



# Directors' Report 2007-2008 & Financial Statements



## DIRECTORS' REPORT

Your directors present their report on the company and its controlled entity for the financial year ended 30 June 2008.

### DIRECTORS

The details and responsibilities of the directors in office at 1 September 2008 are:



D.G. McGauchie AO

#### MR D. G. McGAUCHIE AO

- Appointed as an independent director by the Members of AWTA Ltd on 29 October 1999
- Appointed as Deputy Chairman on 25 January 2001 and as Chairman on 19 February 2005
- Chairman of Remuneration & Appointments Committee
- Farmer and company director, having previously been active in national farming organisations
- Chairman of Telstra Corporation Ltd
- Partner of C&E McGauchie Terrick West
- Director of a number of listed and unlisted companies, including Reserve Bank of Australia, James Hardie Industries N.V. and Nufarm Ltd
- Attended 7 (of 7) Directors' Meetings and 2 (of 2) Committee Meetings



G.W. Dickinson

#### MR G. W. DICKINSON

- Appointed as an independent director by the Members of AWTA Ltd on 18 March 2005
- Appointed as Deputy Chairman on 15 April 2005
- Chairman of Audit & Finance Committee
- Member of Remuneration & Appointments Committee
- Director of Nareen Station Pty Ltd, Mutual Trust Pty Ltd and Rubicon Systems Australia Ltd
- Attended 7 (of 7) Directors' Meetings and 4 (of 4) Committee Meetings



M.A. Jackson

#### MR M. A. JACKSON

- Managing Director of AWTA Ltd since 21 May 2001
- Member of Environment & Safety Committee
- Director of New Zealand Wool Testing Authority Ltd and JinAo Testing Company Ltd
- Trustee of the Australian Wool Education Trust
- Attended 7 (of 7) Directors' Meetings and 3 (of 3) Committee Meetings



N.F. Armstrong

#### MR N. F. ARMSTRONG

- Appointed as the nominee director for Private Treaty Wool Merchants of Australia Inc on 21 October 2005
- Member of Environment & Safety Committee
- Managing Director of Chopper Pty Ltd (trading as Armstrong Trading)
- Director of Strongwill Pty Ltd
- President of Private Wool Treaty Merchants of Australia Inc
- Attended 7 (of 7) Directors' Meetings and 3 (of 3) Committee Meetings



M.D. Avery

#### MR M. D. AVERY

- Appointed as the nominee director for Australian Council of Wool Exporters Inc on 22 November 2007
- Member of Audit & Finance Committee
- Attended 5 (of 5) Directors' Meetings



D.R. Hamblin

#### MR D. R. HAMBLIN

- Appointed as the nominee director for WoolProducers Australia on 19 October 2007
- President of WoolProducers Australia
- Director of Australian Wool Exchange Ltd
- Attended 4 (of 5) Directors' Meetings



J.H. Lillie

#### MR J. H. LILLIE

- Appointed as the nominee director for the Wool Textile Manufacturers of Australia Group of Australian Wool Processors Council Inc on 11 June 2008
- Director of Fox & Lillie Pty Ltd, Fox & Lillie (Australia) Pty Ltd, Lempriere Fox & Lillie Pty Ltd and Grampians Wool Industries Pty Ltd
- Attended 0 (of 1) Directors' Meetings



L.S. Mitchell

#### MR L. S. MITCHELL

- Appointed as the nominee director for the Wool Scourers & Carbonisers of Australia Group of Australian Wool Processors Council Inc on 21 October 2005
- Chairman of Environment & Safety Committee, Member of Audit & Finance Committee
- Vic President of Australian Council of Wool Exporters and Processors Inc
- Managing Director of Jandakot Wool Washing Pty Ltd
- Director of IWD Group Pty Ltd, IWD Pty Ltd, Goulburn Wool Scour Pty Ltd, CIL Group Pty Ltd, Jandakot Wool Scouring Company Pty Ltd, Jandakot Wool Dumpers Pty Ltd, and Abrasiflex Pty Ltd
- Attended 6 (of 7) Directors' Meetings and 4 (of 5) Committee Meetings



B.P. van Rooyen

#### MR B. P. VAN ROOYEN

- Appointed as the nominee director for Australian Wool Innovation Ltd on 20 February 2003
- Previously the nominee director for the Wool Textile Manufacturers of Australia Group of Australian Wool Processors Council Inc (8 November 1996 - 20 February 2003)
- Member of Remuneration & Appointments Committee
- Chairman of Australian Wool Innovation Ltd and Australian Country Spinners Pty Ltd
- Director of Claremont Superannuation Pty Ltd, Howard Australia Pty Ltd, Power Farming (Wholesale) Ltd, Power Farming Properties Pty Ltd and PFG Australia Pty Ltd
- Attended 7 (of 7) Directors' Meetings and 2 (of 2) Committee Meetings



C.J. Wilcox

#### MR C. J. WILCOX

- Appointed as the nominee director for the National Council of Wool Selling Brokers of Australia Inc on 15 February 2008
- Executive Director of the National Council of Wool Selling Brokers of Australia Inc
- Principal of Poimena Analysis and Trustee of Poimena Trust
- Attended 2 (of 2) Directors' Meetings

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

- Mr D. R. Michell (12 September 2005 to 21 October 2007; attended 0 (of 2) Directors' Meetings and 1 (of 1) Committee Meeting
- Mr. D. J. Nancarrow (20 October 2006 to 19 October 2007 and 5 November 2007 to 7 April 2008, attended 4 (of 6) Directors' Meetings and 1 (of 1) Committee Meeting
- Mr. J. G. O'Connor (21 October 2005 to 15 February 2008, attended 5 (of 5) Directors' Meetings
- Mr. R. D. Pietsch (24 October 2003 to 19 October 2007, attended 2 (of 2) Directors' Meetings

During the financial year, 7 Meetings of Directors and 7 Committee Meetings (3 Environment & Safety Committee Meetings, 2 Remuneration & Appointments Committee Meetings, and 2 Audit & Finance Committee Meetings) were held. The number of Meetings attended by each Director is stated in this Report.

During the financial year, the Company has paid premiums for directors and officers to insure against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Secretary of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The premium paid for 2007/08 was \$11,655 (2006/07 \$14,973).

## COMPANY SECRETARY

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

Mr Charles Englander, Bachelor of Law, Master of Laws. Mr Englander has been employed by AWTA Ltd for the past 23 years, performing legal and compliance roles. Mr Englander was appointed company secretary on 1 July 2002.

## ACTIVITIES

The principal activities of the consolidated group during the course of the financial year were raw wool, textiles, agricultural products and other materials testing, and computer services.

## OPERATING RESULT

The net loss of the consolidated group for the year was \$0.976 million (2007 \$1.483 million).

## FINANCIAL POSITION

The net assets of AWTA Ltd have increased by \$1.191 million during the year.

## REVIEW OF OPERATIONS

AWTA Ltd celebrated its 50 year anniversary in October 2007. Over 50 years, AWTA Ltd has built a highly successful business providing independent test information to its customers, primarily the wool industry in Australia.

During the last 2 decades wool production in Australia has fallen steadily and significantly, causing a consequent fall in testing volumes and AWTA Ltd revenue. The company has responded to this situation by undertaking initiatives that have improved labour productivity to reduce variable costs and also by significantly reducing its management overheads. At the same time, AWTA Ltd has adopted a policy of expanding its operations by diversifying into related testing markets. In recent years, this policy has been implemented through the purchase of New Zealand Wool Testing Authority Ltd, and the ongoing expansion of the testing capabilities of the Product Testing Division both in Australia and by the establishment of JinAo Testing Co Ltd, a joint venture testing operation in China.

AWTA Ltd acquired the Victorian based grain and food testing business Agrifood Technology from AWB Ltd in February 2008. This purchase continues the diversification into related areas where independent, 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, JinAo Testing Co Ltd, which is managed through AWTA Product Testing.

The review below summarises the operating performance of each section of the company.

### *AWTA Raw Wool*

The operating environment in Australia remains very difficult. Ongoing poor seasonal conditions continued to negatively impact wool production in Australia and consequently on AWTA Raw Wool revenue during 2007/08. This was partially offset by a 3% fee increase implemented at the commencement of the financial year. The outlook for 2008/09 remains negative, with the AWI Wool Production Forecasting Committee predicting a further 4% fall in wool production.

The number of core tests conducted by AWTA Raw Wool fell by 5.3% from last year. This reduction was less than the fall in the number of bales sampled as the lot size fell by 0.12 bales/lot. Total revenue from core testing decreased by 3.6% from last year. Staple length and strength testing activity decreased by 6.6% from the previous year due to the reduced number of core tests conducted and a slight fall in the proportion of core tests also measured for length and strength.

AWTA Raw Wool has always been clearly focused on cost control by increasing productivity. During 2007/08, raw wool laboratory productivity increased by 1.2%. The rate of improvement was less than recent years as the laboratories adapted to a change in the allocation of samples from remote sampling centres associated with reducing the Sydney laboratory to a single shift, as opposed to 24 hour, operation. Initiatives to further increase productivity are currently being implemented.

### *AWTA Product Testing*

The Product Testing division performed very well during the year under review, achieving its highest contribution ever. Revenue increased by 13.8% as testing activity for the automotive sector, traditional textile clients and new market segments for the division all grew. Cost increases related to handling the extra workload were contained to 5.6% and as a consequence contribution rose by 117%.

JinAo Testing Co Ltd became fully operational during 2007/08. However, revenue growth has been slower than anticipated during 2007/08. In a competitive testing market, the joint venture needs to market itself more actively to potential clients in China. To do this it needs to employ suitably qualified and experienced staff and this is a current focus of the company. JinAo is well placed to assist Australian Wool Innovation to develop systems to validate the fibre content and performance criteria of products made from Australian wool, thereby providing a foundation for its relaunch of the Woolmark marketing program. It is anticipated that this will generate testing volume to support JinAo during 2008/09.



#### *NZWTA Ltd*

The operating environment in New Zealand is also difficult. Poor seasonal conditions and some movement out of sheep farming to other land uses, particularly dairy farming, have reduced wool production. However, the total number of tests conducted in 2007/08 was similar to the previous year as NZWTA Ltd has increased its market share by attracting new customers and as a result of industry consolidation. Changes to the operational structure of NZWTA Ltd are being implemented in the first half of 2008/09 that are expected to significantly improve profitability.

#### *Agrifood Technology*

As previously mentioned, AWTA Ltd purchased this business from AWB Ltd on 1 February 2008. Accounting and administration of Agrifood Technology has now been fully integrated within AWTA and managed by existing Head Office staff.

Agrifood Technology operates in 2 broad areas;

1. Quality and milling, which provides grain, flour and end-product testing to the cereal grain industry and
2. Food safety, which tests residue and other safety criteria for a range of fresh and processed foods.

Revenue in the food safety area has increased over recent years and has continued to grow since acquisition. With deregulation, the wheat export market will change considerably during 2008/09. There will be a need for relevant and independent testing information and Agrifood Technology is actively engaging a number of probable entrants into the wheat export market to secure testing and revenue for the quality milling area from the 2008/09 harvest.

During the last 5 months of 2007/08, Agrifood Technology has achieved a positive contribution.

#### *Non Operating Income*

Overall revenue from sources other than from testing services provided increased by 7% to \$5.284 million (2007 \$4.940 million). Additional revenue was generated during the year from consulting services, sale of manufactured equipment and rent received.

Total income from investments has decreased by 17.6% to \$2.611 million (2007 \$3.167 million) with the major contributing factor being a deterioration in financial markets. This has also impacted on the market value of AWTA Ltd's investment portfolio with unrealised movements reflected in the Financial Asset Reserve.

#### *Head Office Expenditure*

AWTA Ltd has established a ongoing succession management plan. During the year under review there has been a significant downsizing of the executive management team with the General Manager – Laboratory Operations, Corporate Development Manager and National Technical Advisor positions all being removed from the structure. In addition, 3 positions within the Information Services division have been, or soon will be, removed. The duties that were the previous responsibility of these positions have been allocated to existing positions within the company. This will generate significant future cost savings for the Company as well as providing development opportunities for younger staff, an essential aspect of the succession management process. The costs of a number of the redundancies associated with these changes inflate 2007/08 expenditure.

At a consolidated group level, total revenue in 2007/08 increased by 3.2% to \$38.885 million, total expenditure increased by 1.8% to \$39.863 million and AWTA Ltd recorded a net loss of \$0.976 million for 2007/08. Continuing improvements in operating efficiency, a broader revenue base, the group's structure and its remaining retained profits allow it to continue its deliberate strategy of minimising the fees that it charges to its customers.

#### **SIGNIFICANT CHANGES**

There were no significant changes in activities during the year.

#### **MATTERS SINCE END OF FINANCIAL YEAR AND FUTURE DEVELOPMENTS**

In the opinion of the Directors, other likely developments in the operations of the consolidated group known at the date of this report have been covered generally within the report. The Directors are not aware of any other future developments likely to have a significant effect on the operations of the consolidated group or on the expected results of those operations.

## ENVIRONMENTAL ISSUES

The group's operations are subject to particular and significant environmental regulations under relevant legislation. Details of performance in relation to such regulations are set out below.

- a) AWTA Ltd's Yennora, New South Wales, site is required to treat its waste water generated through wool testing, to meet the requirements of Sydney Water Corporation's Trade Wastewater Agreement.  
The current Agreement places limits on pH and temperature, as well as the mass and concentrations of Grease, Suspended Solids (SS), Biological Oxygen Demand (BOD) and Total Dissolved Solids (TDS) that can be discharged to sewer. The limits are routinely reviewed and modified by Sydney Water.  
During the reporting period, the waste discharged to sewer complied with all limits with the exception being BOD which was exceeded on three occasions. These were not considered as formal breaches by Sydney Water Corporation and no default notices were issued.
- b) AWTA Ltd's Kensington, Victoria, site is required to ensure that its waste water generated through wool testing complies with the agreed requirements of City West Water Ltd's Trade Waste Agreement.  
During the reporting period, one trade waste sample exceeded the Agreement's Sulphide limits. This was corrected without City West Water recording a non-compliance.
- c) AWTA Ltd's Bibra Lake, Western Australia, site continues to discharge laboratory waste to sewer pursuant to an Industrial Waste Permit issued by the Water Corporation.  
During the reporting period all laboratory waste discharged to sewer complied with the Permit's stipulated limits.
- d) AWTA Ltd's Agrifood Technology division, based at Werribee, Victoria, is required to ensure that its waste water generated complies with the agreed requirements of City West Water Ltd's Trade Waste Agreement.  
During the reporting period all laboratory waste discharged to sewer complied with the Permit's stipulated limits.
- e) NZWTA Ltd's Napier, New Zealand, site continues to discharge laboratory waste to sewer pursuant to Trade Waste Bylaw (2003) of the Napier City Council.  
During the reporting period all laboratory waste discharged to sewer complied with the Bylaw's stipulated limits.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the consolidated group or intervene in any proceedings to which the consolidated group is a party for the purpose of taking responsibility on behalf of the consolidated group for all or any part of those proceedings.

The consolidated group was not a party to any such proceedings during the year.

## AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2008 has been received and can be found appended to this Directors' Report.

### AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the directors of Australian Wool Testing Authority Limited  
I declare that, to the best of my knowledge and belief, during the year ended 30 June 2008 there have been:

- i) no contraventions of the audit independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Kevin P Adams  
Director  
MDHC Audit Assurance Pty Ltd

Melbourne  
1 September 2008

## ROUNDING

The parent entity has applied the relief available to it in ASIC Class Order 98/100 and, accordingly, amounts in the Financial Statements and Directors' Report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Directors and dated 1 September 2008 at Melbourne.



D. G. McGAUCHIE AO  
CHAIRMAN



M. A. JACKSON  
MANAGING DIRECTOR

# AUSTRALIAN WOOL TESTING AUTHORITY LTD

ABN: 43 006 014 106

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$000	\$000	\$000	\$000
Revenue	2	36,212	35,894	32,632	32,647
Other income	2	2,673	1,773	2,459	1,867
Employee benefits expense		(25,290)	(25,975)	(23,116)	(24,102)
Repairs & maintenance expense		(2,735)	(2,277)	(2,599)	(2,142)
Energy & utilities expense		(1,635)	(1,310)	(1,443)	(1,148)
Travel expense		(713)	(890)	(609)	(679)
Software expense		(481)	(626)	(481)	(626)
Materials & supplies expense		(746)	(693)	(656)	(593)
Freight expense		(777)	(652)	(679)	(564)
Printing & stationery expense		(453)	(565)	(425)	(541)
Depreciation and amortisation expense		(3,049)	(2,942)	(2,738)	(2,706)
Other expenses		(3,926)	(3,136)	(3,395)	(2,500)
Finance costs		(16)	(29)	-	-
Share of net profits/(losses) of joint ventures		(42)	-	(42)	-
Profit/(Loss) before income tax	3	(978)	(1,428)	(1,092)	(1,087)
Income tax expense	4	2	(55)	-	-
Profit/(Loss) for the year		(976)	(1,483)	(1,092)	(1,087)

The accompanying notes form part of these financial statements.

## BALANCE SHEET AS AT 30 JUNE 2008

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$000	\$000	\$000	\$000
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	7	2,070	4,928	1,762	4,588
Trade and other receivables	8	3,678	3,786	3,938	4,019
Inventories	9	1,006	1,104	1,006	1,072
Other current assets	15	1,129	1,016	997	927
<b>TOTAL CURRENT ASSETS</b>		<b>7,883</b>	<b>10,834</b>	<b>7,703</b>	<b>10,606</b>
<b>NON-CURRENT ASSETS</b>					
Trade and other receivables	8	-	-	1,436	1,486
Investments accounted for using the equity method	10	161	209	161	209
Financial assets	11	26,240	35,239	27,495	36,674
Property, plant and equipment	13	56,683	43,393	53,162	40,089
Deferred tax assets	17	113	113	-	-
Intangible assets	14	118	118	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>83,315</b>	<b>79,072</b>	<b>82,254</b>	<b>78,458</b>
<b>TOTAL ASSETS</b>		<b>91,198</b>	<b>89,906</b>	<b>89,957</b>	<b>89,064</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	16	2,996	2,264	2,467	1,709
Current tax liabilities	17	-	71	-	-
Short-term provisions	18	6,075	5,974	5,777	5,670
<b>TOTAL CURRENT LIABILITIES</b>		<b>9,071</b>	<b>8,309</b>	<b>8,244</b>	<b>7,379</b>
<b>NON-CURRENT LIABILITIES</b>					
Other long-term provisions	18	349	1,010	319	971
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>349</b>	<b>1,010</b>	<b>319</b>	<b>971</b>
<b>TOTAL LIABILITIES</b>		<b>9,420</b>	<b>9,319</b>	<b>8,563</b>	<b>8,350</b>
<b>NET ASSETS</b>		<b>81,778</b>	<b>80,587</b>	<b>81,394</b>	<b>80,714</b>
<b>EQUITY</b>					
Reserves	19	74,518	72,351	73,967	72,195
Retained earnings		7,260	8,236	7,427	8,519
<b>TOTAL EQUITY</b>		<b>81,778</b>	<b>80,587</b>	<b>81,394</b>	<b>80,714</b>

The accompanying notes form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008

	Note	Retained Earnings \$000	Asset Revaluation Reserve \$000	Capital Maintenance Reserve \$000	Foreign Currency Translation Reserve \$000	Financial Assets Reserve \$000	Total \$000
<b>Consolidated Group</b>							
<b>Balance at 1 July 2006</b>		9,606	19,106	50,000	-	(199)	78,513
Revaluation increment						3,288	3,288
Adjustments from translation of foreign controlled entities					156		156
Deferred tax asset of subsidiary		113					113
Profit/(loss) for the year		(1,483)					(1,483)
<b>Balance at 30 June 2007</b>		8,236	19,106	50,000	156	3,089	80,587
Revaluation increment			8,545			(6,054)	2,491
Adjustments from translation of foreign controlled entities					(324)		(324)
Deferred tax asset of subsidiary							-
Profit/(loss) for the year		(976)					(976)
<b>Balance at 30 June 2008</b>		7,260	27,651	50,000	(168)	(2,965)	81,778
<b>Parent Entity</b>							
		\$000	\$000	\$000	\$000	\$000	\$000
<b>Balance at 1 July 2006</b>		9,606	19,106	50,000	-	(199)	78,513
Revaluation increment						3,288	3,288
Profit/(loss) for the year		(1,087)					(1,087)
<b>Balance at 30 June 2007</b>		8,519	19,106	50,000	-	3,089	80,714
Revaluation increment/(decrement)			7,826			(6,054)	1,772
Profit/(loss) for the year		(1,092)					(1,092)
<b>Balance at 30 June 2008</b>		7,427	26,932	50,000	-	(2,965)	81,394

The accompanying notes form part of these financial statements.

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated Group		Parent Entity	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		36,169	34,262	32,229	30,359
Dividends received		1,540	1,877	1,540	1,877
Interest received		763	802	761	802
Other income received		(128)	470	(128)	470
Payments to suppliers and employees		(35,992)	(35,021)	(32,453)	(32,010)
Finance costs		(12)	-	-	-
Income tax paid		(96)	-	-	-
Net cash provided by (used in) operating activities	24a	2,244	2,390	1,949	1,498
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sale of property, plant and equipment		224	467	224	430
Proceeds from investment activities		3,040	-	3,170	-
Purchase of property, plant and equipment		(8,319)	(3,833)	(8,169)	(3,445)
Purchase of investments		-	(209)	-	(209)
Purchase of other non-current assets		-	-	-	-
Payment for subsidiary, net of cash acquired (Advance to subsidiary)	24b	-	(2,068)	-	(2,068)
(Purchase of financial assets)		-	(2,096)	-	(2,096)
(Cash balance acquired from subsidiary)		-	(605)	-	-
Net cash provided by (used in) investing activities		(5,055)	(8,344)	(4,775)	(7,792)
Net increase in cash held		(2,811)	(5,954)	(2,826)	(6,294)
Cash at beginning of financial year		4,928	10,882	4,588	10,882
Effect of exchange rates on cash holdings in foreign currencies		(47)	-	-	-
Cash at end of financial year	7	2,070	4,928	1,762	4,588

The accompanying notes form part of these financial statements.



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### Note 1 Statement of Significant Accounting Policies

This financial report includes the consolidated financial statements and notes of Australian Wool Testing Authority Ltd (AWTA Ltd) and its controlled entity, New Zealand Wool Testing Authority Ltd (NZWTA Ltd) ('Consolidated Group' or 'Group'), and the separate financial statements and notes of AWTA Ltd as an individual parent entity ('Parent Entity'). AWTA Ltd is a Company Limited by Guarantee, incorporated and domiciled in Australia.

#### *Basis of Preparation*

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### **(a) Principles of Consolidation**

A controlled entity is any entity over which AWTA Ltd has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

Details of the controlled entity are contained in Note 12 to the financial statements.

As at reporting date, the assets and liabilities of the controlled entity have been incorporated into the consolidated financial statements as well as their results for the year then ended.

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

#### **Business Combinations**

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

#### **(b) Income Tax**

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

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

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

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

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

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

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

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

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

#### **(c) Inventories**

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

#### **(d) Property, Plant and Equipment**

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

##### **Property**

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

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

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

##### **Plant and equipment**

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

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

##### **Depreciation**

The depreciable amount of all fixed assets including buildings, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use.

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

#### **(e) Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

#### **(f) Financial Instruments**

##### **Recognition and Initial Measurement**

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

## **Derecognition**

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

## **Classification and Subsequent Measurement**

### **(i) Financial Assets**

Trade Debtors are carried at their book values less any provision for doubtful debts. A provision for doubtful debts is recognised in the accounts when collection of any amounts owing to the consolidated group is not probable.

Short Term Deposits, which include discounted Bank Bills, are valued at face value. Interest income received in advance, which principally relates to discounted Bank Bills, is recognised over the term of the Bank Bills.

AWTA Ltd's investment in NZWTA Ltd, an unlisted entity, has been valued at cost.

### **(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Items of a long term nature are stated at amortised cost using the effective interest rate method.

### **(iii) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

### **(iv) Financial Liabilities**

Trade Creditors are recognised as amounts payable for goods and services that have been received.

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

## **(g) Impairment of Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

## **(h) Interests in Joint Ventures**

The consolidated group's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. Details of the consolidated group's interests are shown in Note 10.

The consolidated group's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements.

## **(i) Intangibles**

### **Goodwill**

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

## **(j) Foreign Currency Transactions and Balances**

### **Functional and presentation currency**

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

### **Transaction and balances**

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

Exchange differences arising on the translation of monetary items are recognised in the income statement.

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

## Group companies

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

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

Exchange differences arising on translation of foreign operations are transferred directly to the groups foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

## (k) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

## (l) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Cash balances held by investment managers, from time to time, for reinvestment purposes, are treated as available-for-sale financial assets.

## (m) Revenue and Other Income

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

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

Interest revenue is recognised on a proportional basis taking into account the interest rate applicable to the financial assets.

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

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

## (n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST.

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

## (o) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

## (p) Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest \$1,000.

## (q) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report 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.

### *Key Estimates — Impairment*

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of goodwill for the year ended 30 June 2008.

The financial report was authorised for issue on 21 August 2008 by the board of directors.

## Note 2 Revenue

	Note	Consolidated Group		Parent Entity	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Sales Revenue					
— Sales revenue from services		33,601	32,727	29,987	29,481
Total Sales Revenue		33,601	32,727	29,987	29,481
Other Revenue					
— Interest from subsidiary		-	-	36	-
— Revenue from investments					
- Dividend revenue from other corporations		1,857	1,877	1,857	1,877
- Interest from unrelated persons		754	820	752	819
- Other investment income		-	470	-	470
Total Other Revenue		2,611	3,167	2,645	3,166
Total Sales Revenue and Other Revenue		36,212	35,894	32,632	32,647
Other Income					
— Gain on disposal of property, plant and equipment		43	1	40	-
— Gain on disposal of surplus sample material		1,082	1,052	996	943
— Rent income		372	216	269	140
— Gain on sale of manufactured equipment		304	42	304	42
— Foreign exchange gain		-	5	-	299
— Gain on business combination		164	-	164	-
— Other income		708	457	686	443
Total Other Income		2,673	1,773	2,459	1,867

## Note 3 Profit/(Loss) for the Year

Expenses					
Finance costs:					
— Other persons		16	29	-	-
Foreign currency translation losses		68	-	457	-
Cost of sales - manufactured equipment		168	54	168	54
Rental expense on operating leases					
— minimum lease payments		157	99	32	9
Realised losses on disposal of investments		132	-	132	-

## Note 4 Income Tax Expense

	Note	Consolidated Group	
		2008 \$000	2007 \$000
The components of tax expense comprise:			
Current tax		8	59
Deferred tax	17		
Recoupment of prior year tax losses		(10)	(4)
Under provision in respect of prior years		(2)	55
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:			
The parent company is exempt from income tax.			
Prima facie tax payable on profit from ordinary activities of subsidiary before income tax at 33% (2007: 33%)			
— consolidated group		(84)	8
Add:			
Tax effect of:			
— non-deductible depreciation and amortisation		28	31
— other non-allowable items		45	20
		(11)	59
Less:			
Tax effect of:			
— foreign currency exchange profit not subject to income tax		(19)	-
Recoupment of prior year tax losses not previously brought to account		10	4
Income tax attributable to entity		(2)	55



## Note 5 Key Management Personnel Compensation

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

Key Management Person	Position
Mr D.G. McGauchie AO	Chairman
Mr G.W. Dickinson	Deputy Chairman
Mr M.A. Jackson	Managing Director
Mr N.F. Armstrong	Director - Non executive
Mr I.A. Ashman	General Manager Customer Relations
Mr M.D. Avery	Director - Non executive
Dr G.R. Beilharz	General Manager Laboratory Operations
Mr D.R. Hamblin	Director - Non executive
Mr J.H. Lillie	Director - Non executive
Mr D.R. Michell	Director - Non executive (retired 21 October 2007)
Mr L.S. Mitchell	Director - Non executive
Mr D.J. Nancarrow	Director - Non executive (retired 7 April 2008)
Mr J.G. O'Connor	Director - Non executive (retired 15 February 2008)
Mr R.D. Pietsch	Director - Non executive (retired 19 October 2007)
Mr B.P. van Rooyen	Director - Non executive
Mr P.W. Walsh	Chief Financial Officer
Mr C.J. Wilcox	Director - Non executive

### Key Management Personnel Compensation

	Salary & Fees	Superannuation	Non-cash Benefits	Total
	\$000	\$000	\$000	\$000
2008 Total Compensation	1,186	200	202	1,588
2007 Total Compensation	1,123	161	204	1,488

(b) Remuneration of Directors

	2008	2007
	\$000	\$000
Amounts paid or payable to Directors or former Directors of AWTA Ltd	852	809
Number of Directors or former Directors of AWTA Ltd whose remuneration and retirement benefits falls within the following bands:	No.	No.
\$ - to \$ 9,999	1	-
\$ 10,000 to \$ 19,999	4	2
\$ 20,000 to \$ 29,999	2	-
\$ 30,000 to \$ 39,999	4	6
\$ 60,000 to \$ 69,999	1	1
\$ 110,000 to \$ 119,999	1	1
\$ 400,000 to \$ 409,999	-	1
\$ 430,000 to \$ 439,999	1	-

## Note 6 Auditors' Remuneration

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Remuneration of the auditor of the parent entity for:				
— auditing or reviewing the financial report	148	120	138	124
Remuneration of other auditors of subsidiaries for:				
— auditing or reviewing the financial report of subsidiaries	-	10	-	-
— taxation services	3	5	-	-

## Note 7 Cash and Cash Equivalents

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Cash at bank and in hand	708	339	400	-
Short-term bank deposits	1,362	4,500	1,362	4,500
Deposits at call	-	89	-	88
	2,070	4,928	1,762	4,588
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	2,070	4,928	1,762	4,588
	2,070	4,928	1,762	4,588

## Note 8 Trade and Other Receivables

### CURRENT

Trade receivables	3,066	3,168	2,711	2,660
Provision for impairment of receivables	(18)	(13)	(18)	(13)
	3,048	3,155	2,693	2,647

### Amounts receivable from:

- Wholly-owned subsidiary
- Franking credit rebate from Australian Taxation Office
- Other sundry debtors

	-	-	648	741
	319	563	319	563
	311	68	278	68
	3,678	3,786	3,938	4,019

### NON-CURRENT

### Amounts receivable from:

- Wholly-owned subsidiary

	-	-	1,436	1,486
	-	-	1,436	1,486

## Note 9 Inventories

### CURRENT

Materials & supplies	1,006	1,062	1,006	1,030
Manufactured equipment	-	42	-	42
	1,006	1,104	1,006	1,072

## Note 10 Joint Venture

### Interests in Joint Venture Entity

AWTA Ltd has a 50% interest in the joint venture entity, Jin Ao Testing Company Ltd, incorporated in People's Republic of China, which is involved in product testing. The voting power held by AWTA Ltd is 50%.

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

Share of joint venture entity's results and financial position:

Current Assets	177	209	177	209
Non-current Assets	3		3	
Total Assets	180	209	180	209
Current Liabilities	19		19	
Total Liabilities	19	-	19	-
Revenues	10		10	
Expenses	(52)		(52)	
Profit before income tax	(42)	-	(42)	-
Income tax expense	-		-	
Profit after income tax	(42)	-	(42)	-
Interests in joint venture entity	161	209	161	209
	161	209	161	209

## Note 11 Financial Assets

### NON CURRENT

Available for sale financial assets	26,240	35,239	26,240	35,239
Shares in controlled entity	-	-	1,255	1,435
	26,240	35,239	27,495	36,674

## Note 12 Controlled Entity

### Controlled Entity Consolidated

Subsidiary of Australian Wool Testing Authority Ltd:  
New Zealand Wool Testing Authority Ltd

Country of Incorporation	Percentage Owned (%)	
	2008	2007
New Zealand	100	100

## Note 13 Property, Plant and Equipment

	Consolidated Group		Parent Entity	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>LAND AND BUILDINGS</b>				
Freehold land at:				
independent valuation (30/06/2006)		14,700		14,700
independent valuation (30/06/2008)	21,068	-	21,068	-
at fair value	3,500	-	3,500	-
Total Land	24,568	14,700	24,568	14,700
Buildings at:				
directors' valuation (18/09/2006)	-	2,676	-	-
independent valuation (30/06/2006)		17,695		17,695
independent valuation (30/06/2008)	21,285	-	18,252	-
at fair value	1,500	-	1,500	-
Less accumulated depreciation	(9)	(750)	-	(708)
Total Buildings	22,776	19,621	19,752	16,987
Total Land and Buildings	47,344	34,321	44,320	31,687
<b>PLANT AND EQUIPMENT</b>				
Plant and equipment:				
At cost	47,066	45,587	42,768	40,385
Accumulated depreciation	(38,763)	(38,436)	(34,962)	(33,904)
Plant and equipment under construction	1,036	1,921	1,036	1,921
	9,339	9,072	8,842	8,402
Total plant and equipment	9,339	9,072	8,842	8,402
Total Property, Plant and Equipment	56,683	43,393	53,162	40,089

The group's land and buildings were revalued at 30 June 2008 by independent valuers. Valuations were made on the basis of current market value. The revaluation surplus was credited to an asset revaluation reserve.

### (a) Movements in Carrying Amounts

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

	Freehold Land \$000	Buildings \$000	Plant and Equipment \$000	Total \$000
<b>Consolidated Group:</b>				
Balance at 1 July 2006	14,700	17,695	7,394	39,789
Additions			3,833	3,833
Disposals			(460)	(460)
Additions through acquisition of entity		2,676	497	3,173
Depreciation expense		(750)	(2,192)	(2,942)
Balance at 30 June 2007	14,700	19,621	9,072	43,393
Additions	3,500	1,515	3,363	8,378
Foreign exchange translation on opening balance			(416)	(416)
Disposals			(168)	(168)
Revaluation increments / (decrements)	6,368	2,692	(515)	8,545
Depreciation expense		(769)	(2,280)	(3,049)
Balance at 30 June 2008	24,568	23,059	9,056	56,683
<b>Parent Entity:</b>				
Balance at 1 July 2006	14,700	17,695	7,394	39,789
Additions			3,445	3,445
Disposals			(439)	(439)
Depreciation expense		(708)	(1,998)	(2,706)
Balance at 30 June 2007	14,700	16,987	8,402	40,089
Additions	3,500	1,500	3,175	8,175
Disposals			(190)	(190)
Revaluation increments/(decrements)	6,368	1,973	(515)	7,826
Depreciation expense		(708)	(2,030)	(2,738)
Balance at 30 June 2008	24,568	19,752	8,842	53,162

(b) If land and buildings were stated at historical cost, amounts would be as follows:

	Consolidated Group		Parent Entity	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Cost	16,181	16,171	15,301	15,301
Accumulated depreciation	(8,682)	(8,044)	(8,497)	(7,885)
Net book value	7,499	8,127	6,804	7,416

#### Note 14 Intangible Assets

Goodwill				
Cost	118	118	-	-
Accumulated impaired losses	-	-	-	-
Net carrying value	118	118	-	-

	Goodwill \$000	Trademarks & Licences \$000	Development Costs \$000
Year ended 30 June 2007			
Balance at the beginning of year	-		
Acquisition through business combination	118		
	118	-	-
Year ended 30 June 2008			
Balance at the beginning of year	118		
Additions	-		
Closing value at 30 June 2008	118	-	-
Goodwill has an infinite life.			

#### Note 15 Other Assets

	Consolidated Group		Parent Entity	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
CURRENT				
Prepayments	1,129	1,016	997	927
	1,129	1,016	997	927

#### Note 16 Trade and Other Payables

CURRENT				
Unsecured liabilities				
Trade payables	907	1,217	768	763
Sundry payables and accrued expenses	1,434	1,047	1,044	946
Amount due under contract of sale	655	-	655	-
	2,996	2,264	2,467	1,709

#### Note 17 Tax

Liabilities				
CURRENT				
Income Tax	-	71	-	-
TOTAL	-	71	-	-

	Opening Balance \$000	Charged to Income \$000	Charged directly to Equity \$000	Changes in Tax Rate \$000	Exchange Differences \$000	Closing Balance \$000
NON-CURRENT						
Consolidated Group						
Deferred Tax Assets						
Provisions	113					113
Balance as at 30 June 2008	113	-	-	-	-	113

## Note 18 Provisions

Employee Entitlements  
Opening balance at 1 July 2007  
Additional provisions  
Amounts used  
Balance at 30 June 2008

Consolidated Group		Parent Entity	
2008	2007	2008	2007
\$000	\$000	\$000	\$000
6,984	6,050	6,641	6,050
3,400	3,950	3,279	3,607
(3,960)	(3,016)	(3,824)	(3,016)
6,424	6,984	6,096	6,641

Current	6,075	5,974	5,777	5,670
Non-current	349	1,010	319	971
	6,424	6,984	6,096	6,641

### Analysis of Total Provisions

### 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 has been included in Note 1 to this report.

## Note 19 Equity

AWTA Ltd is a company Limited by Guarantee and it does not have share capital. The liability of the 6 Members (2007 - 6 Members) is limited to \$50 each (2007 - \$50 each) in the event that AWTA Ltd is wound up.

## Note 20 Reserves

### (a) Asset Revaluation Reserve

The asset revaluation reserve records revaluations of non-current assets.

### (b) Capital Maintenance Reserve

The capital maintenance reserve represents the financial resources considered by Directors to be required to provide and maintain facilities to service clients' requirements for raw wool, textiles and other materials testing, and for computer services, from time-to-time. In determining this sum, Directors have taken the view that the Company should not borrow funds to finance its activities and on-going development.

The Board first considered the establishment of a Testing Reserve in 1984. Prior to that time, the Balance Sheet item for Proprietorship (or Equity) was simply allocated into a Revaluation Reserve (covering the Land, Buildings, Equipment etc acquired from the Australian Wool Corporation for \$1.00) and an Accumulated Profit figure. The principal concern of the Directors was that, as time progressed, the increasing Accumulated Profit figure would inevitably mislead some analysts into believing that the Company was accumulating excessive profits. The establishment of the Testing Reserve was to highlight the Company's essential financial structure.

In June 1984, Directors created the Testing Reserve by the transfer of the Revaluation Reserve and an appropriation from Accumulated Profit. The balance was then described as Unappropriated Profit and, in accordance with the Australian Accounting Standards, this is now described as Retained Profits.

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 the Accounting Standards, Directors subsequently changed the title to "Capital Maintenance Account", to emphasise its capital nature.

In determining the appropriate level for the Capital Maintenance Account, external advice has been taken and the following key points are considered. In particular, Directors note that:

- there is no "absolutely correct" level; it is a matter for commercial judgement, which must take into account the current performance objectives and the likely future expenditure on developing services;
- the Company has consistently adopted the strategy of generating required capital through profits;
- in addition to profits, provisions for non-cash expenditure (e.g. Depreciation, Employee Benefits and other Non-current Liabilities) add to the Company's positive cash flow and significantly increase the funds available for investment ;
- the most secure position for the Company is to maintain these provisions in a realisable form; and
- these factors, coupled with the use of accrual accounting, mean that AWTA Ltd will always have substantial funds invested, which will be expended at some time in the future, but not necessarily all at once.

Directors review the level of the Capital Maintenance Account as part of the annual Budget process.

### (c) Foreign Currency Translation

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

### (d) Financial Assets Reserve

The financial assets reserve records revaluation of financial assets.



## Note 21 Capital and Leasing Commitments

### (a) Operating Lease Commitments

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

Payable — minimum lease payments

- not later than 12 months
- between 12 months and 5 years
- greater than 5 years

Consolidated Group		Parent Entity	
2008	2007	2008	2007
\$000	\$000	\$000	\$000
130	104	33	14
203	116	27	30
203	58	-	-
536	278	60	44

The property leases of the parent entity, AWTa Ltd, are non-cancellable lease with 2, 3 and 4 year terms, with rent payable in advance. Contingent rental provisions within the lease agreements require the minimum lease payments for each year. Options exists to renew the leases at the end of the 2, 3 and 4 year terms for additional terms of 2, 3 and 4 years. The leases allow for subletting of all lease areas.

The property leases of the subsidiary, NZWTA Ltd, relate to leasehold land. NZWTA Ltd has right of perpetual renewal over seven 21 year leases. Ground rental is reviewed at the renewal date for each lease. Renewal dates on individual leases occur in 2010, 2011, 2017, 2018, 2022, 2023 and 2029.

NZWTA Ltd also has operating leases in place for motor vehicles and office equipment with terms between 3 and 4 years. Options exist to renew the leases at the end of their terms.

### (b) Capital Expenditure Commitments

Capital expenditure commitments contracted for Projects in Progress due not later than 12 months.

Consolidated Group		Parent Entity	
2008	2007	2008	2007
\$000	\$000	\$000	\$000
519	1,594	519	1,594
519	1,594	519	1,594

### (c) Operating Lease Income Receivables

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

Payable — minimum lease payments

- not later than 12 months
- between 12 months and 5 years

290	288	215	225
208	487	147	383
498	775	362	608

The property leases are non-cancellable lease with terms between 2 and 5 years, with rent receivable in advance. Contingent rental provisions within the lease agreements specify the lease amounts for each year. Options exists for lessees to renew the leases at the end of their terms for additional terms of between 2 and 5 years.

## Note 22 Contingent Liabilities

There are no Contingent Liabilities at balance date for the company. As at 30 June 2007 there was one contingent liability (2007 GBP33,000), which was in relation to a prior associate of the NZWTA, WTA Europe Ltd in respect of grant money received from the Welsh Development Authority.

## Note 23 Financial Reporting by Segments

The consolidated group operates predominantly in a single business and geographical segment, providing testing services to agricultural industries in Australia and New Zealand.

The consolidated group has adopted AASB8: Operating Segments from 1 July 2007.

## Note 24 Cash Flow Information

### (a) Reconciliation of Cash Flow from Operations with Profit/(Loss) after Income Tax

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
<b>Profit/(Loss) after income tax</b>	(976)	(1,483)	(1,092)	(1,087)
<b>Non-cash flows in profit/(loss)</b>				
Depreciation	3,049	2,942	2,738	2,706
Intercompany transactions	-	-	(189)	(154)
Foreign exchange (gain)/loss	88	(5)	457	(299)
Changes to provisions	(613)	685	(563)	577
Gain on purchase of business assets	(164)		(164)	
Net gain/(loss) on disposal of property, plant and equipment	(39)	(1)	(39)	7
Share of joint venture entity net (profit)/loss after income tax and dividends	42		42	
<b>Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries</b>				
(Increase)/decrease in trade and term receivables	(78)	(426)	(112)	(551)
(Increase)/decrease in other current assets	(70)	245	(70)	118
(Increase)/decrease in inventories	96	30	66	37
Increase/(decrease) in trade payables and accruals	909	403	875	144
<b>Cash flow from operations</b>	<b>2,244</b>	<b>2,390</b>	<b>1,949</b>	<b>1,498</b>

### (b) Acquisition of Entities

During 2007/08 the business assets of Agrifood Technology were acquired.

Details of these transactions are:

Purchase consideration	5,222	2,068	5,222	2,068
Cash consideration	4,522	2,068	4,522	2,068
Amounts due under contract of sale	700		700	
Cash outflow	<b>5,222</b>	<b>2,068</b>	<b>5,222</b>	<b>2,068</b>
<b>Assets and liabilities held at acquisition date:</b>				
Receivables		599		599
Prepayments		204		204
Inventories		24		24
Property, plant and equipment	5,866	3,000	5,866	3,000
Payables	(480)	(1,877)	(480)	(1,877)
	<b>5,386</b>	<b>1,950</b>	<b>5,386</b>	<b>1,950</b>
Goodwill on consolidation		118		118
Gain on business combination	(164)		(164)	
	<b>5,222</b>	<b>2,068</b>	<b>5,222</b>	<b>2,068</b>

## Note 25 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.

Aggregate amount of services provided to:

- subsidiary
- organisations associated with Key Management Personnel

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
- subsidiary	-	-	181	116
- organisations associated with Key Management Personnel	800	1,366	800	1,366
	<b>800</b>	<b>1,366</b>	<b>981</b>	<b>1,482</b>

## Note 26 Financial Risk Management

### Financial Risk Management Policies

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.

### Financial Risk Exposures and Management

The main risks the group is exposed to through its financial instruments are foreign currency risk, liquidity risk and credit risk.

#### Foreign currency 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. Refer to Note 26(d)(ii) for further details.

#### Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that short term cash facilities are maintained.

#### Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Credit risk is managed on a group basis and reviewed regularly by the finance committee. It arises from exposures to customers as well as through deposits with financial institutions.

The finance committee monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- only banks and financial institutions with an 'A' rating are utilised;
- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing;
- customers that do not meet the group's strict credit policies may only purchase in cash or using recognised credit cards.

The Group only invests in listed available-for-sale financial assets within the S&P ASX300. These are reviewed regularly by the Group to ensure that credit exposure is minimised.

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

### Financial Instruments

#### (a) 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 the forward exchange contracts is to protect the consolidated group against unfavourable exchange rate movements for both the contracted and anticipated future sales and purchases undertaken in foreign currencies.

At balance date, there were no outstanding forward exchange contracts.

#### (b) Interest rate risk

The consolidated group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates in classes of financial assets and financial liabilities is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Non-interest Bearing		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
<b>Consolidated Group</b>								
Financial Assets:								
Cash and cash equivalents	6.54	6.29	1,362	4,589	708	339	2,070	4,928
Receivables					3,678	3,786	3,678	3,786
Investments					26,240	35,239	26,240	35,239
Total Financial Assets			1,362	4,589	30,626	39,364	31,988	43,953
Financial Liabilities:								
Trade and sundry payables					2,996	2,264	2,996	2,264
Total Financial Liabilities			-	-	2,996	2,264	2,996	2,264
<b>Parent Entity</b>								
Financial Assets:								
Cash and cash equivalents	6.54	6.29	1,362	4,588	400	-	1,762	4,588
Receivables					5,374	5,505	5,374	5,505
Investments					26,240	35,239	26,240	35,239
Total Financial Assets			1,362	4,588	32,014	40,744	33,376	45,332
Financial Liabilities:								
Trade and sundry payables					2,467	1,709	2,467	1,709
Total Financial Liabilities			-	-	2,467	1,709	2,467	1,709

### (c) Net Fair Values

The net fair values of:

- Receivables are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.
- Listed investments have been valued at the quoted market bid price at balance date.
- Other assets and other liabilities approximate their carrying value.

### (d) Sensitivity analysis

#### Interest Rate Risk and Foreign Currency Risk

The group has performed sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

##### (i) Interest Rate Sensitivity Analysis

As at 30 June 2008, the effect on current year results and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated Group		Parent Entity	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Change in profit				
– Increase in interest rate by 0.5%	41	32	58	64
– Decrease in interest rate by 0.5%	(41)	(32)	(58)	(64)
Change in equity				
– Increase in interest rate by 0.5%	41	32	58	64
– Decrease in interest rate by 0.5%	(41)	(32)	(58)	(64)

##### (ii) Foreign Currency Risk and Sensitivity Analysis

As at 30 June 2008, the effect on current year results and equity as a result of changes in the value of the Australian Dollar to the New Zealand Dollar, with all other variables remaining constant is as follows:

	Consolidated Group		Parent Entity	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Change in profit				
– Improvement in AUD to NZD by 8%	5	1	37	24
– Decline in AUD to NZD by 8%	(5)	(1)	(37)	(24)
Change in equity				
– Improvement in AUD to NZD by 8%	5	1	37	24
– Decline in AUD to NZD by 8%	(5)	(1)	(37)	(24)

## Note 27 Change In Accounting Policy

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. AASB 8 has been adopted in preparation of the financial statements at reporting date.

AASB Amendment	Standards Affected	Outline of Amendment	Application date of the standard	Application date for Group
AASB 2007-3 Amendments to Australian Accounting Standards	AASB 102: Inventories AASB 107: Cash Flow Statements AASB 119: Employee Benefits AASB 127: Consolidated and Separate Financial Statements AASB 136: Impairment of Assets	There is not expected to be any impact on amounts included in the financial report as a result of the changes in Australian Accounting Standards.	1 Jan 2009	1 Jan 2009
AASB 2007-6 Amendments to Australian Accounting Standards	AASB 1: First time adoption of AIFRS AASB 101: Presentation of Financial Statements AASB 107: Cash Flow Statements AASB 116: Property, Plant and Equipment AASB 138: Intangible Assets	There is not expected to be any impact on amounts included in the financial report as a result of the changes in Australian Accounting Standard	1 Jan 2009	1 Jan 2009
AASB 2007-8 Amendments to Australian Accounting Standards	AASB 101: Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity.	1 Jan 2009	1 Jan 2009
AASB 2008-2 Amendments to Australian Accounting Standards	AASB 7: Financial Instruments AASB 101: Presentation of Financial Statements	There is not expected to be any impact on amounts included in the financial report as a result of the changes in Australian Accounting Standards.	1 Jan 2009	1 Jan 2009
AASB 2008-3 Amendments to Australian Accounting Standards	AASB 7: Financial Instruments AASB 101: Presentation of Financial Statements AASB 107: Cash Flow Statements AASB 114: Segment Reporting AASB 116: Property, Plant and Equipment AASB 121: Changes in Foreign Exchange Rates AASB 131: Interests in Joint Ventures AASB 138: Intangible Assets	There is not expected to be any impact on amounts included in the financial report as a result of the changes in Australian Accounting Standards.	1 Jan 2009	1 Jan 2009
AASB 8 Operating Segments	AASB 114: Segment Reporting	This standard requires segment reporting only for entities that have issued debt or equity instruments on a public market.	1 Jan 2009	1 Jan 2007





#### Note 28 Company Details

The registered office of the company is:

Australian Wool Testing Authority Ltd  
70 Robertson Street  
Kensington Vic 3031

The principal places of business are:

Australian Wool Testing Authority Ltd  
70 Robertson Street  
Kensington Vic 3031

Melbourne Raw Wool Laboratory  
24 - 26 Robertson Street  
Kensington Vic 3031

Sydney Raw Wool Laboratory  
71 - 91 Byron Road  
Guildford NSW 2161

Fremantle Raw Wool Laboratory  
38 Clark Court  
Bibra Lake WA 6163

AWTA Product Testing Laboratory  
191 Racecourse Road  
Flemington Vic 3031

Agrifood Technology Laboratory  
260 Princes Highway  
Werribee Vic 3030

NZWTA Ltd Laboratory  
Cnr Bridge and Lever Streets  
Napier New Zealand



## DIRECTORS' DECLARATION

# AUSTRALIAN WOOL TESTING AUTHORITY LTD

ABN: 43 006 014 106

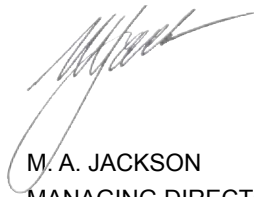
The directors of the company declare that:

1. The financial statements and notes, as set out on pages 33 to 50, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the company and consolidated group;
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



D. G. McGAUCHIE AO  
CHAIRMAN



M. A. JACKSON  
MANAGING DIRECTOR

Dated this 1st day of September 2008

## INDEPENDENT AUDIT REPORT

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

#### *Report on the Financial Report*

We have audited the accompanying financial report of Australian Wool Testing Authority Ltd (the company) and Australian Wool Testing Authority Ltd and its controlled entity (the consolidated entity), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entity it controlled at the year's end or from time to time during the financial year.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

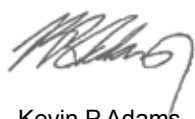
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.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

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

#### *Auditor's Opinion*

In our opinion:

- a. the financial report of Australian Wool Testing Authority Ltd and its Controlled Entity is in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1; and
- c. the remuneration disclosures that are contained in the directors' report comply with Accounting Standard AASB 124.



Kevin P Adams  
Director  
MDHC Audit Assurance Pty Ltd

Melbourne  
1 September 2008



#### **Editor & Design**

Tim Steere  
AWTA Ltd  
[tim.steere@awta.com.au](mailto:tim.steere@awta.com.au)

#### **Cover Design & Printing:**

Direct Print Mail & Graphics  
22 Wild Duck Way,  
Beaconsfield Vic 3807  
Tel: 03 9769 8140  
[www.directprint.com.au](http://www.directprint.com.au)