



AWTA
LIMITED

ANNUAL REPORT 2018 - 19

Specialised
Testing Services





ANNUAL REVIEW 2018-19

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HISTORY & OBJECTIVES

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

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

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

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

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

They include the following:

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

MISSION, VISION & VALUES

MISSION

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

VISION

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

VALUES

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

INDUSTRY GOOD ACTIVITIES

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

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

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

COMPANY PROFILE

MEMBERSHIP & BOARD COMPOSITION

AWTA Ltd is a company Limited by Guarantee. As described in the company's Articles of Association, each Member Guarantor is entitled to appoint a Director to the Board. Additionally, the Member Guarantors appoint two Independent Directors and may also appoint a Director having special scientific or technological qualifications. The Chief Executive is also a Director pursuant to Article 21(d).

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

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

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

DIRECTORS

Directors holding office at the date of this report are:

Chairman

D.G. McGauchie AO (elected Independent Director)

Deputy Chairman

G.W. Dickinson (elected Independent Director)
 M.A. Jackson (AWTA Ltd Managing Director)
 P.D. Morgan (appointed by AWPC Inc from WTMA Group)
 D.B. Ritchie (appointed by AWPC Inc from WSCA Group)
 D.A. Webster (appointed by AWI Ltd)
 C.J. Wilcox (appointed by NCWSBA Inc)
 E.T. Storey (appointed by WoolProducers Australia)
 M.R. Hand (appointed by ACWE Inc)
 N.F. Armstrong (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.

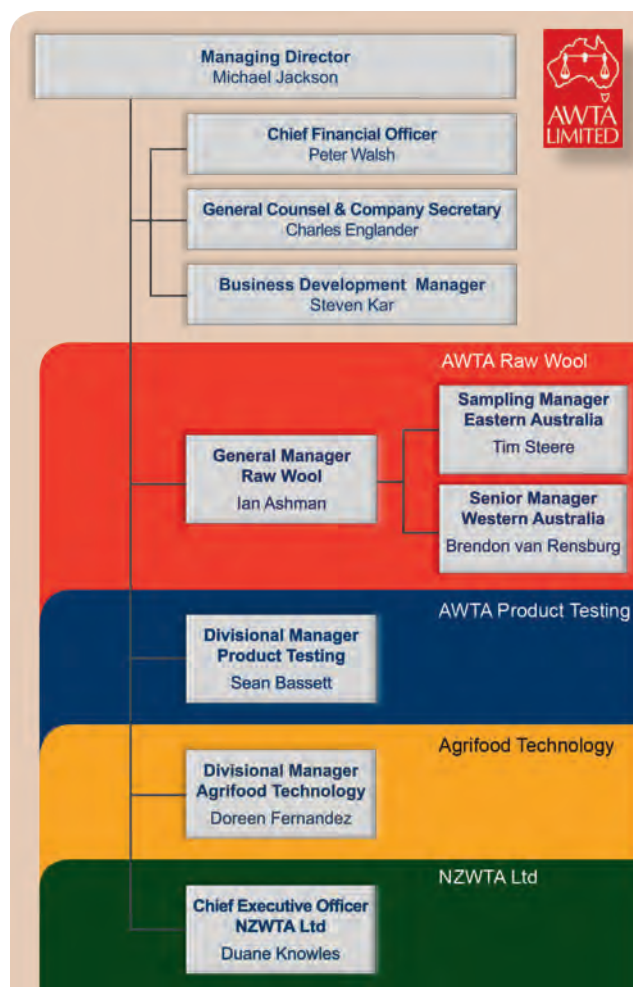
AWTA Ltd is organised for management and reporting purposes into four operating divisions. Management responsible for those divisions must account for their performance within a framework of strategic plans, budgets, position descriptions, targets, standards and policies.

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 N.F. Armstrong, Mr M.A. Jackson and Mr C. Englander. Attendance at Committee meetings is reported in the Directors' Report.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE CHARTER

AWTA Ltd follows the Australian Charities and Not-for-profits Commission governance standards and, whilst not a listed company, it also adopts any applicable ASX Corporate Governance Principles and Recommendations. The Board is responsible for the overall corporate governance of the company, including its strategic direction, major policies and financial objectives. The Board has adopted a Charter that delineates its role and the role of individual Directors. The Corporate Governance Charter and Guide for Directors and Officers is publicly available on the company's website.

CORPORATE CONDUCT & ETHICS

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

APPOINTMENT OF AUDITORS

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

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

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

The auditors are required to form an opinion whether the financial report of Australian Wool Testing Authority Ltd complies with the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*, 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;
- whistleblower policy;
- social media;
- alcohol and drugs; and
- notifiable data breaches.

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

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 349 in November, 2018.

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 2018/19, the company experienced 2 lost time accidents (one less than 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, 217 employees have reached 20 years service, 83 have achieved 30 years service and 17 have reached 40 years service. During 2018/19, the 40 year service roll increased by 2, the 30 year service roll increased by 2 and the 20 year service roll increased by 1.

SERVICE AWARDS

40 Years

Pino Trimboli	(16 th)	Senior Sampling Officer (Melbourne) commenced 7 August 1978
Stan Mendrek	(17 th)	Maintenance Officer (Melbourne) commenced 9 October 1978

30 Years

John Billing	(82 nd)	Data Processing Manager (Melbourne) commenced 8 July 1988
Monika Rohkamper	(83 rd)	Senior Testing Officer (Melbourne) commenced 6 February 1989

20 Years

David Crowe	(217 th)	Research & Technical Manager commenced 15 February 1999
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CHAIRMAN'S STATEMENT

AWTA Ltd has recorded a net profit of \$7.391 million for 2018/19.

This is a significant improvement on the comparative profit of \$4.108 million last year. New accounting standards have been adopted this year that change the way in which the company's investments are treated. This has a particularly significant impact on the reporting of realised gains and losses in AWTA's investment portfolio. The result from operations was very similar to last year, with the improvement in net profit largely due to an increase of approximately \$3.1 million in dividend income from investments.

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) was approximately \$70 per average sale lot in 1993/94 and today, some 26 years later, it is only \$75.

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 and manufacturing so that fees continue to be contained as the volume of wool produced in Australia declines.

Approximately 13 years ago, AWTA Ltd adopted a strategy to expand into related testing markets where independent, high quality, high integrity testing is a necessary part of the value chain and this approach has clearly been successful. AWTA Ltd, as a consolidated group, now comprises 3 operating divisions in Australia (AWTA Raw Wool, AWTA Product Testing and Agrifood Technology), its wholly owned subsidiary NZWTA Ltd and its joint venture, JinAo Testing Co Ltd, which is managed through AWTA Product Testing.

In 2018/19, AWTA Raw Wool revenue fell by 4.1% with wool production significantly impacted by the widespread drought in Eastern Australia. The magnitude of the impact is demonstrated by the 11.8% fall seen in the weight of wool sampled by AWTA Raw Wool. However, as is normal in drought conditions, there was a fall in average lot size of 0.3 bales. Hence, the number of core tests conducted by AWTA Raw Wool reduced by 7.3%. An increase in the Sale of Manufactured equipment impacted positively on AWTA Raw Wool revenue, somewhat offsetting the reduced testing volumes.

The industry expects wool production to fall further in 2019/20 year due to the severe drought in much of the eastern states exacerbated by very attractive sheep meat prices. The AWI Wool Production Forecasting Committee forecasts the 2019/20 clip will be 5% lower than the previous year. In this environment, expenditure control remains critical and the Board was pleased to see management and staff achieve improvements in this regard through the year. This has enabled AWTA Raw Wool to hold its testing fees for 2019/20, supporting the industry in a difficult period for many.

In recent years Agrifood Technology has followed a deliberate strategy of reducing its historical reliance on the grain industry to ensure a revenue base that is more resilient in all seasonal conditions. The prudence of this strategy was illustrated in 2018/19 when total operating income grew by 8.6% despite an historically low grain harvest resulting from the drought. A concentrated marketing effort resulted in a significant increase in revenue received from the processed food sector that more than offset the fall in grain testing. In recent years, the division has expanded its scope of testing by establishing microbiological testing laboratories in both Melbourne and Perth which have both contributed to the growth seen 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 a satisfactory result in 2018/19.

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 automotive industries throughout 2018/19, the division has seen a significant recovery in the revenue it earns from the building materials sector and from flammability testing services provided to specialist sectors of the textile industry. Total revenue for AWTA Product Testing increased by approximately 5% during the year under review. This enabled the division to again achieve a positive operating contribution and return on investment.

JinAo Testing Co Ltd continued to operate profitably in 2018/19. The majority of JinAo testing was conducted for Australian customers importing Chinese products with a growing base of local processors of Australian wool looking to JinAo to provide specialist services.

The coarse wool market in NZ remains under significant price pressure, in stark contrast to the buoyant fine wool sector. Despite this, the number of bales sampled by NZWTA increased in 2018/19 as growers released wool shorn in the previous season onto the market. Sheep numbers are currently underpinned by the profitable lamb industry and this will support coarse wool testing income in coming years. The NZWTA strategy of broadening the scope of services that it offers the wool industry and growing its textile testing income has been successful. The Board is pleased with the return on the capital that it has invested in NZWTA and particularly pleased that profitability increased in 2018/19 in a very difficult market.

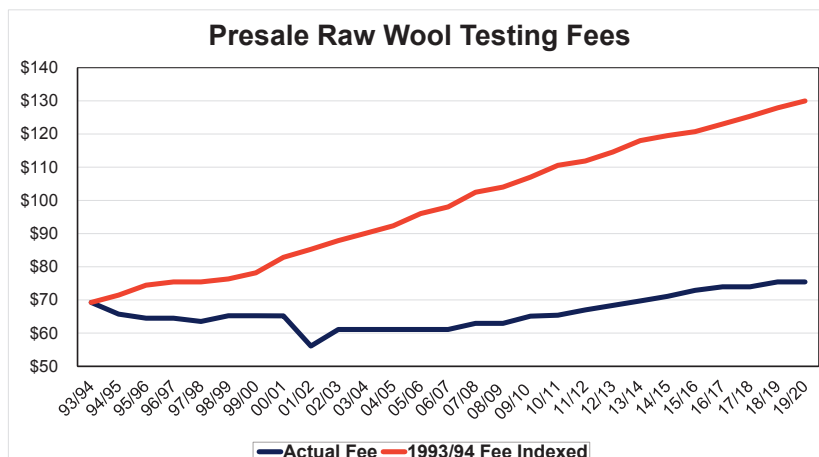
AWTA Ltd invests its funds in various asset classes in accordance with a balanced investment policy which is regularly reviewed by the Board. The performance of equity markets improved during 2018/19, and this had a positive impact on AWTA Ltd's non-operating revenue as I mentioned in the introduction to this statement. The strength of the company's balance sheet allows it to take a long-term approach to investment and Directors accept that there is a risk of volatility in the short term.

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

Finally, I wish to express my personal thanks to the Chief Executive, Michael Jackson, all Directors and the company's employees for their support, contribution and dedicated service during 2018/19.



MR D.G. McGAUCHIE AO
CHAIRMAN - AWTA Ltd



D.G. McGAUCHIE AO

MANAGING DIRECTOR'S INTRODUCTION

The AWTA Ltd Group reported an overall profit of \$7.391 million for 2018/19. While the year on year improvement in net profit was largely the result of exceptional dividend income from investments that the Chairman outlined, it was notable that Operating Profit before investment income was maintained in a year where drought had a significant negative impact on wool production and cropping in large parts of Australia.

It is pleasing to report that all of the operating divisions in Australia and NZWTA have again made a positive financial contribution during 2018/19. The company remains in a very healthy financial situation, which is reassuring as we head into 2019/20 with the serious drought still gripping a significant section of the agricultural and pastoral regions of Australia. This will inevitably result in a further reduction in wool production and hence less testing workload for AWTA Raw Wool.

The company 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 2018/19 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

	2019 \$'000s	2018 \$'000s
Revenue		
Revenue from services	39,749	39,826
Revenue from investments	5,718	2,488
Profit on sale of surplus sample material	1,384	1,771
Revenue from sale of manufactured equipment	1,486	780
Consulting income	102	80
Rental income	413	453
Other income	268	182
Total Revenue	49,120	45,580
Expenses		
Operating and administrative expenses	(41,729)	(41,472)
Total Expenses	(41,729)	(41,472)
Net Profit/(Loss)	7,391	4,108



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;
- technical & Quality Control; and
- research, Development & Manufacturing.

During 2018/19, 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 11.8% during 2018/19 with 1.79 million bales sampled compared with 2.03 million bales during the previous season. Bales sampled decreased in all states, with the largest declines in New South Wales and South Australia.

The number of sale lots tested for Yield & Micron results decreased by 7.3% in 2018/19 when compared with the previous season, to 325,738 lots. The decrease in sale lots tested was less than the decrease in bales tested indicating that the lot size has decreased in 2018/19 - from 5.77 bales/lot in 2017/18 to 5.49 bales/lot in 2018/19. The number of sale lots tested for Staple Length & Strength decreased by 6.2% to 203,245 lots over the same period. The adoption rate increased by 0.6%.

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

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

Service

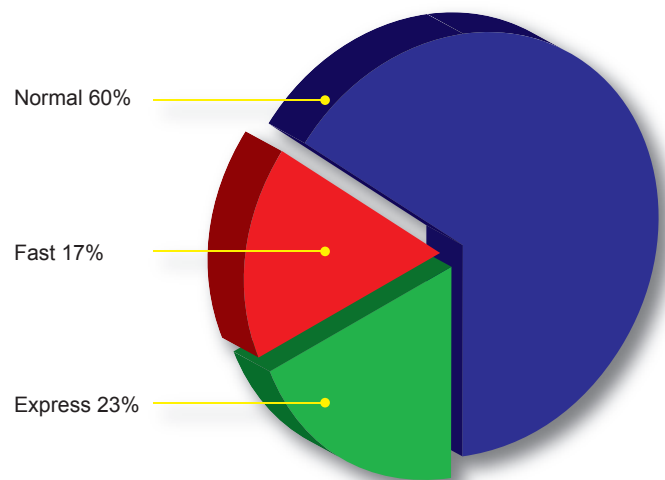
AWTA Raw Wool is committed to providing timely testing services as required by its customers. Samples are taken at 32 locations throughout Australia and dispatched overnight to one of AWTA's Raw Wool laboratories.

AWTA Ltd offers three levels of priority for service:

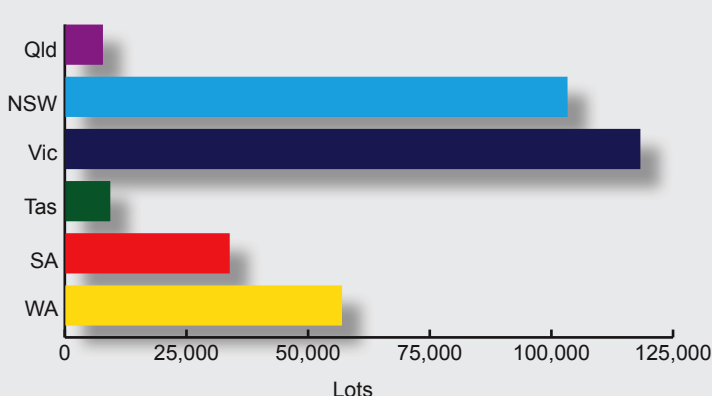
Normal: Test certificates are available within 5 days of a sample being taken.

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

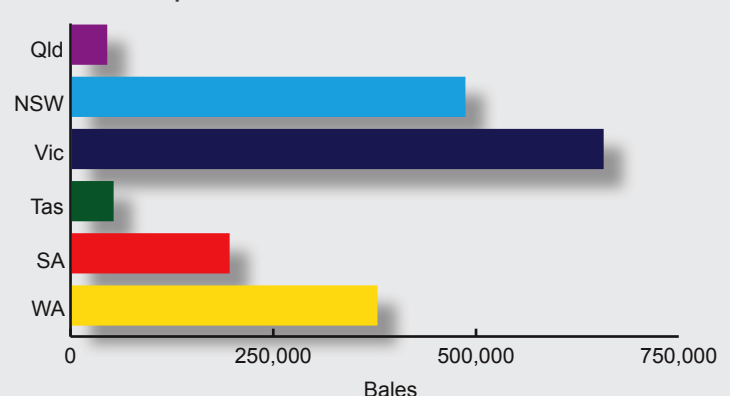
Express: 95% of test certificates are available the following morning, with the remainder the following day.



Lots Sampled 2018/19



Bales Sampled 2018/19



Test Type	Service Measure	Normal	Fast	Express
Yield & Micron	Average (days)	3.0	2.0	1.6
	% Total Tests within Service Target	99.2	96.2	96.3
Length & Strength	Average (days)	3.5	2.2	1.7
	% Total Tests within Service Target	97.3	94.3	93.1

For 2018/19 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 decreased during 2018/19 due to the lower than expected coreline productivity at a number of wool coring locations, reflecting more fragmented work patterns due to lower overall volumes.

Testing Productivity, which reflects the efficiency of all laboratory operations, increased by 1.0% during 2018/19. This increase was largely due to overall cost management and efficiency projects 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 2018/19, 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 2018/19, some 857 results (0.16% of all tests) were queried by customers. Of these, 239 were reissued, representing less than 0.05% of the 528,983 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. The 2019/20 season is shaping up as another difficult one for the wool industry given the ongoing dry and drought conditions in significant wool growing areas of Australia.

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.

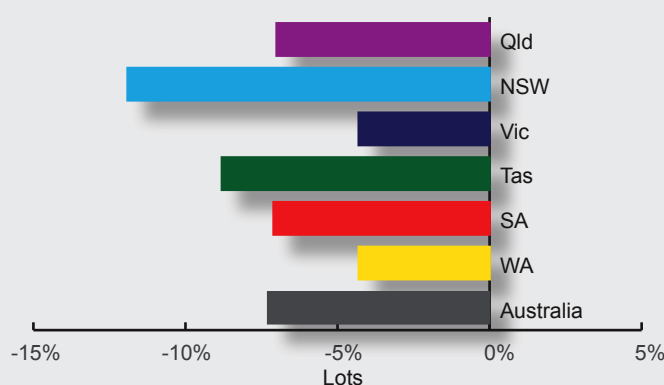
AWTA Ltd collates and publishes an extensive range of statistics and analytical reports which are provided free of charge to the wool industry. An example of this is the Key Test Data report - a monthly summary of the volume of wool tested and average results tested broken down by State and wool category.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

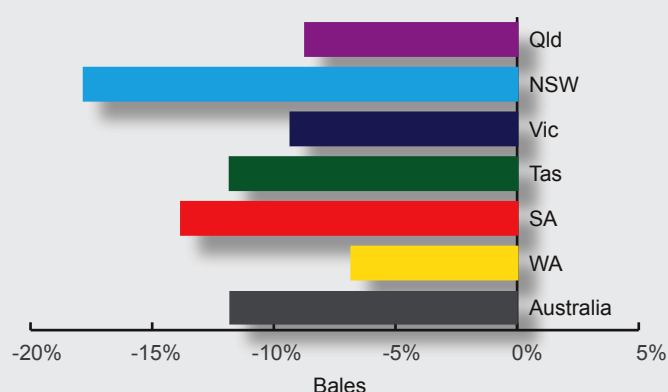
The company continues to support the Australian wool industry by sponsoring and providing testing assistance for major sheep shows, ram sales and research trials. Details of supported events are listed on the AWTA Ltd website to assist with the promotion of sponsored events.

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 (2018/19 cf 2017/18)



Changes in Bales Sampled (2018/19 cf 2017/18)



AWTA PRODUCT TESTING

AWTA PRODUCT TESTING

OVERVIEW

Possessing a range of diverse test equipment, AWTA Product Testing is an independent materials testing laboratory focusing on the core business sectors of Building, Textiles and Transport. The division holds accreditations to both ISO 9001 and ISO 17025. AWTA Product Testing is also actively involved, and holds accreditation with several industry organisations.

CAPABILITIES

The division has the capability to carry out testing to local and International Standards across a range of test types with more than 10,000 different tests available including areas such as mechanical, flammability, chemical, optics, weathering and thermal performance. Products that are routinely tested by the laboratory include textiles, apparel, flooring, building materials, insulation, reflective materials and automotive/aerospace components.

LOOKING FORWARD

2018/19 has seen significant growth in fire testing of materials for the building and construction sector, particularly in flooring testing. During this period the division successfully purchased the testing equipment and assets of a smaller fire testing laboratory with these currently being implemented to assist with the increased demand from this sector. The next twelve months will focus on improving service in this area, expanding other services in the building sector, and continuing to maintain a focus on the division's traditional area of textile testing.

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 has been successfully operating for over a decade, a notable achievement for a joint venture in China. JinAo's challenge remains to grow its revenue base by developing a solid and ongoing domestic client base and diversifying its testing capabilities.



AGRIFOOD TECHNOLOGY

OVERVIEW

Agrifood Technology has continued to diversify its testing capabilities and services to remain one of Australia's major providers of physical and chemical testing to the grain, horticultural, food and feed industries.

CAPABILITIES

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

The laboratories in Derrimut, Werribee (Victoria) and Bibra Lake (Western Australia) are well equipped to conduct comprehensive analysis on a diverse range of food and feed products, including grain quality, milling, dough rheology, end product assessment, nutritional labelling, allergen testing, pesticide residues, agro nutritional, mycotoxins and microbiological analysis. The expansion of testing services for microbiological analysis has strengthened the laboratory's position as a "one stop shop" for testing services. Ongoing investment in resources has been made to further enhance its testing capabilities through improved technology and expansion of NATA scope across all sites. This accreditation further enhances its ability to conduct a complete and comprehensive test package for key industry sectors across all three sites.

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

LOOKING FORWARD

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



NZWTA

NZWTA LTD

OVERVIEW

NZWTA Ltd is New Zealand's leading wool and textile testing organisation, providing a comprehensive range of services to the wider textile industry.

CAPABILITIES

The wool laboratory provides IWTO certification on a variety of tests covering greasy and scoured wool. The textiles operation offers a comprehensive selection of tests using international standards and covering a wide range of products. Ongoing investment has been made throughout 2018/19 to further enhance its testing capabilities and reduce operating expenditure. NZWTA Ltd is capable of testing wool and textiles materials from around the world, with testing supported by ISO 17025 accreditation to give customers confidence in the accuracy of test results. The quality management system is supported by a focus on providing quality testing within service expectations to meet the needs of a broad customer base.

LOOKING FORWARD

NZWTA Ltd's Mission Statement is to provide leadership to industry through measurement, innovation, technology and service. Its strategic focus to delivering an outstanding customer experience, along with continuous improvement in its overall operation, will remain a priority over the next twelve months.

AWTA - RESEARCH & DEVELOPMENT

OVERVIEW

During 2018/19, 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).

Key highlights for 2018/19 included:

- investigating the ability to measure Wool Base by Near Infrared (NIR) analysis;
- installation of wool testing laboratory in Moscow;
- developed a new prototype for Wool ComfortMeter; and
- finalised the Bale Sprayer prototype evaluation to assist industry should there be an exotic disease outbreak.





FEEDTEST

AWTA PRODUCT TESTING



JinAo
Testing Company



NZWTA



**AWTA
LIMITED**

**FINANCIAL STATEMENTS
2018 - 19**

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 2019 and the auditor's report thereon.

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

The principal activities of the consolidated entity during the financial year were raw wool, textiles, agricultural products and other materials testing. There has been no significant change in the nature of these activities during the financial year.

The Australian Wool Testing Authority Ltd (AWTA Ltd) is a company limited by guarantee established to assist and promote the development of the pastoral, agricultural, manufacturing and industrial resources of Australia, in particular, by providing independent objective data and information services which will facilitate the efficient production, marketing and processing of wool, other fibres, textile products and related materials.

Over the last 62 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 28 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 \$7.391 million (2018: net profit after tax of \$4.108 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 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 2018/19 by AWTA totalled 317.9 million kilograms of greasy wool, a decrease of 11.8% from the previous year. The industry expects wool production to decrease further next year with the AWI Wool Production Forecasting Committee predicting that the 2019/20 clip will be 5% lower than this year, with lower sheep numbers being the major contributing factor.

The majority of Raw Wool revenue comes from presale testing of greasy wool. The number of core tests conducted by AWTA Raw Wool decreased by 7.3% from last year, with a decrease in the average lot size from 5.77 to 5.49 bales per test.

AWTA Product Testing

The market that AWTA Product Testing services has changed over a number of years. While testing from the retail, manufacturing and automotive industries remains relatively low, the division has seen a significant increase in the revenue it earns from the building materials sector. Overall, operating revenue for AWTA Product Testing increased by 5.4% in 2018/19. Expenditure increased as extra capacity was commissioned and the operating contribution decreased slightly.

JinAo Testing Co Ltd maintained its revenue base during 2018/19 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 2017/18 by 7.9%. 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 2018/19. As revenue from grain testing is highly dependent on seasonal conditions, the division has been actively extending its activities in the fresh and processed food sectors to counter this risk. This strategy has been successful and, despite a poor season for grain production, divisional revenue increased by 8.6%.

During 2018/19, the return on investment from Agrifood Technology remained healthy.

Non-operating Income

Non-operating income was again strong in 2018/19, reflecting the returns on funds invested in the financial markets.

Financial Position

The net assets of the consolidated group have increased by \$7.13 million from 30 June 2018 to \$145.48 million at the end of the financial year.

Impact of AASB 9 Financial Instruments

The new accounting standard, AASB 9 Financial Instruments, has been adopted by the company this financial year. This has impacted upon the treatment of financial assets, which are now classified at fair value through other comprehensive income. Consequently, all fair value changes (realised and unrealised) in equity investments are recognised in other comprehensive income, while dividend and interest income continue to be recognised in profit or loss.

Under AASB 9 equity investments are no longer tested for impairment, with all market changes now reflected in the financial asset reserve.

As a result of the adoption of the new standard, opening retained earnings has been restated reflecting a reversal of the provision for impairment as at 1 July 2017 of \$1.275 million from the financial asset reserve to retained earnings.

There has been a restatement of last year's comparatives, reducing the reported profit after tax from \$5.404 million to \$4.108 million with a corresponding increase in the financial asset reserve for 2017/18 realised gains and losses.

INFORMATION ON THE DIRECTORS

Mr Donald G. McGauchie AO

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



Mr Gordon W. Dickinson

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



Mr Michael 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
- Chairman of Australian Wool Education Trust
- Vice President of the International Wool Textile Organisation



Mr David A. Webster

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



Dr Peter D. Morgan

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



Mr Chris J. Wilcox

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



Mr David B. Ritchie

- Appointed as 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 Neville F. Armstrong

- Appointed as nominee director for Private Treaty Wool Merchants of Australia Inc. on 20 October 2017
- Member of Environment & Safety Committee
- President of Private Treaty Wool Merchants of Australia Inc
- Managing Director of Chopper Pty Ltd



Mr Matthew R. Hand

- Appointed as nominee director for Australian Council of Wool Exporters Inc. on 20 October 2017
- President of Australian Council of Wool Exporters & Processors Inc
- Director of Australian Wool Exchange Ltd
- Managing Director of United Wool Co. Pty Ltd



Mr Edward T. Storey

- Appointed as nominee director for WoolProducers Australia on 20 October 2018
- President of WoolProducers Australia
- Managing Partner of Werong Partnership
- Director of Australian Wool Exchange Ltd and Futter Park Ltd



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

Mr Richard D. Halliday

Resigned 20 October 2018, originally appointed as nominee director for WoolProducers Australia on 1 February 2015.

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 35 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 15 years, performing finance and administration roles.

MEETINGS OF DIRECTORS

During the financial year, 6 meetings of directors and 8 committee meetings (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit & Finance Committee		Remuneration & Appointments Committee		Environment & Safety Committee	
	Number eligible	Number attended	Number eligible	Number attended	Number eligible	Number attended	Number eligible	Number attended
D.G. McGauchie AO	6	5	-	-	2	2	-	-
G.W. Dickinson	6	6	2	2	2	2	-	-
M.A. Jackson	6	6	-	-	-	-	4	4
N. F. Armstrong	6	6	-	-	-	-	4	4
R.D. Halliday	2	2	-	-	-	-	-	-
M. R. Hand	6	6	-	-	-	-	-	-
P.D. Morgan	6	6	-	-	-	-	-	-
D.B. Ritchie	6	5	2	2	-	-	-	-
E. T. Storey	4	3	-	-	-	-	-	-
D.A. Webster	6	6	-	-	2	2	-	-
C.J. Wilcox	6	6	2	2	-	-	4	4

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 as required 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 2019 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 (2018: \$300).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the consolidated entity's state of affairs during the financial year.

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 one thousand dollars.

This report of the directors is signed in accordance with a resolution of the board of Directors and dated 16 August 2019 at Bibra Lake.

Donald G. McGauchie AO
Chairman

Michael A. Jackson
Managing Director

AUSTRALIAN WOOL TESTING AUTHORITY LTD AND CONTROLLED ENTITY

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF AUSTRALIAN WOOL TESTING AUTHORITY LTD AND CONTROLLED ENTITY

In relation to the independent auditor's review for the period ended 30 June 2019, to the best of my knowledge and belief there have been no contraventions of APES 110 *Code of Ethics for Professional Accountants*.

This declaration is in respect of Australian Wool Testing Authority Ltd and the entity it controlled during the year.

S SCHONBERG
Partner

PITCHER PARTNERS
Melbourne

20 August 2019

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 2019

	Notes	2019 \$000s	2018 \$000s
Revenue	2	45,467	42,314
Other income	2	3,652	3,266
Employee benefits expense		(26,404)	(25,998)
Depreciation & amortisation expense	3	(2,843)	(3,337)
Materials & supplies expense		(2,119)	(1,899)
Energy & utilities expense		(2,051)	(1,917)
Repairs & maintenance expense		(1,916)	(2,018)
Freight expense		(1,031)	(1,013)
Cost of manufactured equipment sold		(834)	(651)
Travel expense		(716)	(766)
Property, rates & taxes expense		(597)	(550)
Software expense		(574)	(542)
Investment management expense		(421)	(361)
Communications expense		(346)	(478)
Subcontract testing expense		(297)	(371)
Insurance expense		(274)	(232)
Advertising & sponsorship expense		(238)	(252)
Printing & stationery expense		(204)	(232)
Consulting fees		(113)	(94)
Audit Fees		(107)	(98)
Other expenses		(432)	(466)
Profit before income tax		7,603	4,306
Income tax expense	4	(212)	(197)
Profit for the year		7,391	4,108
Profit attributable to members of the parent entity		7,391	4,108
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit and loss</i>			
Revaluation of property, plant & equipment, net of tax		-	25,750
Net change in fair value of financial assets designated at fair value through other comprehensive income, net of tax		(442)	3,668
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange differences on translation of foreign operations, net of tax		184	(143)
Other comprehensive income for the year		(258)	29,275
Total comprehensive income for the year		7,133	33,384

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

	Notes	2019 \$000s	2018 \$000s
ASSETS			
Current assets			
Cash and cash equivalents	7	9,287	9,424
Trade and other receivables	8	5,028	4,580
Inventories	9	1,244	1,579
Other current assets	10	1,137	624
Total current assets		16,696	16,207
Non-current assets			
Investments accounted for using the equity method	11	502	401
Financial assets	12	60,768	53,560
Property, plant & equipment	14	77,894	78,120
Deferred tax asset	4	49	49
Intangible assets	15	376	603
Total non-current assets		139,589	132,732
Total assets		156,285	148,940
LIABILITIES			
Current Liabilities			
Trade payables	16	2,904	2,964
Current tax liability	4	103	98
Provisions	17	7,165	6,964
Total current liabilities		10,172	10,026
Non-current liabilities			
Provisions	17	635	569
Total non-current liabilities		635	569
Total liabilities		10,807	10,595
Net Assets		145,478	138,345
Equity			
Reserves	18	114,006	114,264
Retained earnings	18	31,472	24,081
Total equity		145,478	138,345

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Retained Earnings \$000s	Asset Revaluation Reserve \$000s	Capital Maintenance Reserve \$000s	Foreign Currency Translation Reserve \$000s	Financial Assets Reserve \$000s	Total \$000s
Balance as at 1 July 2017	18,698	30,194	50,000	(288)	6,358	104,963
Adjustment on change of accounting policy	1,275				(1,275)	-
Restated opening balance	19,973	30,194	50,000	(288)	5,083	104,963
Profit for the year	4,108					4,108
Other comprehensive income		25,750		(143)	3,668	29,275
Balance as at 1 July 2018	24,081	55,944	50,000	(431)	8,751	138,345
Profit for the year	7,391					7,391
Other comprehensive income		22		162	(442)	(258)
Balance as at 30 June 2019	31,472	55,966	50,000	(269)	8,309	145,478

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$000s	2018 \$000s
Cash flows from operating activities			
Receipts from customers		47,039	46,850
Payments to suppliers and employees		(42,497)	(41,286)
Cash generated from operations		4,542	5,564
Interest received		197	139
Income tax paid		(214)	(197)
Net cash from operating activities	21	4,525	5,506
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment		238	168
Purchases of property, plant & equipment		(2,343)	(1,966)
Payment for other non current assets		-	(400)
Payment for financial assets		(24,673)	(24,970)
Proceeds from sale of financial assets		17,022	21,460
Dividends and interest received from investments		5,094	1,988
Net cash used in investing activities		(4,662)	(3,720)
Net increase in cash and cash equivalents		(137)	1,786
Cash and cash equivalents at beginning of year		9,424	7,638
Cash and cash equivalents at end of year	7	9,287	9,424

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation of the financial report

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

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 address of AWTA Ltd's registered office and principal place of business is 70 Robertson Street, Kensington, Victoria 3031.

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

The financial report was approved by the directors on 16 August 2019.

Historical cost convention

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

Fair value measurement

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

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

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

Significant accounting estimates

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

(b) New and revised accounting standards effective at 30 June 2019

AASB 9 replaces AASB 139: Financial Instruments: Recognition and Measurement. The key changes introduced by AASB 9 in relation to the accounting treatment for financial instruments include:

- simplifying the general classifications of financial assets into those measured at amortised cost and those measured at fair value;
- permitting entities to irrevocably elect, on initial recognition, for gains and losses on equity instruments not held for trading to be presented in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing the requirement to separate and measure embedded derivatives at fair value, in relation to embedded derivatives associated with financial assets measured at amortised cost;
- requiring entities that elect to measure financial liabilities at fair value, to present the portion of the change in fair value arising from changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';
- introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- introducing a new 'expected credit loss' impairment model (replacing the 'incurred loss' impairment of previous accounting standard).

In accordance with the transition requirements of AASB 9, the group has elected to apply AASB 9 retrospectively to each prior reporting period presented in the financial statements, with the cumulative impact, if any, of initially applying the new standard recognised as at the beginning of the earliest prior period presented (i.e., as at 1 July 2017). The group has also applied consequential amendments to AASB 7 Financial Instruments: Disclosure to the disclosure of information about the Group's financial instruments for the current financial year, and the comparative reporting period.

The application of AASB 9 has not materially impacted the classification and measurement of the group's financial assets and financial liabilities.

Further details of the group's accounting policies in relation to accounting for financial instruments under AASB 9 are contained in note 1(j).

AASB 15 provides (other than in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under the previous accounting standard, AASB 118 Revenue, revenue from the sale of goods was recognised when the significant risks and rewards of ownership of the goods transferred to the buyer, and revenue from the rendering of services was recognised by reference to the stage of completion of the transaction at the end of the reporting period.

In accordance with the transition requirements of AASB 15, the group has elected to apply AASB 15 retrospectively to each prior reporting period presented in the financial statements, with the cumulative impact, if any, of initially applying the new standard recognised as at the beginning of the earliest prior period presented (i.e., as at 1 July 2017).

The application of AASB 15 has not materially impacted the recognition and measurement of the group's revenue from contracts with customers.

Further details of the group's accounting policies in relation to accounting for revenue from contracts with customers under AASB 15 are contained in note 1(q).

(c) Going concern

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

(d) Principles of consolidation

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

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

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

Equity interests in a subsidiary not attributable, directly or indirectly, to the group are presented as non-controlling interests. Non-controlling interests are initially recognised either at fair value or at the non-controlling interests' proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis.

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

(e) Business combinations

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

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

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

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

Acquisition related costs are expensed as incurred.

(f) Income tax

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

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

Deferred tax balances and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

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

(g) Inventories

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

Costs are assigned on the basis of weighted average costs.

(h) Property, plant and equipment*Cost and valuation*

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

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

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

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

Depreciation

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

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

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

(i) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

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.

(j) Financial instruments

The consolidated entity classifies its financial instruments in the following categories: loans and receivables financial assets and financial liabilities. The classification depends on the nature of the item and the purpose for which the instruments are held.

Initial recognition and measurement

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

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

Classification of financial assets

Financial assets recognised by the group are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of both:

- (a) the group's business model for managing the financial assets; and
- (b) the contractual cash flow characteristics of the financial asset.

Classification of 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.

Trade and other receivables

Trade and other receivables arise from the group's transactions with its customers and are normally settled within 30 days.

Consistent with both the group's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

Loans and receivables

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

Impairment of financial assets

Receivables from contracts with customers and contract assets are tested for impairment by applying the 'expected credit loss' impairment model.

The group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for both receivables from contracts with customers and contract assets. Under the AASB 9 simplified approach, the group determines the allowance for credit losses for receivables from contracts with customers and contract assets on the basis of the lifetime expected credit losses of the financial asset. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

For all other financial assets subject to impairment testing, when there has been a significant increase in credit risk since the initial recognition of the financial asset, the allowance for credit losses is recognised on the basis of the lifetime expected credit losses. When there has not been an increase in credit risk since initial recognition, the allowance for credit losses is recognised on the basis of 12-month expected credit losses. '12-month expected credit losses' is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The group consider a range of information when assessing whether the credit risk has increased significantly since initial recognition. This includes such factors as the identification of significant changes in external market indicators of credit risk, significant adverse changes in the financial performance or financial position of the counterparty, significant changes in the value of collateral, and past due information.

The group assumes that the credit risk on a financial asset has not increased significantly since initial recognition when the financial asset is determined to have a low credit risk at the reporting date. The group considers a financial asset to have a low credit risk when the counterparty has an external 'investment grade' credit rating (if available) of BBB or higher, or otherwise is assessed by the group to have a strong financial position and no history of past due amounts from previous transactions with the group.

The group assumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

The group determines expected credit losses using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the financial asset as well as current and future expected economic conditions relevant to the financial asset. When material, the time value of money is incorporated into the measurement of expected credit losses. There has been no change in the estimation techniques or significant assumptions made during the reporting period.

The group has identified contractual payments more than 90 days past due as default events for the purpose of measuring expected credit losses. These default events have been selected based on the group's historical experience. Because contract assets are directly related to unbilled work in progress, contract assets have a similar credit risk profile to receivables from contracts with customers. Accordingly, the group applies the same approach to measuring expected credit losses of receivables from contracts with customers as it does to measuring impairment losses on contract assets.

The gross carrying amount of a financial asset is written off (i.e., reduced directly) when the counterparty is in severe financial difficulty and the group has no realistic expectation of recovery of the financial asset. Financial assets written off remain subject to enforcement action by the group. Recoveries, if any, are recognised in profit or loss.

(k) Interests in joint venture

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

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

(l) Intangibles

Identifiable intangible assets

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

charged on a straight-line basis.

Useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Amortisation is calculated based on the timing of projected cash flows over their useful lives, currently amortised over 4 to 5 years.

(m) Foreign currency transactions and balances

Functional and presentation currency

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

Transactions and balances

Transactions in foreign currencies of entities within the consolidated group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date are translated using the spot rate at the end of the financial year.

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

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

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

Foreign subsidiaries

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

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

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

(n) Employee benefits

Short-term employee benefit obligations

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

Other long-term employee benefit obligations

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are 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 are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

(o) Provisions

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

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

(p) Cash and cash equivalents

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

(q) Revenue and other income

Receivables from contracts with customers

A receivable from a contract with a customer represents the group's unconditional right to consideration arising from the transfer of goods or services to the customer (i.e., only the passage of time is required before payment of the consideration is due). Subsequent to initial recognition, receivables from contracts with customers are measured at amortised cost and are tested for impairment.

Interest revenue is measured in accordance with the effective interest method.

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

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

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

(r) Goods and services tax (GST)

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

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

(s) Comparatives

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

(t) Rounding of amounts

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

(u) Critical accounting estimates and judgements

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

Impairment

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

(v) Accounting standards issued but not effective at 30 June 2019

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

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

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

- right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:

- investment property, the lease applies the fair value model in AASB 140: Investment Property to the right-of-use asset; or
- property, plant and equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and

- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

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

On initial application, the assessed impact of the adoption of AASB 16 requires an asset and corresponding liability of approximately \$410,000 to be recorded.

NOTE 2 REVENUE AND OTHER INCOME

	2019 \$000s	2018 \$000s
Revenue		
Sales Revenue		
- Revenue from services	39,749	39,826
Revenue from investments		
- Dividend revenue from other corporations	5,395	2,279
- Interest from unrelated persons	323	209
	<u>45,467</u>	<u>42,314</u>
Other Income		
Net gain on disposal of property, plant & equipment	99	39
Foreign exchange gain	64	26
Net gain on disposal of surplus material	1,384	1,771
Revenue from sale of manufactured equipment	1,486	780
Share of profit from joint venture	100	35
Rent income	413	453
Consulting income	102	80
Other income	4	82
	<u>3,652</u>	<u>3,266</u>

NOTE 3 PROFIT FOR THE YEAR

	2019 \$000s	2018 \$000s
Profit from continuing operations before income tax has been determined after the following specific expenses:		
Expenses		
Finance costs expenses		
- Bank overdraft	-	1
Rental expense on operating leases		
- Lease payments	185	175
Amortisation of non-current assets		
- Customer lists	68	91
- Internally generated software	119	142
Depreciation of non-current assets		
- Land & buildings	653	690
- Plant & equipment	2,003	2,414
Other expenses		
- Foreign exchange loss	1	77

NOTE 4 INCOME TAX EXPENSE

	2019 \$000s	2018 \$000s
a. The components of tax expense comprise:		
Current tax	212	197
Deferred tax	-	-
	212	197
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% (2018: 28%)	202	185
Add:		
Tax effect of:		
- Other non-allowable items	10	23
	212	208
Less:		
Recoupment of prior year tax losses not previously brought to account:	-	(11)
Income tax attributable to entity	212	197
c. Current tax relates to:		
Income tax	103	98
Current tax (asset)/liability	103	98
d. Deferred tax relates to:		
Tax losses carried forward	49	49
Net deferred tax assests	49	49

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

NOTE 5 KEY MANAGEMENT PERSONNEL

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

Key Management Person	Position
Mr D.G. McGauchie AO	Chairman
Mr G.W. Dickinson	Deputy Chairman
Mr M.A. Jackson	Managing Director
Mr N. F. Armstrong	Director - Non executive
Mr I.A. Ashman	General Manager Raw Wool
Mr R.D. Halliday	Director - Non executive
Mr M.R. Hand	Director - Non executive
Mr D.B. Ritchie	Director - Non executive
Mr E.T. Storey	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

	2019 \$000s	2018 \$000s
Total remuneration paid to Key management personnel	1,749	1,749
Remuneration of directors		
Amounts paid or payable to directors or former directors of AWTA Ltd	1,085	1,082
Directors base remuneration falls within the following bands:	No.	No.
\$10,000 - \$19,999	1	2
\$20,000 - \$29,999	1	2
\$40,000 - \$49,999	6	5
\$70,000 - \$79,999	1	1
\$130,000 - \$139,999	1	1
\$140,000 - \$149,999	1	1
\$470,000 - \$479,999	1	1

NOTE 6 AUDITORS' REMUNERATION

	2019 \$000s	2018 \$000s
Remuneration of the auditor of the parent entity for:		
- Auditing the financial report	90	81
- Other consulting services	-	-
Remuneration of other auditors of subsidiary for:		
- Auditing the financial report of the subsidiary	15	14
- Other consulting services	2	2

NOTE 7 CASH AND CASH EQUIVALENTS

	2019 \$000s	2018 \$000s
Cash at bank and in hand	721	616
Short-term bank deposits	8,566	8,808
	<u>9,287</u>	<u>9,424</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	9,287	9,424

NOTE 8 TRADE AND OTHER RECEIVABLES

	Notes	2019 \$000s	2018 \$000s
<i>Current</i>			
Trade debtors		3,228	3,808
Provision for impairment	8(a)	(19)	(10)
		<u>3,209</u>	<u>3,798</u>
Amounts receivable from:			
- Franking credit rebate from Australian Taxation Office		1,267	422
- Other sundry debtors		552	360
		<u>5,028</u>	<u>4,580</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.

	2019 \$000s	2018 \$000s
Movement in the provision for impairment of receivables is as follows:		
Balance at the beginning of the year	(10)	(22)
Change for the year	(9)	12
Amounts written off	-	-
Balance at the end of the year	<u>(19)</u>	<u>(10)</u>

NOTE 9 INVENTORIES

	2019 \$000s	2018 \$000s
<i>Current</i>		
Materials and supplies	<u>1,244</u>	<u>1,579</u>

NOTE 10 OTHER CURRENT ASSETS

	2019 \$000s	2018 \$000s
<i>Current</i>		
Prepayments	<u>1,137</u>	<u>624</u>

NOTE 11 INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	2019 \$000s	2018 \$000s
Interest in joint venture entity	<u>502</u>	<u>401</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

	2019 \$000s	2018 \$000s
<i>Non current</i>		
Financial assets	60,768	53,560
Available-for-sale financial assets comprise:		
Listed investments, at fair value	60,768	53,560

NOTE 13 CONTROLLED ENTITY

Controlled entity consolidated	Country of incorporation	Percentage owned	
Subsidiary of AWTA Ltd:		2019	2018
New Zealand Wool Testing Authority Ltd	New Zealand	100 %	100 %

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

	2019 \$000s	2018 \$000s
Land and buildings		
Freehold land at valuation	50,028	49,965
Total land	50,028	49,965
Buildings at valuation	17,267	17,160
Less: Accumulated depreciation	(653)	-
Total buildings	16,614	17,160
Total land and buildings	66,642	67,125
Plant and equipment		
Plant and equipment:		
At cost	49,158	47,201
Less: Accumulated depreciation	(38,211)	(36,620)
Plant and equipment: under construction	305	414
Total plant and equipment	11,252	10,995
Total Property, plant and equipment	77,894	78,120

The group's land and buildings were revalued at 30 June 2018 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.

The group's land and buildings were re-assessed at year-end based on market conditions and the directors have determined that the value of the assets materially reflects the carrying value.

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 \$000s	Buildings \$000s	Plant and Equipment \$000s	Total \$000s
Balance at 1 July 2017	23,059	18,007	12,733	53,799
Additions		72	1,894	1,966
Disposals			(135)	(135)
Revaluation increments/(decrements)	26,937	(117)	(1,070)	25,750
Foreign exchange translation on opening balances	(31)	(112)	(13)	(156)
Depreciation		(690)	(2,414)	(3,104)
Balance at 30 June 2018	49,965	17,160	10,995	78,120
Additions		9	2,383	2,392
Disposals			(139)	(139)
Revaluation increments/(decrements)				-
Foreign exchange translation on opening balances	63	98	16	177
Depreciation		(653)	(2,003)	(2,656)
Balance at 30 June 2019	50,028	16,614	11,252	77,894

NOTE 15 INTANGIBLE ASSETS

	2019 \$000s	2018 \$000s
Customer lists		
Cost	322	374
Less: Accumulated amortisation & impairment	(160)	(104)
Total customer lists	162	270
Balance at the beginning of the year	270	387
Additions through business combinations	(40)	(26)
Less: Amortisation	(68)	(91)
Balance at the end of the year	162	270
Internally generated software		
Cost	568	562
Less: Accumulated amortisation & impairment	(354)	(229)
Total internally generated software	214	333
Balance at the beginning of the year	333	49
Foreign exchange translation on opening balances	-	(2)
Additions through internal development	-	428
Less: Amortisation	(119)	(142)
Balance at the end of the year	214	333

NOTE 16 TRADE AND OTHER PAYABLES

	2019 \$000s	2018 \$000s
<i>Current - Unsecured liabilities</i>		
Trade payables	1,382	1,259
Sundry payable and accrued expenses	1,522	1,704
	2,904	2,964

NOTE 17 PROVISIONS

	2019 \$000s	2018 \$000s
Employee entitlements		
Balance at the beginning of the year	7,533	7,173
Additional provisions recognised	3,033	2,738
Amounts used	(2,766)	(2,378)
Balance at the end of the year	7,800	7,533
Analysis of total provisions		
Current	7,165	6,964
Non-current	635	569
	7,800	7,533

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

	Notes	2019 \$000s	2018 \$000s
Asset revaluation reserve	18(a)	55,966	55,944
Financial assets at fair value through other comprehensive income	18(b)	8,309	8,751
Foreign currency translation reserve	18(c)	(269)	(431)
Capital maintenance reserve	18(d)	50,000	50,000
		114,006	114,264
Retained earnings	18(e)	31,472	24,081

(a) Asset revaluation reserve

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

	2019 \$000s	2018 \$000s
Balance at the beginning of the year	55,944	30,194
Exchange differences on translation of foreign operations	22	-
Change in fair value of non-current assets	-	25,750
Balance at the end of the year	55,966	55,944

(b) Financial assets at fair value through other comprehensive income

This reserve is used to record all movements in fair values of financial assets.

	2019 \$000s	2018 \$000s
Balance at the beginning of the year	8,751	6,358
Adjustment on change of accounting policy	-	(1,275)
Change in fair value of available for sale financial assets	(442)	3,668
Balance at the end of the year	8,309	8,751

(c) Foreign currency translation reserve

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

	2019 \$000s	2018 \$000s
Balance at the beginning of the year	(431)	(288)
Exchange differences on translation of foreign operations	162	(143)
Balance at the end of the year	(269)	(431)

(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.

	2019 \$000s	2018 \$000s
Balance at the beginning of the year	50,000	50,000
Movements during the year	-	-
Balance at the end of the year	50,000	50,000

The Board first considered the establishment of a testing reserve in 1984. Prior to that time, the balance sheet item for proprietorship (or equity) was simply allocated into a revaluation reserve (covering land, buildings, equipment etc. acquired from the Australian Wool Corporation for \$1) and an accumulated profit figure. The principal concern of the directors was that, as time progressed, the increasing accumulated profit would inevitably mislead some analysts into believing that the company was accumulating excessive profits. The establishment of the testing reserve was to highlight the company's essential financial structure.

In June 1984, directors created the testing reserve by the transfer of the revaluation reserve and an appropriation from accumulated profit. The balance was then described as unappropriated profit and, in accordance with Australian Accounting Standards, this is now described as retaining earnings.

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

Balance at the beginning of the year	24,081	18,698
Adjustment on change of accounting policy	-	1,275
Net profit attributable to members of AWTA Ltd	7,391	4,108
Balance at the end of the year	31,472	24,081

NOTE 19 CAPITAL AND LEASING COMMITMENTS

(a) Operating lease commitments

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

	2019 \$000s	2018 \$000s
Minimum lease payments payable:		
Within one year	134	166
Later than one year but within five years	203	176
Later than five years	215	233
	<u>552</u>	<u>575</u>

The property leases of the parent entity, AWTALtd, 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

	2019 \$000s	2018 \$000s
Capital expenditure commitments contracted for:		
Capital expenditure projects	489	280

(c) Operating lease income receivables

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

	2019 \$000s	2018 \$000s
Minimum lease payments receivable:		
Within one year	289	404
Later than one year but within five years	584	616
Later than five years	-	-
	<u>873</u>	<u>1,020</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 for the company.

NOTE 21 CASH FLOW INFORMATION

	2019 \$000s	2018 \$000s
Profit / (Loss) for the year	7,391	4,108
<i>Adjustments for non-cash income and expenses:</i>		
- Depreciation and amortisation	2,843	3,337
- Foreign exchange loss	1	77
- Foreign exchange gain	(64)	(26)
- Share of joint venture entity net profit after income tax and dividends	(100)	(19)
- Increase in provisions	267	360
<i>Cash flow included in investing activities:</i>		
- Net (gain) / loss on disposal of property, plant and equipment	(99)	(39)
- Dividends and interest received	(5,033)	(2,011)
<i>Changes in operating assets and liabilities:</i>		
- (Increase) / Decrease in trade and other receivables	(448)	65
- Decrease in inventories	335	344
- (Increase) in other current assets	(513)	(121)
- (Decrease) in trade and other payables	(60)	(575)
- Increase in income taxes payable	5	6
	<u>4,525</u>	<u>5,506</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.

	2019 \$000s	2018 \$000s
Aggregate amount of services provided to:		
- Organisations associated with directors	398	766

NOTE 23 FINANCIAL RISK MANAGEMENT

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, and loans to subsidiary. The totals for each category of financial instrument, measured in accordance with AASB 9, as detailed in the accounting policies to these financial statements, are as follows:

	2019 \$000s	2018 \$000s
Financial assets		
<i>Amortised cost:</i>		
Cash and cash equivalents	9,287	9,424
Loans and receivables	5,028	4,580
<i>Fair value through other comprehensive income (irrevocable designation):</i>		
Financial assets	60,768	53,560
	75,083	67,564
Financial liabilities		
<i>Amortised cost:</i>		
Trade and other payables	2,904	2,964
	2,904	2,964

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

	2019 %	2018 %
Financial assets		
Cash and cash equivalents	2.19	2.03

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the counterparty by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the reporting date of recognised financial assets is the carrying amount of those assets, net of any allowance for credit losses, as disclosed in consolidated statement of financial position and notes to the consolidated financial statements.

The group does not have any material credit risk exposure to any single counterparty or group of counterparties under financial instruments entered into by the group.

Receivables from contracts with customers

Credit risk for receivables from contracts with customers is managed by transacting with a large number of customers, undertaking credit checks for all new customers and setting credit limits for all customers commensurate with their assessed credit risk. Outstanding receivables are regularly monitored for payment in accordance with credit terms.

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.

(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 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).

The group's land and buildings were re-assessed at year-end based on market conditions and the directors have determined that the value of the assets materially reflects the carrying value.

NOTE 24 SUBSEQUENT EVENTS

There has been no matter or circumstance, which has arisen since 30 June 2019 that has significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2019 of the consolidated entity, or
- the results of those operations, or
- the state of affairs, in financial years subsequent to 30 June 2019 of the consolidated entity.

NOTE 25 PARENT ENTITY INFORMATION

(a) Statement of Profit or Loss and Other Comprehensive Income

	2019	2018
	\$000s	\$000
Revenue	40,862	38,113
Other income	3,495	3,145
Employee benefits expense	(23,881)	(23,733)
Depreciation & amortisation expense	(2,668)	(3,138)
Materials & supplies expense	(2,030)	(1,802)
Energy & utilities expense	(1,907)	(1,770)
Repairs & maintenance expense	(1,746)	(1,826)
Freight expense	(889)	(891)
Cost of manufactured equipment sold	(834)	(649)
Travel expense	(519)	(581)
Software expense	(477)	(470)
Property, rates & taxes expense	(464)	(426)
Investment management expense	(421)	(361)
Communications expense	(301)	(432)
Subcontract testing expense	(283)	(361)
Advertising & sponsorship expense	(201)	(217)
Insurance expense	(192)	(191)
Printing & stationery expense	(183)	(213)
Consulting fees	(92)	(66)
Audit Fees	(90)	(82)
Other expenses	(283)	(405)
Profit before income tax	6,896	3,644
Income tax expense	-	-
Profit for the year	6,896	3,644

(b) Other Comprehensive Income

	2019	2018
	\$000s	\$000s
Profit attributable to members of the parent entity	6,896	3,644
Items that will not be reclassified to profit and loss		
Revaluation of property, plant & equipment, net of tax	-	25,770
Net change in fair value of financial assets designated at fair value through other comprehensive income, net of tax	(442)	3,668
Items that may be reclassified subsequently to profit and loss		
Exchange differences on translation of foreign operations, net of tax	61	(56)
Other comprehensive income for the year	(381)	29,382
Total comprehensive income for the year	6,515	33,026

(c) Statement of Financial Position

	2019 \$000s	2018 \$000s
ASSETS		
Current assets		
Cash and cash equivalents	6,723	7,602
Trade and other receivables	4,633	4,114
Inventories	1,244	1,579
Other current assets	1,030	514
Total current assets	13,630	13,809
Non-current assets		
Trade and other receivables	1,691	1,624
Investments accounted for using the equity method	502	401
Financial assets	62,281	55,012
Property, plant & equipment	73,497	73,908
Intangible assets	376	591
Total non-current assets	138,347	131,536
Total assets	151,977	145,345
LIABILITIES		
Current liabilities		
Trade payables	2,283	2,427
Provisions	6,943	6,752
Total current liabilities	9,226	9,179
Non-current liabilities		
Provisions	587	517
Total non-current liabilities	587	517
Total liabilities	9,813	9,696
Net Assets	142,164	135,649
Equity		
Reserves	113,623	114,004
Retained earnings	28,541	21,645
Total equity	142,164	135,649

(d) Statement of Changes in Equity

	Retained Earnings \$000s	Asset Revaluation Reserve \$000s	Capital Maintenance Reserve \$000s	Financial Assets Reserve \$000s	Foreign Currency Translation Reserve \$000s	Total \$000s
At 01 July 2017	16,726	29,467	50,000	6,358	72	102,623
Adjustment on change of accounting policy	1,275			(1,275)		-
Restated opening balance	18,001	29,467	50,000	5,083	72	102,623
Profit for the year	3,644					3,644
Other comprehensive income		25,770		3,668	(56)	29,382
At 30 June 2018	21,645	55,237	50,000	8,751	16	135,649
Profit for the year	6,896					6,896
Other comprehensive income				(442)	61	(381)
At 30 June 2019	28,541	55,237	50,000	8,309	77	142,164

AUSTRALIAN WOOL TESTING AUTHORITY LTD

AND CONTROLLED ENTITY ABN: 43 006 014 106

DIRECTORS' DECLARATION

The directors declare that:

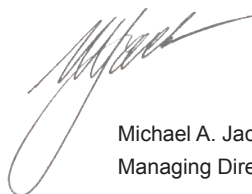
1. there are reasonable grounds to believe that the registered entity is able to pay all its debts, as and when they become due payable; and
2. the financial statements and notes satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Signed in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

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



Donald G. McGauchie AO
Chairman



Michael A. Jackson
Managing Director

16 August 2019

INDEPENDENT AUDIT REPORT

AUSTRALIAN WOOL TESTING AUTHORITY AND CONTROLLED ENTITY
ABN 43 006 014 106



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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Australian Wool Testing Authority Ltd "the Registered Entity" and its subsidiaries "the Group", which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the financial report of Australian Wool Testing Authority Ltd has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* "ACNC Act" and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of Responsible Entities for the Financial Report

The responsible entities of the Registered Entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the ACNC Act, and for such internal control as the responsible entities determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Registered Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by responsible entities.

- Conclude on the appropriateness of the responsible entities' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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



S SCHONBERG
Partner



PITCHER PARTNERS
Melbourne

20 August 2019

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