



Australian Wool Exchange Limited. 2010 - 2011

annualreport

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Annual Report 2011 for the year ended 30 June 2011.

Australian Wool Exchange Limited ABN 35 061 495 565.

Chairman's Message



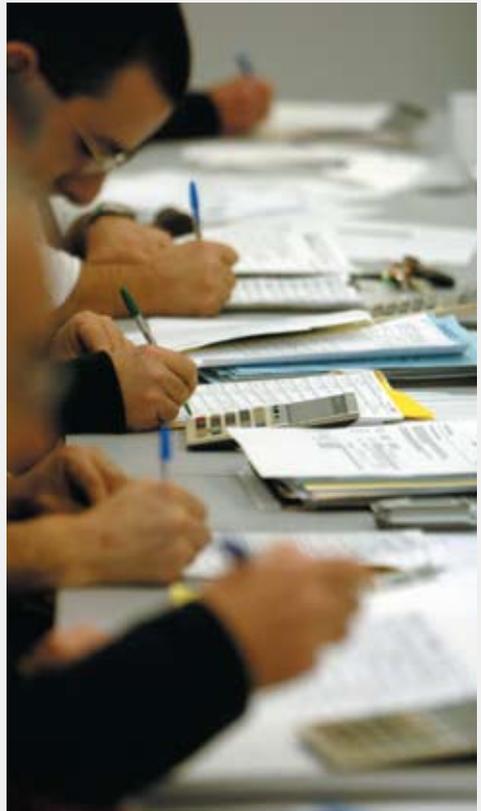
The long term decline in the Australian Merino sheep numbers, and the associated decline in wool production, was reflected in market prices for wool in fiscal 2011. The AWEX Eastern Market Indicator closed the year at 1,409 cents per kilogram clean, compared with 898 cents per kilogram clean at the same time in fiscal 2010. All micron categories showed significant price gains over the year, with finer wool showing slightly higher percentage increases than broader wool. Improved wool prices, together with a return to more normal seasonal conditions throughout Australia, have seen renewed confidence among wool producers and other participants in the wool supply chain.

Latest data suggests that the Australian sheep flock will grow modestly over the next few years, leading to an increase in wool supply. At the time of writing, the world economic outlook is uncertain, with Europe possibly heading for a further debt crisis, and the US economic recovery stalled. In such circumstances, the outlook for wool demand, and hence wool prices, is not clear.

In fiscal 2011, AWEX reported an operating surplus of \$29,685, a significant turn-around on the deficit of \$132,151 reported in fiscal 2010. The 2011 result reflected continuing efforts on cost reduction, together with modest increases in revenues associated with increased wool volumes.

As in previous years, AWEX's wool quality assurance activities operated at a loss, whilst the commercial activities, such as market reporting and wool clearing, were marginally profitable. The outlook was for increasing losses on QA activities, as the full cost of the NWD audit program would be realised after completion of the 50/50 funding from the Department of Agriculture, Fisheries and Forestry Ausproduce grant.

Consequently, the Board resolved in fiscal 2011 to initiate discussions within the industry to explore alternative funding arrangements for the quality assurance activities that were both sustainable and equitable. These discussions led to a significant degree of consensus about a way forward, and in early September, The Board resolved to increase the price of a bale label to \$0.65 per label, which



will generate the approximate one million dollars per annum needed to fund AWEX's QA activities, other than those relating to woolclasser registration.

Buoyant prices for wool lead to more discerning buyers, and therefore reinforce the need for a rigorous, independent QA system for Australian wool. The new funding arrangements will underpin such a system, which will be further strengthened by the NWD Integrity Program that has been developed and implemented over recent years. This program is experiencing increasing utilisation by wool growers, and has significant support from wool pipeline participants, particularly those seeking wool from sheep with a known mulesing status. It would form the foundation for a traceability system should wool pipeline participants determine in the future that traceability is required.

The NWD and the associated audit program provide confidence to those buyers who wish to know the mulesing status of their wool purchases, and thereby ensure that those buyers can continue to purchase their wool requirements from Australia. As such, the NWD is just like any other facet of the wool quality assurance program: it underpins market confidence in Australian wool, it underpins demand for Australian wool, and it is a cost that is appropriately borne across the industry.

Uncertain economic times, even when wool prices are strong, lead to many business uncertainties and generally higher risk levels in otherwise normal business decisions. Managing in such times is inherently more difficult, and I want to express my thanks to our CEO, Mark Grave and his staff for their tireless efforts on behalf of AWEX, and for a job well done. Finally, a note of appreciation to my fellow Board members for the support and constructive input to our deliberations.



John Keniry AM, Chairman
September 2011



CEO's Report



What a difference a year makes. The confidence and optimism of the wool industry today is in stark contrast to twelve months ago. There is no doubt that Australia's prolonged period of drought combined with years of depressed wool prices has played its part in holding back the industry.

Fast-forward to 2011 and wool is once again a commercially viable and exciting industry, particularly to woolgrowers as they recognize the value of diversification back into wool. The remarkable thing about this turnaround is that it co-exists with an unprecedented and sustained high value Australian dollar (AUD), particularly compared to the United States dollar (USD). The AUD has now been above parity with the USD since November 2010, with almost no resulting deflationary effect on the wool market.

Many would remember over the past 30 years how almost every movement in the value of the Australian currency had an immediate impact on the greasy wool market. Today, with significantly lower wool production, the wool market has been able to resist this trend, to the benefit of woolgrowers and the industry as a whole.

There have also been many challenges for AWEX and the wool industry in 2010-11.

The introduction of a key on-farm quality assurance program, the National Wool Declaration Integrity Program (NWD-IP), has been a challenge and a milestone, with the program credentials now well on the way to being firmly established domestically and internationally.

Its introduction would not have been possible without the support and funding received through the Federal Government's Department of Agriculture, Fisheries and Forestry's Ausproduce Promoting Australian Produce grant.

The 50/50 funding arrangement provided AWEX with the necessary support to commence the final phase of the NWD-IP and to build valuable credibility for the program.

AWEX is carrying out an urgent review of woolpack

standards as a result of practical issues in NSW with respect to the transportation of wool bales. The legislated road rule in NSW requires a 2.5 metres wide maximum load dimension, a requirement which current wool bales do not consistently meet.

The NSW Roads and Traffic Authority (RTA) made this a priority issue in October 2010 with RTA inspectors starting to measure the width dimension of trucks carrying wool. The wool industry was first advised of this issue and the need for change some 20 years ago.

Over this time an exemption notice has applied. With no resolution to date, despite undertakings given by the industry in the early 1990s to resolve this issue, urgent action is now required.

In response, AWEX is investigating whether a solution can be reached through a new approach to wool bale packaging and improved woolpack specification. Time will be required to trial and test a variety of solutions, eliminating those that won't work and proving thoroughly those which will add value to the supply chain. The industry is united in this endeavor and to date we have received strong support from the RTA and NSW Government.

The NSW Government has put a conditional 12-month notice in place allowing loads of up to 2.7 metres wide, providing an opportunity for industry to conduct a thorough review and reach a solution.

New AWEX Chairman

Dr John Keniry AM was appointed Chairman of AWEX in December 2010. John becomes AWEX's 6th Chairman and brings to AWEX a wealth of corporate and agricultural experience gained over many years and is well respected throughout the industry. He has served and continues to serve many industry Boards and companies, including Chairman

of the Sheep CRC, Chairman of the Pork CRC, former Chairman of Ridley Corporation and numerous State and Federal Government committees. John has been actively engaging with AWEX members and the broader wool industry since his appointment.

Since John's appointment, he has focused the Board on addressing the long term sustainability of AWEX. The result of this was the open discussion paper on sustainable funding for AWEX QA programs, which was discussed with industry.

John replaces Allan Farrar, AWEX's longest serving Chairman, who did not seek re-appointment. Over the last nine years Allan has guided the AWEX Board through many challenges and delivered some of its greatest achievements. Allan's appointment came at a critical time for AWEX and during his tenure he had to address many issues crucial to the long-term interests of AWEX and its membership. Allan's stewardship of the Board and his counsel with and for members are a lasting legacy.

Quality Assurance Programs

A key objective in 2011 is to ensure that AWEX returns to a sustainable organisation that can continue to deliver industry Quality Assurance (QA) Programs. A paper detailing a proposal to resolve funding of these programs was released in June and has been discussed widely by industry with all feedback being given to the Board for consideration.

The QA Funding Proposal discussion paper presented a transparent view of the costs associated with running industry QA programs. The discussion paper outlined each program's costs and identified the shared benefits from these programs across industry.

Whilst AWEX is a not-for-profit organisation, a sustainable funding model is an essential requirement to enable it to continue to deliver QA programs that benefit the Australian wool industry.

Broad industry consultation on this issue indicated that there is a high value attached to these programs. The AWEX Board considered the feedback and comments through the consultation period and made the decision that the long term equitable and sustainable funding of the QA programs would be consolidated and collected through the sale of bale labels. This decision received broad industry support from representative woolgrower groups including WoolProducers Australia, Australian Superfine Wool

Growers Association as well as the National Council of Wool Selling Brokers and Inland Wool Brokers. The resolution of this issue is a significant step forward in terms of the ongoing development of industry QA.

Financial Performance

Globally, 2010-11 has been a financially challenging year. It was also the first year that AWEX has not provided network services, allowing the reallocation of staff and resources to concentrate on delivering the core AWEX Quality and Commercial services.

This has contributed to a modest surplus of \$29,685 for 2010-11. This is a significantly better performance than in previous years, with losses of \$132,151 and \$119,715 being recorded in 2010 and 2009 respectively, and only further highlighted the need for a sustainable business model.

The loyalty and dedication of AWEX members continues to play its part in our ability to deliver programs of considerable benefit and value to industry. It is this genuine support and the conviction of our members that has enabled AWEX to deliver these programs and achieve its objectives, often under the difficult circumstances experienced in recent years.

I would like to express my gratitude to the AWEX Board for their wise counsel and their ongoing support of management and staff.

I would also like to acknowledge and thank the staff of AWEX. It takes dedication, belief and extraordinary resilience to deliver our services. AWEX is a small company that has achieved great things on the back of this dedication.

We are looking forward to 2011-12 with enthusiasm; intent on delivering further benefit to the industry.



Mark Grave, CEO
September 2011

Company Principles

Although AWEX is not a listed company, it adopts the best practice recommendations as drafted by the ASX Corporate Governance Council in so far as those recommendations are appropriate for a company of the size and nature of AWEX.

Principle 1

Lay solid foundations for management and oversight

AWEX's Constitution sets out the role of the Board. A number of Board Committees have been established to assist the Board in carrying out its role.

Principle 2

Structure the Board to add value

The Board is comprised primarily of sectoral members, in accordance with the Company's constitution. There are two separate appointees to the positions of Chairman and Independent Director. The CEO is not a member of the Board.

Details of Directors' term of office appear later in this report. Under the Constitution, each Director will retire at the third annual general meeting held after that Director's appointment or election and may then offer themselves for re-election.

Through the Chairman, all Board members can take appropriate professional advice at AWEX's expense.

Principle 3

Promote ethical and responsible decision-making

A code of conduct for staff and Directors has been developed.

The Company is limited by guarantee and as such there is no trading in company securities.

Principle 4

Safeguard the integrity in financial reporting

The Board has both an Audit Committee and a Compliance and Corporate Governance Committee, both of which have formal terms of reference. Details of Committee members and the number of meetings attended are set out in the following pages.

The Audit Committee meets at least once per year independently of management.

Principle 5

Make timely and balanced disclosures

The Company is not a listed entity and is not subject to ASX Listing Rule disclosure requirements.

AWEX does disclose significant information to members through members' Updates and Media Releases.

Principle 6

Respect the rights of shareholders

The Company has members rather than shareholders. The Company complies with all relevant legislation, as well as the Constitution and provides detailed explanatory notices to general meetings of members. AWEX's external auditors, Thomas Davis and Co attend the AGM and are available to answer members' questions.

Principle 7

Recognise and manage risk

As noted above, the Board is responsible for identifying risks and opportunities on a timely basis and has mechanisms in place to oversee specific aspects of management's functionality. This includes the convening of the Audit and Compliance and Corporate Governance Committees, which monitor and advise the Board on management, finance, corporate governance and expenditure policies and oversee the external financial statement audit process; the Remuneration Committee, which monitors and advises the Board on issues relating to policies as well as remuneration for AWEX staff.

Principle 8

Encourage enhanced performance

The Compliance and Corporate Governance Committee annually reviews the performance of Directors. The Chairman overviews the performance of the CEO annually and reviews for all staff, including senior management are also carried out.

Principle 9

Remunerate fairly and responsibly

Details of Directors' remuneration are set out in the following pages. In addition to Directors' remuneration, Directors are entitled to be reimbursed for all travel and other expenses incurred in connection with attendance at Board and Committee meetings or otherwise in connection with AWEX's business.

Details of the Remuneration Committee members and the number of meetings and attendees are set out elsewhere in this report. The Committee makes recommendations to the Board, which determines the remuneration of the CEO and senior management. The Committee also considers, reviews and approves annual salaries for all staff.

Principle 10

Recognise the legitimate interests of shareholders

AWEX is a member-based company and does not have shareholders. AWEX recognises the interests of members in accordance with Corporations Law.

The company through the Compliance and Corporate Governance Committee has developed a code of conduct for staff and directors. The code gives all staff and directors a best practice guide to conduct.

Operational Report

Funding QA Activities Into The Future

Following extensive industry consultation, the AWEX Board announced on August 26 that a decision on the future funding of industry QA activities had been reached. Effective from this date, the costs related to the running of QA activities have been consolidated and collected through the sale of AWEX Bale Labels.

This decision was based on the considered feedback suggesting a simplified and transparent approach would be more acceptable to industry. In making the decision, the AWEX Board is committed to being open and transparent regarding the costs of running each program and will report this on an annual basis.

AWEX received letters of support from the ASWGA, TFGA and the NCWSBA and IWB as well as support from Wool Producers. Support from industry for the QA programs and the way they will be funded into the future is an important step for the Australian wool industry.

AWEX has been working to establish a sustainable and equitable solution for several years. This announcement provides AWEX with the security to continue developing its QA activities in support of the wool industry. Quality continues to be a significant issue and with Australia's reputation being challenged by other countries there is a need to lift the bar as Australia's wool customers demand more from their raw product.

With the introduction of the new consolidated funding structure AWEX was also able to announce to members that the QSF would cease at the end of August. The QSF was introduced in 2009 as a part contributor to the funding of some of the QA activities. The QSF was paid on wool sold at auction with the limitation that it was only paid by AWEX members. With the QSF disappearing from AWEX members' account sales, the impact of the bale label price increase will be reduced.

The AWEX Board also acknowledged the support and commitment of AWEX members over many years. It is hoped that through this change their contribution and support of industry QA programs is recognised by the broader wool industry.

The change in funding structure is also significant because rather than a fee paid directly by wool-growers, the new system allows the costs of QA

activities to be shared across the industry. While the increase in the price of bale labels is \$0.40 per bale, the impact of the QA programs is significant. Removing a QA Fee applied directly to the woolgrower and wool broker removes most of the politics from what are broad and beneficial industry programs.



AWEX's QA programs have played a part in enhancing the reputation of Australian wool over many years. The challenge now is to use this opportunity to develop and deliver to further develop and deliver improved programs.

Community

AWEX and its staff continue to support and make donations to community and industry support services, including the Royal Flying Doctor Service. AWEX staff also contribute and raise money for charitable events organised by many groups; for example, OXFAM.

AWEX's community involvement extends to education with its ongoing sponsorship of scholarships at the University of New England. The AWEX sponsorship allows four students studying agriculture, with an emphasis on wool, to receive financial assistance while studying and to undertake work experience in the wool industry.

This year one final year student attended the Wool Week Luncheon in Melbourne, hearing first hand AWI's strategic direction and activities, and met with many wool industry figures. He reported that the experience was invaluable and had given him a greater appreciation for the depth and breadth of wool and agriculture.

Our industry is challenged by competing industries every day and activities like this are important in raising the profile of both wool and agriculture.

National Wool Declaration Integrity Program

Following AWEX receiving a 50/50 Grant from the Australian Government through the Department of Agriculture, Fisheries and Forestry's Ausproduce Promoting Australian Produce program, AWEX has been able to commence the final phase of the NWD-IP on-farm inspections.

The on-farm component committed AWEX to 225 inspections, carried out on a random basis in each state, for completed NWDs that declared non mulesed (NM) or ceased mulesing (CM) status.

An objective for AWEX was to ensure the best people were appointed as inspectors. After receiving over 60 applications AWEX appointed three people to be based in regional locations on the East Coast of Australia. These new staff appointments were strategic in order to minimize the cost of travel – the biggest cost of conducting this program.

Inspections commenced in September 2010 following extensive training, including field work. The challenge was for AWEX to complete the 225 inspections prior to the Ausproduce Grant finishing at the end of April 2011.

Despite delays caused by the very wet summer, particularly in Victoria and northern New South Wales, inspections were completed in line with each state's relative declaration rates for NM and CM.

The results indicate that there is still some work to be done to ensure that the NWD is well understood.

The Non Compliance rate for 2010-11 of 15% also indicates that the sampling system for selecting inspections was sound.

AWEX received strong and positive support for on-farm inspections from the US Retailers, the BRC and the Italian Processors at the IWTO conference in May.

AWEX is now starting its second year of inspections and is working to streamline the NWD by incorporating the information in the woolclassers' specification.

Wool Packs

Late in October 2010, the wool industry in NSW was put on final notice regarding the problem of over width loads of wool on road transport vehicles. The RTA started to enforce road rules in October stating a legal load is one that does not exceed 2.5 metres in width. This road rule has been in place for many years and it was apparent that some loads of wool have exceeded that limit. As a consequence traffic infringement notices and demerit points have been given to drivers.

As a result the RTA held a workshop in Dubbo on 1st/2nd February 2010 where representatives of the transport industry, wool industry, RTA and police discussed the issue and ways that together we



Operational Report *cont...*

might seek a resolution. The RTA informed the group that this issue was originally raised with industry in the early 1990s. At the time, the industry undertook to redress the issue and educate the woolgrowers that the maximum length of a bale of wool should be 1.25 metres and the legal width of a loaded truck 2.5 metres. The industry has since been operating under an exemption allowing wool to be transported outside the road regulations.

The overriding concern from the RTA is the issue of safety. An issue for the wool industry is that currently road rules vary by state, with each having a different method of dealing with the loading and transportation of wool bales. Road rules are due to become standardised nationally in 2013, but as yet, there is no indication of the basis for any new rules.

At the Dubbo meeting, the wool industry was introduced to the relatively new concept of chain-of-responsibility (COR). COR aims to make everyone aware that we share some responsibility for the delivery of any product.

It is apparent that a resolution to this issue may have several implications in the cost of producing wool, wool packs, transportation or the way in which wool is handled. AWEX firmly believes that it is in the wool industry's best interest to resolve this issue ourselves rather than have a solution imposed upon us.

This is a serious issue and one that AWEX and the Board are urgently addressing. Trials based on varying wool pack specifications and designs are currently underway. In addition to addressing the core safety issue, a consideration for the trial is to minimise the impact on the cost of production and the procedures for using a wool pack, as these can have flow on effects for wool producers.

The NSW Government also announced in August a 12-month conditional exemption to the existing road rules for wool bales. This will provide the necessary time to complete the review of the wool pack standard.

ISAC

During 2010-11 the key considerations of ISAC were the review of the NWD and the commencement of the wool pack review. Both activities are essential to the development and direction of these two key AWEX QA programs.

The annual NWD review invited submissions from



external organisations and industry stakeholders. This year the US Retail Federation made a submission, which was considered together with submissions received from key Australian industry stakeholders.

While all submissions supported the program, a clear theme was the need to streamline the NWD, specifically the paperwork involved, to reduce workload and aid adoption. Following these submissions, ISAC agreed to simplify the NWD by integrating the required NWD information with the woolclassers' specification, reducing duplication between the two documents. The integrated classers specification was released in February 2011.

The next review of the NWD will commence in October 2011.

Next year will be very busy for ISAC and AWEX with the tri-annual review of the woolclassers Code of Practice. The Code of Practice for the Preparation of Australian Wool Clips is recognised globally as the benchmark for quality wool preparation. The Code of Practice will be subject to a full review to ensure it remains relevant to the expectations of today's wool industry.

The review must be completed before the 2013-15 woolclasser re-registration period commences in October 2012.

The significance of the work undertaken by ISAC cannot be under estimated. ISAC acts in a consultative manner and works on the basis that the appropriate skills for each issue are seconded to the Committee.

ISAC is independently chaired and provides the forum to discuss all quality related issues.

Internationally

In recent years AWEX has become more actively involved in international seminars and training programs, particularly with Chinese processors. The aim of AWEX's involvement is to lift the profile and understanding of Australian wool in China. As China is such a critical export destination for Australian wool, it is important that AWEX is able to add valuable information and background on how Australia prepares and aggregates wool prior to processing.

The level of interest shown by processors has been very encouraging and this will provide Australia with the opportunity to develop better relationships with China.

AWEX believes that it is an absolute necessity for all our customers to have a sound understanding of the Australian wool industry so they can fully appreciate the value and investment made by all in the supply chain in Australia.

AWEX has again actively participated in the Nanjing Wool Conference (NWC) held in September in Beijing (2010) and Nanjing (2011) as well as the Nanjing Training Program in May 2011. The NWC is arguably the largest and most influential wool conference of its type in the world with over 500 attendees, from Chinese processors to international guests.

In May 2010, AWEX participated in the IWTO Conference in Hangzhou. In addition to updating attendees on the results of the NWD-IP, AWEX sought approval for the inclusion of Mulesing Status in the IWTO Core Test Regulations. Approval was granted, with the presentations well received, particularly by the Italian delegation.

The US National Retail Federation and British Retail Consortium remain in constant contact with AWEX over the progress of the NWD. These are important relationships and ones which, having been created by AWEX and the Australian wool industry, we cannot afford to lose.

The feedback and involvement of the retail sector can be difficult to achieve at production level, but their support and input to the development of QA programs is critical in maintaining their confidence in Australian wool.

Our commitment to overseas programs has shown that there is a fantastic opportunity to develop the relationship between Australian woolclassers and first stage processors. By bringing the two sectors closer together, there will be a greater appreciation of what each other does, and how both work together to deliver a quality product. This will be a challenge for 2012.

Calendar

In 2010 AWEX started compiling photographs for the 2013-15 release of the Sheep Breed Compendium (SBC). The SBC was a great success and a sought after reference document for the Australian wool industry. With this in mind, AWEX has commenced preparations for the next release by commissioning professional photographs of each sheep breed.



The high quality of the photographs resulted in the decision to produce a seasonal calendar complete with significant wool/sheep industry dates and a wool selling program. A limited run of just 250 calendars was sent to members to an overwhelming positive response.

Woolclassing

At the halfway point in the 2010-2012 registration period there are 20,326 registered woolclassers. This represents a fall of 9.3% in comparison to 2009.

Australia has 10,182 registered professional (AW) woolclassers and Masterclassers (MC). The decline, while varying across states and categories, is largely in line with the decline in wool production. However, it is important that AWEX and the industry stimulate interest in these skills-based positions to ensure there

Operational Report *cont...*

are enough woolclassers well into the future, and in particular for when wool production increases.

It is imperative that the industry attracts new woolclassers, particularly from younger generations. This is part of a wider agricultural issue in Australia. In order to build a successful future for our industry we need to not only encourage the next generation to be involved in our industry, but ensure we can retain them.



By state, the decline in woolclassers has been most marked in Western Australia, largely due to the impact of drought, the loss of sheep numbers and the very real and sustained impact of the mining sector.

The challenge is clear. The wool industry needs to think more holistically about where the next generation of industry people might come from.

The Woolclassers' Registration Review Committee (RRC) also met this year to review the performance of woolclassers who have repeatedly performed below the expected standard. Woolclassers called before the RRC have the opportunity to make a written presentation to the Committee with the outcome being determined by the information received. The RRC can suspend or de-register woolclassers, or require them to be retrained, and is an important part of AWEX's commitment to ensure that woolclasser performance is maintained.

The next woolclasser registration period commences in October 2012, with a record number of online

registrations expected, up from the current 20%. Registration is for a three year period and coincides with the release of the Code of Practice and the Sheep Breed Compendium. Industry will be invited to make submissions to the review of the Code of Practice in early 2012.

Masterclasser remains a well recognised and sought after registration. Masterclasser is only available by invitation and following the successful completion of a four-day course. Whilst there are just 178 Masterclassers out of 20,300 woolclassers, they prepare over 11% of Australia's woolclip.

AWEX also released the concept software program "WoolClip" in 2011. WoolClip allows the entry of wool and tally book data onto a computer, enabling the woolclasser specification and NWD to be delivered electronically to wool brokers. The program does not allow duplication of bale numbers and the information does not need to be manually re-entered onto the wool brokers own computer system. This should eliminate a high percentage of the errors experienced by brokers when trying to read and transcribe information.

It is hoped that after the trial period is complete, the full program can be made available in 2012.

Bendigo Woolclassers' Forum

This year, AWEX became the major sponsor and convener of the Bendigo Woolclassers' Forum. When the opportunity arose AWEX was keen to be involved because of the obvious synergies with the forum's activities.

AWEX changed the timing of the forum, enabling wool buyers to attend and to be questioned by the audience. Exporters representing three different sectors of the wool industry were available this year to give first hand advice and feedback on how they view the preparation of Australian wool.

AWEX members, exporters and processors Josh Lamb (Techwool), Mark Symes (Schneider) and Paul Ferronato (Victoria Wool Processors) provided their candid views on the wool market and on wool preparation.

The first AWEX Woolclassers' Forum was judged a success and planning is underway for the 22nd Bendigo Forum. In addition, a number of similar events will be held in other locations during 2012.

The Market in Review

The 2010-11 season marked a significant turning point in the Australian wool market. The last decade has seen drought in much of Australia and a declining wool market. Above average rains along the Eastern seaboard combined with a tight supply in wool production and indications of stronger demand were good signs for the Australian wool market. The unprecedented value of the Australian dollar against the USD did little to dampen the strong underlying market conditions.

The AWEX Eastern Market Indicator (EMI) opened in July 2010 at 898 c/kg clean and closed on 30 June at 1409 c/kg clean. The Australian average value of a bale of wool in week 1 of July 2010 was \$982 and by the close of week 52 was \$1428, an increase of 45%. The majority of the improvement in the market occurred in January following the Christmas recess.

The commencement of the 2010-11 season was relatively flat with the first quarter (July-September) closing marginally lower. October marked the start of the market rally with the indicator rising 156 cents (17.8%) in the three months prior to the Christmas recess.

It was not until January that market momentum rapidly increased. Trade speculation at the time centered on an expected shortage of wool, particularly in Queensland where widespread flooding had delayed shearing and interrupted transport logistics.

Buyers responded by competing strongly for available wool from the first week in the new year which resulted in the largest weekly rise in the AWEX-EMI in nine years (121 c/kg clean). Competition from exporters continued through the January-March quarter with an unbeaten seven-week run in the AWEX-EMI capping off a record 352 cents gain during the first quarter of 2011.

The rally had pushed the AWEX-EMI to levels surpassing the highs recorded in 1988. Prices momentarily corrected towards the end of the season before regaining momentum through the month of June and returning the EMI to record levels.

The rise in the market was magnified by a strong Australian dollar, which broke through parity and closed the season at 107.5 US cents. In US terms the AWEX-EMI closed 98% higher, in contrast to a 57% rise when measured in local currency terms.

The increase in the market tended to favour the finer microns with the 16.5 Micron Price Guide lifting 90%.



The Australian wool production forecast for 2011/12 is a modest increase, while ABARE has forecast an increase of between 1-2% over the next 5 years.

National Wool Declaration Rates

	2008/09	2009/10	2010/11
% Wool Clip Declared	38	37	42
% Declared NM, CM, PR	8.8	11.7	16.6
Total NM Bales	44,607	56,414	81,265
Total CM Bales	37,065	36,883	49,102
Total PR Bales	43,590	76,723	131,493

Number of On-Farm Inspections by State (1st September 2010 to 30th June 2011)

- On-Farm Inspections (225 per year):

Physical inspection of sheep declared as NM or CM

	NSW	QLD	SA	TAS	VIC	WA	Total
No. of On-Farm Inspections	115	16	13	10	44	16	214
% of On-Farm Inspections	54	7	6	5	21	7	100%
% Aust. Clip Declared NM/CM	51	7	10	6	18	8	100%

NWD-IP Inspection Summary (1st September 2010 to 30th June 2011)

	Number	Compliant	NC Level 1#	NC Level 2##
No Inspection (Advised on phone that mulesed sheep in mob)	12	0	12^	0
On-Farm Inspections	214	191 (89%)	23^ (11%)	0
Total	226	191 (85%)	35 (15%)	0

##Non Compliance Level 1: A misunderstanding of the process, incorrect completion of NWD, greater than 1% strays in the declared mob (with an adequate explanation for their presence).

##Non Compliance Level 2: A deliberate false Declaration, greater than 1% strays in the declared mob (without an adequate explanation), failing to submit to an Inspection (after a fair and reasonable attempt has been made to arrange it).

^Mainly due to filling NWD out incorrectly, forgetting that older mulesed sheep were in mob at shearing, someone else completed NWD and Owner/Manager did not check, or not knowing sheep were mulesed (bought sheep)

AWEX-Eastern Market Indicator 2010-11



Top 15 Export Destinations 2010-11 (Excluding Sheep Skins)

Destination	Greasy Equivalent Kg	% Change	% of Total	Value AUD\$	% Change
1. China	273.2 Mkg	1%	71.6%	\$1,889.6 Mill.	24%
2. India	29.1 Mkg	1%	7.6%	\$209.0 Mill.	35%
3. Italy	20.9 Mkg	91%	5.5%	\$177.7 Mill.	120%
4. Slovakia	14.8 Mkg	30%	3.9%	\$86.9 Mill.	54%
5. Taiwan	9.2 Mkg	30%	2.4%	\$62.9 Mill.	56%
6. Korea, Republic Of	7.8 Mkg	-19%	2.0%	\$36.3 Mill.	-11%
7. Thailand	5.6 Mkg	22%	1.5%	\$41.5 Mill.	74%
8. Japan	4.9 Mkg	53%	1.3%	\$32.2 Mill.	104%
9. Malaysia	3.6 Mkg	39%	0.9%	\$22.3 Mill.	71%
10. USA	2.2 Mkg	6%	0.6%	\$13.9 Mill.	17%
11. United Kingdom	2.0 Mkg	1%	0.5%	\$9.4 Mill.	7%
12. Iran	1.5 Mkg	3%	0.4%	\$9.9 Mill.	-18%
13. Turkey	1.4 Mkg	-5%	0.4%	\$7.7 Mill.	2%
14. Germany	1.3 Mkg	75%	0.3%	\$6.2 Mill.	85%
15. Mexico	0.8 Mkg	-5%	0.2%	\$3.3 Mill.	-23%
16. Others	3.1 Mkg	12%	0.8%	\$14.5 Mill.	-2%
	381.3 Mkg			\$2,623.1 Mill.	



Members

Trading Members

A R Rhodes & Company	Hodge Wool Pty Ltd
A S Gedge Australia Pty Ltd	Jemalong Wool Pty Ltd
ACF Wool Traders Pty Ltd	Kathaytex Trading Pty Limited
Attadale Wool Company Pty Ltd	Landini Industries Pty Ltd
Australia Beyond Investment Pty Ltd	Lanoc Wool Pty Ltd
Australian Wool & Pastoral Agency Limited	Laycock Speciality Fibres Pty Ltd
Australian Wool Network Pty Ltd	Lempriere (Australia) Pty Ltd
Australis Wool Pty Ltd	M & M Wools (Aust) Pty Ltd
Aztech Investments P/L t/a United Quality Wool	McFeeters Wool & Company
B & Z Enterprises Pty Ltd	Michell Pty Ltd
B N Proud & Company	Modiano Australia Pty Ltd
Barwon & Yarra Valley Wool Brokers Pty Ltd	Montgomery Wools Pty Ltd
Beecher Wool Services	Morepen Pty Ltd
Bo Rui Pty Ltd	Moses and Son
Bryton Wool	New England Wool Pty Ltd
BWK Elders Australia Pty Ltd	Ostini Wool Pty Ltd
Cable Wool Pty Ltd	P J Morris Wools Pty Ltd
Chargeurs Wool Australia Pty Ltd	Peter Scanlan Wools
Chinatex (Australia) Wool Company Pty Ltd	Quality Wool Pty Ltd
Cogtrust Pty Ltd t/a Coggan Wool	Queensland Cotton Corporation Pty Ltd
Conn Wool Pty Ltd	Reward Australia Pty Ltd
Don Belgre Pty Ltd	Riverina Wool (Aust) Pty Ltd
Donghai Australia Pty Ltd	Riverton Wools Pty Ltd
Dyson Jones Wool Marketing Services (Div AWN)	Ruralco Holdings Limited
E P Robinson Pty Ltd	S & G Cotton Australia Pty Ltd
Fibres (Australia) Pty Ltd	Saunders Wool Pty Ltd
Fletcher International Exports Pty Ltd	Segard Masurel (Australia) Pty Ltd
Fox & Lillie Australia Pty Ltd	Sky Wool Australia Pty Ltd
Fremantle Wool Trading Company Pty Ltd	Stockwool Pty Ltd
Goddard Wool Marketing (Div. Aust. Wool & Pastoral)	Sunshine Fortex (Australia) Groups Pty Ltd
Goldex Corporation Pty Ltd t/a Mascot Wool	Swan Wool Processors Pty Limited
Gordon Litchfield Wool Pty Ltd	Techwool Trading Pty Ltd

Members *cont...*

The New Zealand Merino Company Ltd
 Tradeswool Country Woolbuyers Pty Ltd
 Tradeswool Pty Ltd
 Victoria Wool Processors Pty Ltd
 Viterra Wool (ADEA)
 Viterra Wool (AUBA)
 Viterra Ltd
 Viterra Wool (STBF)
 Watswool Pty Ltd
 Weddin Wool Services
 West Coast Wools Pty Ltd
 Western Wool Marketing
 (Div. of Qld Cotton Corporation Pty Ltd)
 Williams Wool Export Pty Ltd
 Williams Wool Pty Ltd
 Wool Agency Company Pty Ltd
 Woolgrowers Independent Selling Services Ltd
 Woolmills Holdings Pty Ltd
 Yarra Wool
 Yeoward & Company

Associate Members

Australian Superfine Wool Growers Association Inc
 Australian Wool Innovation Limited
 WA Department of Agriculture

Grower Members

Autumnvale Pastoral Company
 Bickleigh Hillburn Pty Ltd
 Bloomfield Pastoral Company
 Brett Campbell
 Byanga Pastoral Company
 Carnbrae (Harden) Pastoral Company
 Cavanagh Partnership

D D & A J Long
 Dingo Range
 ER & RL Amery
 Garth England
 Glenbuddah Pty Ltd
 Glenelg Estate
 Gorrinn Pastoral Company
 GW & RT Bridgman
 Ian Aubrey
 Ian Burbury
 Ian McLean
 Ian William Whiteley
 IK, MJ & CLK McIvor
 K A & J J Miller
 Kentucky Pty Ltd
 Kildara Pastoral Company
 KM & YC Gill
 Marong Pastoral Company Pty Ltd
 Max Zell Family Settlement Trust
 Paling Yards Trading Company
 Phil O'Brien Wool Pool
 Robert Pietsch
 Robert Richardson Dick
 Stonehouse Grazing
 T & J Spielvogel
 Terinallum Partnership
 The Mutooroo Pastoral Company Pty Ltd
 Twynam Pastoral Company Pty Ltd
 W J & S Parkins
 Woolaway Grazing
 WoolProducers
 Yarrabee Grazing Company

directors' report



Directors' Report

Your Directors submit their report for the year ended 30 June 2011.

The names of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Director	Experience	Special Responsibilities
	<p>R. A. Farrar Retired 26/11/10</p> <ul style="list-style-type: none"> - Chairman, McGarvie Smith Institute; - Hon. Councillor Royal Agricultural Society of NSW. 	<ul style="list-style-type: none"> - Chairman; - Chairman, Compliance and Corporate Governance Committee; - Chairman, Remuneration Committee.
	<p>J. S. Keniry AM Chairman Appointed 26/11/10</p> <ul style="list-style-type: none"> - Chairman, Sheep Cooperative Research Centre; - Chairman, Pork Cooperative Research Centre; - Chairman, Australian Farm Institute; - Board Member, NSW Environment Protection Authority; - Chairman, Wool Poll 2000, 2003 & 2006; - Woolgrower; and - Former Director, Australian Wool Innovation Limited. 	<ul style="list-style-type: none"> - Chairman; - Chairman, Compliance and Corporate Governance Committee; - Chairman, Remuneration Committee.
	<p>R. W. Amos Director</p> <ul style="list-style-type: none"> - Member, Federal Council of Private Treaty Merchants of Australia; - Managing Director, Robaine Pty Ltd. 	<ul style="list-style-type: none"> - Non Executive Director; - Member, Membership Admission Committee; - Member, Rules Committee.
	<p>M. D. Avery Director</p> <ul style="list-style-type: none"> - Wool Manager, Queensland Cotton Ltd; - President, Australian Council of Wool Exporters and Processors (until 25/8/11); - Director, Australian Wool Testing Authority Ltd. 	<ul style="list-style-type: none"> - Non Executive Director; - Member, Audit Committee; - Member, Compliance and Corporate Governance Committee; - Member, Remuneration Committee.
	<p>T. J. Doolan Director</p> <ul style="list-style-type: none"> - National Manager, Water & Environment, Ruralco Holdings Ltd; - Director, Sneydes Pastoral Co Pty Ltd.; - Director, Archards Irrigation Pty Ltd. 	<ul style="list-style-type: none"> - Non Executive Director.
	<p>D. R. Hamblin Director</p> <ul style="list-style-type: none"> - Grazier; - President, WoolProducers Australia Ltd; - Director, Australian Wool Testing Authority Ltd; - Councillor, NSW Farmers Association Executive; - Professional Woolclasser; - Director, Inland Woolbrokers Association. 	<ul style="list-style-type: none"> - Non Executive Director; - Chairman, Rules Committee.

Director	Experience	Special Responsibilities
	<p>M. J. Moses Director</p> <ul style="list-style-type: none"> - Managing Director - Moses and Son Pty Ltd; - Director, Pinefarm Pty Ltd; - Director, Bluechip Livestock; - Director, Yennora Wool Brokers; - Director/Secretary, The Pinnacles (Temora) Pty Limited; - Director, Inland Woolbrokers Association. 	<ul style="list-style-type: none"> - Non Executive Director; - Member, Rules Committee; - Member, Membership Admission Committee.
	<p>D. M. Watt Director</p> <ul style="list-style-type: none"> - Lawyer; - Woolgrower. 	<ul style="list-style-type: none"> - Non Executive Director; - Chairman, Audit Committee; - Member, Compliance and Corporate Governance Committee; - Member, Remuneration Committee.
Secretary	Experience	Special Responsibilities
	<p>M. F. Pritchard (Appointed 11/2/08)</p> <ul style="list-style-type: none"> - Chartered Accountant. 	<ul style="list-style-type: none"> - Company Secretary; - Chief Financial and Administrative Officer; - Secretary, Audit Committee; - Secretary, Compliance and Corporate Governance Committee; - Secretary, Membership Admission Committee. - Secretary, Remuneration Committee; - Secretary, Organisational Review Committee.
Alternate Directors	Experience	Special Responsibilities
<p>G. C. Fiskén</p> <p>Alternate for D. R. Hamblin</p>	<ul style="list-style-type: none"> - Woolgrower; - Chairman Sheep and Goat Compensation Advisory Committee Victoria; - Director, Woolproducers Australia Ltd. 	<ul style="list-style-type: none"> - Alternate Director.
<p>M. J. de Kleuver</p> <p>Alternate for T. J. Doolan</p>	<ul style="list-style-type: none"> - Rodwells Wool Manager and Operations Manager, Ruralco Wool. 	<ul style="list-style-type: none"> - Alternate Director.
<p>D. A. Macdonald</p> <p>Alternate for M. J. Moses</p>	<ul style="list-style-type: none"> - Director, Yennora Wool Brokers Pty Ltd; - Director, Don Macdonald Wool Brokers Pty Ltd; - Director, Marra Holdings Pty Ltd. 	<ul style="list-style-type: none"> - Alternate Director.
<p>A. Blanch</p> <p>Appointed 3/9/2010</p> <p>Alternate for M. D. Avery</p>	<ul style="list-style-type: none"> - Managing Director, New England Wool Pty Ltd. 	<ul style="list-style-type: none"> - Alternate Director.
<p>G. Turner</p> <p>Appointed 7/10/10</p> <p>Resigned 24/5/11</p> <p>Alternate for R. W. Amos</p>	<ul style="list-style-type: none"> - President, Private Treaty Wool Merchants Australia. 	<ul style="list-style-type: none"> - Alternate Director.
<p>B. Litchfield</p> <p>Appointed 22/6/11</p> <p>Alternate for R. W. Amos</p>	<ul style="list-style-type: none"> - Vice President, Private Treaty Wool Merchants Australia; - Woolclasser. 	<ul style="list-style-type: none"> - Alternate Director.

Directors' Report *cont...*

Corporate Information

The Australian Wool Exchange Limited is a member services organisation. Members include Australian and international wool brokers, processors, exporters, private treaty merchants, wool producers and industry associations. The liability of the Company's members is limited.

Corporate Objects

The objects for which the Australian Wool Exchange Limited was established and as set out in its Constitution are to:

- (a) Establish and provide an internationally competitive system for the fair, efficient and informed trading of Australian wool;
- (b) Encourage competition;
- (c) Facilitate self-regulation amongst market participants; and
- (d) Develop and implement innovations

for the benefit of all wool market participants.

The Australian Wool Exchange achieves its objects by offering Market Information, Appraisal, Clip Inspection, Wool Clearing and other services to all wool industry participants. In addition, AWEX engages with members and industry through various committees and working groups to establish and review trading rules and wool preparation standards which encourages competition in a self-regulated market.

AWEX also carries out research into various wool related activities with a view to increasing efficiency.

Principle Activities

The company's principle continuing activities during the year consisted of:

- Develop and Administer Quality Assurance Programs;
- Supply of market information;
- Administration of quality management programs;
- Wool pack quality management;
- Administering the conduct of wool selling; and
- Registration of woolclassers.

Results

An operating profit of \$29,685 (2010: deficit of \$132,151) was realised for the year.



Dividends

Being limited by guarantee, the company does not pay dividends.

Company limited by Guarantee

The Australian Wool Exchange Ltd is incorporated under the Corporations Act 2001 and is an entity limited by guarantee. If the company is wound up, the constitution states that each member undertakes to contribute to the property of the company a maximum of \$5.00 towards meeting any outstanding obligations of the company. Whilst the Directors do not believe that any contribution will be required in the event of the company being wound up, the maximum collective liability of members at 30 June 2011 is \$625.00 (2010: \$655.00).

Review of Operations

Revenue for the year was primarily derived from service fees received of \$2,937,097 (2010: \$3,306,702). Total revenue for the period was \$3,470,617 (2010: \$3,741,482).

Total operating expenses for the year were \$3,440,932 (2010: \$3,873,633) relating to the provision services.

Performance Management

Management and the Board monitor the company's overall performance, from its implementation of the mission statement and strategic plan through to the performance of the company against operating plans and financial budgets. Directors receive financial reports monthly and prior to each Board meeting allowing all directors to actively monitor the company's performance.

Risk Management

The Board is responsible for identifying risks and opportunities on a timely basis and for ensuring the company's objectives and activities are aligned with those risks and opportunities. The Board considers this to be a crucial function and therefore does not have a separate risk management sub-committee.

The Board has mechanisms in place to oversee specific aspects of management's functionality. These include:

- Audit Committee - which monitors and advises the Board on management and finance and oversees the external financial statement audit;
- Compliance and Corporate Governance Committee – which monitors and advises the Board on corporate governance and expenditure policies;
- Remuneration Committee – which monitors and advises the Board on issues relating to personnel policies as well as remuneration for AWEX staff.

Corporate Governance

The business and affairs of AWEX are vested in the Board, which has responsibility for the management and control of the Company. The Board elects the Chairman.

At present there are 7 Directors, including the Chairman. There are six face-to-face Board meetings each year. In addition, the Board may hold a number of teleconferencing meetings.

Day to day management of AWEX is delegated to the Chief Executive Officer. To assist the Board and management in carrying out their duties, permanent Board Committees are created with either delegated authority or in an advisory role. All committees have terms of reference. Ad hoc committees, established for a specific purpose, are established as required.

Likely Developments and Expected Result of Operations

There are no other likely developments which will adversely impact on the results of the company.

Directors' Meetings

The following table sets out the number of meetings of the company's directors held during the year ended 30 June 2011, and the number of meetings attended by each director.

At the date of this report, the company had the following committees:

- Audit Committee;
- Compliance and Corporate Governance Committee;
- Membership Admissions Committee.
- Organisational Review Committee;
- Remuneration Committee; and
- Rules Committee.



Directors' Report *cont...*

		Board		Committees				
		Board Meetings	Audit	Compliance & Corporate Governance	Membership	Remuneration	Rules	Organisation Review
Directors		A/E	A/E	A/E	A/E	A/E	A/E	A/E
R. A. Farrar, Chairman Retired 26/11/10		3/3	1/1	1/1	-	-	-	-
J. S. Keniry AM, Chairman Appointed 26/11/10		3/3	-	-	-	1/1	-	-
R. Amos		5/6	-	-	5/5	-	-	-
M. D. Avery		4/6	1/1	1/1	-	1/1	-	-
T. J. Doolan		1/6	-	-	-	-	-	-
D. R. Hamblin		6/6	-	-	-	-	-	-
M. Moses		6/6	-	-	5/5	-	-	-
D. M. Watt		6/6	1/1	1/1	-	1/1	-	-
Alternate Directors	For	A/E	A/E	A/E	A/E	A/E	A/E	A/E
D. A. Macdonald	M. Moses							
G. C. Fiskin	D. R. Hamblin							
M. J. de Kleuver	T. J. Doolan	5/5						
A. Blanch Appointed 3/9/2010	M. D. Avery	1/1						
G. Turner Appointed 7/10/10 Resigned 24/5/11	R. W. Amos	1/1						
B. Litchfield Appointed 22/6/2011	R. W. Amos							

A = Attended. E = Eligible to Attend.

Note: The Rules Committee and the Organisational Review Committee did not meet during the financial year.

Auditor

Thomas Davis and Co was appointed as the auditor of the company by vote at the Annual General Meeting on 13 November 1998 in accordance with section 327 of the Corporations Act 2001.

Auditors' Independence Declaration

A copy of the Auditors' independence declaration as required under Section 307c of the Corporations Act 2001 is attached to this Directors Report.

Signed in accordance with a resolution of the directors.



J S Keniry AM
Chairman



D M Watt
Director

Sydney 26th September 2011



Auditor's Declaration

Australian Wool Exchange Limited

A.B.N. 35 061 495 565

Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001

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

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



Thomas Davis & Co

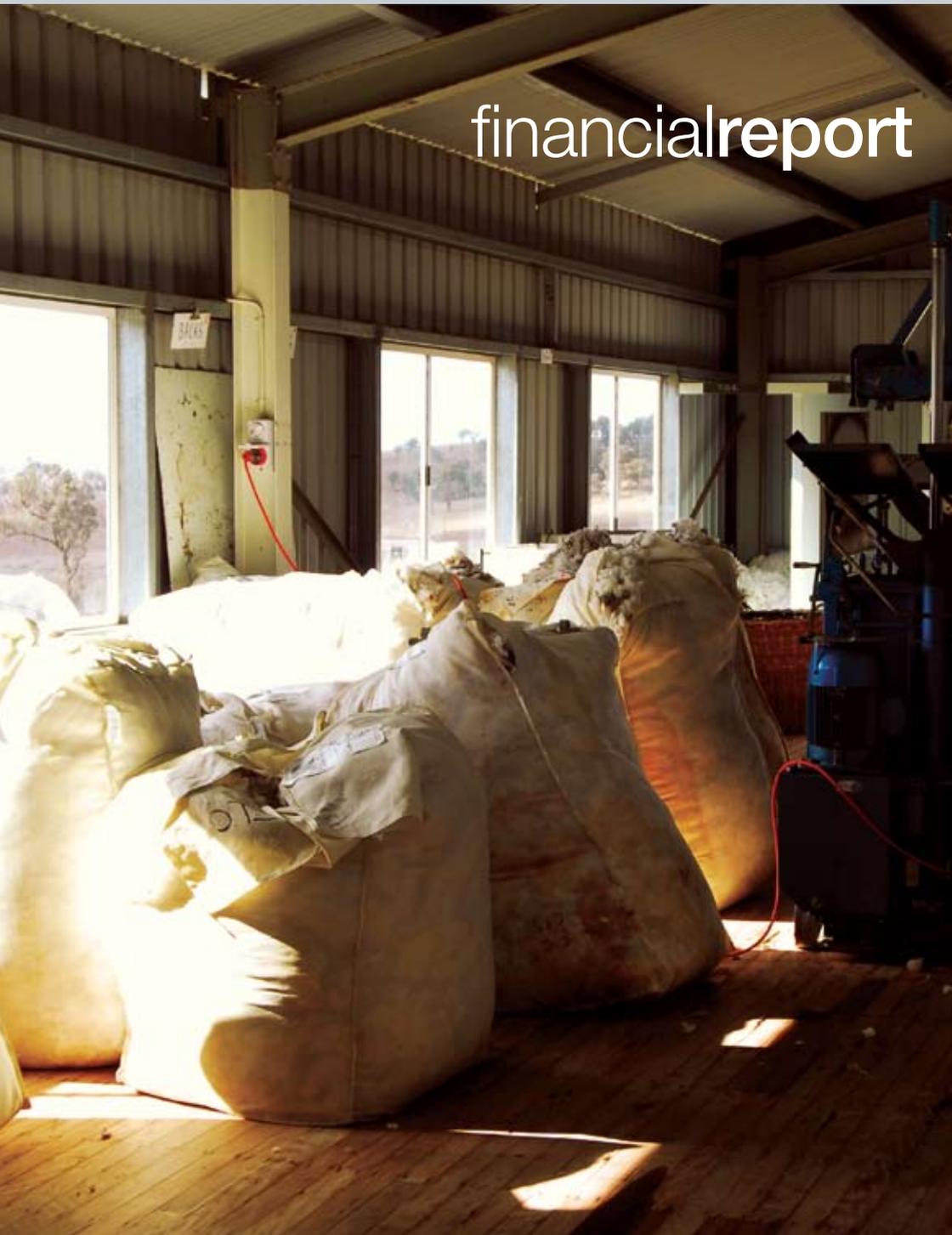


P.L. Whiteman

Date 26th September 2011

Liability limited by a scheme approved under Professional Standards Legislation

financialreport



Statement of Comprehensive Income

for the year ended 30 June 2011

	Notes	2011	2010
		\$	\$
Revenue from ordinary activities	2	3,470,617	3,741,482
Employee benefit expenses		(1,593,219)	(1,621,212)
Depreciation and Amortisation expenses	3	(71,590)	(60,160)
Occupancy costs		(293,759)	(603,247)
Other expenses from ordinary activities		(1,482,364)	(1,589,014)
Profit/(Loss) for the year before income tax expense	3	29,685	(132,151)
Income tax expense	1(b)	-	-
Profit/(loss) from ordinary activities after related income tax expense	14	29,685	(132,151)
Other comprehensive income for the year		-	-
Total comprehensive income/(loss) for the year		29,685	(132,151)
Profit/(Loss) attributable to members of the entity		29,685	(132,151)
Total comprehensive income/(loss) attributable to members of the entity		29,685	(132,151)

The above statement of comprehensive income is to be read in conjunction with the accompanying notes.

Statement of changes in Members' Funds

for the year ended 30 June 2011	Members' Reserves	Retained Surpluses	Total
	\$	\$	\$
Balance at 1 July 2009	640,000	4,419,893	5,059,893
Profit attributable to the entity	-	(132,151)	(132,151)
Total other comprehensive income for the year	-	-	-
Balance as at 30 June 2010	640,000	4,287,742	4,927,742
Profit attributable to the entity	-	29,685	29,685
Total other comprehensive income for the year	-	-	-
Balance as at 30 June 2011	640,000	4,317,427	4,957,427
The above statement of changes in Members' Funds is to be read in conjunction with the accompanying notes.			

Statement of Financial Position

as at 30 June 2011

	Notes	2011	2010
		\$	\$
Current Assets			
Cash and cash equivalents	4	3,316,609	5,034,629
Receivables	5	384,042	282,785
Other current assets	6	122,194	124,071
Total Current Assets		3,822,845	5,441,485
Non Current Assets			
Investments	7	2,770,474	1,889,226
Property, Plant & Equipment	8, 21	143,537	101,596
Total Non Current Assets		2,914,011	1,990,822
Total Assets		6,736,856	7,432,307
Current Liabilities			
Payables	9	182,469	224,859
Provisions	10	302,117	345,901
Other current liabilities	11	1,270,112	1,920,106
Total Current Liabilities		1,754,698	2,490,866
Non Current Liabilities			
Provisions	12	24,731	13,699
Total Non Current Liabilities		24,731	13,699
Total Liabilities		1,779,429	2,504,565
Net Assets		4,957,427	4,927,742
Members' Funds			
Members' Reserves	13	640,000	640,000
Retained Surpluses	14	4,317,427	4,287,742
Total Members' Funds		4,957,427	4,927,742
The above statement of financial position is to be read in conjunction with the accompanying notes.			

Statement of Cash Flows

for the year ended 30 June 2011	Notes	2011	2010
		\$	\$
Cash flows from operating activities			
Receipts from customers*		2,293,027	4,797,541
Payments to suppliers and employees		(3,444,026)	(3,725,387)
Interest Received		427,958	366,998
Net cash inflows / (outflows) from operating activities	20	(723,041)	1,439,152
Cash flows from investing activities			
Payments for property, plant & equipment		(113,989)	(92,182)
Proceeds from sale of plant and equipment		258	-
Net cash inflows / (outflows) from investing activities		(113,731)	(92,182)
Net increase (decrease) in cash held		(836,772)	1,346,970
Cash and cash equivalents at the beginning of the financial year		6,923,855	5,576,885
Cash and cash equivalents at the end of the financial year	4,7	6,087,083	6,923,855
Current	4	3,316,609	5,034,629
Non Current	7	2,770,474	1,889,226
Cash and cash equivalents at the end of the financial year		6,087,083	6,923,855
*The 2010 receipts from customers includes collection of the triennium woolclasser registration fees.			
The above statement of financial position is to be read in conjunction with the accompanying notes.			

Notes to the Financial Statements

as at 30 June 2011

Notes

2011

2010

1. Summary of significant accounting policies

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001. Australian Accounting Standards set out accounting policies that AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions.

The financial statements have been prepared in accordance with the historical cost convention, and do not take into account changes in money values or, except where stated, current valuations of non-current assets. The accounting policies have been consistently applied except where stated in the Financial Statements.

The company is a company limited by guarantee, incorporated and domiciled in Australia. Its registered office is Ground Floor, 318 Burns Bay Road, Lane Cove, NSW 2066. In accordance with the Constitution of Australian Wool Exchange Limited, the liability of the members in the event of the company being wound up would not exceed \$5 per member. As the company is limited by guarantee, there is no reference in the Statement of Financial Position to Share Capital.

The financial statements were authorised for issue by the Board on 26th September 2011.

A summary of significant accounting policies is set out below:

	\$	\$

Notes to the Financial Statements

as at 30 June 2011	Notes	2011	2010						
		\$	\$						
Statement of Compliance									
<p>The financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). A statement of compliance with International Financial Reporting Standards cannot be made due to the Company applying the not for profit sector specific requirements contained in AIFRS.</p>									
(a) Property, Plant and Equipment									
<p>AASB1 allows for the current carrying values to be the deemed cost under AIFRS. Each class of property, plant and equipment is carried at cost or deemed cost, where applicable, less any accumulated depreciation and any impairment in value. Assets are depreciated on a straight line basis to write off the net cost of each item over its expected useful life to the company. Estimates of remaining useful life are made on a regular basis for all assets, with annual reassessments for major items.</p> <p><i>The expected useful lives are as follows:</i></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Plant and Equipment</td> <td style="text-align: right; padding-right: 20px;">3-8 Years</td> <td style="text-align: right;">3-8 Years</td> </tr> <tr> <td style="padding-left: 20px;">Software</td> <td style="text-align: right; padding-right: 20px;">3-4 Years</td> <td style="text-align: right;">3-4 Years</td> </tr> </table>				Plant and Equipment	3-8 Years	3-8 Years	Software	3-4 Years	3-4 Years
Plant and Equipment	3-8 Years	3-8 Years							
Software	3-4 Years	3-4 Years							
(b) Income Tax									
<p>The company has been granted an exemption from income tax under Section 23(h) of the Income Tax Assessment Act 1936.</p>									
(c) Recoverable Amount of Non-Current Assets									
<p>Where the carrying amount of an individual non-current asset is greater than its recoverable amount the asset is revalued to its recoverable amount.</p> <p>The expected net cash flows included in determining recoverable amounts of non-current assets have not been discounted to their present values.</p>									
(d) Receivables									
<p>All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of invoicing. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised where some doubt as to the collection exists.</p>									

Notes to the Financial Statements

as at 30 June 2011

Notes

2011

2010

(j) New Accounting Standards for Application in Future Periods

The Australian Accounting Standards Board has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future periods and which the company has decided not to early adopt. A discussion of those future requirements and their impact on the company is as follows:

AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The company has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classification of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of those investments that are a return on investment can be recognised in profit or loss and there is on impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

\$

\$

Notes to the Financial Statements

as at 30 June 2011

Notes

2011

2010

(j) New Accounting Standards for Application in Future Periods cont...

AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a "related party" to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Company.

AASB 1053: Application of Tiers of Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

Tier 1: Australian Accounting Standards; and

Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

Since the company is a not-for-profit private sector entity, it qualifies for the reduced disclosure requirements for Tier 2 entities. It is anticipated that the company will take advantage of Tier 2 reporting at a later date.

AASB 2010-6: Amendments to Australian Accounting Standards

- Disclosure of financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

This standard adds and amends disclosure requirements about transfers of financial assets especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the Company.

\$

\$

Notes to the Financial Statements

as at 30 June 2011	Notes	2011	2010
<p>(j) New Accounting Standards for Application in Future Periods cont...</p> <p>AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2012).</p> <p>This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence on the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.</p> <p>This Standard is not expected to impact the company.</p>		\$	\$

Notes to the Financial Statements

as at 30 June 2011	Notes	2011	2010
		\$	\$
2. Revenue from Ordinary Activities			
<i>Operating activities</i>			
Joining Fees		32,100	-
Subscription Fees		62,330	67,090
Fees for Service		2,937,097	3,306,702
Other Revenue		10,874	692
Interest Received		427,958	366,998
<i>Non-operating activities</i>			
Other Revenue		258	-
Total revenue from Ordinary Activities		3,470,617	3,741,482
3. Profit/(Loss) from Ordinary Activities			
<i>Profit/(Loss) from Ordinary Activities has been determined after Charging as an expense:</i>			
Depreciation and Amortisation of non-current assets			
- Depreciation of plant and equipment		71,590	60,160
Total Depreciation and Amortisation Expenses		71,590	60,160
Operating lease rentals			
- Minimum lease payments		224,164	491,811
Total Operating Lease Rental		224,164	491,811
Provision for doubtful trade debtors		-	-
Transfer to/(from) provision for Holiday Pay		14,262	(8,289)
Transfer to/(from) provision for Long Service Leave		11,032	(128,399)
(Losses)/Gains on Disposal of Property, Plant and Equipment			
Gain/(loss) on disposal of property, plant and equipment		258	-
Loss on Disposal		(458)	(1,375)
Net gain/(loss) on disposal of property, plant and equipment		(200)	(1,375)
4. Current Assets - Cash and Cash Equivalents			
Cash on Hand		800	800
Cash at Bank		1,740,837	1,339,926
Deposits at Call		1,574,972	3,693,903
Cash and Cash Equivalents		3,316,609	5,034,629

Notes to the Financial Statements

as at 30 June 2011	Notes	2011	2010
		\$	\$
5. Current Assets - Receivables			
Trade Debtors*		141,393	164,530
less: Provision for Doubtful debts		(15,000)	(15,000)
Trade debtors after provision for doubtful debts		126,393	149,530
Accrued Revenue		257,649	133,255
Receivables		384,042	282,785
*Terms: Trade debtors are non-interest bearing and generally on 30 day terms.			
6. Current Assets - Other			
Prepayments		82,860	80,380
Other Debtors		39,334	43,691
Other		122,194	124,071
7. Investments - Non Current			
Investments due beyond 30 June 2012		2,770,474	1,889,226
		2,770,474	1,889,226
8. Non Current Assets - Property, Plant and Equipment			
Plant and equipment at cost		1,986,325	2,177,523
less: Accumulated depreciation		(1,842,788)	(2,075,927)
Property, Plant and Equipment	21	143,537	101,596
Refer also to note 1(h) for impairment of assets.			
9. Current Liabilities - Payables			
Creditors		56,473	75,765
Accrued Expenses		125,996	149,094
Payables		182,469	224,859
10. Current Liabilities - Provisions			
Employee entitlements (being provision for Annual Leave, Long Service Leave due and superannuation)		301,887	296,673
Other		230	49,228
Provisions		302,117	345,901

Notes to the Financial Statements

as at 30 June 2011	Notes	2011	2010
		\$	\$
11. Current Liabilities - Other			
Unearned Income	1(e)	1,270,112	1,920,106
Other		1,270,112	1,920,106
Unearned income represents Woolclasser Registration Fees received for the period 1/1/2010 to 31/12/2012			
12. Non-current Liabilities - Provisions			
Employee entitlements (being provision for Long Service Leave)		24,731	13,699
Provisions		24,731	13,699
13. Members' Funds - Reserves			
Members' Reserves			
Balance at 1 July		640,000	640,000
Transfer from Retained Surplus		-	-
Reserves		640,000	640,000
14. Members' Funds - Retained Surplus			
Retained Surplus			
Balance at 1 July		4,287,742	4,419,893
Net profit attributable to members of the company		29,685	(132,151)
Retained Surplus		4,317,427	4,287,742
15. Remuneration of Directors & Key Management Personnel			
Income paid or otherwise made available to directors and key management by the company or related parties.			
Short-term benefits		532,059	544,328
Post-employment benefits		82,432	58,370
Other Long-term benefits		9,878	16,394
		624,369	619,092
No retirement benefits were paid to directors during the year.			

Notes to the Financial Statements

as at 30 June 2011

Notes

2011

2010

16. Remuneration of Auditors

Amounts received or due and receivable by Thomas Davis & Co for:

- audit of the financial report of the company
- other services

	\$	\$
	17,490	15,400
	-	-

Remuneration of Auditors

Note: The 2011 audit fee includes the amount of \$1,650 applicable to auditing a grant received from the Department of Agriculture, Forestry and Fisheries used to co-fund AWEX's National Wool Declaration Integrity Program.

	17,490	15,400
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17. Expenditure Commitments

Operating leases (non cancellable)

Minimum lease payments

- not later than one year
- later than one year and not later than five years
- later than five years

	112,569	119,887
	7,639	10,822
	-	-

Expenditure Commitments

These commitments represent payments due under non-cancellable operating leases that have not been recognised as liabilities in the current financial year.

	120,208	130,709
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18. Related Party Disclosure

The directors of the Australian Wool Exchange Limited during the financial year were:

R. A. Farrar (Retired 26/11/2010), J. S. Keniry AM (Appointed 26/11/2010)
R. A. Amos, M. D. Avery, T. J. Doolan, D. R. Hamblin, M. J. Moses
and D. M. Watt.

Alternate directors were:

D. A. MacDonald, G. C. Fiskien, G. Turner (Appointed 7/10/2010, Retired
24/5/11) A. Blanch (Appointed 3/9/2010), B. Litchfield (Appointed 22/6/2011)
and M. J. de Kleuver.

Director and Director-related entity Transactions

A number of the directors are directors of entities which transact with the company.

The directors involved are:

M. D. Avery, T. J. Doolan, D. R. Hamblin, J. S. Keniry AM and
M. J. Moses.

The Company received joining fees, subscriptions, trading fees and service fees for the use of wool selling facilities from the director-related entities during the financial year. All services were provided under the company's standard terms and conditions.

Notes to the Financial Statements

as at 30 June 2011	Notes	2011	2010
		\$	\$
18. Related Party Disclosure cont...			
<i>Aggregate amounts of these transactions are as follows:</i>			
Income			
Joining, subscription and trading fees		100	-
Selling facility fees		2,891	104,833
EDI Network fees and Market Reports		13,468	48,506
Other		62,941	717
		79,400	154,056
19. Segment Information			
The company operated predominantly in one industry, being the Australian Wool Industry.			
20. Reconciliation of operating profit/(loss) from ordinary activities after income tax to net cash from operating activities			
Profit/(Loss) from ordinary activities		29,685	(132,151)
Depreciation and amortisation		71,590	60,160
Increase/(Decrease) in Other Provisions		(32,752)	32,510
(Profit)/Loss on disposal of plant and equipment		200	1,375
Decrease/(Increase) in trade and other debtors		(101,257)	(38,830)
Decrease/(Increase) in other debtors and prepayments		1,877	21,774
Decrease/(Increase) in trade creditors, accruals & unearned income		(692,384)	1,494,314
Net cash Inflows/(Outflows) from operating activities		(723,041)	1,439,152
21. Property, Plant and Equipment - Reconciliation			
Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.			
Plant and Equipment			
Carrying amount at beginning of the period		101,596	70,949
Additions		113,989	92,182
Disposals (net)		(458)	(1,375)
Depreciation Expense		(71,590)	(60,160)
Carrying amount at end of the period		143,537	101,596

Notes to the Financial Statements

as at 30 June 2011

Notes

2011

2010

22. Financial Instruments

(a) Interest Rate Risk

The company'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 on classes of financial assets and liabilities is as follows:

Financial Assets

Cash, cash equivalents and investments - Current

4 3,316,609 5,034,629

Cash, cash equivalents and investments - Non Current

7 2,770,474 1,889,226

Total Cash, cash equivalents and investments

6,087,083 6,923,855

Weighted Average Effective Interest Rate

6.53% 5.61%

Trade Debtors & Other Receivables

5 384,042 282,785

Weighted Average Effective Interest Rate

N/A N/A

Other Assets

6 122,194 124,071

Weighted Average Effective Interest Rate

N/A N/A

Total Financial Assets

6,593,319 7,330,711

Financial Liabilities

Trade Creditors and other payables

9 182,469 224,859

Weighted Average Effective Interest Rate

N/A N/A

Total Financial Liabilities

182,469 224,859

(b) Net Fair Value

All financial assets and liabilities have been recognised at the balance date at their net fair values as their carrying amount approximates fair value.

(c) Credit Risk Exposure

The company's maximum exposure to credit risk at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets in the statement of financial position, net of provision for doubtful debts.

Notes to the Financial Statements

as at 30 June 2011	Notes	2011	2010
		\$	\$
23. Contingent Liabilities			
The company has provided a bank guarantee in respect of payroll obligations to the value of:		50,000	50,000
Financing arrangements			
Payroll facility		50,000	50,000
Used at balance date		-	-
Unused at balance date		50,000	50,000

Directors' Declaration

The Directors' of the company declare that:

1. The financial statements set out on pages 22 to 47:
 - (a) Comply with Accounting Standards and the Corporations Act 2001; and
 - (b) Give a true and fair view of the Company's financial position as at 30 June 2011 and performance for the year ended on that date.
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 statement is made in accordance with a resolution of the Directors.



J S Keniry AM
Chairman



D M Watt
Director

Sydney 26th September 2011

Auditor's Report

Independent Auditor's Report to the Members of Australian Wool Exchange Limited

We have audited the accompanying financial report of the Australian Wool Exchange Limited, which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in members' funds and statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that give a true and fair view in accordance with Australian Accounting Standards 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. Those 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 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 of the financial report that gives a true and fair view 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.

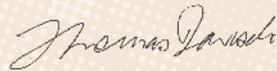
Independence

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

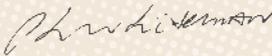
Opinion

In our opinion, the financial report of the Australian Wool Exchange Limited is in accordance with the Corporations Act 2001, including:

1. Giving a true and fair view of the Company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
2. Complying with Australian Accounting Standards and the Corporations Regulations 2001.



Thomas Davis & Co



P. L. WHITEMAN

Partner Chartered Accountants

Sydney 26th September 2011

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we know wool

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