



DIRECTORS' REPORT

2010 - 2011

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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 2011.

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.

AWTA Ltd is a Company Limited by Guarantee established to assist and promote the development of the pastoral, agricultural, manufacturing and industrial resources of Australia, in particular, by providing independent objective data and information services which will facilitate the efficient production, marketing and processing of wool, other fibres, textile products and related materials.

Over the last 54 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.

OPERATING RESULTS

The net profit of the consolidated group for the year was \$1.121 million (2010 \$1.010 million).

REVIEW OF OPERATIONS

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 reviews following summarise the operating performance of each section of the company.

AWTA Raw Wool

The operating environment in the Australian wool industry has improved considerably during 2010/11. While drought has persisted in Western Australia, the eastern states have received above average rainfall. Wool prices have lifted significantly over the year and wool growers responded by releasing wool previously stored on farm to the market. Consequently, the volume of wool tested during 2010/11 increased and assisted to increase AWTA Raw Wool revenue. There is renewed optimism that wool production has bottomed and that it will slowly recover with the AWI Wool Production Forecasting Committee predicting a slight increase of 1% in wool production for 2011/12.

The majority of Raw Wool revenue comes from presale testing of greasy wool. The number of core tests conducted by AWTA Raw Wool increased by 4.0% from last year. Staple length and strength testing activity also increased, but only by 1.2% from the previous year due to a slight fall in the proportion of core tests additionally measured for length and strength. Total Raw Wool revenue increased by 1.9% from last year.

Despite the increased workload, improved productivity and other cost saving initiatives partially offset inflation resulting in operating expenditure for the Raw Wool division being only 1.2% higher than 2009/10. Contribution from the AWTA Raw Wool division increased by 7.2% during 2010/11.

AWTA Product Testing

AWTA Product Testing division revenue increased by 5.5% from 2009/10 and the mix of test types changed considerably. Business from Australian textile manufacturers, which was once the division's largest customer group, continues to reduce as production moves off shore and as retail remains depressed. Revenue from this source is progressively being replaced by testing conducted on other products, particularly for the building materials, automotive and reflective goods industry sectors. Cost control remains important and expenditure increased by less than 1% from last year. As a consequence operating contribution from AWTA Product Testing improved significantly on the 2009/10 result.

JinAo Testing Co Ltd grew its revenue base steadily during 2010/11 to the point where it was profitable. The majority of JinAo testing was conducted for Australian customers importing Chinese products with a growing base of local processors of Australian wool looking to JinAo to provide specialist services.

NZWTA Ltd

The operating performance of NZWTA has improved considerably in recent years. NZWTA operating revenue increased due to the maintenance of a high market share in wool testing and the company expanding its range of services by adding a textile testing capability to its Napier laboratory in January 2011. NZWTA Ltd has again achieved a satisfactory financial result and with a full year of textile testing revenue, further growth is anticipated in 2011/12.

Agrifood Technology

The year under review was difficult for farming industries. In the eastern states, significant rainfall during harvest, including flooding in some areas, downgraded the quality of the grain harvest and damaged many fodder crops. By contrast, the drought in Western Australia reduced the size of the crop. These issues negatively impacted on Agrifood Technology, reducing both grain testing volumes and also the amount of hay and silage received for testing.

By contrast, food safety testing continued to increase, partly in response to weather damaged crops, but also due to increased testing demand from the processed foods sector. Revenue growth was also generated from the establishment of a Western Australian laboratory in June 2010 following the acquisition of Inman & Farrell and Agro Nutritional laboratories last financial year. During 2010/11, the contribution from Agrifood Technology increased by more than 30%.

Financial Position

The net assets of the consolidated group have increased by \$4.3 million from 30 June 2010 to \$72.9 million at the end of the financial year.

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 James Hardie Industries SE 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 & Processors 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 D.B. Ritchie

- Appointed as the nominee director for the Wool Scourers and Carbonisers of Australia Group of Australian Wool Processors Council Inc on 25 February 2011
- Member of Audit & Finance Committee
- General Manager of Victoria Wool Processors



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
- Director of International Fibre Centre Ltd
- 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 Australian Wool Industries Secretariat Inc
- Chairman of Environment & Safety Committee
- Managing Director of Reeashbro Pty Ltd
- Director of Wallace Investments Pty Ltd



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
- Chairman of Brolga Minerals Pty 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
- 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 J.H. LILLIE (RESIGNED 25 FEBRUARY 2011)

- Appointed as the nominee director for the Wool Scourers and Carbonisers of Australia Group of Australian Wool Processors Council Inc on 16 October 2010
- 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

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 27 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		Remuneration & Appointments Committee		Environment & Safety Committee	
	Number eligible	Number attended	Number eligible	Number attended	Number eligible	Number attended	Number eligible	Number attended
D.G. McGauchie AO	6	6			3	3		
G.W. Dickinson	6	5	3	3	3	3		
M.A. Jackson	6	6					3	3
M.D. Avery	6	6	3	3				
D.R. Hamblin	6	6						
J.H. Lillie	4	3	3	3				
P.D. Morgan	6	6						
D.B. Ritchie	2	2						
G.W. Turner	6	6					3	3
D.A.A. Webster	6	6			3	3		
C.J. Wilcox	6	6					3	3

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.

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 2011 has been received and is appended to this report.

MEMBER'S LIABILITY

The company is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the company is wound up, the Memorandum of Association states that each member is required to contribute a maximum of \$50 each towards meeting any outstanding obligations of the company. At 30 June 2011, the amount that members of the company are liable to contribute if the company is wound up is \$300 (2010: \$300).

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.

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 26 August 2011 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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 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

26 August 2011

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated Group		Parent Entity	
		2011	2010	2011	2010
		\$000	\$000	\$000	\$000
Revenue	2	36,409	33,958	33,388	30,755
Other income	2	2,147	2,064	1,921	1,866
Employee benefits expense		(23,814)	(22,907)	(22,079)	(21,263)
Depreciation & amortisation expense		(2,559)	(2,389)	(2,420)	(2,245)
Repairs & maintenance expense		(2,376)	(2,173)	(2,320)	(2,118)
Energy & utilities expense		(1,310)	(1,268)	(1,144)	(1,109)
Materials & supplies expense		(1,016)	(870)	(920)	(779)
Freight expense		(975)	(1,058)	(870)	(948)
Travel expense		(635)	(719)	(480)	(573)
Property, Rates & Taxes expense		(530)	(483)	(419)	(385)
Software expense		(473)	(378)	(412)	(333)
Communications expense		(459)	(511)	(401)	(457)
Printing & stationery expense		(335)	(378)	(313)	(360)
Insurance expense		(312)	(311)	(258)	(258)
Subcontract testing expense		(280)	(360)	(276)	(360)
Investment management expense		(236)	(218)	(236)	(218)
Consulting fees		(228)	(175)	(206)	(153)
Advertising & Sponsorship expense		(195)	(210)	(174)	(192)
Audit fees		(188)	(171)	(175)	(166)
Share of losses of joint ventures		(10)	(22)	(10)	(22)
Other expenses		(701)	(740)	(641)	(442)
Impairment charge on available-for-sale financial assets		(549)	(141)	(549)	(141)
Reassessment of fair value of available for sale financial assets disposed during the year		145	246	145	246
Realised gains on disposal of available for sale financial assets		639	890	639	890
Realised losses on disposal of available for sale financial assets		(907)	(601)	(907)	(601)
Profit before income tax		1,252	1,075	883	634
Income tax expense	3	(131)	(65)	-	-
Profit for the year	4	1,121	1,010	883	634

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$000	\$000	\$000	\$000
Profit attributable to members of the parent entity	1,121	1,010	883	634
Revaluation increment/(decrement) on property, plant & equipment	2,821	(225)	3,153	(231)
Revaluation increment on available for sale financial assets	349	1,154	349	1,154
Recognition of decrease in deferred tax asset of foreign controlled entity		(64)		
Adjustments from translation of foreign controlled entity	(12)	(8)		
Total other comprehensive income	3,158	857	3,502	923
Total comprehensive income	4,279	1,867	4,385	1,557

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	Consolidated Group		Parent Entity	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	7	5,814	1,900	5,494	1,122
Trade and other receivables	8	3,402	3,001	3,043	3,309
Inventories	9	1,005	949	1,005	949
Property held for sale	14	-	5,270	-	5,270
Other current assets	18	1,310	1,276	1,213	1,199
TOTAL CURRENT ASSETS		11,531	12,396	10,755	11,849
NON-CURRENT ASSETS					
Trade and other receivables	8	-	-	1,636	1,549
Investments accounted for using the equity method	10	86	115	86	115
Financial assets	12	24,118	20,716	25,340	22,002
Property, plant and equipment	16	44,646	42,178	41,704	38,964
Investment property	15	-	342	-	342
Deferred tax assets	20	49	49	-	-
Intangible assets	17	256	320	256	320
TOTAL NON-CURRENT ASSETS		69,155	63,720	69,022	63,292
TOTAL ASSETS		80,686	76,116	79,777	75,141
CURRENT LIABILITIES					
Trade and other payables	19	2,163	2,125	1,747	1,689
Provision for taxation		93	65	-	-
Short-term provisions	21	4,984	4,948	4,820	4,815
TOTAL CURRENT LIABILITIES		7,240	7,138	6,567	6,504
NON-CURRENT LIABILITIES					
Other long-term provisions	21	540	351	508	320
TOTAL NON-CURRENT LIABILITIES		540	351	508	320
TOTAL LIABILITIES		7,780	7,489	7,075	6,824
NET ASSETS		72,906	68,627	72,702	68,317
EQUITY					
Reserves	22	72,301	69,143	72,650	69,148
Retained earnings		605	(516)	52	(831)
TOTAL EQUITY		72,906	68,627	72,702	68,317

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Retained Earnings \$000	Asset Revaluation Reserve \$000	Capital Maintenance Reserve \$000	Foreign Currency Translation Reserve \$000	Financial Assets Reserve \$000	Total \$000
Consolidated Group						
Balance at 1 July 2009	(1,462)	20,212	50,000	(525)	(1,465)	66,760
Other comprehensive income	(64)	(225)		(8)	1,154	857
Profit for the year	1,010					1,010
Balance at 30 June 2010	(516)	19,987	50,000	(533)	(311)	68,627
Other comprehensive income		2,821		(12)	349	3,158
Profit for the year	1,121					1,121
Balance at 30 June 2011	605	22,808	50,000	(545)	38	72,906

	Retained Earnings \$000	Asset Revaluation Reserve \$000	Capital Maintenance Reserve \$000	Foreign Currency Translation Reserve \$000	Financial Assets Reserve \$000	Total \$000
Parent Entity						
Balance at 1 July 2009	(1,465)	19,690	50,000		(1,465)	66,760
Other comprehensive income		(231)			1,154	923
Profit for the year	634					634
Balance at 30 June 2010	(831)	19,459	50,000		(311)	68,317
Other comprehensive income		3,153			349	3,502
Profit for the year	883					883
Balance at 30 June 2011	52	22,612	50,000		38	72,702

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated Group 2011 \$000	2010 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		35,403	34,489
Payments to suppliers and employees		(34,714)	(34,201)
Dividends received		1,983	843
Interest received		473	322
Other income received		639	958
Finance costs		-	(9)
Net cash provided by (used in) operating activities	25	3,785	2,402
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		378	180
Proceeds from sale of land held for resale		5,270	-
Proceeds from sale of investment property		430	-
Payment for available-for-sale financial assets		(13,847)	(8,787)
Proceeds from sale of financial assets		10,379	9,634
Purchase of property, plant and equipment		(2,481)	(2,587)
Purchase of intangible assets		-	(320)
Repayment of advance from subsidiary		-	6
Net cash provided by (used in) investing activities		129	(1,874)
Net increase/(decrease) in cash held		3,914	528
Cash and cash equivalents at beginning of financial year		1,900	1,363
Effect of exchange rates on cash holdings in foreign currencies		-	9
Cash and cash equivalents at end of financial year	7	5,814	1,900

The accompanying notes form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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').

The separate financial statements of the parent entity, AWTA Ltd, have not been presented within this financial report as permitted by amendments made to the Corporations Act 2001, effective as at 28 June 2010.

AWTA Ltd is a company Limited by Guarantee, incorporated and domiciled in Australia.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

AWTA Ltd and controlled entity has elected to early adopt the pronouncements AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements for the annual reporting period beginning 1 July 2010.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements 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 financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are 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

The consolidated financial statements incorporate the assets, liabilities and results of the entity controlled by AWTA Ltd at reporting date. 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.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated in full 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 an acquirer obtains control over one or more businesses. A business combination is accounted for by applying the acquisition method.

The acquisition method requires an acquirer of the business must be identified. The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed.

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 outside the profit or loss when the tax relates to items that are recognised outside the profit or loss.

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 the end of the reporting period. 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 less accumulated depreciation and impairment losses.

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. Depreciation is recognised in the income statement.

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.

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.

(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 profit or loss, except where deferred in other comprehensive income as a qualifying cash flow or net investment hedge.

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

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

(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. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. 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) Trade and Other Payables

Trade and other payables represent the liability outstanding at reporting date for goods and services received by the group during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(r) 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.

(s) Comparative Figures

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

(t) 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.

(u) Critical Accounting Estimates and Judgments

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

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.

The financial report was authorised for issue on 26 August 2011 by the Board of Directors.

NOTE 2 REVENUE AND OTHER INCOME

	Consolidated Group	
	2011	2010
	\$000	\$000
Revenue		
Sales Revenue		
— Revenue from services	33,899	32,785
Revenue from investments		
— Dividend revenue from other corporations	1,983	843
— Interest from unrelated persons	527	330
	2,510	1,173
Total Revenue	36,409	33,958
Other Income		
— Gains on disposal of property, plant and equipment	220	57
— Gains on disposal of investment property	98	-
— Gain on disposal of surplus sample material	1,010	896
— Rent income	226	318
— Income from investment property	-	23
— Consulting income	241	308
— Other income	352	462
Total Other Income	2,147	2,064

NOTE 3 PROFIT FOR THE YEAR

	Consolidated Group	
	2011	2010
	\$000	\$000
Expenses		
Finance costs:		
— External	-	7
Bad and doubtful debts:		
— Trade receivables	11	13
Rental expense on operating leases		
— Minimum lease payments	180	151

NOTE 4 INCOME TAX EXPENSE

	Consolidated Group	
	2011	2010
	\$000	\$000
a. The components of tax expense comprise:		
Current tax	131	141
Deferred tax		
Recoupment of prior year tax losses	-	(76)
	131	65
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit/(loss) from ordinary activities of subsidiary before income tax at 30% (2010: 30%)		
— Consolidated group	111	135
Add:		
Tax effect of:		
— Non-deductible depreciation and amortisation	-	2
— Other non-allowable items	23	4
	134	141
Less:		
Tax effect of:		
Recoupment of prior year tax losses not previously brought to account	3	76
Income tax attributable to entity	131	65
c. There are no tax effects on components included in the statement of comprehensive income.		

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 (resigned 25 February 2011)
Dr P. D. Morgan	Director – Non executive
Mr D.B. Ritchie	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

	2011 \$000	2010 \$000
Total remuneration paid to Key Management Personnel	1,453	1,400
Remuneration of Directors		
Amounts paid or payable to Directors or former Directors of AWTA Ltd	920	897
Directors remuneration falls within the following bands:	No.	No.
\$10,000 to \$19,999	1	1
\$20,000 to \$29,999	1	1
\$30,000 to \$39,999	6	6
\$60,000 to \$69,999	1	1
\$120,000 to \$129,999	1	1
\$450,000 to \$459,999	-	1
\$470,000 to \$479,999	1	-

NOTE 6 AUDITORS' REMUNERATION

	Consolidated Group 2011 \$000	2010 \$000
Remuneration of the auditor of the parent entity for:		
— Auditing the financial report	175	161
Remuneration of other auditors of subsidiary for:		
— Auditing the financial report of the subsidiary	13	10
— Taxation services	3	5

NOTE 7 CASH AND CASH EQUIVALENTS

	Consolidated Group 2011 \$000	2010 \$000
Cash at bank and in hand	564	1,000
Short-term bank deposits	5,250	900
	5,814	1,900
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	5,814	1,900

NOTE 8 TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2011	2010
	\$000	\$000
CURRENT		
Trade receivables	2,821	2,785
Provision for impairment	(15)	(26)
	2,806	2,759
Amounts receivable from:		
— Franking credit rebate from Australian Taxation Office	558	208
— Other sundry debtors	38	34
Total current trade and other receivables	3,402	3,001

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. Movement in the provision for impairment of receivables is as follows:

	2011	2010
	\$000	\$000
Balance at beginning of the year	(26)	(27)
Charge for the year	(15)	(26)
Amounts written off	26	27
Balance at end of year	(15)	(26)

NOTE 9 INVENTORIES

	Consolidated Group	
	2011	2010
	\$000	\$000
CURRENT		
Materials & supplies	1,005	949

NOTE 10 INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	Note	Consolidated Group	
		2011	2010
		\$000	\$000
Interest in joint venture entity	11	86	115

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.

NOTE 12 FINANCIAL ASSETS

	Consolidated Group	
	2011	2010
	\$000	\$000
NON CURRENT		
Available-for-sale financial assets	24,118	20,716
Total Non-current Assets	24,118	20,716
Available-for-sale financial assets comprise:		
Listed investments, at fair value	24,118	20,716

NOTE 13 CONTROLLED ENTITY

Controlled Entity Consolidated	Country of Incorporation	Percentage Owned (%)	
Subsidiary of AWTA Ltd		2011	2010
New Zealand Wool Testing Authority Ltd	New Zealand	100	100

NOTE 14 PROPERTY HELD FOR SALE

	Consolidated Group	
	2011	2010
	\$000	\$000
Property held for sale	-	5,270
	-	5,270

NOTE 15 INVESTMENT PROPERTY

	Consolidated Group	
	2011	2010
	\$000	\$000
Balance at beginning of year	342	-
Transfer from property, plant and equipment	-	342
Disposal during the year	342	-
Balance at end of year	-	342

The fair value model is applied to 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	
	2011	2010
	\$000	\$000
LAND AND BUILDINGS		
Freehold land at:		
— Directors' valuation 2009	-	14,645
— Independent valuation 2011	16,575	-
Total Land	16,575	14,645
Buildings at:		
— Directors' valuation 2009	-	18,680
— Independent valuation 2011	19,648	-
Less accumulated depreciation	-	(682)
Total Buildings	19,648	17,998
Total Land and Buildings	36,223	32,643
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	43,175	44,737
Accumulated depreciation	(35,493)	(35,427)
Plant and equipment under construction	741	225
Total Plant and Equipment	8,423	9,535
Total Property, Plant and Equipment	44,646	42,178

The group's land and buildings were revalued at 30th June 2011 by independent valuers. Valuations were based on an assessment of the property portfolio's fair value less costs to sell, based on active market and continuing current use basis. Revaluation movements were recorded directly in the asset revaluation reserve.

Movements in Carrying Amounts

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

	Freehold Land \$000	Buildings \$000	Plant and Equipment \$000	Total \$000
Consolidated Group:				
Balance at 1 July 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		(682)	(1,707)	(2,389)
Balance at 30 June 2010	14,645	17,998	9,535	42,178
Additions		156	2,325	2,481
Disposals			(178)	(178)
Foreign exchange translation on opening balances		(139)	(22)	(161)
Revaluation increments/ (decrements)	1,930	2,348	(1,457)	2,821
Depreciation expense		(715)	(1,780)	(2,495)
Balance at 30 June 2011	16,575	19,648	8,423	44,646

NOTE 17 INTANGIBLE ASSETS

	Consolidated Group	
	2011	2010
	\$000	\$000
Customer lists		
Cost	320	320
less: Accumulated amortisation & impairment	64	-
Total intangibles	256	320
Balance at the beginning of year	320	-
Additions	-	320
less: Amortisation	64	-
Balance at the end of the year	256	320

NOTE 18 OTHER ASSETS

	Consolidated Group	
	2011	2010
	\$000	\$000
CURRENT		
Prepayments	1,310	1,276

NOTE 19 TRADE AND OTHER PAYABLES

	Consolidated Group	
	2011	2010
	\$000	\$000
CURRENT		
Unsecured liabilities		
Trade payables	1,161	862
Sundry payables and accrued expenses	1,002	1,263
	2,163	2,125

NOTE 20 TAX

	Consolidated Group	
	2011	2010
	\$000	\$000
NON-CURRENT		
Deferred Tax Assets		
Balance at beginning of year	49	113
Charged directly to equity	-	(64)
Balance at end of year	49	49

NOTE 21 PROVISIONS

	Consolidated Group	
	2011	2010
	\$000	\$000
Employee Entitlements		
Opening balance	5,299	5,877
Additional provisions	2,568	2,431
Amounts used	(2,343)	(3,009)
	5,524	5,299
Analysis of Total Provisions		
Current	4,984	4,948
Non-current	540	351
	5,524	5,299

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 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 (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 23 CAPITAL AND LEASING COMMITMENTS

	Consolidated Group	
	2011	2010
	\$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	114	144
— Between 12 months and 5 years	81	180
— Greater than 5 years	206	224
	401	548

The property leases of the parent entity, AWTA Ltd, are non-cancellable leases with 1 and 2 year terms, with rent payable monthly in advance. Contingent rental provisions within the lease agreements require the minimum lease payments for each year. Options exist to renew the leases at the end of the 1 and 2 year terms for additional terms of 2 and 3 years. The leases allow for subletting of all 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 2011, 2011, 2017, 2018, 2022, 2023 and 2029.

	Consolidated Group	
	2011	2010
	\$000	\$000
(b) Capital Expenditure Commitments		
Capital expenditure commitments contracted for:		
Capital expenditure projects	891	444
(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	133	115
— Between 12 months and 5 years	95	54
	228	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 24 CONTINGENT LIABILITIES

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

NOTE 25 CASH FLOW INFORMATION

	Consolidated Group	
	2011	2010
	\$000	\$000
(a) Reconciliation of Cash Flow from Operations with Profit/(Loss) after Income Tax		
Profit after income tax	1,121	1,010
Non-cash flows in profit/(loss)		
Depreciation and amortisation	2,559	2,389
Reassessment of fair value on available-for-sale financial assets	(145)	(246)
Impairment charges on available-for-sale financial assets	549	141
Foreign exchange (gain)/loss	203	(22)
Changes in provisions	214	(579)
Net gain on disposal of property, plant and equipment	(213)	(57)
Net gain on disposal of investment property	(98)	-
Doubtful debts written off	11	13
Share of joint venture entity net profit/(loss) after income tax and dividends	10	22
Changes in assets and liabilities		
(Increase) in trade and term receivables	(401)	(282)
(Increase) in other current assets	(34)	(235)
(Increase)/decrease in inventories	(56)	262
Increase/(decrease) in trade payables and accruals	38	(144)
Increase in income taxes payable	28	65
Decrease in deferred tax asset	-	65
Cash flow from operations	3,785	2,402

NOTE 26 RELATED PARTY TRANSACTIONS

	Consolidated Group	
	2011	2010
	\$000	\$000
The directors of AWTA Ltd have interests in organisations which utilise the services of the group in the ordinary course of business. All services are provided under the group's standard terms and conditions. Aggregate amount of services provided to:		
Organisations associated with directors	887	1,202

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	
	2011	2010
	\$000	\$000
Financial Assets		
Cash and cash equivalents	5,814	1,900
Loans and receivables	3,402	3,001
Available-for-sale financial assets	24,118	20,716
	33,334	25,617
Financial Liabilities		
Trade and other payables	2,163	2,125
	2,163	2,125

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	
	2011	2010
	%	%
Financial Assets		
Cash and cash equivalents	5.06	3.76

(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.

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).

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 17 to 31, 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 2011 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 26th day of August 2011



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 2011, 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 that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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:
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 2011 and of their performance for the year ended on that date; and
- ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

A stylized signature for MDHC Audit Assurance.

MDHC Audit Assurance Pty Ltd

Hawthorn
26 August 2011

A stylized signature for Kevin P Adams.

KEVIN P ADAMS
Director

MDHC Audit Assurance Pty Ltd
Formerly McLean Dalmo Hall
Chadwick Audit Assurance Pty Ltd
ABN 54 112 855 584

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