennis Mudgway (68th) Sampling Officer (Fremantle), commenced 10 March 1986

Craig Baker (69th) Senior Sampling Officer (Fremantle), commenced 10 March 1986

Ian Dearness (70th) Senior Testing Officer (Melbourne), commenced 26 May 1986

Nipa Small (71st) Senior Analyst Quality Milling Laboratory, commenced 2 June 1986 (formerly with AWB)

20 Years

Denise Matsen (208th) Senior Testing Officer (Fremantle), commenced 10 July 1995

Caroline Sharp (209th) Laboratory Controller (Fremantle), commenced 10 July 1995

Wendy Dixon (210th) Testing Officer (Fremantle), commenced 24 July 1995

Chetna Sharma (211th) Analyst Food Safety Laboratory, commenced 27 November 1995 (formerly with AWB)

CHAIRMAN'S STATEMENT

AWTA Ltd has recorded a net profit of \$0.979 million for 2015/16.

While this is a decline from the profit of \$2.232 million reported last year, at operating level financial performance has actually improved during the year under review. The reduction in total reported profit is largely due to an impairment charge of \$1.302 million on the Company's investment portfolio negatively impacting non-operating income.

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.

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 11 years ago, AWTA Ltd adopted a strategy to expand into related testing markets where independent, high quality, high integrity testing is a necessary part of the value chain and this approach has clearly been successful.

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

The Board reviewed AWTA Ltd's corporate structure and financial objectives this year in response to recommendations made by a Wool Selling System Review initiated by Australian Wool Innovation Ltd. AWTA Ltd continues to provide a valuable service to the Australian wool industry by providing test information that is equally accepted by buyers and sellers, thereby facilitating smooth and efficient international trade. It is particularly commendable that AWTA Ltd testing fees have only risen by approximately 2% in the last 25 years, while inflation has risen by over 60% and wool production has halved during the same period. The Board concluded that the current structure and financial objectives of AWTA Ltd continue to serve the industry well and should not be changed.

In 2015/16, AWTA Raw Wool revenue decreased by 3.7% over the previous year. Wool production decreased during the year due to poor seasonal conditions in many areas, combined with high sheep meat prices, leading to higher sheep slaughter rates. Consequently, the weight of wool sampled by AWTA Raw Wool fell by 7.0%. The number of core tests conducted by AWTA Raw Wool decreased by 6.8%, broadly in line with the fall in wool production.

The industry expects wool production to stabilise next year, with the AWI Wool Production Forecasting Committee predicting the 2016/17 clip will be very similar to this year.

Agrifood Technology continued to grow its revenue base in 2015/16. 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 5.1% 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 2015/16.

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 2015/16, the division has seen a recovery in the revenue it earns from the building materials sector and from services provided to specialist sectors of the textile industry. Total revenue for AWTA Product Testing increased by approximately 3% in the year under review and expenditure decreased by a similar amount. This enabled the division to again achieve a positive operating contribution and an improved return on investment despite the difficult market conditions.

JinAo Testing Co Ltd maintained its revenue base during 2015/16, 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 achieved a significant increase in profitability in 2015/16, 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, providing AWTA Ltd with a healthy 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 declined during 2015/16, and this had a negative impact on AWTA Ltd's non-operating revenue. As I mentioned in the introduction to this statement, a \$1.3 million impairment charge relating to shares that the Company continues to hold has been taken up in this year's accounts. 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.

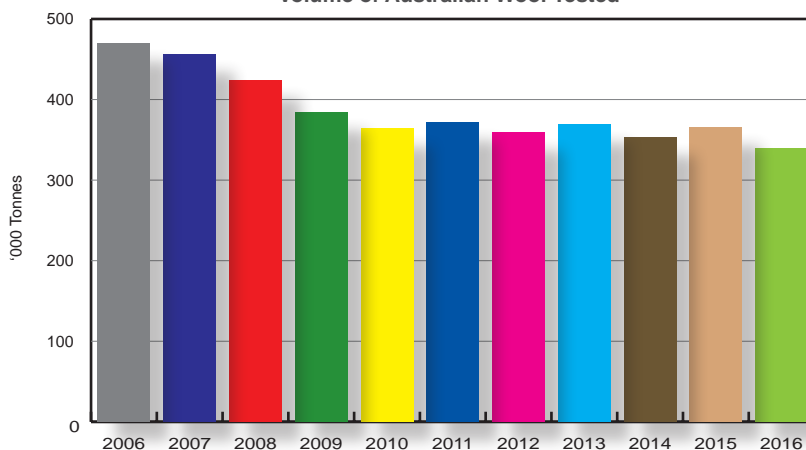
I would also like to pay tribute to all the staff that have achieved 20, 30 and 40 year service anniversaries during the past year and acknowledge their contribution to the Company. AWTA Ltd has a proud tradition of long service, a rare feat in most Australian companies.

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 2015/16.



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 \$0.979 million for 2015/16.

It is pleasing to report that all of the operating divisions in Australia and NZWTA have made a positive contribution during 2015/16. In his report, the Chairman comments on the need for AWTA Ltd to have a broad revenue base and there is no doubt that financial success in these operating divisions is instrumental in minimising raw wool fees.

The Company remains 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 2015/16 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

	2016 \$'000s	2015 \$'000s
Revenue		
Revenue from services	34,737	35,298
Revenue from investments	3,583	4,451
Profit on sale of surplus sample material	1,334	1,127
Consulting income	113	173
Rental income	457	409
Other income	423	270
Total Revenue	40,647	41,728
Expenses		
Operating and administrative expenses	(38,893)	(38,768)
Realised losses on sale of investments	(775)	(728)
Total Expenses	(39,668)	(39,496)
Net Profit/(Loss)	979	2,232



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 2015/16, 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 decreased by 7.3% during 2015/16 with 1.91 million bales sampled compared with 2.06 million bales during the previous season. Bales sampled decreased in all states.

The number of sale lots tested for Yield & Micron results decreased by 6.8% in 2015/16 when compared with the previous season, to 316,905 lots. The decline in sale lots tested was less than the decline in bales tested indicating that the lot size has decreased in 2015/16 – from 6.06 bales/lot in 2014/15 to 6.03 bales/lot in 2015/16. The number of sale lots tested for Staple Length & Strength declined by 7.3 % to 194,721 lots over the same period due to a reduction 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

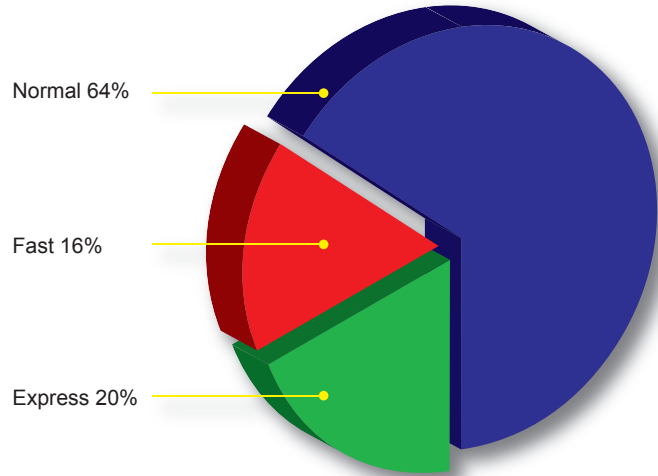
AWTA Raw Wool is committed to providing timely testing services as required by its customers. Samples are taken at 32 locations throughout Australia and dispatched overnight to one of AWTA's Raw Wool laboratories.

AWTA Ltd offers three levels of priority for service:

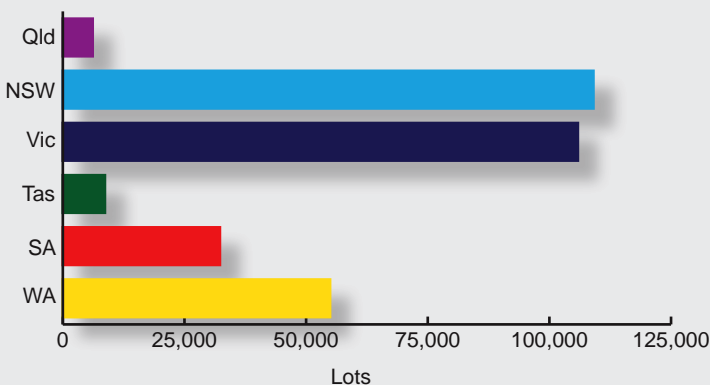
Normal: Test certificates are available within 5 days of a sample being taken.

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

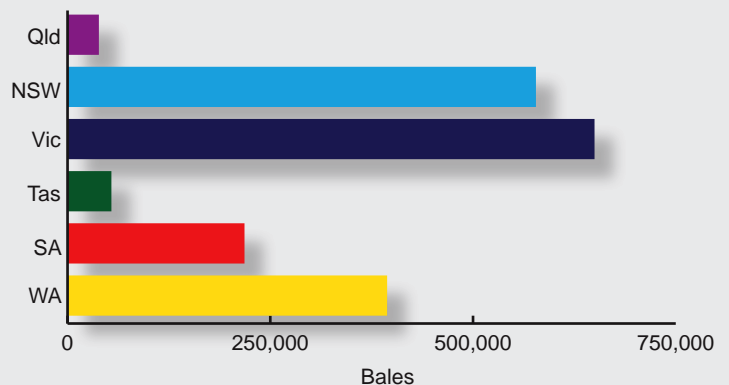
Express: 95% of test certificates are available the following morning, with the remainder the following day.



Lots Sampled 2015/16



Bales Sampled 2015/16



Test Type	Service Measure	Normal	Fast	Express
Yield & Micron	Average (days)	3.1	2.1	1.7
	% Total Tests within Service Target	98.8	96.0	97.0
Length & Strength	Average (days)	3.7	2.4	1.8
	% Total Tests within Service Target	95.9	91.9	92.7

For 2015/16 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 declined slightly during 2015/16 due to the overall decline in workload and continued fragmentation of operations at wool coring locations.

Testing Productivity, which reflects the efficiency of all laboratory operations, increased by 2.3% during 2015/16. This increase was largely due to improved efficiencies and 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 2015/16, 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 2015/16, some 863 results (0.17% of all tests) were queried by customers. Of these, 303 were reissued, representing less than 0.06% of the 511,626 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.

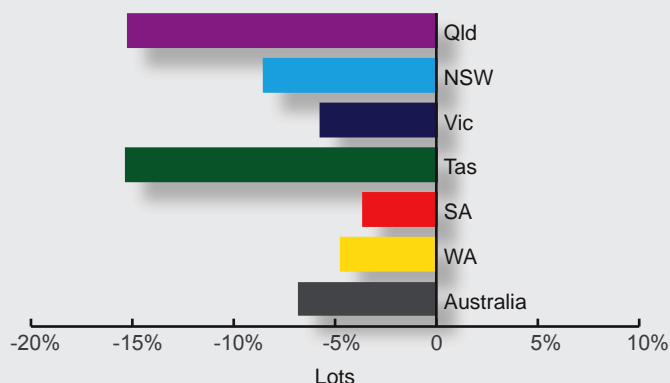
AWTA Ltd collates and publishes an extensive range of statistics and analytical reports which are provided free of charge to the wool industry. An example of this is the Key Test Data report - a monthly summary of the volume of wool tested and average results tested broken down by State and wool category.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

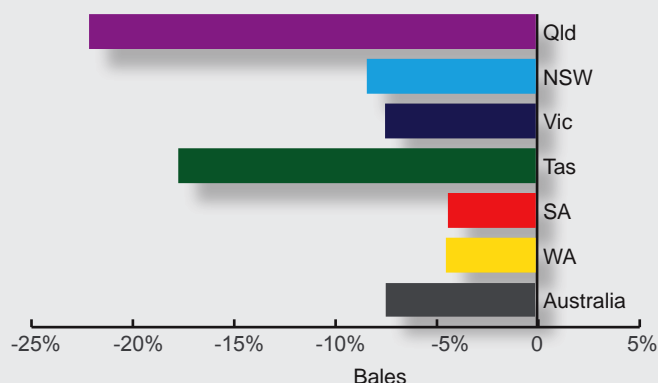
The Company continues to support the Australian wool industry by sponsoring and providing testing assistance for major sheep shows, ram sales and research trials. Details of supported events are listed on the AWTA Ltd website to assist with the promotion of sponsored events.

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 (2015/16 cf 2014/15)



Changes in Bales Sampled (2015/16 cf 2014/15)



AWTA PRODUCT TESTING

AWTA PRODUCT TESTING

OVERVIEW

AWTA Product Testing is an independent materials testing laboratory possessing a diverse range of specialised testing equipment, with 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 other specific industry organisations.

CAPABILITIES

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

LOOKING FORWARD

The division has spent the last 12 months focusing on improving revenue, at the same time as controlling expenses. The pro-active approach to client interactions that has been adopted by the division has begun to show rewards. The plan is to continue this approach particularly in sales and marketing.

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

Agrifood Technology has remained 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 Fremantle (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.

Over the last twelve months a significant investment in resources has been made to further enhance its testing capabilities through improved technology and expansion of NATA scope across all sites, including accreditation for gluten allergen testing at Werribee. This accreditation further enhances its ability to conduct a complete and comprehensive test package for key industry sectors.

Agrifood Technology has expanded its capability to offer the wheat breeding sector an alternative service provider to meeting 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 team of 30 technical staff and 10 administrative staff who are highly experienced and 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 Derrimut by improving brand awareness and expanding the client base.



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.

NZWTA Ltd is capable of testing wool and textiles materials from around the world. Where necessary, products can be imported through its permit as a Government-approved transitional facility which covers New Zealand's biosecurity measures. Where available, all testing is 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. It aims to exceed customers' expectations by delivering reliable testing systems teamed with innovative service solutions in order to position itself as a key business partner. The recent introduction of the 'MyWTA' portal, which provides customers access to their test results via any device 24 hours a day, ensures NZWTA Ltd is seen as a market leader in a competitive business environment.

RESEARCH & DEVELOPMENT

OVERVIEW

During 2015/16, the Research and Development department worked on both internal and external projects in partnership with other industry organisations. Funding partners included Australian Wool Innovation (AWI).

During 2015/16 the key research highlights included:

- coordinated and presented results of Wool ComfortMeter round trial to IWTO for draft standard development;
- developed a protocol for use of Wool ComfortMeter in yarn specification;
- analysis of Sheep CRC data on Wool ComfortMeter for AWI product wellness specification; and
- finalisation of updated calibration models for next generation NIR instruments for measurement of residual grease and ash.

During 2015/16 the key manufacturing outcomes were:

- installation of robot for keeper emptying automation;
- upgrade of laserscan instruments in Melbourne and Fremantle laboratories;
- manufactured air blenders, scours, driers, VM dissolvers, laserscans and ATLAS machines for external customers;
- sale of Wool ComfortMeters;
- manufactured "proof of concept" bale sprayer for FAWO/AWI;
- began installation of chillers, boilers, humidifiers and controls as part of an energy efficiency project in the Melbourne laboratory; and
- implemented utilities savings project at Head Office, showing significant reduction in costs.





AWTA
LIMITED



FEEDTEST

FINANCIAL STATEMENTS 2015-16

AWTA PRODUCT TESTING



JinAo
Testing Company



NZWTA

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 2016 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, and computer services. 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 59 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 25 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 \$0.979 million (2015: net profit after tax of \$2.232 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 2015/16 by AWTA Raw Wool totalled 340.1 million kilograms of greasy wool, a decrease of 7.0% from the previous year. The industry expects wool production to further decrease next year with the AWI Wool Production Forecasting Committee predicting that the 2016/17 clip will be 1.0% lower than this year, with slightly lower sheep numbers offset by slightly higher average wool cut per head.

The majority of AWTA Raw Wool revenue comes from presale testing of greasy wool. The number of core tests conducted by AWTA Raw Wool decreased by 6.8% from last year, indicative of the overall reduction 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 2015/16, 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 2.7% in 2015/16. Expenditure decreased by 2.4% which provided the division with a positive operating contribution, which was significantly higher than 2014/15, despite the difficult market conditions. JinAo Testing Co Ltd maintained its revenue base during 2015/16 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 2014/15 by 4.5%. 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 2015/16. 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, with total revenue growing by 5.1% despite a slight fall from the grain trading sector, the traditional customer base of Agrifood Technology.

During 2015/16, the return on investment from Agrifood Technology remained healthy.

Non-operating Income

Non-operating income was again strong in 2015/16, 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 \$1.302 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 \$3.75 million from 30 June 2015 to \$98.28 million at the end of the financial year.

INFORMATION ON THE DIRECTORS

Mr D.G. McGauchie AO

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



Mr G.W. Dickinson

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



Mr M.A. Jackson

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



Mr D.A. Webster

- Appointed as the nominee director for Australian Wool Innovation Ltd on 25 November 2008
- Director of Australian Wool Innovation Ltd
- Member of Remuneration & Appointments Committee
- Director of Australian Wool Innovation Ltd
- Director of Athena Resources Pty Ltd & 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
- Director of International Fibre Centre Ltd
- Principal of Morgan Terrace Pty Ltd



Mr C.J. Wilcox

- Appointed as the nominee director for the 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 32 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 12 years, performing finance and administration roles.

MEETINGS OF DIRECTORS

During the financial year, 6 meetings of directors and 9 committee meetings (including committees of directors) were held.

Attendances by each director during the year were as follows:

	Directors' Meetings		Audit & Finance Committee		Remuneration & Appointments Committee		Environment & Safety Committee	
	Number eligible	Number attended	Number eligible	Number attended	Number eligible	Number attended	Number eligible	Number attended
D.G. McGauchie AO	6	6	-	-	2	2	-	-
G.W. Dickinson	6	6	4	4	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	5	4	4	-	-	-	-
D.A. Webster	6	6	-	-	2	2	-	-
C.J. Wilcox	6	6	4	4	-	-	3	3

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 2016 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 (2015: \$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 19 August 2016 at Melbourne.



G.W. DICKINSON
DEPUTY 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 2016, to the best of my knowledge and belief there have been:

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



Stephen Schonberg,
Partner
Pitcher Partners
Melbourne



22 August 2016

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 2016

	Note	2016 \$000	2015 \$000
Revenue	2	37,359	37,768
Other income	2	2,327	1,979
Employee benefits expense		(24,430)	(24,897)
Depreciation & amortisation expense		(2,768)	(2,754)
Repairs & maintenance expense		(1,637)	(1,812)
Energy & utilities expense		(1,644)	(1,734)
Materials & supplies expense		(1,512)	(1,237)
Freight expense		(1,023)	(1,106)
Travel expense		(731)	(727)
Subcontract testing expense		(279)	(618)
Communications expense		(542)	(514)
Software expense		(427)	(511)
Property, rates & taxes expense		(531)	(460)
Investment management expense		(383)	(399)
Insurance expense		(220)	(341)
Printing & stationery expense		(194)	(247)
Consulting fees		(208)	(225)
Advertising & sponsorship expense		(321)	(199)
Audit Fees		(89)	(95)
Other expenses		(539)	(857)
Impairment charge on available-for-sale financial assets	3	(1,302)	0
Reassessment of fair value of available-for-sale financial assets disposed during the year		8	151
Realised gains on disposal of available-for-sale financial assets		952	1,830
Realised losses on disposal of available-for-sale financial assets		(775)	(728)
Profit before income tax		1,091	2,267
Income tax expense	4	(112)	(35)
Profit for the year		979	2,232

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

Profit attributable to members of the parent entity		979	2,232
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	0
<i>Items that may be reclassified subsequently to profit and loss</i>			
Change in fair value of available-for-sale financial assets		(53)	719
Exchange differences on translation of foreign operations, net of tax		122	(82)
Other comprehensive income for the year		2,771	637
Total comprehensive income for the year		3,750	2,869

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

	Note	2016 \$000	2015 \$000
ASSETS			
Current assets			
Cash and cash equivalents	7	5,541	4,941
Trade and other receivables	8	4,569	4,416
Inventories	9	2,182	1,164
Current tax asset	4	0	5
Other current assets	10	523	749
		<u>12,815</u>	<u>11,275</u>
Non-current assets			
Investments accounted for using the equity method	11	349	309
Financial assets	12	42,459	41,878
Property, plant & equipment	14	53,836	49,143
Deferred tax asset	4	49	49
Intangible assets	15	83	100
		<u>96,776</u>	<u>91,479</u>
Total assets		<u>109,591</u>	<u>102,754</u>
LIABILITIES			
Current Liabilities			
Trade payables	16	4,231	1,646
Current tax liability	4	44	0
Provisions	17	6,509	6,074
		<u>10,784</u>	<u>7,720</u>
Non-current liabilities			
Provisions	17	531	508
		<u>531</u>	<u>508</u>
Total liabilities		<u>11,315</u>	<u>8,228</u>
Net Assets		<u>98,276</u>	<u>94,526</u>
Equity			
Reserves	18	84,741	81,970
Retained earnings	18	13,535	12,556
		<u>98,276</u>	<u>94,526</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	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 2014	10,324	27,491	50,000	(325)	4,167	91,657
Profit / (Loss) for the year	2,232					2,232
Other comprehensive income				(82)	719	637
At 30 June 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	13,535	30,193	50,000	(285)	4,833	98,276

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$000	2015 \$000
Cash flows from operating activities			
Receipts from customers		40,191	39,135
Payments to suppliers and employees		(35,572)	(38,929)
Cash generated from operations		4,619	206
Interest received		141	97
Income tax paid		(63)	(118)
<i>Net cash from operating activities</i>	21	4,697	185
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment		309	131
Purchases of property, plant & equipment		(4,772)	(2,710)
Payment for available-for-sale financial assets		(14,161)	(15,864)
Proceeds from sale of available-for-sale financial assets		12,429	14,389
Dividends and interest received from investments		2,098	1,924
<i>Net cash used in investing activities</i>		(4,097)	(2,130)
Net increase / (decrease) in cash and cash equivalents		600	(1,945)
Cash and cash equivalents at beginning of year		4,941	6,886
Cash and cash equivalents at end of year	7	5,541	4,941

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of 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 authorised for issue on 19 August 2016 by the Board of Directors.

Compliance with IFRS

The consolidated financial statements of AWTA Ltd also comply with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

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 as described in the accounting policies.

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) Principles of consolidation

The consolidated financial statements are those of the consolidated entity (the 'group'), comprising the financial statements of the parent entity and all of the entities the parent 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 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.

(c) 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 consolidation payable is measured at fair value. Contingent consideration to be transferred by the acquirer is recognised at the 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 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.

(d) Income tax

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

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

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

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

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

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

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

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

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable

entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(e) Inventories

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

(f) Property, plant and equipment

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

Property

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

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

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

Plant and equipment

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

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected cash flows have been discounted to their present values in determining recoverable amounts.

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

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

Depreciation

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

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

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

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

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

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

(g) 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.

(h) Financial instruments

Classification

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

Financial assets

Trade debtors are carried at their book values less any provision for impairment. A provision for doubtful debts is recognised in the accounts when collection 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 and are measured at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

The cumulative gain or loss is held in equity until the financial asset is derecognised, at which time the cumulative gain or loss held in equity is recognised in profit and loss.

Financial liabilities

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

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

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 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 investment has been declining below its accounting cost for a minimum of 15 months or if the market value of the investment is more than 35% below its accounting cost.

Derecognition

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

(i) 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.

(j) 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 operations are disclosed shown at Note 11.

(k) 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 years.

(l) Foreign currency transactions and balances

Functional and presentation currency

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

Transactions and balances

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

Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

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

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

Group companies

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

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

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

(m) 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.

(n) 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.

(o) 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.

(p) Revenue and other income

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

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

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

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

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

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

(q) 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 consolidated 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.

(r) Comparatives

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

(s) Rounding of amounts

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

(t) Critical accounting estimates and judgments

The directors evaluate estimates and judgements incorporated in to 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.

NOTE 2 REVENUE AND OTHER INCOME

	2016 \$000	2015 \$000
Revenue		
Sales Revenue		
- Revenue from services	34,737	35,298
Revenue from investments		
- Dividend revenue from other corporations	2,198	1,975
- Interest from unrelated persons	424	495
	<u>37,359</u>	<u>37,768</u>
Other Income		
Gain on disposal of property, plant & equipment	35	69
Foreign exchange gain	244	46
Gain on disposal of surplus material	1,334	1,127
Gain on sale of manufactured equipment	86	118
Share of profit from joint venture	50	28
Rent income	457	409
Consulting income	113	173
Other income	8	9
	<u>2,327</u>	<u>1,979</u>

NOTE 3 PROFIT FOR THE YEAR

	2016 \$000	2015 \$000
Expenses		
Foreign exchange loss	9	186
Impairment loss		
- Trade receivables	35	0
- Available-for-sale financial assets	1,302	0
Rental expense on operating leases		
- Minimum lease payments	201	225
Amortisation		
- Customer lists	0	64
- Internally generated software	31	20
Depreciation		
- Land & buildings	734	739
- Plant & equipment	2,003	1,931

NOTE 4 INCOME TAX EXPENSE

	2016 \$000	2015 \$000
a. The components of tax expense comprise:		
Current tax	112	35
Deferred tax	0	0
	<u>112</u>	<u>35</u>
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit/(loss) from ordinary activities of subsidiary* before income tax at 28% (2015: 28%)	94	22
Add:		
Tax effect of:		
— Other non-allowable items	18	13
	<u>112</u>	<u>35</u>
Less:		
Recoupment of prior year tax losses not previously brought to account:	0	0
Income tax attributable to entity	<u>112</u>	<u>35</u>
c. Current tax relates to:		
Income tax	44	(5)
Current tax (asset)/liability	<u>44</u>	<u>(5)</u>
d. Deferred tax relates to:		
Tax losses carried forward	49	49
Net Deferred tax assets	<u>49</u>	<u>49</u>

* The parent company is exempt from income tax, refer Note 1 (d)

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

	2016 \$000	2015 \$000
Total remuneration paid to key management personnel	1,602	1,611
Remuneration of Directors		
Amounts paid or payable to Directors or former Directors of AWTA Ltd	998	1,011
Directors base remuneration falls within the following bands:	No.	No.
\$10,000 to \$19,999	0	3
\$20,000 to \$29,999	0	3
\$40,000 to \$49,999	7	4
\$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

	2016 \$000	2015 \$000
Remuneration of the auditor of the parent entity for:		
— Auditing the financial report	78	78
— Other consulting services	0	9
Remuneration of other auditors of subsidiary for:		
— Auditing the financial report of the subsidiary	16	16
— Other consulting services	3	3

NOTE 7 CASH AND CASH EQUIVALENTS

	2016 \$000	2015 \$000
Cash at bank and in hand	799	216
Short-term bank deposits	4,742	4,725
	<u>5,541</u>	<u>4,941</u>
Reconciliation of cash		
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:		
Cash and cash equivalents	5,541	4,941

NOTE 8 TRADE AND OTHER RECEIVABLES

	Note	2016 \$000	2015 \$000
<i>Current</i>			
Trade debtors		3,935	3,732
Provision for impairment	8(a)	(15)	(1)
		<u>3,920</u>	<u>3,731</u>
Amounts receivable from:			
- Franking credit rebate from Australian Taxation Office		356	369
- Other sundry debtors		293	316
		<u>4,569</u>	<u>4,416</u>

(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.

Movement in the provision for impairment of receivables is as follows:

Balance at the beginning of the year	(1)	(20)
Change for the year	(49)	19
Amounts written off	35	0
Balance at the end of the year	<u>(15)</u>	<u>(1)</u>

NOTE 9 INVENTORIES

	2016 \$000	2015 \$000
<i>Current</i>		
Materials and supplies	<u>2,182</u>	<u>1,164</u>

NOTE 10 OTHER CURRENT ASSETS

	2016 \$000	2015 \$000
<i>Current</i>		
Prepayments	<u>523</u>	<u>749</u>

NOTE 11 INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	2016 \$000	2015 \$000
Interest in joint venture entity	<u>349</u>	<u>309</u>

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

	2016 \$000	2015 \$000
<i>Non current</i>		
Available-for-sale financial assets	<u>42,459</u>	<u>41,878</u>
Available-for-sale financial assets comprise:		
Listed investments, at fair value	<u>42,459</u>	<u>41,878</u>

NOTE 13 CONTROLLED ENTITY

Controlled Entity Consolidated	Country of Incorporation	Percentage Owned	
Subsidiary of AWTA Ltd:		2016	2015
New Zealand Wool Testing Authority Ltd	New Zealand	100 %	100 %

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

	2016 \$000	2015 \$000
Land and buildings		
Freehold land at:		
- Independent valuation	23,059	20,425
- At cost	0	664
Total land	23,059	21,089
Buildings at:		
- Independent valuation	18,695	19,810
Less: Accumulated depreciation	0	(1,473)
Total buildings	18,695	18,337
Total land and buildings	41,754	39,426
Plant and equipment		
Plant and equipment:		
At cost	43,060	42,538
Less: Accumulated depreciation	(34,313)	(34,089)
Plant and equipment: under construction	3,335	1,268
Total plant and equipment	12,082	9,717
Total Property, plant and equipment	53,836	49,143

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 2014	20,425	19,212	9,647	49,284
Additions	664	0	2,084	2,748
Disposals	0	0	(62)	(62)
Foreign exchange translation on opening balances	0	(136)	(21)	(157)
Depreciation	0	(739)	(1,931)	(2,670)
Balance at 30 June 2015	21,089	18,337	9,717	49,143
Additions	0	25	4,747	4,772
Disposals	0	0	(342)	(342)
Revaluation increments/(decrements)	1,919	854	(71)	2,702
Foreign exchange translation on opening balances	51	213	34	298
Depreciation	0	(734)	(2,003)	(2,737)
Balance at 30 June 2016	23,059	18,695	12,082	53,836

NOTE 15 INTANGIBLE ASSETS

	2016 \$000	2015 \$000
Customer lists		
Cost	320	320
Less: Accumulated amortisation & impairment	(320)	(320)
Total customer lists	0	0
Balance at the beginning of the year	0	64
Less: Amortisation	0	(64)
Balance at the end of the year	0	0
Internally generated software		
Cost	137	120
Less: Accumulated amortisation & impairment	(54)	(20)
Total internally generated software	83	100
Balance at the beginning of the year	100	0
Foreign exchange translation on opening balances	6	0
Additions through internal development	8	120
Less: Amortisation	(31)	(20)
Balance at the end of the year	83	100

NOTE 16 TRADE AND OTHER PAYABLES

	2016 \$000	2015 \$000
<i>Current - Unsecured liabilities</i>		
Trade payables	1,715	783
Sundry payable and accrued expenses	2,516	863
	<u>4,231</u>	<u>1,646</u>

NOTE 17 PROVISIONS

	2016 \$000	2015 \$000
Employee entitlements		
Balance at the beginning of the year	6,582	6,258
Additional provisions recognised	3,086	3,226
Amounts used	(2,628)	(2,902)
Balance at the end of the year	<u>7,040</u>	<u>6,582</u>
Analysis of total provisions		
Current	6,509	6,074
Non-current	531	508
	<u>7,040</u>	<u>6,582</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	2016 \$000	2015 \$000
Asset revaluation reserve	18(a)	30,193	27,491
Available for sale financial asset reserve	18(b)	4,833	4,886
Foreign currency translation reserve	18(c)	(285)	(407)
Capital maintenance reserve	18(d)	50,000	50,000
		<u>84,741</u>	<u>81,970</u>
Retained earnings	18(e)	13,535	12,556

(a) Asset revaluation reserve

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

	2016 \$000	2015 \$000
Balance at the beginning of the year	27,491	27,491
Change in fair value of non-current assets	2,702	0
Balance at the end of the year	<u>30,193</u>	<u>27,491</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.

	2016 \$000	2015 \$000
Balance at the beginning of the year	4,886	4,167
Change in fair value of available for sale financial assets	(53)	719
Balance at the end of the year	<u>4,833</u>	<u>4,886</u>

(c) Foreign currency translation reserve

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

	2016 \$000	2015 \$000
Balance at the beginning of the year	(407)	(325)
Exchange differences on translation of foreign operations	122	(82)
Balance at the end of the year	<u>(285)</u>	<u>(407)</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.

	2016 \$000	2015 \$000
Balance at the beginning of the year	50,000	50,000
Movements during the year	0	0
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 to current requirements. Whilst it was mandatory to retain this terminology to comply with Accounting Standards, directors subsequently changed the title to "capital maintenance reserve", to emphasise its capital nature.

In determining the appropriate level for the capital maintenance reserve, external advice has been taken and the following key points are considered. In particular, directors note that:

- there is no "absolutely correct" level, it is a matter for commercial judgement, which must take 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

	2016 \$000	2015 \$000
Balance at the beginning of the year	12,556	10,324
Net profit attributable to members of AWTA Ltd	979	2,232
Balance at the end of the year	13,535	12,556

NOTE 19 CAPITAL AND LEASING COMMITMENTS

(a) Operating lease commitments

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

	2016 \$000	2015 \$000
Minimum lease payments payable:		
Within one year	160	131
Later than one year but within five years	280	214
Later than five years	301	308
	741	653

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

	2016 \$000	2015 \$000
Capital expenditure commitments contracted for:		
Capital expenditure projects	1,443	566

(c) Operating lease income receivables

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

	2016 \$000	2015 \$000
Minimum lease payments receivable:		
Within one year	271	292
Later than one year but within five years	83	169
	<u>354</u>	<u>461</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

	2016 \$000	2015 \$000
Profit / (Loss) for the year	979	2,232
<i>Adjustments for non-cash income and expenses:</i>		
- Depreciation and amortisation	2,768	2,754
- Reassessment of fair value on available-for-sale financial assets	(8)	(151)
- Impairment charges on available-for-sale financial assets	1,302	0
- Foreign exchange loss	9	186
- Foreign exchange gain	(244)	(46)
- Share of joint venture entity net profit after income tax and dividends	(50)	(28)
- Increase / (Decrease) in provisions	458	313
- Doubtful debts written off	35	0
<i>Cash flow included in investing activities:</i>		
- Net gain on disposal of property, plant and equipment	33	(67)
- Dividends and interest received	(2,099)	(2,323)
- Realised gains on available-for-sale financial assets	(952)	(1,830)
- Realised losses on available-for-sale financial assets	775	728
<i>Changes in operating assets and liabilities:</i>		
- Decrease / (Increase) in trade and other receivables	(153)	(1,290)
- Decrease / (Increase) in inventories	(1,018)	(192)
- Decrease / (Increase) in other current assets	227	262
- Increase / (Decrease) in trade and other payables	2,586	(280)
- Increase / (Decrease) in income taxes payable	49	(83)
	<u>4,697</u>	<u>185</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.

	2016 \$000	2015 \$000
Aggregate amount of services provided to:		
- Organisations associated with directors	1,007	846

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:

	2016 \$000	2015 \$000
Financial assets		
Cash and cash equivalents	5,541	4,941
Loans and receivables	4,569	4,416
Available-for-sale financial assets	42,459	41,878
	52,569	51,235
Financial liabilities		
Trade and other payables	4,231	1,646
	4,231	1,646

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

	2016 %	2015 %
Cash and cash equivalents	2.44	2.73

(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 2016 that has significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2016, of the consolidated entity, or
- the results of those operations, or
- the state of affairs, in financial years subsequent to 30 June 2016, of the consolidated entity.

NOTE 25 PARENT ENTITY INFORMATION

(a) Statement of profit or loss

	2016 \$000	2015 \$000
Revenue	33,693	34,187
Other income	1,885	1,788
Employee benefits expense	(22,246)	(22,701)
Depreciation & amortisation expense	(2,539)	(2,540)
Repairs & maintenance expense	(1,527)	(1,711)
Energy & utilities expense	(1,493)	(1,567)
Materials & supplies expense	(1,378)	(1,129)
Freight expense	(928)	(998)
Travel expense	(529)	(519)
Subcontract testing expense	(271)	(602)
Communications expense	(495)	(461)
Software expense	(371)	(443)
Property, rates & taxes expense	(406)	(320)
Investment management expense	(384)	(399)
Insurance expense	(191)	(290)
Printing & stationery expense	(176)	(230)
Consulting fees	(173)	(191)
Advertising & sponsorship expense	(278)	(175)
Audit Fees	(74)	(78)
Other expenses	(246)	(688)
Impairment charge on available-for-sale financial assets	(1,302)	0
Reassessment of fair value of available-for-sale financial assets disposed during the year	8	151
Realised gains on disposal of available-for-sale financial assets	952	1,830
Realised losses on disposal of available-for-sale financial assets	(775)	(728)
Profit / (Loss) before income tax	756	2,186
Income tax expense	0	0
Profit / (Loss) for the year	756	2,186

(b) Other comprehensive income

	2016 \$000	2015 \$000
Profit attributable to members of the parent entity	756	2,186
<i>Items that will not be reclassified to profit and loss</i>		
Revaluation of property, plant & equipment, net of tax	2,404	0
<i>Items that may be reclassified subsequently to profit and loss</i>		
Change in fair value of available-for-sale financial assets	(53)	719
Other comprehensive income for the year	2,351	719
Total comprehensive income for the year	3,107	2,905

(c) Statement of financial position

	2016 \$000	2015 \$000
ASSETS		
Current assets		
Cash and cash equivalents	4,574	4,210
Trade and other receivables	4,216	4,023
Inventories	2,182	1,164
Other current assets	438	708
	<u>11,410</u>	<u>10,105</u>
Non-current assets		
Trade and other receivables	1,687	1,851
Investments accounted for using the equity method	349	309
Financial assets	43,968	43,280
Property, plant & equipment	49,355	45,159
	<u>95,359</u>	<u>90,599</u>
Total assets	<u>106,769</u>	<u>100,704</u>
LIABILITIES		
Current Liabilities		
Trade payables	3,822	1,294
Provisions	6,277	5,862
	<u>10,099</u>	<u>7,156</u>
Non-current liabilities		
Provisions	487	472
	<u>487</u>	<u>472</u>
Total liabilities	<u>10,586</u>	<u>7,628</u>
Net Assets	<u>96,183</u>	<u>93,076</u>
Equity	84,300	81,949
Reserves	11,883	11,127
Retained earnings	<u>96,183</u>	<u>93,076</u>

(d) Statement of changes in equity

	Retained Earnings \$000	Asset Revaluation Reserve \$000	Capital Maintenance Reserve \$000	Financial Assets Reserve \$000	Total \$000
At 1 July 2014	8,941	27,063	50,000	4,167	90,171
Profit / (Loss) for the year	2,186				2,186
Other comprehensive income				719	719
At 30 June 2015	11,127	27,063	50,000	4,886	93,076
Profit / (Loss) for the year	756				756
Other comprehensive income		2,404		(53)	2,351
At 30 June 2016	11,883	29,467	50,000	4,833	96,183

AUSTRALIAN WOOL TESTING AUTHORITY LTD

AND CONTROLLED ENTITY ABN: 43 006 014 106

DIRECTORS' DECLARATION

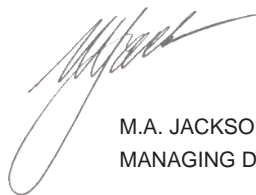
The directors of the company declare that the financial statements and notes set out on pages 14 to 33 in accordance with the *Corporations Act 2001*:

- a) comply 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) give a true and fair view of the financial position of the consolidated entity as at 30 June 2016 and of its performance for the year ended on that date.

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 Board of Directors.



G.W. DICKINSON
DEPUTY CHAIRMAN



M.A. JACKSON
MANAGING DIRECTOR

Dated: 19 August 2016

INDEPENDENT AUDIT REPORT



AUSTRALIAN WOOL TESTING AUTHORITY
ABN 43 006 014 106
AND CONTROLLED ENTITIES
INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
AUSTRALIAN WOOL TESTING AUTHORITY

We have audited the accompanying financial report of Australian Wool Testing Authority and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the director's declaration of the consolidated entity comprising the association and the entities it controlled at the year's end or from time to time during the financial year.

Responsibility of Directors

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* and the financial reporting requirements of *Associations Incorporation Reform Act (2012)* and for such internal control as the directors determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independence

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

Opinion

In our opinion, the financial report of Australian Wool Testing Authority is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001* and the financial reporting requirements of *Associations Incorporation Reform Act (2012)*.

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

S SCHONBERG,
Partner
22 August 2016

A handwritten signature in black ink, appearing to be a stylized name, likely representing a member of Pitcher Partners.

PITCHER PARTNERS
Melbourne



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JinAo
Testing Company



NZWTA

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