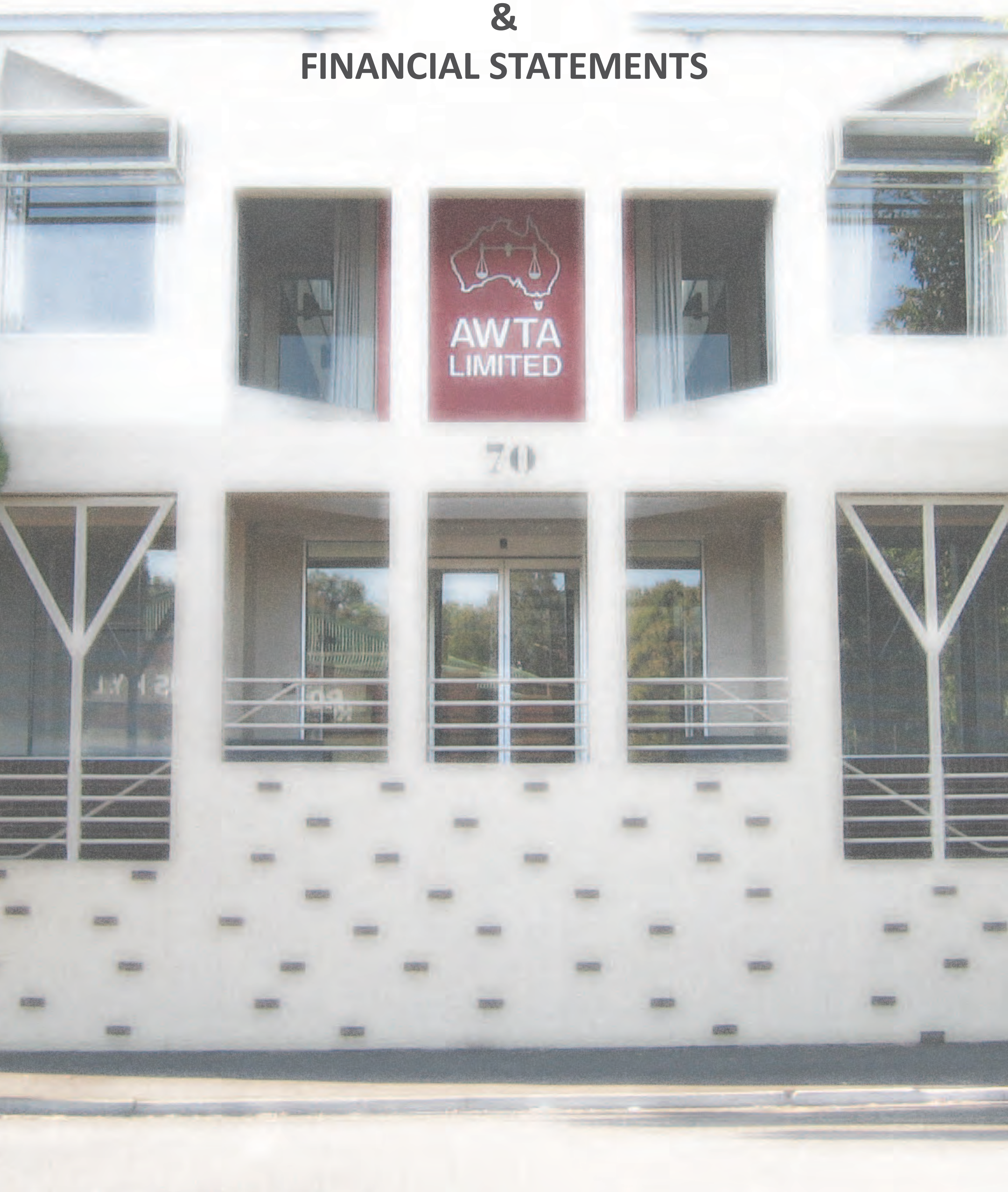
DIRECTORS' REPORT
2009 - 2010
&
FINANCIAL STATEMENTS



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 2010.

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 profit of the consolidated group for the year was $1.010 million (2009 net loss of $8.722 million).

REVIEW OF OPERATIONS

AWTA Ltd is a Company Limited by Guarantee established to assist the development of the pastoral, agricultural, manufacturing and industrial resources of Australia, in particular, by providing independent objective data and information services which will facilitate the efficient production, marketing and processing of wool, other fibres, textile products and related materials. Over the last 53 years, AWTA Ltd has built a highly successful business providing independent test information to its customers, primarily the wool industry in Australia.

The company has built and maintained a national and international reputation for technical expertise, commercial independence and professional integrity, while its corporate structure facilitates the minimisation of the fees that it charges for its services.

During the last 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 with the objective of minimising fee increases for its raw wool clients by:

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

This strategy has been effective with the fee for fully testing an average sale lot of wool reducing by 3.6% since June 1994, whilst CPI has increased by approximately 47% over the same period.

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 financial performance of each division is separately monitored, with the cash return as a percentage of capital invested being the key measure adopted by the Board. In addition, key performance measures relating to service and technical areas are routinely monitored by the Board.

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

AWTA Raw Wool

The operating environment in Australia remains very difficult. While seasonal conditions have improved, the low relative profitability of wool growing continued to negatively impact wool production in Australia and consequently, AWTA Raw Wool revenue during 2009/10. The outlook for 2010/11 is more optimistic, with the AWI Wool Production Forecasting Committee predicting a slight increase of 3% in wool production.

The majority of Raw Wool revenue comes from presale testing of greasy wool. The number of core tests conducted by AWTA Raw Wool fell by 4.8% from last year. Staple length and strength testing activity decreased by 5.9% 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. The decline in testing activity was partially offset by a 3.5% fee increase that was implemented in July 2009 resulting in Total Raw Wool revenue decreasing by approximately 1.5% from last year.

The Sydney Raw Wool laboratory closed at the end of 2008/09 and during the current financial year samples were allocated to the Melbourne or Fremantle laboratories. Due to the Sydney closure and other cost saving initiatives, operating expenditure for the Raw Wool division was 7.1% lower than 2009/10.

Contribution from the AWTA Raw Wool increased by 47% during 2009/10.

AWTA Product Testing

The Product Testing division revenue increased by 2% from 2008/09 as testing activity partially recovered from the global economic crisis, particularly in the building materials sector. In this environment, cost control initiatives were paramount and expenditure was reduced by 4% from last year. As a consequence operating contribution from the Product Testing Division improved significantly on the 2008/09 result.

JinAo Testing Co Ltd grew its revenue base significantly during 2009/10. The majority of JinAo testing was conducted for Australian customers importing Chinese products. 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 performance of NZWTA has improved considerably in 2009/10. While wool production has not recovered significantly, NZWTA operating revenue increased slightly in both the greasy wool and scoured wool testing sectors. In addition, significant cost savings were achieved as a result of changes to the operational structure that were implemented in 2008/09. This has enabled NZWTA Ltd to achieve a significantly improved financial result.

Agrifood Technology

AWTA Ltd purchased this business from AWB Ltd on 1 February 2008 and 2009/10 is the second 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 also continued to grow since acquisition with particularly strong growth in testing of horticultural products during the year under review. Also during this year, Agrifood Technology expanded its range of testing into the hay and animal feed business by acquiring FeedTest from the Victorian government in September 2009. In June 2010, the acquisition of Inman & Farrell and Agro Nutritional laboratories provided the division with a presence in Western Australia that will generate further growth in future years.

During 2009/10, the contribution from Agrifood Technology increased by 79%.

Financial Position

The net assets of the consolidated group have increased by $1.8 million from 30 June 2009 to $68.6 million at the end of the financial year.

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 which have not 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 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 trade waste exceeded the Agreement's Total Dissolved Solids limit on 2 occasions in November 2009.

   A revised trade waste limit for Total Dissolved Solid was approved by City West Water Ltd to cater for increased workloads in the Kensington laboratory. The breaches were not treated as non-compliances with the Agreement.

ii) 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.

   No breach of the Permit was recorded by the Water Corporation.

iii) 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.

iv) 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.

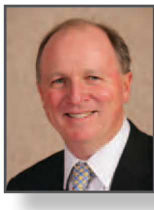
   During the reporting period, all laboratory waste discharged to sewer complied with the by-law's stipulated limits.

INFORMATION ON THE DIRECTORS

Mr D.G. McGauchie AO

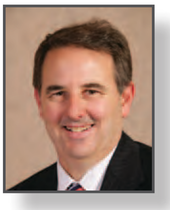
- Appointed as an independent director by the Members of AWTA Ltd on 29 October 1999
- Appointed as Deputy Chairman on 25 January 2001 and as Chairman on 19 February 2005
- Chairman of Remuneration & Appointments Committee
- Farmer and company director, having previously been active in national farming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

Mr G.W. Dickinson



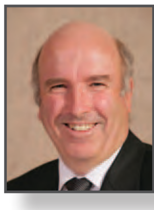
- Appointed as an independent director by the Members of AWTA Ltd on 18 March 2005
- Appointed as Deputy Chairman on 15 April 2005
- Chairman of Audit & Finance Committee
- Member of Remuneration & Appointments Committee
- Chairman of Rubicon Systems Australia Ltd
- Director of Nareen Station Pty Ltd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

Mr M.A. Jackson



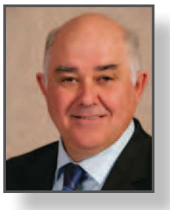
- Managing Director of AWTA Ltd since 21 May 2001
- Member of Environment & Safety Committee
- Director of New Zealand Wool Testing Authority Ltd and JinAo Testing Company Ltd
- Trustee of the Australian Wool Education Trust

Mr M.D. Avery



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

Mr D.R. Hamblin

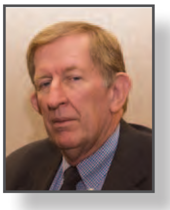


- Appointed as the nominee director for WoolProducers Australia on 19 October 2007
- President of WoolProducers Australia
- Director of Australian Wool Exchange Ltd
- Executive Councillor of NSW Farmers Association

Mr J.H. Lillie

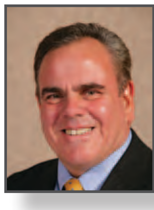
- Appointed as the nominee director for the Wool Scourers and Carbonisers of Australia Group of Australian Wool Processors Council Inc on 16 October 2009
- Previously served as the nominee director for the Wool Textile Manufacturers of Australia Group of Australian Wool Processors Council Inc from 11 June 2008 to 16 October 2009
- Member of Remuneration & Appointments Committee
- Director of Fox & Lillie Pty Ltd, Fox & Lillie (Australia) Pty Ltd, Lempriere Fox & Lillie Pty Ltd, The Merino Company Pty Ltd and Grampians Wool Industries Pty Ltd

Dr P.D. Morgan



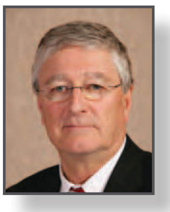
- Appointed as the nominee director for the Wool Scourers and Carbonisers of Australia Group of Australian Wool Processors Council Inc on 16 October 2009
- Executive Director of Australian Council of Wool Exporters & Processors Inc
- Executive Director of Private Treaty Wool Merchants of Australia Inc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

Mr G.W. Turner



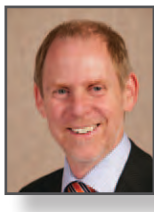
- Appointed as the nominee director for Private Treaty Wool Merchants of Australia Inc on 17 October 2008
- President of Private Treaty Wool Merchants of Australia Inc
- Chairman of Environment & Safety Committee
- Managing Director of Reeashbro Pty Ltd
- Director of Wallace Investments Pty Ltd
- Chairman of Australian Wool Industries Secretariat Inc

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
- Member of Remuneration & Appointments Committee
- Director of Pabula Pty Ltd, Nova Downs Pty Ltd and Organics for Rural Australia
- Chairman of Brolga Minerals Pty Ltd

Mr C.J. Wilcox



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

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

- Mr L.S. Mitchell (21 October 2005 to 16 October 2009)

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 26 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	5			2	2		
G.W. Dickinson	6	6	3	3	2	2		
M.A. Jackson	6	6					4	3
M.D. Avery	6	6	3	3				
D.R. Hamblin	6	5						
J.H. Lillie	6	5	3	2				
P.D. Morgan	4	4						
L.S. Mitchell	2	2						
G.W. Turner	6	6					4	4
D.A.A. Webster	6	6			2	2		
C.J. Wilcox	6	6					4	4

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 $9,800 (2008/09 $11,185).

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 2010 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 2010 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 2010 there have been:

i. no contraventions of the auditor 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

Hawthorn

31 August 2010

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		$000	$000	$000	$000
Revenue	2	33,958	33,622	30,755	30,551
Other income	2	2,064	1,852	1,866	1,357
Employee benefits expense		(22,447)	(24,021)	(20,807)	(22,204)
Repairs & maintenance expense		(2,218)	(2,424)	(2,118)	(2,308)
Energy & utilities expense		(1,268)	(1,485)	(1,109)	(1,321)
Travel expense		(626)	(745)	(573)	(615)
Software expense		(333)	(378)	(333)	(378)
Materials & supplies expense		(870)	(883)	(779)	(786)
Freight expense		(1,058)	(693)	(948)	(595)
Printing & stationery expense		(378)	(337)	(360)	(317)
Depreciation & amortisation expense		(2,389)	(2,568)	(2,245)	(2,391)
Other expenses		(3,725)	(3,703)	(3,087)	(3,044)
Finance costs		(7)	(8)	-	-
Share of losses of joint ventures		(22)	(23)	(22)	(23)
Impairment charge on available-for-sale financial assets		(141)	(3,568)	(141)	(3,568)
Reassessment of fair value of available for sale financial assets disposed during the year		246	-	246	-
Realised gains on disposal of available for sale financial assets		890	588	890	588
Realised losses on disposal of available for sale financial assets		(601)	(2,241)	(601)	(2,241)
Impairment charge on goodwill		-	(118)	-	-
Costs associated with the closure of Sydney laboratory		-	(1,597)	-	(1,597)
Profit/(loss) before income tax	3	1,075	(8,730)	634	(8,892)
Income tax expense	4	(65)	8	-	-
Profit/(loss) for the year		1,010	(8,722)	634	(8,892)

The accompanying notes form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		$000	$000	$000	$000
Profit/(loss) attributable to members of the parent entity		1,010	(8,722)	634	(8,892)
Revaluation increment/(decrement) on property, plant & equipment		(225)	(7,439)	(231)	(7,242)
Revaluation increment/(decrement) on available for sale financial assets		1,154	1,500	1,154	1,500
Recognition of decrease in deferred tax asset of foreign controlled entity		(64)			
Adjustments from translation of foreign controlled entity		(8)	(357)		
Total other comprehensive income		857	(6,296)	923	(5,742)
Total comprehensive income		1,867	(15,018)	1,557	(14,634)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	Consolidated Group		Parent Entity	
		2010 $000	2009 $000	2010 $000	2009 $000
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	7	1,900	1,363	1,122	1,312
Trade and other receivables	8	3,001	2,719	3,309	3,019
Inventories	9	949	1,211	949	1,211
Property held for sale	14	5,270	-	5,270	-
Other current assets	18	1,276	1,041	1,199	967
TOTAL CURRENT ASSETS		12,396	6,334	11,849	6,509
NON-CURRENT ASSETS					
Trade and other receivables	8	-	-	1,549	1,339
Investments accounted for using the equity method	10	115	138	115	138
Financial assets	12	20,716	20,233	22,002	21,507
Property, plant and equipment	16	42,178	48,099	38,964	44,892
Investment property	15	342	-	342	-
Deferred tax assets	20	49	113	-	-
Intangible assets	17	320	-	320	-
TOTAL NON-CURRENT ASSETS		63,720	68,583	63,292	67,876
TOTAL ASSETS		76,116	74,917	75,141	74,385
CURRENT LIABILITIES					
Trade and other payables	19	2,125	2,280	1,689	1,937
Provision for taxation		65	-	-	-
Short-term provisions	21	4,948	5,582	4,815	5,393
TOTAL CURRENT LIABILITIES		7,138	7,862	6,504	7,330
NON-CURRENT LIABILITIES					
Other long-term provisions	21	351	295	320	295
TOTAL NON-CURRENT LIABILITIES		351	295	320	295
TOTAL LIABILITIES		7,489	8,157	6,824	7,625
NET ASSETS		68,627	66,760	68,317	66,760
EQUITY	22				
Reserves	23	69,143	68,222	69,148	68,225
Retained earnings		(516)	(1,462)	(831)	(1,465)
TOTAL EQUITY		68,627	66,760	68,317	66,760

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

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 2008	7,260	27,651	50,000	(168)	(2,965)	81,778
Other comprehensive income		(7,439)		(357)	1,500	(6,296)
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
Other comprehensive income	(64)	(225)		(8)	1,154	857
Profit/(loss) for the year	1,010					1,010
Balance at 30 June 2010	(516)	19,987	50,000	(533)	(311)	68,627

Parent Entity	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 2008	7,427	26,932	50,000		(2,965)	81,394
Other comprehensive income		(7,242)			1,500	(5,742)
Profit/(loss) for the year	(8,892)					(8,892)
Balance at 30 June 2009	(1,465)	19,690	50,000		(1,465)	66,760
Other comprehensive income		(231)			1,154	923
Profit/(loss) for the year	634					634
Balance at 30 June 2010	(831)	19,459	50,000		(311)	68,317

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated Group		Parent Entity	
		2010 $000	2009 $000	2010 $000	2009 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		34,489	34,186	31,055	30,776
Payments to suppliers and employees		(33,600)	(37,047)	(30,906)	(33,605)
Dividends received		843	1,038	843	1,038
Interest received		322	554	312	548
Other income received		958	408	958	371
Finance costs		(9)	(7)	-	-
Net cash provided by (used in) operating activities	26	3,003	(868)	2,262	(872)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		180	309	180	309
Proceeds from investment activities		(29)	1,858	(29)	1,858
Purchase of property, plant and equipment		(2,312)	(1,761)	(2,283)	(1,745)
Purchase of intangible assets		(320)	-	(320)	-
Repayment of advance from subsidiary		6	(242)	-	-
Net cash provided by (used in) investing activities		(2,475)	164	(2,452)	422
Net increase/(decrease) in cash held		528	(704)	(190)	(450)
Cash and cash equivalents at beginning of financial year		1,363	2,070	1,312	1,762
Effect of exchange rates on cash holdings in foreign currencies		9	(3)	-	-
Cash and cash equivalents at end of financial year	7	1,900	1,363	1,122	1,312

The accompanying notes form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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 SUMMARY 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 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) Investment Property

Investment property, comprising freehold office and warehouse premises, is held to generate long-term rental yields. All leases are on an arm's length basis. Investment property is carried at fair value, determined by independent valuation. Changes to fair value are recorded in the statement of comprehensive income as other income.

(e) Property Held for Sale

Property held for sale is valued at lower of carrying amount and fair value less costs to sell.

(f) Property, Plant and Equipment

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

Property

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

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

(g) 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.

(h) 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.

(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.

(i) Impairment of Assets

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

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.

(j) 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.

(k) Intangibles

Identifiable Intangible Assets

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

Useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis. Customer lists are amortised over 5 years.

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.

(l) Foreign Currency Transactions and Balances

Functional and Presentation Currency

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

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.

(m) Employee Benefits

Provision is made for the group'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.

(n) 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.

(o) 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.

(p) Revenue and Other Income

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

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

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

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

(q) 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.

(r) Comparative Figures

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

(s) 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.

(t) 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.

(u) Adoption of New and Revised Accounting Standards

During the current year the group adopted new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of AWTA Ltd.

AASB 101: Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the group's financial statements.

Disclosure impact

Terminology changes – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity – The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income – The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Group's financial statements now contain an income statement and a statement of comprehensive income.

Other comprehensive income – The revised version of AASB 101 introduces the concept of "other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

(v) 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 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 20 August 2010 by the Board of Directors.

NOTE 2 REVENUE AND OTHER INCOME

	Consolidated Group		Parent Entity	
Revenue	**2010 $000**	**2009 $000**	**2010 $000**	**2009 $000**
Sales Revenue				
— Revenue from services	32,785	32,063	29,598	28,982
	32,785	32,063	29,598	28,982
Other Revenue				
— Interest from subsidiary	-	-	2	16
Revenue from investments				
— Dividend revenue from other corporations	843	1,038	843	1,038
— Interest from unrelated persons	330	521	312	515
	1,173	1,559	1,157	1,569
Total Revenue	33,958	33,622	30,755	30,551
Other Income				
— Gain on disposal of property, plant and equipment	57	32	57	32
— Gain on disposal of surplus sample material	896	697	801	597
— Rent income	318	354	234	264
— Income from investment property	23	8	23	8
— Other income	770	761	751	456
Total Other Income	2,064	1,852	1,866	1,357

NOTE 3 PROFIT/(LOSS) FOR THE YEAR

	Consolidated Group		Parent Entity	
Expenses	**2010 $000**	**2009 $000**	**2010 $000**	**2009 $000**
Finance costs:				
— External	7	8	-	-
Impairment of available-for-sale financial assets	141	3,568	141	3,568
Impairment of goodwill	-	118	-	-
Foreign currency translation losses	-	6	-	6
Bad and doubtful debts:				
— Trade receivables	13	13	13	13
Rental expense on operating leases				
— Minimum lease payments	151	157	39	21
Realised losses on disposal of investments	601	2,241	601	2,241
Costs associated with the closure of the Sydney laboratory	-	1,597	-	1,597

NOTE 4 INCOME TAX EXPENSE

	Consolidated Group		Parent Entity	
	2010 $000	**2009 $000**	**2010 $000**	**2009 $000**
a. The components of tax expense comprise:				
Current tax	141	-	-	-
Deferred tax				
Recoupment of prior year tax losses	(76)	(8)	-	-
	65	(8)	-	-
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 30% (2009: 33%)				
— Consolidated group	135	(23)	-	-
Add:				
Tax effect of:				
— Non-deductible depreciation and amortisation	2	8	-	-
— Other non-allowable items	4	(62)	-	-
	141	(77)	-	-
Less:				
Tax effect of:			-	-
— Foreign currency exchange profit not subject to income tax	-	-	-	-
Recoupment of prior year tax losses not previously brought to account	76	(8)	-	-
Losses not subject to income tax		77	-	-
Income tax attributable to entity	65	(8)	-	-

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 I.A. Ashman	General Manager Raw Wool
Mr M.D. Avery	Director – Non executive
Mr D.R. Hamblin	Director – Non executive
Mr J.H. Lillie	Director – Non executive
Mr L.S. Mitchell	Director – Non executive (resigned 16 October 2009)
Dr P. D. Morgan	Director – Non executive
Mr G.W. Turner	Director – Non executive
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:

	2010 $000	2009 $000
Salary and fees	1,121	1,758
Superannuation	117	137
Non-cash benefits	162	165
	1,400	2,060

Remuneration of Directors

	2010 $000	2009 $000
Amounts paid or payable to Directors or former Directors of AWTA Ltd	897	893

Directors remuneration falls within the following bands:

			No.	No.
$10,000	to	$19,999	1	1
$20,000	to	$29,999	1	4
$30,000	to	$39,999	6	4
$60,000	to	$69,999	1	1
$120,000	to	$129,999	1	1
$450,000	to	$459,999	1	1

NOTE 6 AUDITORS' REMUNERATION

	Consolidated Group		Parent Entity	
	2010 $000	2009 $000	2010 $000	2009 $000
Remuneration of the auditor of the parent entity for:				
— Auditing the financial report	161	152	161	152
Remuneration of other auditors of subsidiary for:				
— Auditing the financial report of the subsidiary	10	8	-	-
— Taxation services	5	2	-	-

NOTE 7 CASH AND CASH EQUIVALENTS

	Consolidated Group		Parent Entity	
	2010 $000	2009 $000	2010 $000	2009 $000
Cash at bank and in hand	1,000	523	222	472
Short-term bank deposits	900	840	900	840
	1,900	1,363	1,122	1,312
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	1,900	1,363	1,122	1,312
	1,900	1,363	1,122	1,312

NOTE 8 TRADE AND OTHER RECEIVABLES

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
CURRENT	$000	$000	$000	$000
Trade receivables	2,785	2,359	2,459	2,044
Provision for impairment	(26)	(27)	(26)	(27)
	2,759	2,332	2,433	2,017
Amounts receivable from:				
— Wholly-owned subsidiary	-	-	664	657
— Franking credit rebate from Australian Taxation Office	208	257	208	257
— Other sundry debtors	34	130	4	88
Total current trade and other receivables	3,001	2,719	3,309	3,019
NON-CURRENT				
Term receivables	-	-	1,549	1,339
Amounts receivable from:				
— Wholly-owned subsidiary	-	-	1,549	1,339

Provision for Impairment of Receivables
Current trade receivables are non-interest bearing loans and are generally on 30 days terms. A provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired.
Amounts receivable from the wholly owned subsidiary are non interest bearing.

NOTE 9 INVENTORIES

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
CURRENT	$000	$000	$000	$000
Materials & supplies	949	1,211	949	1,211
	949	1,211	949	1,211

NOTE 10 INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		$000	$000	$000	$000
Interest in joint venture entity	11	115	138	115	138
		115	138	115	138

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	
	2010	2009	2010	2009
	$000	$000	$000	$000
Share of joint venture entity's results and financial position:				
Current Assets	233	191	233	191
Non-current Assets	2	3	2	3
Total Assets	235	194	235	194
Current Liabilities	120	56	120	56
Non-current Liabilities	-	-	-	-
Total Liabilities	120	56	120	56
Revenues	136	47	136	47
Expenses	(158)	(70)	(158)	(70)
Profit/(loss) before income tax	(22)	(23)	(22)	(23)
Income tax expense	-	-	-	-
Profit/(loss) after income tax	(22)	(23)	(22)	(23)

NOTE 12 FINANCIAL ASSETS

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
NON CURRENT	$000	$000	$000	$000
Available-for-sale financial assets	20,716	20,233	20,716	20,233
Other financial assets	-	-	1,286	1,274
Total Non-current Assets	20,716	20,233	22,002	21,507
Available-for-sale financial assets comprise:				
Listed investments, at fair value	20,716	20,233	20,716	20,233
Other investments comprise:				
Shares in controlled entity	-	-	1,286	1,274

NOTE 13 CONTROLLED ENTITY

Controlled Entity Consolidated	Country of Incorporation	Percentage Owned (%)	
Subsidiary of AWTA Ltd		2010	2009
New Zealand Wool Testing Authority Ltd	New Zealand	100	100

NOTE 14 PROPERTY HELD FOR SALE

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	$000	$000	$000	$000
Property held for sale	5,270	-	5,270	-
	5,270	-	5,270	-

Property located at Byron Road, Guildford currently under contract for sale.

NOTE 15 INVESTMENT PROPERTY

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	$000	$000	$000	$000
Balance at beginning of year	-	-	-	-
Transfer from property, plant and equipment	342	-	342	-
Balance at end of year	342	-	342	-

The fair value model is applied to all investment property. Investment properties are revalued on a regular basis. Values are based on an active liquid market value and are performed by a registered independent valuer.

NOTE 16 PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
LAND AND BUILDINGS	$000	$000	$000	$000
Freehold land at:				
— Directors' valuation 2009	14,645	19,657	14,645	19,657
Total Land	14,645	19,657	14,645	19,657
Buildings at:				
— Directors' valuation 2009	18,680	19,508	15,880	16,710
Less accumulated depreciation	(705)	-	(648)	-
Total Buildings	17,975	19,508	15,232	16,710
Total Land and Buildings	32,620	39,165	29,877	36,367
PLANT AND EQUIPMENT				
Plant and equipment:				
At cost	44,737	47,407	40,172	43,030
Accumulated depreciation	(35,404)	(39,270)	(31,310)	(35,302)
Plant and equipment under construction	225	797	225	797
Total Plant and Equipment	9,558	8,934	9,087	8,525
Total Property, Plant and Equipment	42,178	48,099	38,964	44,892

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	
	2010	2009	2010	2009
	$000	$000	$000	$000
Historical cost	13,949	16,191	13,059	15,301
Accumulated depreciation	(9,949)	(9,313)	(9,721)	(9,109)
Net book value	4,000	6,878	3,338	9,192

NOTE 16 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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 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
Additions			2,587	2,587
Disposals			(305)	(305)
Foreign exchange translation on opening balances		2	26	28
Transfer to property held for sale	(4,900)	(370)		(5,270)
Transfer to investment property	(112)	(230)		(342)
Revaluation increments/ (decrements)		(230)		(230)
Depreciation expense		(705)	(1,684)	(2,389)
Balance at 30 June 2010	14,645	17,975	9,558	42,178
Parent Entity:				
Balance at 1 July 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
Additions			2,464	2,464
Disposals			(305)	(305)
Transfer to property held for sale	(4,900)	(370)		(5,270)
Transfer to investment property	(112)	(230)		(342)
Revaluation increments/ (decrements)		(230)		(230)
Depreciation expense		(648)	(1,597)	(2,245)
Balance at 30 June 2010	14,645	15,232	9,087	38,964

NOTE 17 INTANGIBLE ASSETS

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	$000	$000	$000	$000
Goodwill				
Cost	-	118	-	-
Accumulated impaired losses	-	(118)	-	-
Net carrying value	-	-	-	-
Customer lists				
Cost	320	-	320	-
Accumulated amortisation & impairment	-	-	-	-
Net carrying value	320	-	320	-
Total intangibles	320	-	320	-

	Goodwill	Customer Lists
	$000	$000
Consolidated Group:		
Year ended 30 June 2009		
Balance at the beginning of year	118	
Impairment charge	(118)	
Closing value at 30 June 2009	-	
Year ended 30 June 2010		
Balance at the beginning of year		-
Additions		320
Closing value at 30 June 2010		320

NOTE 18 OTHER ASSETS

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	$000	$000	$000	$000
CURRENT				
Prepayments	1,276	1,041	1,199	967
	1,276	1,041	1,199	967

NOTE 19 TRADE AND OTHER PAYABLES

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
CURRENT	$000	$000	$000	$000
Unsecured liabilities				
Trade payables	862	921	733	804
Sundry payables and accrued expenses	1,263	1,359	956	1,133
	2,125	2,280	1,689	1,937

NOTE 20 TAX

NON-CURRENT ASSET

	Opening Balance	Charged to Income	Charged directly to Equity	Changes in Tax Rate	Exchange Differences	Closing Balance
	$000	$000	$000	$000	$000	$000
Consolidated Group						
Deferred Tax Assets						
Provisions	113					113
Balance at 30 June 2009	113					113
Provisions			(64)			
Balance at 30 June 2010	113		(64)			49

NOTE 21 PROVISIONS

	Consolidated Group		Parent Entity	
	2010 $000	2009 $000	2010 $000	2009 $000
Employee Entitlements				
Opening balance	5,877	6,424	5,688	6,096
Additional provisions	2,431	3,520	2,322	3,426
Amounts used	(3,009)	(4,067)	(2,875)	(3,834)
	5,299	5,877	5,135	5,688

Analysis of Total Provisions

	Consolidated Group		Parent Entity	
	2010 $000	2009 $000	2010 $000	2009 $000
Current	4,948	5,582	4,815	5,393
Non-current	351	295	320	295
	5,299	5,877	5,135	5,688

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 22 EQUITY

AWTA Ltd is a company Limited by Guarantee and, as such, does not have share capital. The liability of the 6 Members (2009 – 6 Members) is limited to $50 each (2009 - $50 each) in the event that AWTA Ltd is wound up.

NOTE 23 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 land, buildings, equipment etc acquired from the Australian Wool Corporation for $1) and an accumulated profit figure. The principal concern of the directors was that, as time progressed, the increasing accumulated profit 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 Australian Accounting Standards, this is now described as retained earnings.

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

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

- there is no "absolutely correct" level; it is a matter for commercial judgement, which must take 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 (eg 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 24 CAPITAL AND LEASING COMMITMENTS

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
(a) Operating Lease Commitments	$000	$000	$000	$000
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Payable — minimum lease payments				
— Not later than 12 months	144	115	48	21
— Between 12 months and 5 years	180	195	52	6
— Greater than 5 years	224	188	-	-
	548	498	100	27

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	
	2010	2009	2010	2009
(b) Capital Expenditure Commitments	$000	$000	$000	$000
Capital expenditure commitments contracted for:				
Capital expenditure projects	444	1,007	416	1,007

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
(c) Operating Lease Income Receivables	$000	$000	$000	$000
Income from non-cancellable operating leases contracted for but not recognised in the financial statements				
Receivable — minimum lease payments				
— Not later than 12 months	199	150	163	115
— Between 12 months and 5 years	230	73	185	54
	429	223	348	169

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 25 CONTINGENT LIABILITIES

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

NOTE 26 CASH FLOW INFORMATION

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	$000	$000	$000	$000
(a) Reconciliation of Cash Flow from Operations with Profit/(Loss) after Income Tax				
Profit/(Loss) after income tax	1,010	(8,722)	634	(8,892)
Non-cash flows in profit/(loss)				
Depreciation	2,389	2,568	2,245	2,391
Reassessment of fair value on available-for-sale financial assets	(246)	-	(246)	-
Impairment charges on available-for-sale financial assets	141	3,568	141	3,568
Impairment charge on goodwill	-	118	-	-
Losses on sale of available-for-sale financial assets	601	2,241	601	2,241
Intercompany transactions	-	-	(57)	(70)
Foreign exchange (gain)/loss	(22)	(392)	(13)	(33)
Changes in provisions	(579)	(482)	(553)	(398)
Net (gain)/loss on disposal of property, plant and equipment	(57)	72	(57)	72
Doubtful debts written off	13	12	13	12
Share of joint venture entity net profit/(loss) after income tax and dividends	22	23	22	23
Changes in assets and liabilities				
(Increase)/decrease in trade and term receivables	(282)	959	(258)	919
(Increase)/decrease in other current assets	(235)	88	(232)	30
(Increase)/decrease in inventories	262	(205)	262	(205)
Increase/(decrease) in trade payables and accruals	(144)	(716)	(240)	(530)
Increase/(decrease) in income taxes payable	65	-	-	-
(Increase)/decrease in deferred tax asset	65	-	-	-
Cash flow from operations	3,003	(868)	2,262	(872)

NOTE 27 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	
	2010	2009	2010	2009
	$000	$000	$000	$000
Aggregate amount of services provided to:				
Subsidiary	-	-	193	124
Organisations associated with directors	1,202	1,033	1,202	1,033
	1,202	1,033	1,395	1,157

NOTE 28 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	
	2010	2009	2010	2009
Financial Assets	$000	$000	$000	$000
Cash and cash equivalents	1,900	1,363	1,122	1,312
Loans and receivables	3,001	2,719	3,309	3,019
Available-for-sale financial assets	20,716	20,233	20,716	20,233
	25,617	24,315	25,147	24,564
Financial Liabilities				
Trade and other payables	2,125	2,280	1,689	1,937
	2,125	2,280	1,689	1,937

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.

	Effective Weighted Average Interest Rates			
	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	%	%	%	%
Financial Assets				
Cash and cash equivalents	3.76	4.79	3.76	4.79

(b) Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that short term cash facilities are maintained. Trade and other payables will be settled within 1 year.

(c) Foreign exchange risk

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

Forward exchange contracts

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

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

(d) Credit risk

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

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

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed in Note 8.

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

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

(e) Securities price risk

The group is exposed to securities price risk on investment held for medium to longer terms. Such risk is managed through diversification of investments across industries and geographical locations.

NOTE 28 FINANCIAL RISK MANAGEMENT (CONT'D)

Net Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities presented in the financial statements approximate their carrying values as presented in the statement of financial position.

Financial instruments measured at fair value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements.

The measurements used for available-for-sale financial assets are quoted prices in active markets for identical assets (Level 1).

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
Year Ended 30 June 2010	$000	$000	$000	$000
+/- 0.5% in interest rates	44	54	41	54
+/- 8% in A/NZ	-	-	2	2
	Profit	Equity	Profit	Equity
Year Ended 30 June 2009	$000	$000	$000	$000
+/- 0.5% in interest rates	54	54	54	54
+/- 8% in A/NZ	-	-	2	2

NOTE 29 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 34, are in accordance with the *Corporations Act 2001* and:
   (a) comply with Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes explicit and unreserved compliance with international financial reporting standards (IFRS); and
   (b) give a true and fair view of the financial position as at 30 June 2010 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 2010

MDHC
AUDIT
ASSURANCE
Statutory Audit, Internal Audit, Investigations & Due Diligence

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 statement of financial position as at 30 June 2010, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows 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 2010 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.

MDHC Audit Assurance

MDHC Audit Assurance Pty Ltd

Hawthorn
31 August 2010

KEVIN P ADAMS
Director

MDHC Audit Assurance Pty Ltd
Formerly McLean Delmo Hall
Chadwick Audit Assurance Pty Ltd

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