



**AWTA
LIMITED**



ANNUAL REPORT 2022 - 23



Specialised Testing Services



ANNUAL REPORT 2022-23

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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, VIC and Bibra Lake, WA) 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:

Chair

G.W. Dickinson (elected Independent Director)

Deputy Chair

A.E. Gartmann (elected Independent Director)
 M.A. Jackson (AWTA Ltd Managing Director)
 S.H. Williams (appointed by AWPC Inc from WTMA Group)
 D.B. Ritchie (appointed by AWPC Inc from WSCA Group)
 D.A. Webster (appointed by AWI Ltd)
 J.H. Colley (appointed by NCWSBA Inc)
 S.L. Harrison (appointed by WoolProducers Australia)
 J.M. Lamb (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 Alexandra Klimovics (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.

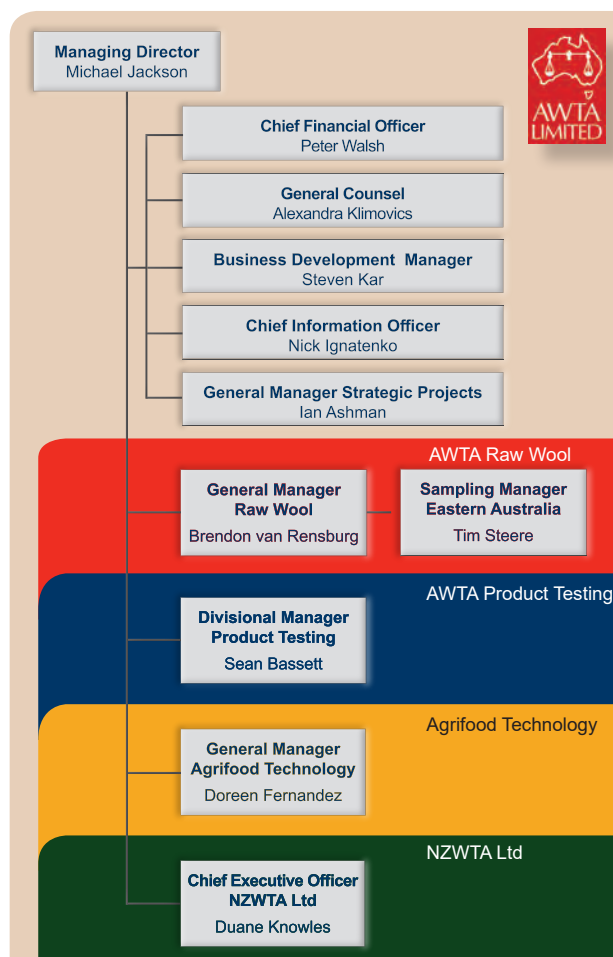
AWTA Ltd is organised for management and reporting purposes into four operating divisions. Management responsible for those divisions must account for their performance within a framework of strategic plans, budgets, position descriptions, targets, standards and policies.

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 - Strategic Projects
- Chief Information Officer
- General Manager - Raw Wool
- Chief Executive Officer - NZWTA Ltd
- General Manager - Agrifood Technology
- Divisional Manager - Product Testing
- Sampling Manager - Eastern Australia
- Business Development Manager

ORGANISATION & REPORTING STRUCTURE



REMUNERATION & APPOINTMENTS COMMITTEE

Current members of the Remuneration & Appointments Committee are:

- Mr G.W. Dickinson (Committee Chair)
- Ms A.E. Gartmann
- 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.

Director's 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 Chair, the Managing Director, the Chief Financial Officer and the external auditor attend meetings by invitation.

The current members of the Committee are Ms A.E. Gartmann (Committee Chair), Mr D.B. Ritchie and Mr J.H. Colley. 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 J.M. Lamb (Committee Chair), Mr N.F. Armstrong and Mr M.A. Jackson. 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, employees are required to read and sign the company's Corporate Conduct & Ethics Policy. This policy sets broad guidelines for conduct and reflects AWTA Ltd's corporate "conscience" by promoting the highest levels of behaviour.

APPOINTMENT OF AUDITORS

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

Audits are conducted in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* and Australian Accounting 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 obliged to comply with the independence requirements of *APES 110 Code of Ethics for Professional Accountants*.

The auditors are required to form an opinion whether the financial report of Australian Wool Testing Authority Ltd complies with the requirements of Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* and 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;
- notifiable data breaches; and
- interim COVID-19, including site specific safety plans.

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 366 in February 2022.

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 2022/23, the company experienced five lost time accidents. Appropriate review of each incident was conducted and steps taken to prevent similar incidents from occurring in the future, in so far as practicable.

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, 236 employees have reached 20 years service, 99 have achieved 30 years service, 21 have reached 40 years service. During 2022/23, the 40 year service roll increased by 1, the 30 year service roll increased by 2 and the 20 year service roll increased by 3.

SERVICE AWARDS

40 Years

Avelyn Bisset	(21 st)	Testing Officer (Melbourne) commenced 14 July 1982
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30 Years

Scott Balshaw	(98 th)	Systems Coordinator (Agrifood Technology) commenced 4 December 1992
Dino Raffaele	(99 th)	Data Processing Controller (Fremantle) commenced 5 April 1993

20 Years

Trung Thai	(234 th)	Testing Officer (Melbourne) commenced 25 November 2002
Tony Van	(235 th)	Testing Officer (Product Testing) commenced 11 March 2003
Shirley Marturano	(236 th)	Accounts Clerk commenced 30 June 2003

CHAIRMAN'S STATEMENT

AWTA Ltd has recorded a net profit of \$5.773 million for 2022/23.

This is an increase on the profit of \$4.049 million for last year, largely due to the increased fair value of investments held in "managed funds" of \$1.1 million compared to a decrease of \$2.6 million in 2021/22.

Profit from operating activities decreased from \$6.702 million in the previous year to \$4.640 million in 2022/23. Again, investment activities are responsible for the majority of this variance, with dividend and interest income \$2.0 million lower than the previous year.

I was appointed Chair of AWTA Ltd in October 2022 following the retirement of Mr Donald McGauchie AO. I would like to start by paying tribute to Donald. He led AWTA through a period when wool production fell significantly and all companies in the wool industry were negatively impacted by that. Under the guidance of Donald, AWTA has grown substantially over the past 23 years, including expansion of its footprint and breadth of testing services beyond its wool roots. This has not only protected, but enhanced the financial strength of AWTA.

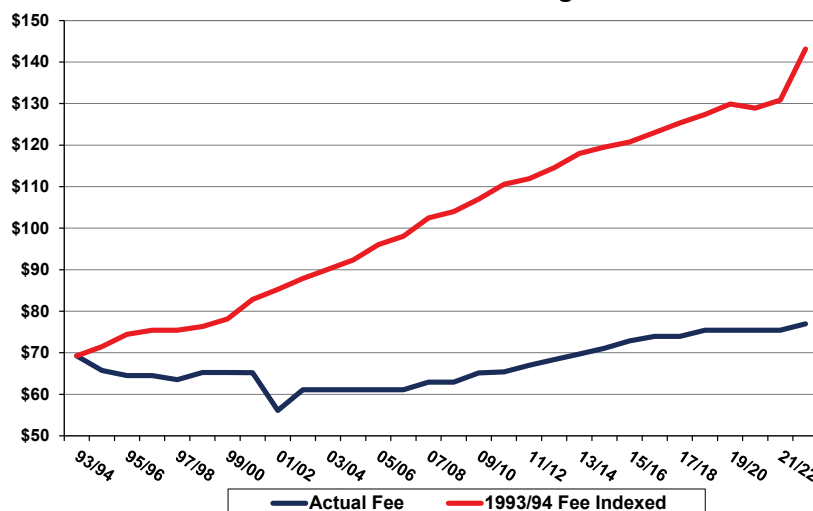


MR G.W. DICKINSON
CHAIR - AWTA Ltd

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 39 years later, it is only \$80.

In the last two decades, wool production in Australia has declined and, with AWTA Ltd's principal market shrinking, it has had to adapt to remain financially viable without resorting to fee increases. 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 and to ensure its surplus cash was invested to deliver both income and capital growth.

Presale Raw Wool Testing Fees



Approximately 15 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. 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 in China, JinAo Testing Co Ltd, which is managed through AWTA Product Testing.

AWTA Raw Wool saw increased testing volumes this year as seasonal conditions remained positive across the major wool growing regions in Australia facilitating an increase in wool production. The weight of wool sampled increased by 3.8% with the number of samples tested increasing by a slightly lower figure of 3.4% due to a small increase in lot size. Revenue for AWTA Raw Wool increased by 4.3% over the previous year. Expenditure has been well controlled, although inflation has impacted energy and labour costs. Contribution from AWTA Raw Wool was largely unchanged from the previous year.

The industry now expects wool production will stabilise in 2023/24 with the Australian Wool Production Forecasting Committee (AWPFC) forecasting a small decrease of 1.1%.

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 benefit of this strategy was again illustrated in 2022/23 when a large grain harvest combined with continued growth in other testing sectors to deliver a 13.9% increase in divisional revenue.

Operating expenditure has increased during a year of growth and increasing inflation, but the Board was pleased to see a significant improvement in the return on capital achieved.

AWTA Product Testing achieved an increase in revenue of 6.5% during 2022/23 as the sectors that it serves recovered from COVID restrictions. It is noteworthy that the Division also achieved a significant increase in operating contribution and return on investment through tight control of its operating expenditure.

JinAo Testing Co Ltd continued to operate profitably in 2022/23. The majority of JinAo testing was conducted for Australian customers importing Chinese products with a base of local processors of Australian wool looking to JinAo to provide specialist services.

In New Zealand, the coarse wool market remains under significant price pressure, with sheep numbers only underpinned by the industry. Cyclone Gabriel hit NZ in February 2023 and had an immediate and lingering effect on NZWTA's operations and revenue. The laboratory was closed for a week due to loss of power in Hawke's Bay. In addition, widespread disruption to transport routes on the east coast of the North Island prevented the delivery of wool from farm to wool stores for sampling. Wool scouring capacity has been significantly reduced with the largest scour in the North Island off line while it is rebuilt following flooding. Consequently, NZWTA revenue contracted by 7.1% during the year under review. On the positive side, textile testing income increased significantly, expenditure was well controlled in line with changing workload and NZWTA recorded a profit in a difficult year. The Board remains pleased with the return on capital that it has invested in NZWTA.

AWTA Ltd invests its funds in various asset classes in accordance with a balanced investment policy, which is regularly reviewed by the Board. Equity markets increased during 2022/23, positively impacting on the carrying value of AWTA Ltd's investments. However, dividend income decreased over the previous year, resulting in a significant decrease in AWTA Ltd's non-operating revenue. 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.

AWTA Ltd has a proud tradition of long service and I would like to congratulate all the staff who have achieved 20, 30 and 40 year service anniversaries this year.

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 2022/23.

I would like to thank Mr Edward Storey, who retired as a Director during this year, for his service to AWTA Ltd. Ed has been a Director for 4 years and he will continue to contribute to the wool industry through his wool growing activity. Dr Peter Morgan also retired his directorship and his contribution to not only AWTA, but the broader industry, deserves particular mention. Not only has he served as an AWTA Director for the last 14 years, he was also an executive manager with the company for more than 20 years and then served as the Executive Director of both ACWEP and PTWMA. In total, Peter has dedicated more than 60 years of his life to the wool industry and AWTA thanks him for that. Ed and Peter have been replaced by Mr Steve Harrison and Mr Scott Williams, who I welcome to the Board.

As we look forward to future years, AWTA will seek sensible growth opportunities to ensure it continues to achieve its objective of supporting the wool industry by delivering high integrity services at minimum cost. In doing so, the company remains focussed on cooperating with its clients and with other wool industry organisations through provision of independent testing, information technology and other in-kind industry good assistance.



G.W. DICKINSON

MANAGING DIRECTOR'S INTRODUCTION

The AWTA Ltd Group reported an overall profit of \$5.773 million for 2022/23 compared to \$4.049 last year. The increase in profit was largely due to a rise in the fair value of managed funds held by AWTA Ltd. It is important to note that if investment income is excluded, the underlying profit from testing activities was very similar to the previous year.

The Chairman has already commented on these issues.

It is pleasing to report that the operating performance of all divisions of AWTA remained positive in 2022/23. Seasonal conditions helped agriculture in Australia and Raw Wool Australia and Agrifood Technology saw increases in workload and revenue.

The company remains in a very healthy financial situation with a positive outlook for coming years that will enable it 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 2022/23 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

	2023 \$'000s	2022 \$'000s
Revenue		
Revenue from services	45,985	43,141
Revenue from investments	3,741	5,738
Wages subsidies received	-	67
Profit on sale of surplus sample material	1,007	1,071
Revenue from sale of manufactured equipment	102	794
Rental income	489	442
Consulting income	94	55
Other income	161	68
Total Revenue	51,579	51,376
Expenses		
Operating and administrative expenses	(46,939)	(44,674)
Total Expenses	(46,939)	(44,674)
Profit from Operating Activities	4,640	6,702
Net change in fair value of financial assets designated at fair value through profit or loss, net of tax	1,133	(2,653)
Net Profit	5,773	4,049



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 2022/23, AWTA Raw Wool Australia operated two laboratories located in Melbourne (servicing clients in Victoria, New South Wales, Queensland, South Australia and Tasmania) and Perth (servicing clients in Western Australia).

CAPABILITIES

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

The number of bales core sampled for certified tests increased by 3.9% during 2022/23 with 1.95 million bales sampled compared with 1.88 million bales during the previous season. All states saw a rise in the bales sampled, with both Queensland and Tasmania showing double-digit growth.

The number of sale lots tested for Yield & Micron also rose by 3.3% to 341,019 lots, roughly 11,000 more lots than the season before. The average national lot size remained steady, increasing marginally from 5.68 bales/lot in 2021/22 to 5.71 in 2022/23. In the case of Staple Length & Strength the adoption rate also remained steady, increasing by 0.1% (215,843 Lots tested in 2022/23 versus 208,552 lots the season before).

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

- Service delivery;
- Improved efficiency/productivity; and
- Sound technical performance.

Service

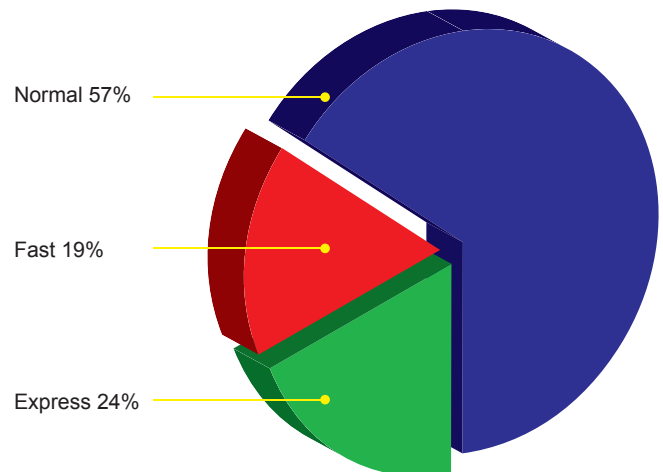
AWTA Raw Wool is committed to providing timely testing services as required by its customers. Samples are taken at 29 locations throughout Australia and dispatched overnight to one of AWTA's Raw Wool laboratories.

AWTA Ltd offers three levels of priority for service:

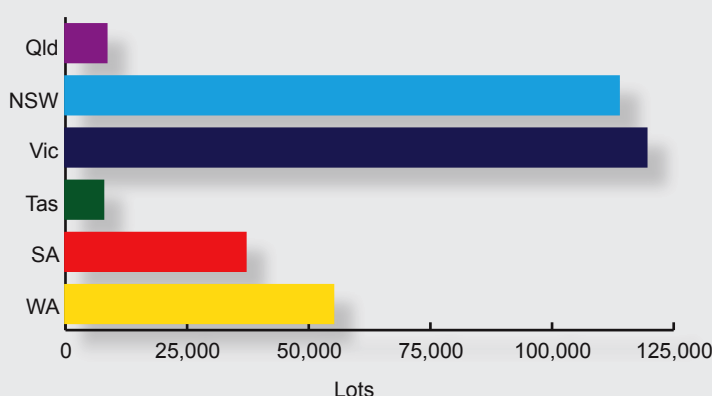
Normal: Test certificates are available within 5 days of a sample being taken.

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

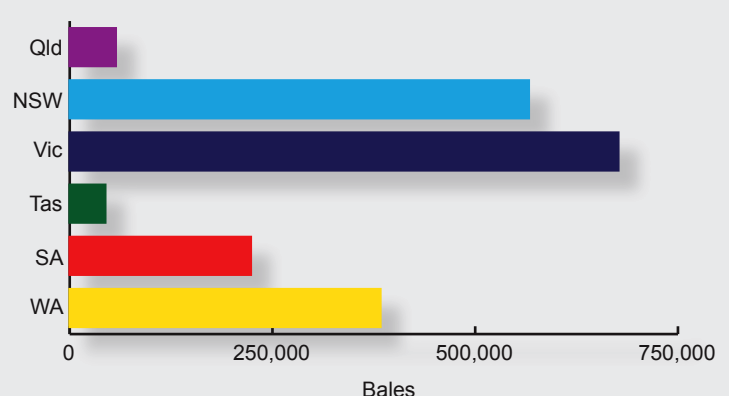
Express: 95% of test certificates are available the following morning, with the remainder the following day.



Lots Sampled 2022/23



Bales Sampled 2022/23



Test Type	Service Measure	Normal	Fast	Express
Yield & Micron	Average (days)	3.3	2.2	1.7
	% Total Tests within Service Target	98.0	93.1	92.0
Length & Strength	Average (days)	3.9	2.8	1.8
	% Total Tests within Service Target	93.1	81.9	88.1

Service Performance for the three categories were within the above tolerances, and very similar to the season prior. There are some instances where performance is below expectation, but the vast majority are due to a combination of sample logistics and the selection of a rapid testing service. Both laboratories monitor service performance closely to ensure in-house processing is managed effectively.

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. It is also worth noting that this is the first full season following the significant disruptions caused by COVID-19.

Sampling Productivity increased by ~1% during 2022/23, which is a good result considering several challenges, including rain delays followed by store congestion, staffing challenges and several client sampling location changes.

In the case of the two laboratories, Variable Laboratory Productivity is the primary measure of operational efficiency (and thus labour costs). In 2022/23 this measure improved by 0.8%.

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) Congress.

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 2022/23, some 960 results (0.17% of all tests) were queried by customers. Of these, 285 were reissued, representing 0.05% of the 556,862 Yield & Micron and Staple Length & Strength tests conducted.

CHALLENGES

The ongoing challenge for Raw Wool operations is maintaining high levels of service and efficiency in an environment where wool production has stabilised in recent years, but costs have continued to escalate as inflation continues to rise.

The two core challenges remain the same; managing labour expenses by continually investing in efficiency improvements and focussing on measures to counter rising energy costs.

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, along with the corresponding average results, 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 published on the AWTA Ltd website.

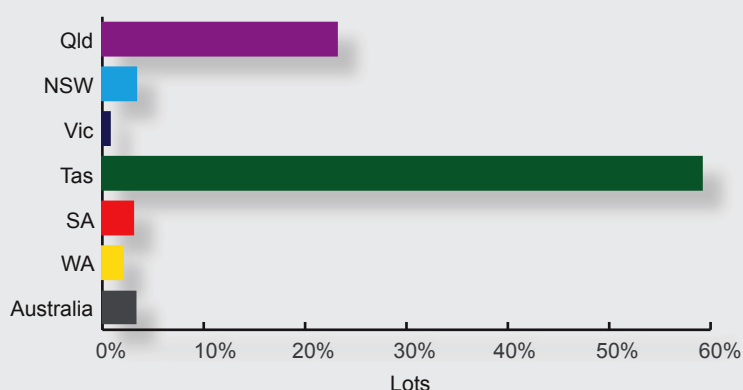
Further, AWTA Ltd has an online service called AWTA Analytics which provides detailed testing statistics updated daily. More information is available at <https://analytics.awta.com.au> and <https://www.awtaooltesting.com.au/index.php/en/statistics>.

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.

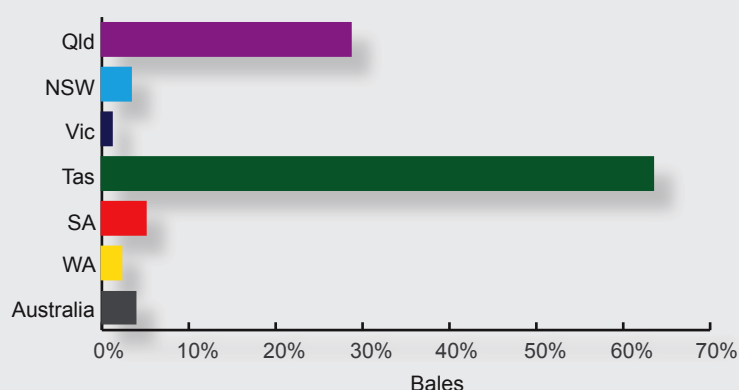
The company continues to support the Australian wool industry by sponsoring and providing testing assistance for major sheep shows, ram sales and research trials. AWTA Ltd also hosts meetings with industry bodies and associations and is an active member of the Wool Industries Australia (WIA).

AWTA Ltd continues to support the activities of the Australian Wool Education Trust, a body it established over 20 years ago to financially support education within the Australian wool industry.

Changes in Lots Sampled (2022/23 cf 2021/22)



Changes in Bales Sampled (2022/23 cf 2021/22)



AWTA PRODUCT TESTING

OVERVIEW

AWTA Product Testing is an independent materials testing laboratory whose core business sectors include Building, Textiles and Transport. The Division maintains accreditation to both ISO 17025 and ISO 9001 and is an authorised laboratory for several companies and industrial groups. It is also actively involved with Standards development across a range of sectors within Australia and New Zealand, along with also being involved with several industry organisations.

CAPABILITIES

In excess of 10,000 different tests are offered by the Division across a range of Australian, International, and industry based Standards. Testing services are offered across a range of industries on products that include building materials, flooring, insulation, retail and protective apparel, interior furnishings, textiles, reflective materials and automotive/aerospace components. Areas of testing include mechanical, flammability, chemical, optics, weathering and thermal performance.

LOOKING FORWARD

Although trading conditions were still difficult compared to prior to the COVID-19 pandemic, 2022/23 saw the beginnings of a rebound, particularly in the building sector. Incoming test volumes improved particularly towards the end of the financial year and have provided a strong lead in to 2023/24. The next 12 months will see the Division consolidating the improvements that it has made during the previous 12 months, along with pursuing new opportunities via pro-active sales and marketing along with face-to-face networking.

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 Customs.

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

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.

CAPABILITIES

The laboratories in Derrimut, Werribee (Victoria), Bibra Lake (Western Australia) and Moorooka (Queensland) 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. 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 four sites.

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

In 2022/23 a number of senior staff were approved as Authorised Analysts by the Department of Health (VIC), enabling the Division to expand its capability to provide testing to local councils. This is a new client sector for the Division and it is pleasing that a number of metropolitan and regional councils are now customers of Agrifood Technology.

LOOKING FORWARD

Expanding both Agrifood Technology's testing capabilities and client base across all the four sites will remain a priority over the next 12 months. In particular, the focus will be to both consolidate and expand testing services by improving brand awareness, expanding the client base and strengthening the relationship with existing customers.

Reviewing expenses and consolidation and optimising processes in the three microbiology laboratories will be an area of priority to ensure that the testing remains competitive and efficient.



NZWTA
WOOL TESTING



NZWTA
TEXTILES AND
MATERIALS TESTING

NZWTA LTD

OVERVIEW

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

CAPABILITIES

The wool laboratory provides IWTO certification on a variety of tests to service the wider wool trade. The textiles and materials laboratory offers an extensive range of testing services to support domestic manufacturing as well as imported products. Both operations are supported by ISO 17025 accreditation to give local and international 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

The business continues to adapt by engaging with new and existing customers to understand changing consumer demands and expectations. It applies a strategic approach to delivering innovative service solutions, including continuing to expand its testing capabilities. NZWTA Ltd maintains a strict focus on independence and integrity while ensuring a customer focused approach to drive success in all its activities.

AWTA - RESEARCH & DEVELOPMENT

OVERVIEW

In 2022/23, the Research and Development department worked on internal projects and assisted with upgrades of equipment in other international wool testing laboratories. Research also provided technical support to a number of industry organisations, including Wool Industries Australia (WIA), Australian Wool Innovation Ltd (AWI) and International Wool Textile Organisation (IWTO). The focus remains on refining existing methods, or developing new techniques, resulting in more efficient and accurate systems to achieve AWTA's strategic goals.

Key research highlights included:

- Completed development of 2 prediction and 5 classification models for Total Alkaline Insoluble dissection, using an integrated Hyperspectral Imaging system;
- Integrated Staple Crimp measurement prototype system with an ATLAS instrument;
- Completed the Wool ComfortMeter update, delivering significant hardware and software improvements; and
- Developed a Wool Base by Near Infra-Red prototype for large scale trials.

Key manufacturing outcomes:

A variety of laboratory equipment was manufactured and delivered to external customers. The Research and Development group also completed safety upgrades for equipment used by AWTA laboratories.

- Completed a production prototype for sample processing equipment used in Agrifood Technology;
- Completed an extensive equipment obsolescence review of critical test equipment resulting in a project to update ATLAS Electronics; and
- Improved quality assurance processes for electronics manufacturing for the next batch of NextGen Laserscan instruments.





FEEDTEST

AWTA PRODUCT TESTING



JinAo
Testing Company



NZWTA
WOOL TESTING



NZWTA
TEXTILES AND
MATERIALS TESTING



**AWTA
LIMITED**

**FINANCIAL STATEMENTS
2022 - 23**

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 2023 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 66 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 3 decades, wool production in Australia has fallen steadily and significantly, causing a consequent fall in testing volumes and AWTA Ltd revenue. The company has responded to this situation with the objective of minimising fee increases for its raw wool clients by:

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

OPERATING RESULTS

The consolidated profit after income tax attributable to the members of Australian Wool Testing Authority Ltd was \$5.773 million (2022: net profit after tax of \$4.049 million).

REVIEW OF OPERATIONS

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

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

AWTA Raw Wool

The volume of wool tested in 2022/23 by AWTA totalled 348.0 million kilograms of greasy wool, an increase of 3.8% from the previous year. The industry expects wool production to stabilise next year with the AWI Wool Production Forecasting Committee predicting that the 2023/24 clip will be 1.1% lower than this year, with sheep numbers to remain relatively stable.

The majority of Raw Wool revenue comes from presale testing of greasy wool. The number of core tests conducted by AWTA Raw Wool increased by 3.4% from last year, with an increase in the average lot size from 5.68 to 5.72 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 6.5% in 2022/23 with a recovery from COVID lockdowns impacting key customer groups. Expenditure control throughout the year resulted in the division continuing to maintain a satisfactory operating contribution.

JinAo Testing Co Ltd maintained its revenue base during 2022/23 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 decreased from that achieved in 2021/22 by 9.3% with the impact of Cyclone Gabriel resulting in a drop in revenue in the second half of the year. The NZWTA strategy of broadening the scope of what it offers the wool industry and growing its textile testing income has continued to be successful. The division managed to achieve a profit, despite the decreased revenue, that provides an adequate return on the capital invested.

Agrifood Technology

Agrifood Technology continued to grow its revenue base in 2022/23. 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, helped by a particularly good grain production season, divisional revenue increased by 13.9%.

During 2022/23, the return on investment from Agrifood Technology remained healthy.

Non-operating Income

Dividends and interest from funds invested in financial markets (\$3.7mil) were well down on the record levels achieved in 2021/22 (\$5.7mil) with decreased dividend yields and a decline in the number of share buybacks on offer.

Changes in the fair value of investments held in "managed funds" which are reflected through Profit or Loss, principally international holdings, resulted in a gain in the current year of \$1.1mil (2022 loss of \$2.7mil).

Financial Position

The net assets of the consolidated group have increased by \$11.0 million from 30 June 2022 to \$192.7 million at the end of the financial year.

INFORMATION ON THE DIRECTORS

Mr Gordon W. Dickinson

- Appointed as an independent director by the Members of AWTA Ltd on 18 March 2005
- Appointed as Deputy Chair on 15 April 2005 and as Chair on 21 October 2022
- Chair of Remuneration & Appointments Committee
- Chairman of Rubicon Water Ltd and Nareen Station Pty Ltd
- Director of DFP Management Pty Ltd
- Trustee of Hamilton Gallery Trust Fund



Ms Alexandra E. Gartmann

- Appointed as an independent director by the Members of AWTA Ltd on 21 October 2022
- Appointed as Deputy Chair on 21 October 2022
- Chair of Audit & Finance Committee
- Chair of the Victorian Agriculture and Climate Change Council
- Non-Executive Director of Nufarm Limited
- Director of Australian Farm Institute and One Basin CRC
- Member of Selection Committee of Grains Research & Development Corporation
- Trustee of Helen Macpherson Smith Trust



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 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 John H. Colley

- Appointed as nominee director for National Council of Wool Selling Brokers of Australia Inc. on 1 May 2021
- Member of Audit & Finance Committee
- Director of the National Council of Wool Selling Brokers of Australia Inc
- Managing Director of AWN Food & Fibre Holdings Pty Ltd
- Director of AWN Rural Pty Ltd, Premium Wool (WA) Pty Ltd, Dyson Jones Wool Marketing Services Pty Ltd, Australian Pastoral Investments Pty Ltd, AWN Pastoral Pty Ltd, AWN Property Pty Ltd, Colley Pty Ltd, Arlia Pty Ltd and Jemina Pty Ltd
- Alternate Director of Australian Wool Exchange Ltd



Mr Josh M. Lamb

- Appointed as nominee director for Australian Council of Wool Exporters Inc. on 17 October 2020
- Chair of Environment & Safety Committee
- President of Australian Council of Wool Exporters and Processors Inc
- Managing Director of Endeavour Wool Exports Pty Ltd
- Director of Nelyambo Wool Pty Ltd



Mr Scott H. Williams

- Appointed as nominee director for the Wool Textile Manufacturers of Australia Group of Australian Wool Processors Council Inc. on 30 May 2023
- Executive Director of Australian Council of Wool Exporters & Processors Inc
- Executive Director of Private Treaty Wool Merchants of Australia Inc
- Principal of Forest Hill Consulting
- Director of Central Highlands Water and Sovereign Hill Museums Association 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 Steven L. Harrison

- Appointed as nominee director for WoolProducers Australia on 14 November 2022
- President of WoolProducers Australia
- Principal of Bindawarra Merino Stud
- Director of Australian Wool Exchange Ltd



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, Lambda Pty Ltd & Carbon Agri Metrics Pty Ltd



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

Mr Donald G. McGaughie AO: Resigned 21 October 2022, originally appointed as independent director on 29 October 1999.

Mr Edward T. Storey: Resigned 14 November 2022, originally appointed as nominee director for WoolProducers Australia on 20 October 2018.

Dr Peter D. Morgan: Resigned 30 May 2023, originally appointed as nominee director for Wool Textile Manufacturers of Australia Group of Australian Wool Processors Council Inc. on 16 October 2009.

COMPANY SECRETARY

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

Ms Alexandra Klimovics, Bachelor of Law, Master of Laws, Bachelor of Commerce, appointed as company secretary on 1 July 2020. Ms Klimovics has worked for AWTA Ltd for the 3 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 19 years, performing finance and administration roles.

MEETINGS OF DIRECTORS

During the financial year, 6 meetings of directors and 10 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	2	2	-	-	2	2	-	-
G.W. Dickinson	6	6	1	1	4	4	-	-
A.E. Gartmann	4	4	1	1	2	2	-	-
M.A. Jackson	6	6	-	-	-	-	4	4
N.F. Armstrong	6	6	-	-	-	-	4	4
J.H. Colley	6	5	2	1	-	-	-	-
S.L. Harrison	4	3	-	-	-	-	-	-
J.M. Lamb	6	6	-	-	-	-	4	4
P.D. Morgan	5	5	-	-	-	-	-	-
D.B. Ritchie	6	6	2	2	-	-	-	-
E.T. Storey	2	2	-	-	-	-	-	-
D.A. Webster	6	6	-	-	4	3	-	-
S.H. Williams	1	1	-	-	-	-	-	-

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 consolidated 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 2023 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 (2022: \$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.

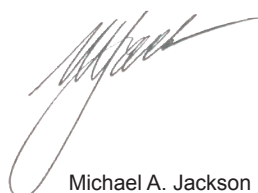
ROUNDING OF AMOUNTS

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the directors' 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 18 August 2023.



Gordon W. Dickinson
Chair



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 audit for the year ended 30 June 2023, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- (ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*

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
18 August 2023



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 2023

	Notes	2023 \$000s	2022 \$000s
Revenue	2	49,726	48,879
Other income	2	1,853	2,497
Employee benefits expense		(30,009)	(28,691)
Materials & supplies expense		(3,204)	(2,846)
Depreciation & amortisation expense	3	(3,159)	(3,084)
Repairs & maintenance expense		(2,274)	(1,889)
Energy & utilities expense		(1,886)	(1,871)
Freight expense		(1,268)	(1,103)
Software expense		(774)	(746)
Travel expense		(771)	(445)
Investment management expense		(570)	(523)
Subcontract testing expense		(515)	(518)
Property, rates & taxes expense		(427)	(417)
Insurance expense		(363)	(328)
Printing & stationery expense		(247)	(232)
Advertising & sponsorship expense		(237)	(182)
Consulting fees		(224)	(263)
Communications expense		(144)	(173)
Audit fees		(112)	(115)
Cost of manufactured equipment sold		(47)	(539)
Other expenses		(579)	(434)
Profit from operating activities before income tax		4,769	6,977
Income tax expense	4	(129)	(275)
Profit from operating activities for the year		4,640	6,702
Net change in fair value of financial assets designated at fair value through profit or loss, net of tax		1,133	(2,653)
Profit for the year		5,773	4,049
Profit attributable to members of the parent entity		5,773	4,049
Other comprehensive income			
Items that will not be reclassified subsequently to profit and loss			
Revaluation of property, plant & equipment, net of tax		-	16,409
Net change in fair value of financial assets designated at fair value through other comprehensive income, net of tax		5,130	(8,302)
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations, net of tax		138	(149)
Other comprehensive income for the year		5,268	7,958
Total comprehensive income for the year		11,041	12,007

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2023

	Notes	2023 \$000s	2022 \$000s
ASSETS			
Current assets			
Cash and cash equivalents	7	7,971	8,129
Trade and other receivables	8	6,160	6,287
Inventories	9	1,323	1,300
Other current assets	10	1,378	1,178
Total current assets		16,832	16,894
Non-current assets			
Investments accounted for using the equity method	11	574	571
Financial assets	12	88,075	76,566
Property, plant & equipment	14	98,652	98,766
Lease Assets	25	784	580
Deferred tax asset	4	49	49
Intangible assets	15	17	29
Total non-current assets		188,151	176,561
Total assets		204,983	193,455
LIABILITIES			
Current Liabilities			
Trade payables	16	3,019	2,758
Current tax liability	4	20	52
Lease Liability	25	274	236
Provisions	17	7,941	7,846
Total current liabilities		11,254	10,892
Non-current liabilities			
Provisions	17	480	528
Lease Liability	25	544	371
Total non-current liabilities		1,024	899
Total liabilities		12,278	11,791
Net Assets		192,705	181,664
Equity			
Reserves	18	137,646	132,378
Retained earnings	18	55,059	49,286
Total equity		192,705	181,664

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	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 2021	45,237	63,328	50,000	(514)	11,606	169,657
Profit for the year	4,049	-	-	-	-	4,049
Other comprehensive income	-	16,409	-	(149)	(8,302)	7,958
Balance as at 30 June 2022	49,286	79,737	50,000	(663)	3,304	181,664
Profit for the year	5,773	-	-	-	-	5,773
Other comprehensive income	-	-	-	138	5,130	5,268
Balance as at 30 June 2023	55,059	79,737	50,000	(525)	8,434	192,705

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 \$000s	2022 \$000s
Cash flows from operating activities			
Receipts from customers		53,064	50,882
Payments to suppliers and employees		(48,000)	(46,714)
Cash generated from operations		5,064	4,168
Interest received		182	30
Income tax paid		(161)	(363)
Net cash from operating activities	23	5,085	3,835
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment		150	148
Purchases of property, plant & equipment		(2,688)	(1,952)
Dividends and interest received from investment managers		2,816	4,616
Payment for financial assets		(44,359)	(28,873)
Proceeds from sale of financial assets		38,838	21,653
Net cash used in investing activities		(5,243)	(4,408)
Net increase in cash and cash equivalents		(158)	(573)
Cash and cash equivalents at beginning of year		8,129	8,702
Cash and cash equivalents at end of year	7	7,971	8,129

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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 - Simplified Disclosures for Not-for-Profit Tier 2 Entities of the Australian Accounting Standards Board (AASB) and *Division 60 of the Australian Charities and Not-for-Profits Commission Act 2012* and *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 18 August 2023.

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 2023

The group has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2023, including the following:

AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments

AASB 2020-3 amends AASB 3 *Business Combinations*, AASB 9 *Financial Instruments* and AASB 116 *Property, Plant and Equipment*. The main amendments relate to:

- (a) AASB 3 - updates references to the Conceptual Framework for Financial Reporting;
- (b) AASB 9 - clarifies the fees and entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability; and
- (c) AASB 116 - requires an entity to recognise the sales proceeds from selling items produced while preparing PP&E for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset.

AASB 2020-3 mandatorily applies to annual reporting periods commencing on or after 1 January 2022 and will be first applied by the group in the financial year commencing 1 July 2022.

(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) 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.

(f) Inventories

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

Costs are assigned on the basis of weighted average costs.

(g) Property, plant and equipment

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

Property

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.

Plant and equipment

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.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

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

(h) Leases

Accounting policy as lessee

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Lease assets

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the group, and an estimate of costs to be incurred by the group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

Lease liabilities

Lease liabilities are initially recognised at the present value of the future lease payments (i.e., the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the group's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e., the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

Leases of 12-months or less and leases of low value assets

Lease payments made in relation to leases of 12-months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

Accounting policy as lessor

Each lease is classified as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Operating Leases

Underlying assets subject to operating leases are presented in the statement of financial position according to the nature of the underlying asset. Lease payments from operating leases are recognised as income on either a straight-line basis or another systematic basis (if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished).

(i) Financial instruments

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.

(i) Financial instruments (continued)

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

Financial liabilities classified as held-for-trading, contingent consideration payable by the group for the acquisition of a business, and financial liabilities designated at FVtPL, are subsequently measured at fair value.

All other financial liabilities recognised by the group are subsequently measured at amortised cost.

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.

(j) Intangibles

Intangibles assets acquired in a business combination

Intangibles acquired in a business combination are initially recognised at fair value (which, for accounting purposes, is treated as the cost of the intangible asset), and are subsequently amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to an intangible asset is consistent with the estimated consumption of economic benefits of the asset. Subsequent to initial recognition, intangible assets acquired in a business combination are measured at cost, less accumulated amortisation and any accumulated impairment losses.

IT software development costs

Costs incurred in developing IT software are initially recognised as an asset, and are subsequently amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to an intangible asset is consistent with the estimated consumption of economic benefits of the asset.

Subsequent to initial recognition, IT software development costs recognised as an intangible asset are measured at cost, less accumulated amortisation and any accumulated impairment losses.

(k) 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 undertaken in foreign currencies of entities within the consolidated group are translated into functional currency using the spot rate at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date are restated at the spot rate at the reporting date.

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.

(l) 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 group's share of 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.

(m) Employee benefits

Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the 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 in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the statement of financial position.

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.

(n) Provisions

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

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.

(o) Cash and cash equivalents

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

(p) Revenue and other income

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).

(q) Government Grants

Government grants are recognised when there is reasonable certainty that the grant will be received and all grant conditions are met.

Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

(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) Comparative information

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) Events after the reporting period

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial report is authorised for issue.

The amounts recognised in the financial statements reflect events after the reporting period that provide evidence of conditions that existed at the reporting date. Whereas, events after the reporting period (i.e., which did not exist at the reporting date) are excluded from the determination of the amounts recognised in the financial statements.

(v) 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.

Fair value measurements

Certain financial assets and liabilities are measured at fair value. Fair values have been determined in accordance with fair value measurement hierarchy.

Details of the consolidated entity's fair value measurement hierarchy are disclosed in Note 24 (e).

(w) Accounting standards issued but not effective at 30 June 2023

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 2021-5 Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

AASB 2021-5 amends AASB 112 *Income Taxes* to clarify the accounting for deferred tax transactions that, at the time of the transaction, give rise to equal taxable and deductible temporary differences. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The amendments clarify that the exemption does not apply to transactions for which entities recognise both an asset and a liability and that give rise to equal taxable and deductible temporary differences.

This amending standard mandatorily apply to annual reporting periods commencing on or after 1 January 2023 and will be first applied by the group in the financial year commencing 1 July 2023.

This accounting standard is not expected to have a material impact on the financial statements of the group.

AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards

AASB 2022-7 makes editorial corrections to various Australian Accounting Standards and AASB Practice Statement 2 *Making Materiality Judgements*. The corrections include corrections made by the IASB to IFRS since June 2021. The standard also formally repeals a number of superseded and redundant standards.

AASB 2022-7 mandatorily applies to annual reporting periods commencing on or after 1 January 2023 and will be first applied by the group in the financial year commencing 1 July 2023.

This accounting standard is not expected to have a material impact on the financial statements of the group.

AASB 2021-2: Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates

AASB 2021-2 amends AASB 7 *Financial Instruments: Disclosures*, AASB 101 *Presentation of Financial Statements*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 134 *Interim Financial Reporting* and AASB Practice Statement 2 *Making Materiality Judgements*. The main amendments relate to:

- (a) AASB 7 - clarifies that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
- (b) AASB 101 - requires entities to disclose their material accounting policy information rather than their significant accounting policies;
- (c) AASB 108 - clarifies how entities should distinguish changes in accounting policies and changes in accounting estimates;
- (d) AASB 134 - to identify material accounting policy information as a component of a complete set of financial statements; and
- (e) AASB Practice Statement 2 - to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

AASB 2021-2 mandatorily applies to annual reporting periods commencing on or after 1 January 2023 and will be first applied by the group in the financial year commencing 1 July 2023.

This accounting standard is not expected to have a material impact on the financial statements of the group.

AASB 2021-6: Amendments to Australian Accounting Standards - Disclosure of Accounting Policies: Tier 2 and Other Accounting Standards

AASB 2021-6 amends AASB 1054 *Australian Additional Disclosures and AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*. The main amendments relate to:

- (a) AASB 1049 - requiring entities to disclose material accounting policy information rather than their significant accounting policies (as required by AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosures of Accounting Policies and Definition of Accounting Estimates*).
- (b) AASB 1054 - to reflect the updated terminology used in AASB 101 (as required by AASB 2021-2).
- (c) AASB 1060 - to require entities to disclose their material accounting policy information rather than their significant accounting policies and to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements (as required by AASB 2021-2).

AASB 2021-6 mandatorily applies to annual reporting periods commencing on or after 1 January 2023 and will be first applied by the group in the financial year commencing 1 July 2023.

This accounting standard is not expected to have a material impact on the financial statements of the group.

AASB 2021-6: Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current

AASB 2020-1 amends AASB 101 *Presentation of Financial Statements* to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.

A liability will be classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. Meaning of settlement of a liability is also clarified.

AASB 2020-1 mandatorily applies to annual reporting periods beginning on or after 1 January 2024 (as amended by AASB 2022-6 and AASB 2020-6) and will first be applied by the group in the financial year commencing 1 July 2024.

This accounting standard is not expected to have a material impact on the financial statements of the group.

NOTE 2 REVENUE AND OTHER INCOME

	2023	2022
	\$000s	\$000s
Revenue		
Sales Revenue		
- Revenue from services	45,985	43,141
Revenue from investments		
- Dividend revenue from other corporations	3,286	5,528
- Interest from unrelated persons	455	210
	49,726	48,879
Other Income		
Net gain on disposal of property, plant & equipment	86	48
Net gain on disposal of surplus material	1,007	1,071
Wages subsidies received	-	67
Revenue from sale of manufactured equipment	102	794
Share of profit from joint venture	62	20
Rent income	489	442
Consulting income	94	55
Other income	13	-
	1,853	2,497

NOTE 3 PROFIT FOR THE YEAR

	2023	2022
	\$000s	\$000s
Profit from continuing operations before income tax has been determined after the following specific expenses:		
Expenses		
Finance costs expensed		
- Lease liabilities	23	31
Rental expense on operating leases		
- Lease payments	327	326
Amortisation of non-current assets		
- Customer lists	12	60
- Internally generated software		
Depreciation of non-current assets		
- Land & buildings	668	644
- Plant & equipment	2,170	2,069
Depreciation of leased assets		
- Land & buildings	258	251
- Motor vehicles	51	60

NOTE 4 INCOME TAX EXPENSE

	2023 \$000s	2022 \$000s
a. The components of tax expense comprise:		
Current tax	129	275
Deferred tax	-	-
	129	275
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% (2022:28%)	103	250
Add:		
Tax effect of:		
- Other non-allowable items	26	30
	129	280
Less:		
Recoupment of prior year tax losses not previously brought to account:	-	-
Income tax attributable to entity	129	280
c. Current tax relates to:		
Income tax	20	52
Current tax (asset)/liability	20	52
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 AUDITORS' REMUNERATION

	2023 \$000s	2022 \$000s
Remuneration of the auditor of the parent entity for:		
- Auditing the financial report	95	90
- Other consulting services	-	-
Remuneration of other auditors of subsidiary for:		
- Auditing the financial report of the subsidiary	14	16
- Other consulting services	3	1

NOTE 6 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	Chair (resigned 21 October 2022)
Mr G.W. Dickinson	Chair
Ms A.E. Gartmann	Deputy Chair (appointed 21 October 2022)
Mr M.A. Jackson	Managing Director
Mr N. F. Armstrong	Director - Non executive
Mr I.A. Ashman	General Manager Raw Wool (until 1 February 2023)
Mr J.H. Colley	Director - Non executive
Mr S.L. Harrison	Director - Non executive (appointed 14 November 2022)
Mr J.M. Lamb	Director - Non executive
Mr D.B. Ritchie	Director - Non executive
Mr E.T. Storey	Director - Non executive (resigned 14 November 2022)
Dr P.D. Morgan	Director - Non executive (resigned 30 May 2023)
Mr B.E. van Rensburg	General Manager Raw Wool (from 1 February 2023)
Mr P.W. Walsh	Chief Financial Officer
Mr D.A. Webster	Director - Non executive
Mr S.H. Williams	Director - Non executive (appointed 30 May 2023)

	2023 \$000s	2022 \$000s
Total remuneration paid to Key management personnel	1,842	1,850

Remuneration of directors

Amounts paid or payable to directors or former directors of AWTA Ltd	1,162	1,154
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Directors base remuneration falls within the following bands:

	No.	No.
\$0 - \$9,999	1	-
\$10,000 - \$19,999	1	-
\$20,000 - \$29,999	1	-
\$40,000 - \$49,999	6	7
\$50,000 - \$59,999	2	-
\$80,000 - \$89,999	-	1
\$130,000 - \$139,999	1	-
\$150,000 - \$159,999	-	1
\$490,000 - \$499,999	-	1
\$500,000 - \$509,999	1	-

NOTE 7 CASH AND CASH EQUIVALENTS

Notes	2023 \$000s	2022 \$000s
Cash at bank and in hand	1,795	2,149
Short-term bank deposits	6,176	5,980
	<u>7,971</u>	<u>8,129</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	7,971	8,129

NOTE 8 TRADE AND OTHER RECEIVABLES

	Notes	2023 \$000s	2022 \$000s
<i>Current</i>			
Trade debtors		4,904	4,427
Provision for impairment	8(a)	-	-
		4,904	4,427
Amounts receivable from:			
- Franking credit rebate from Australian Taxation Office		642	1,372
- Other sundry debtors		614	488
		6,160	6,287

(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.

	2023 \$000s	2022 \$000s
Movement in the provision for impairment of receivables is as follows:		
Balance at the beginning of the year	-	(4)
Change for the year	-	-
Amounts written off	-	4
Balance at the end of the year	-	-

NOTE 9 INVENTORIES

	2023 \$000s	2022 \$000s
<i>Current</i>		
Materials and supplies	1,323	1,300

NOTE 10 OTHER CURRENT ASSETS

	2023 \$000s	2022 \$000s
<i>Current</i>		
Prepayments	1,378	1,178

NOTE 11 INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	2023 \$000s	2022 \$000s
Interest in joint venture entity	574	571

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

	2023 \$000s	2022 \$000s
<i>Non current</i>		
Financial assets at fair value through profit and loss	19,996	18,184
Financial assets at fair value through other comprehensive income	68,079	58,382
	88,075	76,566
Available-for-sale financial assets comprise:		
Listed investments and managed funds, at fair value	88,075	76,566

NOTE 13 CONTROLLED ENTITY

Controlled entity consolidated	Country of incorporation	Percentage owned	
Subsidiary of AWTA Ltd:		2023	2022
New Zealand Wool Testing Authority Ltd	New Zealand	100 %	100 %

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

	2023 \$000s	2022 \$000s
Land and buildings		
Freehold land at valuation	73,627	73,627
Foreign exchange translation on opening balances	43	-
Total land	73,670	73,627
Buildings at valuation	16,963	16,963
Foreign exchange translation on opening balances	44	-
Less: Accumulated depreciation	(3,009)	(2,341)
Total buildings	13,998	14,622
Total land and buildings	87,668	88,249
Plant and equipment		
Plant and equipment:		
At cost	53,201	52,270
Foreign exchange translation on opening balances	12	-
Less: Accumulated depreciation	(43,634)	(42,624)
Plant and equipment: under construction	1,405	871
Total plant and equipment	10,984	10,517
Total Property, plant and equipment	98,652	98,766

The group's land and buildings were revalued at 30 June 2022 by independent valuers. Valuations were based on an assessment of the property portfolio's fair value less costs to sell, based on active market and continuing current use basis. Revaluation movements were recorded in the asset revaluation reserve.

Movements in carrying amounts

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

	Freehold Land \$000s	Buildings \$000s	Plant and Equipment \$000s	Total \$000s
Balance at 1 July 2021	57,183	15,347	10,816	83,346
Additions	60.00	5	1,887	1,952
Disposals	-	-	(104)	(104)
Revaluation increments/(decrements)	16,409	-	-	16,409
Foreign exchange translation on opening balances	(25)	(86)	(13)	(124)
Depreciation	-	(644)	(2,069)	(2,713)
Balance at 30 June 2022	73,627	14,622	10,517	98,766
Additions	-	-	2,688	2,688
Disposals	-	-	(63)	(63)
Revaluation increments/(decrements)	-	-	-	-
Foreign exchange translation on opening balances	43	44	12	99
Depreciation	-	(668)	(2,170)	(2,838)
Balance at 30 June 2023	73,670	13,998	10,984	98,652

NOTE 15 INTANGIBLE ASSETS

	2023 \$000s	2022 \$000s
Customer lists		
Cost	382	382
Less: Accumulated amortisation & impairment	(365)	(353)
Total customer lists	17	29
Balance at the beginning of the year	29	89
Additions through business combinations	-	-
Less: Amortisation	(12)	(60)
Balance at the end of the year	17	29

NOTE 16 TRADE AND OTHER PAYABLES

	2023 \$000s	2022 \$000s
Current - Unsecured liabilities		
Trade payables	1,650	1,275
Sundry payable and accrued expenses	1,369	1,483
	3,019	2,758

NOTE 17 PROVISIONS

	2023 \$000s	2022 \$000s
Employee entitlements		
Balance at the beginning of the year	8,374	8,188
Additional provisions recognised	3,391	3,435
Amounts used	(3,344)	(3,249)
Balance at the end of the year	8,421	8,374
Analysis of total provisions		
Current	7,941	7,846
Non-current	480	528
	8,421	8,374

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 (o) to this report.

NOTE 18 RESERVES & RETAINED EARNINGS

	Notes	2023 \$000s	2022 \$000s
Asset revaluation reserve	18(a)	79,737	79,737
Financial assets at fair value through other comprehensive income	18(b)	8,434	3,304
Foreign currency translation reserve	18(c)	(525)	(663)
Capital maintenance reserve	18(d)	50,000	50,000
		137,646	132,378
Retained earnings	18(e)	55,059	49,286

(a) Asset revaluation reserve

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

	2023 \$000s	2022 \$000s
Balance at the beginning of the year	79,737	63,328
Change in fair value of non-current assets	-	16,409
Balance at the end of the year	79,737	79,737

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

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

	2023 \$000s	2022 \$000s
Balance at the beginning of the year	3,304	11,606
Change in fair value of available for sale financial assets	5,130	(8,302)
Balance at the end of the year	8,434	3,304

(c) Foreign currency translation reserve

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

	2023 \$000s	2022 \$000s
Balance at the beginning of the year	(663)	(514)
Exchange differences on translation of foreign operations	138	(149)
Balance at the end of the year	(525)	(663)

(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.

	2023 \$000s	2022 \$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 retained earnings.

The accounting term "reserve" has regularly been misinterpreted in the wool industry as describing monies surplus to current requirements. Whilst it was mandatory to retain this terminology to comply with Accounting Standards, directors subsequently changed the title to "capital maintenance reserve", to emphasise its capital nature.

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

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

	2023 \$000s	2022 \$000s
Balance at the beginning of the year	49,286	45,237
Adjustment on change of accounting policy	-	-
Net profit attributable to members of AWTA Ltd	5,773	4,049
Balance at the end of the year	55,059	49,286

NOTE 19 COMMITMENTS

Capital expenditure commitments

	2023 \$000s	2022 \$000s
Capital expenditure commitments contracted for:		
Capital expenditure projects	731	729

NOTE 20 CONTINGENT LIABILITIES

There are no contingent liabilities at balance for the company (2022: Nil).

NOTE 21 LEASING ACTIVITIES

The group received income from a number of property leases which are non-cancellable leases with terms of between 1 and 3 years, with rent receivable in advance. Contingent rental provisions within the lease arrangements 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.

	2023 \$000s	2022 \$000s
Income arising from operating leases	489	442
The undiscounted contractual lease payments to be received by the group in relation to operating leases are as follows:		
- Within 1 year	423	269
- 1-2 years	177	62
- 2-3 years	18	4
- 3-4 years	-	-
- 4-5 years	-	-
- Greater than 5 years	-	-
Total undiscounted contractual lease payments to be received	618	335

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

	2023 \$000s	2022 \$000s
Aggregate amount of services provided to:		
- Organisations associated with directors	4,342	4,372

NOTE 23 CASH FLOW INFORMATION

	2023 \$000s	2022 \$000s
Profit / (Loss) for the year	5,773	4,049
<i>Adjustments for non-cash income and expenses:</i>		
- Depreciation and amortisation	3,159	3,084
- Change in fair value of financial assets through profit or loss	(1,133)	2,653
- Dividends and interest received	(2,816)	(4,616)
<i>Cash flow included in investing activities:</i>		
- Net (gain) / loss on disposal of property, plant and equipment	(84)	(44)
<i>Changes in operating assets and liabilities:</i>		
- (Increase) / Decrease in trade and other receivables	127	(708)
- (Increase) / Decrease in inventories	(23)	129
- (Increase) / Decrease in other current assets	(404)	(220)
- Increase in provisions	47	186
- Increase / (Decrease) in trade and other payables	472	(590)
- Increase / (Decrease) in income taxes payable	(32)	(88)
	5,085	3,835

NOTE 24 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:

	2023 \$000s	2022 \$000
Financial assets		
<i>Amortised cost:</i>		
Cash and cash equivalents	7,971	8,129
Loans and receivables	6,160	6,287
<i>Fair value through profit and loss:</i>		
Financial assets	19,996	18,184
<i>Fair value through other comprehensive income:</i>		
Financial assets	68,079	58,382
	102,206	90,980
Financial liabilities		
<i>Amortised cost:</i>		
Trade and other payables	3,019	2,758
	3,019	2,758

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

	2023	2022
	%	%
Financial assets		
Cash and cash equivalents	3.20	0.41

(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 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 25 LEASE ASSETS AND LIABILITIES

Leased assets	2023	2022
	\$000s	\$000s
Carrying amount of lease assets, by class of underlying asset:		
<i>Land and buildings under lease arrangements</i>		
At cost	1,057	809
Accumulated depreciation	(333)	(282)
	724	527
<i>Motor vehicles under lease arrangements</i>		
At cost	148	178
Accumulated depreciation	(88)	(125)
	60	53
Total carrying amount of lease assets	784	580

	Land & Buildings	Motor Vehicles	Total
	\$000s	\$000s	\$000s
Reconciliation of the carrying amount of lease assets at the beginning and end of the financial year:			
Carrying amount at 1 July 2021	265	98	363
Additions	513	15	528
Depreciation	(251)	(60)	(311)
Carrying amount at 30 June 2022	527	53	580
Additions	455	58	513
Depreciation	(258)	(51)	(309)
Net foreign exchange differences	-	-	-
Carrying amount at 30 June 2023	724	60	784

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

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

Lease liabilities	2023	2022
	\$000s	\$000s
Current lease liabilities	274	236
Non-current lease liabilities	544	371
Total carrying amount of lease liabilities	818	607

Lease expense and cashflows

Interest expense on lease liabilities	23	31
Depreciation expense on lease assets	309	309
Total cash outflow in relation to leases	327	326

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 26 PARENT ENTITY INFORMATION

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

	2023 \$000s	2022 \$000s
Revenue	45,379	44,309
Other income	1,714	2,287
Employee benefits expense	(27,515)	(26,139)
Depreciation & amortisation expense	(2,854)	(2,578)
Materials & supplies expense	(3,097)	(2,753)
Repairs & maintenance expense	(2,142)	(1,797)
Energy & utilities expense	(1,699)	(1,703)
Freight expense	(1,117)	(980)
Software expense	(686)	(664)
Investment management expense	(570)	(523)
Travel expense	(663)	(369)
Property, rates & taxes expense	(269)	(505)
Subcontract testing expense	(474)	(501)
Cost of manufactured equipment sold	(47)	(539)
Consulting fees	(201)	(232)
Insurance expense	(264)	(239)
Advertising & sponsorship expense	(204)	(157)
Printing & stationery expense	(224)	(214)
Communications expense	(122)	(150)
Audit fees	(95)	(99)
Other expenses	(524)	(373)
Profit from operating activities before income tax	4,326	6,081
Income tax expense	-	-
Profit from operating activities for the year	4,326	6,081
Net change in fair value of financial assets designated at fair value through profit or loss, net of tax	1,309	(2,653)
Profit for the year	5,635	3,428

(b) Other comprehensive income

	2023 \$000s	2022 \$000s
Profit attributable to members of the parent entity	5,635	3,428
Items that will not be reclassified to profit and loss		
Revaluation of property, plant & equipment, net of tax	-	15,279
Net change in fair value of financial assets designated at fair value through other comprehensive income, net of tax	5,130	(8,302)
Items that may be reclassified subsequently to profit and loss		
Exchange differences on translation of foreign operations, net of tax	26	(45)
Other comprehensive income for the year	5,156	6,932
Total comprehensive income for the year	10,791	10,360

NOTE 26 PARENT ENTITY INFORMATION - CONTINUED

(c) Statement of Financial Position

	2023 \$000s	2022 \$000s
ASSETS		
Current assets		
Cash and cash equivalents	5,182	5,640
Trade and other receivables	5,715	5,900
Inventories	1,323	1,300
Other current assets	1,299	1,076
Total current assets	13,519	13,916
Non-current assets		
Trade and other receivables	-	-
Investments accounted for using the equity method	574	571
Financial assets	89,705	77,993
Property, plant & equipment	93,424	93,491
Lease assets	541	326
Intangible assets	17	29
Total non-current assets	184,261	172,410
Total assets	197,780	186,326
LIABILITIES		
Current liabilities		
Trade payables	2,570	2,161
Lease liabilities	224	175
Provisions	7,713	7,628
Total current liabilities	10,507	9,964
Non-current liabilities		
Provisions	443	497
Lease liabilities	337	163
Total non-current liabilities	780	660
Total liabilities	11,287	10,624
Net Assets	186,493	175,702
Equity		
Reserves	136,330	131,174
Retained earnings	50,163	44,528
Total equity	186,493	175,702

(d) Statement of Changes in Equity

	Retained Earnings \$000s	Asset Revaluation Reserve \$000s	Capital Maintenance Reserve \$000s	Financial Asset Reserve \$000s	Foreign Currency Translation Reserve \$000s	Total \$000s
At 01 July 2021	41,100	62,599	50,000	11,606	37	165,342
Profit for the year	3,428	-	-	-	-	3,428
Other comprehensive income	-	15,279	-	(8,302)	(45)	6,932
At 30 June 2022	44,528	77,878	50,000	3,304	(8)	175,702
Profit for the year	5,635	-	-	-	-	5,635
Other comprehensive income	-	-	-	5,130	26	5,156
At 30 June 2023	50,163	77,878	50,000	8,434	18	186,493

NOTE 27 SUBSEQUENT EVENTS

There has been no matter or circumstance, which has arisen since 30 June 2023 that has significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2023 of the consolidated entity, or
- the results of those operations, or
- the state of affairs, in financial years subsequent to 30 June 2023 of the consolidated entity.

AUSTRALIAN WOOL TESTING AUTHORITY LTD

AND CONTROLLED ENTITY

ABN: 43 006 014 106

DIRECTORS' DECLARATION

The directors declare that:

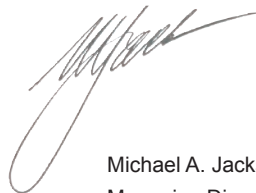
1. There are reasonable grounds to believe that the registered entity is able to pay all its debts, as and when they become due payable; and
2. The financial statements and notes satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

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.



Gordon W. Dickinson
Chair



Michael A. Jackson
Managing Director

18 August 2023

INDEPENDENT AUDIT REPORT

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



INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF AUSTRALIAN WOOL TESTING AUTHORITY LTD 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 2023, 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 responsible entities' 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 2023 and of its financial performance for the year then ended; and;
- (b) complying with Australian Accounting Standards 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 (including Independence Standards)* "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.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Registered Entity's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the 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.

Report on the Audit of the Financial Report - continued

- 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

Date: 18 August 2023



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