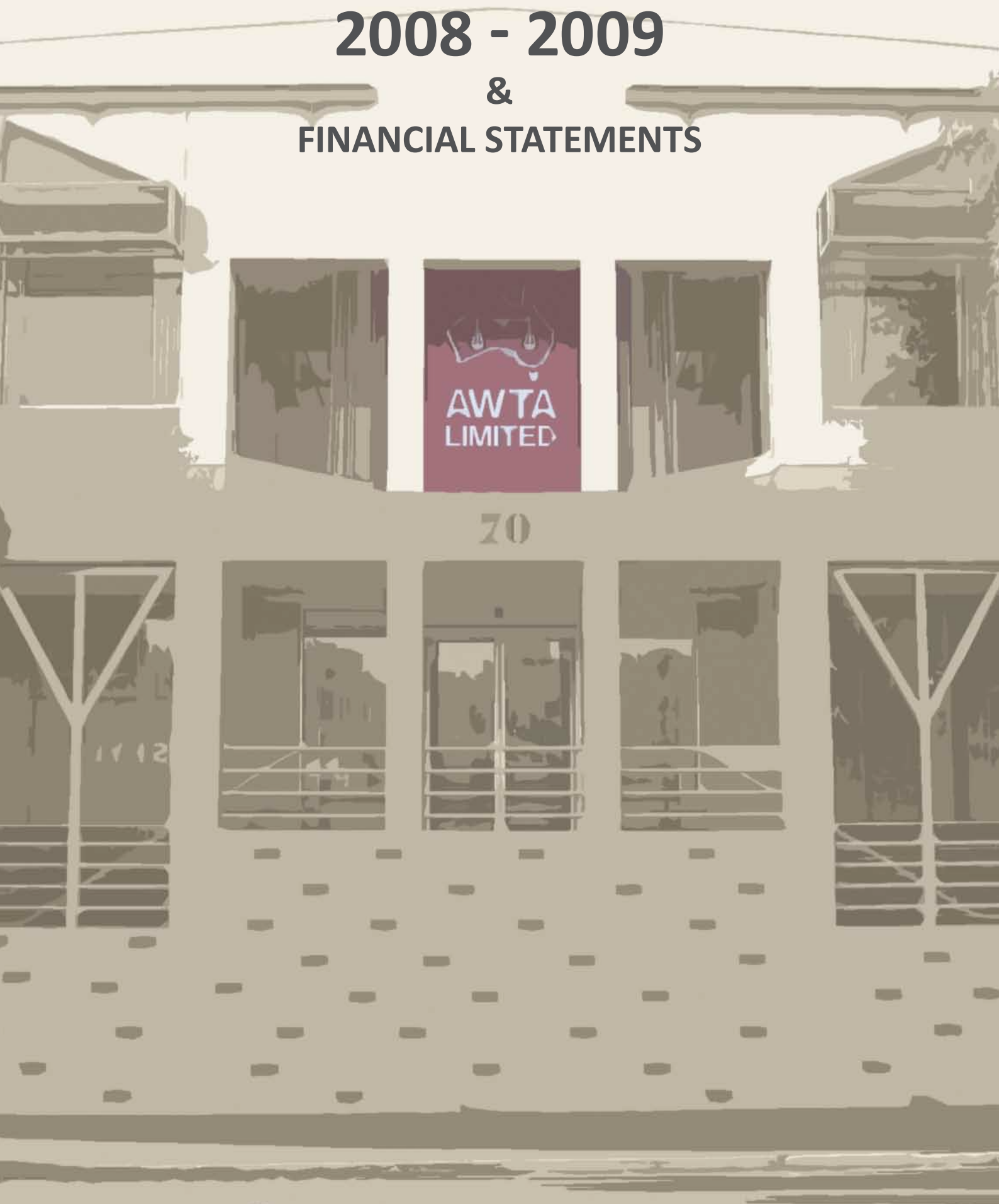


DIRECTORS' REPORT

2008 - 2009

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FINANCIAL STATEMENTS



DIRECTORS' REPORT

Your directors present their report, together with the financial statements of the group, being the company and its controlled entity, for the financial year ended 30 June 2009.

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

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

There were no significant changes in the nature of the consolidated group's principal activities during the financial year.

OPERATING RESULTS AND REVIEW OF OPERATIONS FOR THE YEAR

OPERATING RESULTS

The net loss of the consolidated group for the year was \$8.722 million (2008 \$0.976 million).

The result for the group was significantly impacted by:

- unrealised impairment charges on available-for-sale financial assets of \$3.568 million.
- realised losses on the sale of available-for-sale financial assets of \$2.241 million.
- costs associated with the closure of the Sydney laboratory of \$1.597 million.

REVIEW OF OPERATIONS

Over the last 51 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. During 2008/09 wool production fell by a further 10% and the company determined that it was no longer viable to operate three wool testing laboratories in Australia and closed the Sydney laboratory.

At the same time as reducing overheads and costs in its Raw Wool operations, AWTA Ltd has adopted a policy of expansion by diversifying into related testing markets. In recent years, this policy has been implemented through the purchase of New Zealand Wool Testing Authority Ltd (NZWTA Ltd) and Agrifood Technology. In addition, there has been an ongoing expansion of the testing capabilities of the Product Testing Division in Australia, combined with the establishment of JinAo Testing Co Ltd, a joint venture testing operation in China.

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 and the low relative profitability of wool growing continued to negatively impact wool production in Australia and consequently, AWTA Raw Wool revenue during 2008/09. The outlook for 2009/10 remains negative, with the AWI Wool Production Forecasting Committee predicting a further 8% fall in wool production.

The number of core tests conducted by AWTA Raw Wool fell by 9.7% from last year. This reduction was slightly higher than the fall in the number of bales sampled as the lot size increased by 0.03 bales per lot. Total revenue from core testing decreased by 9.5% from last year. Staple length and strength testing activity decreased by 10.8% from the previous year due to the reduced number of core tests conducted and a slight fall in the proportion of core tests additionally measured for length and strength.

AWTA Raw Wool has always been clearly focused on cost control by increasing productivity. During 2008/09, variable raw wool laboratory productivity increased by 4.0%.

As mentioned, the Sydney Raw Wool laboratory closed at the end of 2008/09 and samples are now being allocated to the Melbourne or Fremantle laboratories. This will significantly reduce operating expenditure during 2009/10. An increase of 3.5% in testing fees was introduced for the year 2009/10 and this is expected to partially offset anticipated future workload declines.

AWTA Product Testing

The Product Testing division was negatively impacted by the general economic downturn. Revenue decreased by almost 15% as the downturn influenced testing activity, particularly in the automotive and retail sectors. In this environment, cost control initiatives were implemented and expenditure was reduced by 9% from last year. As a consequence operating contribution from the Product Testing Division remained positive.

JinAo Testing Co Ltd grew its revenue base significantly during the second half of 2008/09. However, growth has been slower than anticipated due to the difficult financial environment and the joint venture remains in the establishment phase. JinAo remains well placed to assist Australian Wool Innovation to develop systems to validate the fibre content and performance criteria of products made from Australian wool, providing a foundation for the relaunch of the Woolmark marketing program.

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 by an estimated 9%. In addition, the volume of wool scoured in New Zealand was estimated to have fallen by over 20% during 2008/09 reducing the testing activity of exporters. In this environment, the total number of tests conducted by NZWTA has also fallen. However, significant cost savings were achieved as a result of changes to the operational structure that were implemented in the first half of 2008/09. This has enabled NZWTA Ltd to improve its financial result over last year.

Agrifood Technology

AWTA Ltd purchased this business from AWB Ltd on 1 February 2008 and 2008/09 is the first full year that Agrifood Technology has operated under AWTA Ltd ownership. Agrifood Technology has now successfully established its independence within the recently deregulated wheat industry, gaining business from a broad range of bulk handling and export focused companies. Revenue from non-grain, food safety testing has increased over recent years and has continued to grow since acquisition.

During 2008/09, Agrifood Technology has achieved a positive operating contribution.

Non Operating Income

Overall group revenue from sources other than testing services decreased by 24.3% to \$3.999 million (2008 \$5.284 million) with income from investments impacted by the continued deterioration in financial markets.

Unrealised Impairment Charges

In accordance with AASB 139 Financial Instruments: Recognition and Measurement, an impairment charge on available-for-sale investments of \$3.568 million has been taken up in the financial statements.

The standard requires recognition of impairment in the income statement based on a number of factors including the market price of listed investments. Specifically the standard states that either a significant or prolonged decline in the market share price relative to the cost price is objective evidence of impairment.

Whilst the standard does not prescribe a definition of "significant" or "prolonged", the company has considered that an impairment trigger exists if an investment has been declining below its accounting cost for a minimum of 15 months or if the market value of the investment is more than 35% below its accounting cost.

Financial Position

The net assets of the consolidated group have decreased by \$15.0 million from 30 June 2008 to \$66.760 million at the end of the financial year. In addition to the consolidated net loss of the group for the year, land and buildings were revalued, resulting in a decrease in net asset value of \$7.370 million. The revaluation was undertaken due to the significant decline in property values since an independent valuation was last conducted at 30 June 2008.

After Balance Date Events

In the opinion of the directors, there are no 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 consolidated group's operations are subject to significant environmental regulations under the laws of the Commonwealth and State. Details of the consolidated group's performance in relation to environmental regulations follow.

- i) 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 Waste Water Agreement.

The current Agreement places limits on pH and temperature, as well as the mass and concentrations of Grease, Suspended Solids, Biological Oxygen Demand ("BOD") and Total Dissolved Solids 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 of BOD and temperature. These limits were marginally exceeded on six and one occasions respectively. These were not considered as formal breaches by Sydney Water Corporation and no Default Notices were issued against AWTA Ltd.

- ii) AWTA Ltd's Kensington, Victoria, site is obligated to ensure that its waste water generated by the wool testing operations complies with the agreed requirements of City West Water Ltd's Trade Waste Agreement.

During the reporting period a Trade Waste sample exceeded the Agreement's Sulphide levels on two occasions, in October 2008 and April 2009. However, follow-up tests showed that the system was within the limits of the Agreement, and the original results were not treated as non-compliances. No further corrective action was required by City West Water.

- iii) AWTA Ltd's Bibra Lake, Western Australia, site discharges 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, with the exception of pH which was exceeded on one occasion. Although the stipulated pH limit was exceeded, this was done with the prior approval of the Water Corporation. AWTA Ltd uses CO₂ to lower the pH of the waste water and for several months CO₂ could not be supplied to the site following a major gas explosion in WA. As soon as supplies of CO₂ were resumed, the pH level of the waste water was lowered to be within Water Corporation limits.

- iv) AWTA Ltd's Agrifood Technology division located at Werribee, Victoria, is required to ensure that its waste water generated through its testing activities complies with the requirements of City West Water's Trade Waste Agreement.

During the reporting period, all laboratory effluent discharged to sewer complied with the stipulated limits of the Agreement.

- v) NZWTA Ltd's Napier, New Zealand, site continues to discharge laboratory waste to sewer pursuant to Trade Waste By-law (2008) of the Napier City Council.

During the reporting period, all laboratory waste discharged to sewer complied with the by-law's stipulated limits.

INFORMATION ON THE DIRECTORS

Mr D.G. McGauchie AO

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



Mr G.W. Dickinson

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



Mr M.A. Jackson

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



Mr M.D. Avery

- Appointed as the nominee director for Australian Council of Wool Exporters Inc on 22 November 2007
- President of Australian Council of Wool Exporters Inc
- Member of Audit & Finance Committee



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



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
- Member of Remuneration & Appointments Committee
- Director of Fox & Lillie Pty Ltd, Fox & Lillie (Australia) Pty Ltd, Lempriere Fox & Lillie Pty Ltd and Grampians Wool Industries Pty Ltd



Mr L.S. Mitchell

- Appointed as the nominee director for the Wool Scourers and Carbonisers of Australia Group of Australian Wool Processors Council Inc on 21 October 2005
- Chairman of Environment & Safety Committee, Member of Audit & Finance Committee
- Vice President of Australian Council of Wool Exporters and Processors Inc
- Managing Director of Jandakot Wool Washing Pty Ltd and Abrasiflex Pty Ltd
- Director of IWD Group Pty Ltd, IWD Pty Ltd, Goulburn Wool Scour Pty Ltd, GWS Processing Pty Ltd, CIL Group Pty Ltd, Jandakot Wool Scouring Company Pty Ltd, and Elementex Pty Ltd



Mr G.W. Turner

- Appointed as the nominee director for PrivateTreaty Wool Merchants of Australia Inc on 17 October 2008
- Chairman of Australian Wool Industries Secretariat
- Managing Director of Reeashbro Pty Ltd and Trustee of Reeashbro Trust



Mr D.A.A. Webster

- Appointed as the nominee director for Australian Wool Innovation Ltd on 25 November 2008
- Director of Australian Wool Innovation Ltd
- Director of Pabula Pty Ltd, Nova Downs Pty Ltd and Organics for Rural Australia



Mr C.J. Wilcox

- Appointed as the nominee director for the National Council of Wool Selling Brokers of Australia Inc on 15 February 2008
- Member of Environment & Safety Committee
- Executive Director of National Council of Wool Selling Brokers of Australia Inc
- Principal of Poimena Analysis and Trustee of Poimena Trust



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

- Mr N. F. Armstrong (21 October 2005 to 17 October 2008)
- Mr B. P. van Rooyen (8 November 1996 to 25 November 2008)

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 worked for AWTA Ltd for the past 25 years, performing legal and compliance roles. Mr Englander was appointed Company Secretary on 1 July 2002.

MEETINGS OF DIRECTORS

During the financial year, 6 meetings of directors and 9 committee meetings (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit & Finance Committee		Remunerations & Appointments Committee		Environment & Safety Committee	
	Number eligible	Number attended	Number eligible	Number attended	Number eligible	Number attended	Number eligible	Number attended
D.G. McGauchie AO	6	6			2	2		
G.W. Dickinson	6	6	4	4	2	2		
M.A. Jackson	6	6					3	3
N.F. Armstrong	2	2					1	1
M.D. Avery	6	6	4	4				
D.R. Hamblin	6	6						
J.H. Lillie	6	5			2	1		
L.S. Mitchell	6	6	4	4			3	3
G.W. Turner	4	3						
B.P. van Rooyen	2	2						
D.A.A. Webster	4	4						
C.J. Wilcox	6	6					1	1

INDEMNIFYING OFFICERS OR AUDITOR

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. The premium paid amounted to \$11,185 (2007/08 \$11,655).

PROCEEDINGS ON BEHALF OF COMPANY

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

The Company 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 2009 has been received and is appended to this report.

ASIC CLASS ORDER 98/100 ROUNDING OF AMOUNTS

The company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the Financial Statements and Directors' Report have been rounded to the nearest thousand dollars.

This Report of the Directors is signed in accordance with a resolution of the Board of Directors and dated 31 August 2009 at Melbourne.

D. G. McGAUCHIE AO
CHAIRMAN

M. A. JACKSON
MANAGING DIRECTOR

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

To the directors of Australian Wool Testing Authority Ltd and Controlled Entity

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2009 there have been:

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

Kevin P Adams, Director
MDHC Audit Assurance Pty Ltd
Hawthorn
31 August 2009

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		\$000	\$000	\$000	\$000
Revenue	2	33,622	36,212	30,551	32,632
Other income	2	2,440	2,673	1,945	2,459
Employee benefits expense		(24,021)	(25,290)	(22,204)	(23,116)
Repairs & maintenance expense		(2,424)	(2,735)	(2,308)	(2,599)
Energy & utilities expense		(1,485)	(1,635)	(1,321)	(1,443)
Travel expense		(745)	(713)	(615)	(609)
Software expense		(378)	(481)	(378)	(481)
Materials & supplies expense		(883)	(746)	(786)	(656)
Freight expense		(693)	(777)	(595)	(679)
Printing & stationery expense		(337)	(453)	(317)	(425)
Depreciation & amortisation expense		(2,568)	(3,049)	(2,391)	(2,738)
Other expenses		(3,703)	(3,794)	(3,044)	(3,263)
Finance costs		(8)	(16)	-	-
Share of losses of joint ventures		(23)	(42)	(23)	(42)
Impairment charge on available-for-sale financial assets		(3,568)	-	(3,568)	-
Realised losses on sale of investments		(2,241)	(132)	(2,241)	(132)
Impairment charge on goodwill		(118)	-	-	-
Costs associated with the closure of Sydney laboratory		(1,597)	-	(1,597)	-
Profit/(loss) before income tax	3	(8,730)	(978)	(8,892)	(1092)
Income tax expense	4	8	2	-	-
Profit/(loss) attributable to members of the parent entity		(8,722)	(976)	(8,892)	(1092)

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 30 JUNE 2009

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		\$000	\$000	\$000	\$000
CURRENT ASSETS					
Cash and cash equivalents	7	1,363	2,070	1,312	1,762
Trade and other receivables	8	2,719	3,678	3,019	3,938
Inventories	9	1,211	1,006	1,211	1,006
Other current assets	16	1,041	1,129	967	997
TOTAL CURRENT ASSETS		6,334	7,883	6,509	7,703
NON-CURRENT ASSETS					
Trade and other receivables	8	-	-	1,339	1,436
Investments accounted for using the equity method	10	138	161	138	161
Financial assets	12	20,233	26,240	21,507	27,495
Property, plant and equipment	14	48,099	56,683	44,892	53,162
Deferred tax assets	18	113	113	-	-
Intangible assets	15	-	118	-	-
TOTAL NON-CURRENT ASSETS		68,583	83,315	67,876	82,254
TOTAL ASSETS		74,917	91,198	74,385	89,957
CURRENT LIABILITIES					
Trade and other payables	17	2,280	2,996	1,937	2,467
Short-term provisions	19	5,582	6,075	5,393	5,777
TOTAL CURRENT LIABILITIES		7,862	9,071	7,330	8,244
NON-CURRENT LIABILITIES					
Other long-term provisions	19	295	349	295	319
TOTAL NON-CURRENT LIABILITIES		295	349	295	319
TOTAL LIABILITIES		8,157	9,420	7,625	8,563
NET ASSETS		66,760	81,778	66,760	81,394
EQUITY					
Reserves	21	68,222	74,518	68,225	73,967
Retained earnings		(1,462)	7,260	(1,465)	7,427
TOTAL EQUITY		66,760	81,778	66,760	81,394

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

Consolidated Group	Retained Earnings \$000	Asset Revaluation Reserve \$000	Capital Maintenance Reserve \$000	Foreign Currency Translation Reserve \$000	Financial Assets Reserve \$000	Total \$000
Balance at 1 July 2007	8,236	19,106	50,000	156	3,089	80,587
Revaluation increment/(decrement)		8,545			(6,054)	2,491
Adjustments from translation of foreign controlled entity				(324)		(324)
Profit/(loss) for the year	(976)					(976)
Balance at 30 June 2008	7,260	27,651	50,000	(168)	(2,965)	81,778
Revaluation increment/(decrement)		(7,439)			(2,068)	(9,507)
Impairment charge on investments transferred to income statement					3,568	3,568
Adjustments from translation of foreign controlled entity				(357)		(357)
Profit/(loss) for the year	(8,722)					(8,722)
Balance at 30 June 2009	(1,462)	20,212	50,000	(525)	(1,465)	66,760

Parent Entity

Balance at 1 July 2007	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)
Balance at 30 June 2008	7,427	26,932	50,000		(2,965)	81,394
Revaluation increment/(decrement)		(7,242)			(2,068)	(9,310)
Impairment charge on investments transferred to income statement					3,568	3,568
Profit/(loss) for the year	(8,892)					(8,892)
Balance at 30 June 2009	(1,465)	19,690	50,000		(1,465)	66,760

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated Group		Parent Entity	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		34,186	36,169	30,776	32,229
Payments to suppliers and employees		(37,047)	(35,992)	(33,605)	(32,453)
Dividends received		1,038	1,540	1,038	1,540
Interest received		554	763	548	761
Other income received		408	(128)	371	(128)
Finance costs		(7)	(12)	-	-
Income tax paid		-	(96)	-	-
Net cash provided by (used in) operating activities	25	(868)	2,244	(872)	1,949
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		309	224	309	224
Proceeds from investment activities		1,858	3,040	1,858	3,170
Purchase of property, plant and equipment		(1,761)	(8,319)	(1,745)	(8,169)
Repayment of advance from subsidiary		(242)	-	-	-
Net cash provided by (used in) investing activities		164	(5,055)	422	(4,775)
Net increase/(decrease) in cash held		(704)	(2,811)	(450)	(2,826)
Cash and cash equivalents at beginning of financial year		2,070	4,928	1,762	4,588
Effect of exchange rates on cash holdings in foreign currencies		(3)	(47)	-	-
Cash and cash equivalents at end of financial year	7	1,363	2,070	1,312	1,762

The accompanying notes form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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) (the 'consolidated group' or the '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.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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. 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 and 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 13 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 its 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 the subsidiary 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, equity issued 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 and impairment losses.

Property

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

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

Class of Fixed Asset	Depreciation Rate
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

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets this is the trade date.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

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.

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

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

Fair Value

Fair value is determined based on current bid prices for all quoted investments.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Based on an interpretation of AASB 139 – Financial Instruments: Recognition and Measurement, the group has considered that an impairment trigger exists if an investment has been declining below its accounting cost for a minimum of 15 months or if the market value of the investment is more than 35% below its accounting cost.

Derecognition

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

(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 asset's carrying value. Any excess of the asset's 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 Venture

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 at Note 11.

The consolidated group's interest in the joint venture entity is brought to account using the equity method of accounting in the consolidated financial statements.

(i) Intangibles

Goodwill

Goodwill on consolidation is 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 acquisition of the subsidiary is included in intangible assets. Goodwill is tested annually for impairment and is carried at cost less any accumulated impairment losses.

(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 group's 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) Provisions

Provisions are recognised when the group 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.

(m) 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.

(n) Revenue and Other Income

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

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

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

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

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

(o) 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 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.

(p) Comparative Figures

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

(q) 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.

(r) 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, obtained both externally and within the group.

Key Estimates

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

(s) Change in Accounting Policy

The consolidated group changed its accounting policy relating to depreciation rates of plant and equipment to better reflect the utilisation of these assets.

The aggregate effect of the change in accounting policy on the annual financial statements for the year ended 30 June 2009 is a reduction in depreciation expenses and a subsequent improvement in operational result by approximately \$550,000. This will have a similar impact on future depreciation charges.

(t) New Accounting Standards for Application in Future Periods

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the group follows:

- AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1,2,4,5,7,101,107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the group will be unable to be determined. The following changes to accounting requirements are included:
 - acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
 - contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
 - a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
 - there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the group's policy);
 - dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
 - impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and
 - where there is, in substance, no change to group interests, parent entities inserted above existing groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

The group will need to determine whether to maintain its present accounting policy of calculating goodwill acquired based on the parent entity's share of net assets acquired or change its policy so goodwill recognised also reflects that of the non-controlling interest.

- AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

The group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the group's financial statements.

The financial report was authorised for issue on 21 August 2009 by the Board of Directors.

NOTE 2 REVENUE AND OTHER INCOME

	Consolidated Group		Parent Entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Revenue				
Sales Revenue				
— Sales revenue from services	32,063	33,601	28,982	29,987
Total Sales Revenue	32,063	33,601	28,982	29,987
Other Revenue				
— Interest from subsidiary	-	-	16	36
Revenue from investments				
— Dividend revenue from other corporations	1,038	1,857	1,038	1,857
— Interest from unrelated persons	521	754	515	752
Total Other Revenue	1,559	2,611	1,569	2,645
Total Revenue	33,622	36,212	30,551	32,632
Other Income				
— Gain on disposal of property, plant and equipment	32	43	32	40
— Gain on disposal of surplus sample material	697	1,082	597	996
— Rent income	362	372	272	269
— Gain on business combination	-	164	-	164
— Other income	1,349	1,012	1,044	990
Total Other Income	2,440	2,673	1,945	2,459

NOTE 3 PROFIT/(LOSS) FOR THE YEAR

	Consolidated Group		Parent Entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Expenses				
Finance costs:				
— External	8	16	-	-
Impairment of available-for-sale financial assets	3,568	-	3,568	-
Impairment of goodwill	118	-	-	-
Foreign currency translation losses	6	68	6	457
Bad and doubtful debts:				
— Trade receivables	13	-	13	-
Rental expense on operating leases				
— Minimum lease payments	157	157	21	32
Realised losses on disposal of investments	2,241	132	2,241	132
Costs associated with the closure of the Sydney laboratory	1,597	-	1,597	-

NOTE 4 INCOME TAX EXPENSE

	Consolidated Group		Parent Entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
a. The components of tax expense comprise:				
Current tax	-	8	-	-
Recoupment of prior year tax losses	(8)	(10)	-	-
	(8)	(2)	-	-
b. The prima facie tax on profit/(loss) 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 33% (2008: 33%)				
— Consolidated group	(23)	(84)	-	-
Add:				
Tax effect of:				
— Non-deductible depreciation and amortisation	8	28	-	-
— Other non-allowable items	(62)	45	-	-
	(77)	(11)	-	-
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	(8)	(10)	-	-
Losses not subject to income tax	77	-	-	-
Income tax attributable to entity	(8)	(2)	-	-

NOTE 5 KEY MANAGEMENT PERSONNEL COMPENSATION

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 (resigned 17 October 2008)
Mr I.A. Ashman	General Manager Raw Wool
Mr M.D. Avery	Director – Non executive
Dr G.R. Beilharz	General Manager Laboratory Operations (resigned 4 July 2008)
Mr D.R. Hamblin	Director – Non executive
Mr J.H. Lillie	Director – Non executive
Mr L.S. Mitchell	Director – Non executive
Mr G.W. Turner	Director – Non executive
Mr. B.P. van Rooyen	Director – Non executive (resigned 25 November 2008)
Mr. P.W. Walsh	Chief Financial Officer
Mr D.A.A. Webster	Director – Non executive
Mr C.J. Wilcox	Director – Non executive

The totals of remuneration paid to Key Management Personnel of the company and the group during the year are as follows:

	2009 \$000	2008 \$000
Salary and fees	1,758	1,186
Superannuation	137	200
Non-cash benefits	165	202
	2,060	1,588

Remuneration of Directors

Amounts paid or payable to Directors or former Directors of AWTA Ltd

Directors remuneration falls within the following bands:

	2009 \$000	2008 \$000
	893	852
No.	No.	
\$ - to \$9,999		1
\$10,000 to \$19,999	1	4
\$20,000 to \$29,999	4	2
\$30,000 to \$39,999	4	4
\$60,000 to \$69,999	1	1
\$110,000 to \$119,999		1
\$120,000 to \$129,999	1	
\$430,000 to \$439,999		1
\$450,000 to \$459,999	1	

NOTE 6 AUDITORS' REMUNERATION

	Consolidated Group		Parent Entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Remuneration of the auditor of the parent entity for:				
— Auditing the financial report	152	138	152	138
Remuneration of other auditors of subsidiary for:				
— Auditing the financial report of the subsidiary	8	10	-	-
— Taxation services	2	3	-	-

NOTE 7 CASH AND CASH EQUIVALENTS

	Consolidated Group		Parent Entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Cash at bank and in hand	523	708	472	400
Short-term bank deposits	840	1,362	840	1,362
	1,363	2,070	1,312	1,762
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	1,363	2,070	1,312	1,762
	1,363	2,070	1,312	1,762

NOTE 8 TRADE AND OTHER RECEIVABLES

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
CURRENT				
Trade receivables	2,359	3,066	2,044	2,711
Provision for impairment	(27)	(18)	(27)	(18)
	2,332	3,048	2,017	2,693
Amounts receivable from:				
— Wholly-owned subsidiary	-	-	657	648
— Franking credit rebate from Australian Taxation Office	257	319	257	319
— Other sundry debtors	130	311	88	278
Total current trade and other receivables	2,719	3,678	3,019	3,938
NON-CURRENT				
Term receivables	-	-	1,339	1,436
Amounts receivable from:				
— Wholly-owned subsidiary	-	-	1,339	1,436

NOTE 9 INVENTORIES

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
CURRENT				
Materials & supplies	1,211	1,006	1,211	1,006
	1,211	1,006	1,211	1,006

NOTE 10 INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		\$000	\$000	\$000	\$000
Interest in joint venture entity	11	138	161	138	161
		138	161	138	161

NOTE 11 JOINT VENTURE

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

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Share of joint venture entity's results and financial position:				
Current Assets	190	177	190	177
Non-current Assets	3	3	3	3
Total Assets	193	180	193	180
Current Liabilities	56	19	56	19
Total Liabilities	56	19	56	19
Revenues	47	10	47	10
Expenses	(70)	(52)	(70)	(52)
Profit/(loss) before income tax	(23)	(42)	(23)	(42)
Income tax expense	-	-	-	-
Profit/(loss) after income tax	(23)	(42)	(23)	(42)

NOTE 12 FINANCIAL ASSETS

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
NON CURRENT				
Available-for-sale financial assets	20,233	26,240	20,233	26,240
Other financial assets	-	-	1,274	1,255
Total Non-current Assets	20,233	26,240	21,507	27,495
Available-for-sale financial assets comprise:				
Listed investments, at fair value	20,233	26,240	20,233	26,240
Other investments comprise:				
Shares in controlled entity	-	-	1,274	1,255

NOTE 13 CONTROLLED ENTITY

Controlled Entity Consolidated	Country of Incorporation	Percentage Owned (%)	
		2009	2008
Subsidiary of AWTA Ltd			
New Zealand Wool Testing Authority Ltd	New Zealand	100	100

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
LAND AND BUILDINGS				
Freehold land at:				
— Directors' valuation 2009	19,657		19,657	
— Independent valuation 2008		21,068		21,068
— At fair value		3,500		3,500
Total Land	19,657	24,568	19,657	24,568
Buildings at:				
— Directors' valuation 2009	19,508		16,710	
— Independent valuation 2008		21,285		18,252
— At fair value		1,500		1,500
Less accumulated depreciation	-	(9)	-	-
Total Buildings	19,508	22,776	16,710	19,752
Total Land and Buildings	39,165	47,344	36,367	44,320
PLANT AND EQUIPMENT				
Plant and equipment:				
At cost	47,407	47,066	43,030	42,768
Accumulated depreciation	(39,270)	(38,763)	(35,302)	(34,962)
Plant and equipment under construction	797	1,036	797	1,036
Total Plant and Equipment	8,934	9,339	8,525	8,842
Total Property, Plant and Equipment	48,099	56,683	44,892	53,162

The group's land and buildings were revalued at director's valuation at 30th June 2009. Valuations were based on an assessment of the property portfolio's current market value taking into account increments/ decrements and general information from independent valuers and property consultants. If land and buildings were stated at historical cost, amounts would be as follows:

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Historical cost	16,191	16,181	15,301	15,301
Accumulated depreciation	(9,313)	(8,682)	(9,109)	(8,497)
Net book value	6,878	7,499	6,192	6,804

Movements in Carrying Amounts

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

	Freehold Land \$000	Buildings \$000	Plant and Equipment \$000	Total \$000
Consolidated Group:				
Balance at 1 July 2007	14,700	19,621	9,072	43,393
Additions	3,500	1,515	3,363	8,378
Disposals			(168)	(168)
Foreign exchange translation on opening balances			(416)	(416)
Revaluation increments/ (decrements)	6,368	2,409	(232)	8,545
Depreciation expense		(769)	(2,280)	(3,049)
Balance at 30 June 2008	24,568	22,776	9,339	56,683
Additions			1,762	1,762
Disposals			(282)	(282)
Foreign exchange translation on opening balances		45	9	54
Revaluation increments/ (decrements)	(4,911)	(2,459)	(180)	(7,550)
Depreciation expense		(854)	(1,714)	(2,568)
Balance at 30 June 2009	19,657	19,508	8,934	48,099
Parent Entity:				
Balance at 1 July 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
Additions			1,746	1,746
Disposals			(282)	(282)
Revaluation increments/ (decrements)	(4,911)	(2,252)	(180)	(7,343)
Depreciation expense		(790)	(1,601)	(2,391)
Balance at 30 June 2009	19,657	16,710	8,525	44,892

NOTE 15 INTANGIBLE ASSETS

	Consolidated Group		Parent Entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Goodwill				
Cost	118	118	-	-
Accumulated impaired losses	(118)	-	-	-
Net carrying value	-	118	-	-

Goodwill \$000

Consolidated Group:

Year ended 30 June 2008

Balance at the beginning of year	118
Closing value at 30 June 2008	118

Year ended 30 June 2009

Balance at the beginning of year	118
Impairment charge	(118)
Closing value at 30 June 2009	-

NOTE 16 OTHER ASSETS

	Consolidated Group		Parent Entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
CURRENT				
Prepayments	1,041	1,129	967	997
	1,041	1,129	967	997

NOTE 17 TRADE AND OTHER PAYABLES

	Consolidated Group		Parent Entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
CURRENT				
Unsecured liabilities				
Trade payables	921	907	804	768
Sundry payables and accrued expenses	1,359	1,434	1,133	1,044
Amount due under contract of sale	-	655	-	655
	2,280	2,996	1,937	2,467

NOTE 18 TAX

NON-CURRENT ASSET

	Opening Balance \$000	Charged to Income \$000	Charged directly to Equity \$000	Changes in Tax Rate \$000	Exchange Differences \$000	Closing Balance \$000
Consolidated Group						
Deferred Tax Assets						
Provisions	113					113
Balance at 30 June 2008	113					113
Provisions						
Balance at 30 June 2009	113					113

NOTE 19 PROVISIONS

	Consolidated Group		Parent Entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Employee Entitlements				
Opening balance	6,424	6,984	6,096	6,641
Additional provisions	3,520	3,400	3,426	3,279
Amounts used	(4,067)	(3,960)	(3,834)	(3,824)
	5,877	6,424	5,688	6,096

Analysis of Total Provisions

	Consolidated Group		Parent Entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Current	5,582	6,075	5,393	5,777
Non-current	295	349	295	319
	5,877	6,424	5,688	6,096

Provision for Long-term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

NOTE 20 EQUITY

AWTA Ltd is a company limited by guarantee and it does not have share capital. The liability of the 6 Members (2008 - 6 Members) is limited to \$50 each (2008 - \$50 each) in the event that AWTA Ltd is wound up.

NOTE 21 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 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 the 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 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 reserve as part of the annual budget process.

(c) Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on the translation of AWTA Ltd's foreign subsidiary.

(d) Financial Assets Reserve

The financial assets reserve records revaluation of financial assets.

NOTE 22 CAPITAL AND LEASING COMMITMENTS

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
(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	115	130	21	33
— Between 12 months and 5 years	195	203	6	27
— Greater than 5 years	188	203	-	-
	498	536	27	60

The property leases of the parent entity, AWTA Ltd, are non-cancellable leases with 2 and 3 year terms, with rent payable monthly in advance. Contingent rental provisions within the lease agreements require the minimum lease payments for each year. Options exist to renew the leases at the end of the 2 and 3 year terms for additional terms of 2 and 3 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. Rental is reviewed at the renewal date for each lease. Renewal dates on the leases occur in 2010, 2011, 2017, 2018, 2022, 2023 and 2029.

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
(b) Capital Expenditure Commitments				
Capital expenditure commitments contracted for:				
Capital expenditure projects	1,007	519	1,007	519

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
(c) Operating Lease Income Receivables				
Income from non-cancellable operating leases contracted for but not recognised in the financial statements				
Receivable — minimum lease payments				
— Not later than 12 months	150	290	115	215
— Between 12 months and 5 years	73	208	54	147
	223	498	169	362

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 23 CONTINGENT LIABILITIES

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

NOTE 24 FINANCIAL REPORTING BY SEGMENTS

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

NOTE 25 CASH FLOW INFORMATION

	Consolidated Group		Parent Entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
(a) Reconciliation of Cash Flow from Operations with Profit/(Loss) after Income Tax				
Profit/(Loss) after income tax	(8,722)	(976)	(8,892)	(1,092)
Non-cash flows in profit/(loss)				
Depreciation	2,568	3,049	2,391	2,738
Impairment charges on available-for-sale financial assets	3,568	-	3,568	-
Impairment charge on goodwill	118	-	-	-
Losses on sale of available-for-sale financial assets	2,241	-	2,241	-
Intercompany transactions	-	-	(70)	(189)
Foreign exchange (gain)/loss	(392)	88	(33)	457
Changes in provisions	(482)	(613)	(398)	(563)
Gain on purchase of business assets	-	(164)	-	(164)
Net (gain)/loss on disposal of property, plant and equipment	72	(39)	72	(39)
Doubtful debts written off	12	-	12	-
Share of joint venture entity net profit/(loss) after income tax and dividends	23	42	23	42
Changes in assets and liabilities				
(Increase)/decrease in trade and term receivables	959	(78)	919	(112)
(Increase)/decrease in other current assets	88	(70)	30	(70)
(Increase)/decrease in inventories	(205)	96	(205)	66
Increase/(decrease) in trade payables and accruals	(716)	909	(530)	875
Cash flow from operations	(868)	2,244	(872)	1,949
(b) Acquisition of Entities				
During 2007/08 the business assets of Agrifood Technology were acquired.				
Details of these transactions are:				
Purchase consideration		5,222		5,222
Consisting of:				
Cash consideration		4,522		4,522
Amount due under contract of sale		700		700
Cash outflow		5,222		5,222
Assets and liabilities held at acquisition date:				
Property, plant and equipment		5,866		5,866
Payables		(480)		(480)
		5,386		5,386
Gain on business combination		(164)		(164)
		5,222		5,222

NOTE 26 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.

	Consolidated Group		Parent Entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Aggregate amount of services provided to:				
Subsidiary	-	-	124	181
Organisations associated with directors	1,033	800	1,033	800
	1,033	800	1,157	981

NOTE 27 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 instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Financial Assets				
Cash and cash equivalents	1,363	2,070	1,312	1,762
Loans and receivables	2,720	3,678	3,019	3,938
Available-for-sale financial assets	20,233	26,240	20,233	26,240
	24,316	31,988	24,564	31,940
Financial Liabilities				
Trade and other payables	2,280	2,996	1,937	2,467
	2,280	2,996	1,937	2,467

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, 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.

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	%	%	%	%
Financial Assets				
Cash and cash equivalents	4.79	6.54	4.79	6.54

(b) Liquidity risk

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

(c) Foreign exchange risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency.

Forward exchange contracts

The consolidated group enters into forward exchange contracts to buy and sell specified amounts of foreign currencies in the future at stipulated exchange rates. The objective in entering into the forward exchange contracts is to protect the consolidated group against unfavourable exchange rate movements for both contracted and anticipated future sales and purchases undertaken in foreign currencies.

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

(d) Credit risk

The maximum exposure to credit risk by class of recognised financial assets at balance date is equivalent to the carrying value and classification of recognised financial assets (net of any provisions for impairment of those assets) as presented in the balance sheet and notes to the financial statements.

The group has no significant concentration of credit risk with any single counter party or group of counter parties.

Credit risk is managed on a group basis and reviewed regularly by the finance committee. Credit risk arises from exposures to customers as well as through deposits with financial institutions. The finance committee monitors credit risk by actively assessing the rating, quality and liquidity of counter parties:

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

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 balance sheet.

Sensitivity analysis

The following table illustrates sensitivities to the group's exposures to changes in interest rates and exchange rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Consolidated Group		Parent Entity	
	Profit	Equity	Profit	Equity
	\$000	\$000	\$000	\$000
Year Ended 30 June 2009				
+/- 0.5% in interest rates	54	54	54	54
+/- 8% in \$A/NZ\$	-	-	2	2
Year Ended 30 June 2008				
+/- 0.5% in interest rates	41	41	58	58
+/- 8% in \$A/NZ\$	5	5	37	37

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:

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

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


The directors of the company declare that:

1. The financial statements and notes, as set out on pages 18 to 33, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards; and
 - (b) give a true and fair view of the financial position as at 30 June 2009 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 31st day of August 2009

INDEPENDENT AUDIT REPORT



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 2009, 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 entities 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 AASB101: 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.

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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

Independence

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

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 and consolidated entity's financial position as at 30 June 2009 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.

A stylized signature in black ink, likely representing the auditor's firm.

MDHC Audit Assurance Pty Ltd

Hawthorn
31 August 2009

A stylized signature in black ink, likely representing Kevin P Adams.

KEVIN P ADAMS
Director

MDHC Audit Assurance Pty Ltd
Formerly McLean Delmo Hall
Chadwick Audit Assurance Pty Ltd
ABN 14 113 655 584

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