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Mission Statement

To enhance access to Australian wool for the benefit of our Members and the service of our customers by providing and facilitating efficient, innovative and informed trading systems, standards and services.

Highlights of 2002 / 2003

In 2002/03, the Australian Wool Exchange Limited (AWEX) responded to the significant challenges presented to the wool industry by the protracted drought and the resultant increase in volatility of both market price and supply of wool. With wool production at levels not seen since the 1950's, AWEX was faced with and met many challenges throughout the year by maintaining a clear focus on the core business of AWEX and by delivering new and improved services with increased efficiency.

From the solid foundation established by AWEX's restructure in 2001/02; the continued strategic investment in information technology systems and the successful delivery of new and improved services, AWEX continues to respond to the needs of the wool industry by "meeting the challenge".

AWEX news
AUSTRALIAN WOOL EXCHANGE

BOARDtalk

AWEXonline
www.awex.com.au



Highlights of 2002 / 2003:

- Positive financial result against a background of drought and declining production.
- Members' survey conducted to gauge the impact of market conditions on Members.
- Commercial release of the web based AWEXonline, a "live viewing gallery" to the physical auction markets.
- Refined, new and improved market reports.
- Completed the delivery of the Wool Development Program to Woolclassers.
- Reviewed the Code of Practice.
- 'E2' planning and development commences.
- AWEX accepted as 'licensee' to administer and support Graincare program; standards, registration, compliance and database administration.
- Western Region relocated to new selling centre at Spearwood.

Chairman's Report



ALLAN FARRAR, AWEX CHAIRMAN

Financial Results

AWEX has had a good year financially in 2002/2003 against a background of declining volumes and drought conditions adversely affecting the Australian wool industry and agriculture in general.

The surplus of \$852,489 has increased Members' equity to \$3,702,520. However, for 2003/2004, the Board has budgeted for a deficit, once more containing any fee increases to a minimum. Trading fees have not been increased for the past three years.

The immediate outlook is not favourable and AWEX's cost base, operating strategy and service offerings are all under examination by the Board and Management.

Declining Volumes

2002/2003 has been a year of mixed outcomes for the Australian Wool Exchange. Whilst our financial result for the year was very healthy, the performance of the wool market and its outlook remain uncertain and there appears no prospect for wool production volume to return to previous levels in the short to medium term.

The volume of wool flowing through AWEX's managed facilities has been under great pressure, as a result of declining wool production. Leakage from traditional physical wool auctions and AWEX's eclipse electronic system continues. It is estimated in the 2003/2004 season, wool traded outside the

mainstream systems will account for 25% to 30% of offerings. This compares to an estimated 12% to 15% in the 1999/2000 season. First-hand wool handled by AWEX Members this current year is budgeted to be only 336 million kilograms as compared to 635 million kilograms in the 1999/2000 season, a fall of 47% over three years.

The drought has had a drastic effect on Australian sheep numbers. However, the continuing economic consequences of a buoyant live sheep export trade and local slaughter market has also had considerable impact. Despite the easing of the drought and with flock numbers likely to be well under 100 million at 30th June 2003, there are enormous challenges confronting all industry participants. The situation and outlook has been confirmed by the Australian Wool Innovation Production Forecasting Committee at its meeting held on 11th September 2003.

In such circumstances, resilience is a key requirement for AWEX to meet the challenges before it.

Member Survey

In July 2003, AWEX made a strategic decision to conduct a survey of Members to gain a greater level of understanding of the impact of the current market conditions on Members' current operations, as well as their short to medium term prospects. The survey was conducted through the independent services of Ernst & Young, Chartered Accountants. Close to 40% of Members responded to the survey representing a broad spectrum of member activity and size. This level of response is a good outcome in terms of the objectives of the survey.

The information received from this survey is critical in establishing the future needs and services of AWEX Members and the organisation.

Respondents were quite candid in their assessment of the current industry climate and

“ AWEX has had a good year financially in 2002/2003 against a background of declining volumes and drought conditions adversely affecting the Australian wool industry and agriculture in general. ”

the impact it has had on the operation of their business. Equally, their assessment of AWEX's performance over the past 12 months has provided the AWEX Board and Management with some invaluable feedback and insight into meeting the needs of the Membership and benchmarking performance.

The impact of the drought has been far reaching, yet should seasonal conditions return to some level of normalcy there is a degree of measured optimism amongst Members when looking to the future, in the short to medium term. Whilst Members are looking to contain their cost structures, the need to have flexible selling systems and selling opportunities was also raised. An increase in diversity outside of wool was also expressed as the future direction for many Members.

Forward Strategy

Against unfavourable business conditions, the AWEX Board and Management have worked hard to determine alternative strategies and an appropriate organisational structure to enable AWEX to maintain its value to the industry and deliver cost effective improvements to its operations. The Board believes it must examine possible diversification as an alternative to increasing the costs of its services.

AWEX must be resilient to adequately address the changes required in the coming years. I express my appreciation for the hard work of the Board and the application of Management in meeting the challenge so far and addressing the greater challenges ahead in order that AWEX can continue to deliver improved services to its Members.

New Appointment

In August 2003, the Directors of AWEX accepted the resignation of David White as Chief Executive Officer. In accepting David's proposal to move on, the Board wished David well for the future and acknowledged the many significant advances that have been achieved during his four years as CEO.

The Board has appointed Mark Grave to the position of CEO effective from 15 September 2003. A review of AWEX's structure has commenced in light of the continued reduction in Australian wool production. The Board wishes Mark every success, noting that he has assumed the position in very challenging times for our industry.

The Board has re-convened the Organisational Review Committee with the objective of reviewing the structure of AWEX in terms of realigning and reallocating responsibilities to achieve an effective and economically efficient operating structure.

Chief Executive Officer's Report



DAVID WHITE, AWEX CEO

AWEX management and staff have built on the structural foundation established two years ago in re-organising the Company's operations. The continued effort to control costs has contributed to a sound financial position this year. These efforts have helped to offset the effect of declining wool production due to the adverse seasonal and difficult trading conditions being felt right around Australia.

The division of activities between Commercial Operations and Industry Services has been successfully bedded down as has the centralisation of technology support.

Over the past twelve months, AWEX has accomplished a number of significant and innovative achievements, which will provide a platform for AWEX to develop and deliver future services and service enhancements.

Commercial Operations

The rollout of AWEX Online has demonstrated a technical excellence in the flexible delivery of timely and critical market information. The uptake of this service by Members, given the tough industry conditions, has been very good. Further expansion and report customisations are planned for the coming year, which will ensure the increasing utilisation of this service.

Market reports have been further refined and the majority are now delivered electronically within a competitive pricing structure.

Industry Services

Industry Services completed the delivery of the Wool Development Program to all registered woolclassers during 2002/03. The Code of Practice for woolclassers has been reviewed for re-issue with the next triennium registration, commencing in the third quarter of 2003.

The number of active woolclassers continues to fall in line with wool production. Currently, there are 26,290 registered woolclassers, down from 41,253 in 1993 when AWEX was formed.

During the year, AWEX began to seek service roles which fully utilise the potential of the excellent systems developed by Industry Services and as a result has recently been awarded two contracts, one for the 'Graincare' program and the other for 'Shearer and Shed Hand Registration', a project of Australian Wool Innovation.

In addition, Industry Services will introduce a Woolclassers' web site where woolclassers will be able to list their services and maintain contact with interested industry participants.

'E2'

The 'eclipse' trading system is now nearly four years old and the Board has approved the development of a new version of 'eclipse', 'E2'. This will provide internet access for 'eclipse' and much more. A separate article in the Annual Report explains this exciting development in greater detail.

During the year, AWEX considered a proposal to develop a volume trading system for wool. However, whilst the proposal was technically achievable, it became evident that there was insufficient support amongst Members for a successful commercial release, so the development did not proceed. 'E2' should provide a better platform to consider such a system in the future. There are no plans currently in hand to develop alternative selling systems.

“... AWEX has accomplished a number of significant and innovative achievements, which will provide a platform for AWEX to develop and deliver future services.”

Production

There has been considerable debate regarding the level of wool production for the current season. For the purpose of its budget, AWEX has used more conservative figures than the current industry forecasts. Based on early indications this selling season, AWEX management projects further reductions in both production and auction throughput during 2003/04. Alternative income streams are essential for AWEX to offset declining volumes and to absorb fixed costs.

The sheepmeat and wool industries need to jointly address the dynamics of sustainable flock numbers. AWEX's modeling of the inter-relationship of these two competitive activities leads to the conclusion that the long term viability of both industries would be hampered by insular strategies. The rebuilding of flock numbers, for example, is vital to both industries.

A continuing shift to sheepmeat activity is placing growing pressure on the production profile and supply of wool, as well as the quality/care level that producers are willing to exert in bringing their wool to market. The future and continued success of the Australian Wool Industry demands a passionate approach to a quality wool enterprise. This has been a hallmark of Australia's wool producers for the past 150 years.

As the flock gets smaller, the week to week volatility in supply and price will increase. Volatility is amplified by a lack of certainty in industry data. Leakage from the auction system either by private trading, direct supply or via a non managed AWEX facility would cause an increasing lack of transparency as to the current "state of play". This includes the sensitive issue of the flow of wool onto the market.

AWEX, for its part, will seek to address these issues in the development of its databases and information services. However, there will be a need for concerted industry focus on good information; otherwise uncertainty will lead to further contraction in participants along the wool pipeline.

Since its formation in 1993, AWEX has proved to be a resilient organisation and it continues to exhibit the resilience, which will enable it to meet the challenges ahead.

Commercial Operations

'E2' –

The Next Generation Eclipse

In late 2002, the AWEX Board approved a management submission to migrate the AWEX Commercial Operations software systems to a new architecture, addressing the future needs of the Company.

In ten years of operation, AWEX has accumulated a number of databases and systems each serving specific applications. Whilst these have served AWEX well, it is timely to consolidate these units into a single platform that allows AWEX flexibility to respond to future requirements. The development would also see both Industry Services and Commercial Operations utilising common database platforms.

Some objectives of the 'E2' project are to:

- Move all AWEX Commercial Operation's databases to a common software standard.
- Reduce AWEX-IT infrastructure with a database responsible for all AWEX commercial trading and information activities.
- Migrate all internal and external clients to web access.
- Minimise hardware, network and software infrastructure in Regions.
- Remove the need for internal data transfers and duplication of functions.
- Remove redundant and/or legacy applications.
- Rollout an internet version of eclipse.

Whilst much of the development is behind the scenes, AWEX members will benefit with improved access to AWEX systems. Indirectly, the cost of AWEX service delivery will be minimised due to greater efficiencies realised as a consequence of the improved architecture.

Adding Value by Providing Service Excellence

Service provision for AWEX comprises a wide range of activities including the maintenance and compliance of industry standards, continued investment in trading system infrastructure, both physical auction and electronic, as well as the provision of new and innovative information systems. During 2002/03 a key strategy for AWEX has been to 'raise the bar' in terms of service delivery and exceeding Member expectations. A key outcome of this strategy is to increase efficiency with an overall objective of containing costs.

Evidence of the effectiveness of this strategy can be seen through the recent commercial release of AWEX Online. The desire for access to 'live', accurate and independent market information is driven by Buyer and Seller needs to establish a commercial edge over their competitors. AWEX Online is a tool to meet this objective.

With the general trend in the wool industry to restructure to smaller more effective units of operation, the need to improve access to information supported by the latest communication methods becomes imperative. AWEX needs to continue to be at the cutting edge of new technologies to ensure that it delivers leading service excellence to its clients.

The Wool Development Program (WDP) is another example of how AWEX adds value by delivering service excellence. The WDP program, the first time a training program of this scale has been attempted in the wool industry, ensures that all woolclassers understand the latest information regarding wool preparation and market trends. The delivery of the WDP is significant, as the preparation and registration of woolclassers underpins trading within AWEX systems and is recognised around the world, ensuring integrity and value to AWEX Members and the wider wool industry.

AWEX has increased the profile of its compliance programs during the year which are used to measure and uphold the standards recognised within the wool industry. These programs are now a benchmark with which AWEX can objectively measure performance.

AWEX continues to meet the challenges and seek new and improved ways of adding value to Members and the membership.

“...AWEX needs to continue to be at the cutting edge of new technologies...”

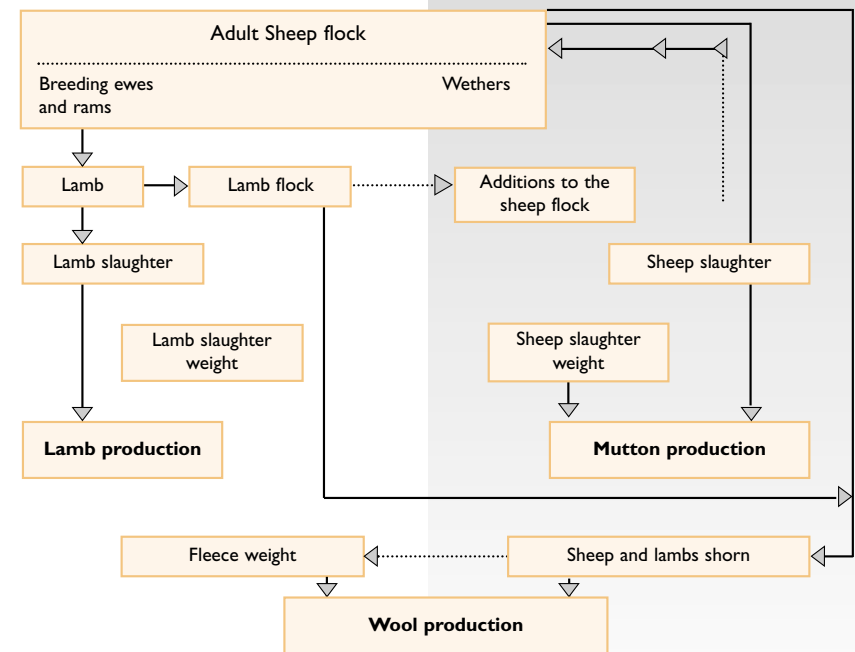
Dynamics of the Australian Sheep Flock

The outcome of decisions taken by over 30,000 farmers around Australia impacts on wool production which in turn impacts on AWEX's core functions and revenue streams.

The dynamics of these decisions centre on several key parameters, including:

- Lamb markings;
- Sheep Exports;
- Slaughter Rates;
- Sheep Deaths.

Many of the decisions are based on the sustainability of independent and related agricultural markets including: wool, meat (e.g. sheep meat, cattle) and grain to name a few. As we have seen over the past two years, seasonal conditions can have an over-riding impact in influencing many of these decisions.



Industry Services



Woolclasser Development Program 2001 / 2002

The Board of AWEX commissioned Hassall & Associates Pty Ltd to undertake an independent review of the Wool Classer Development Program (WDP). The summary of its findings are as follows:

"That 67 skilled trainers have successfully delivered 1,728 training sessions under the Woolclasser Development Program (WDP) at 424 locations, to 22,517 woolclassers over two years (2001/2002) – is an outstanding achievement. The Australian Wool Exchange (AWEX) and its WDP program manager, TAFE NSW – Western Institute, have demonstrated a highly professional approach in the planning, delivery and evaluation of the program.

We note from the evaluations completed by course participants – 49% of whom were professional classers, 51% were owner classers – that 29% of participants rated their knowledge of these six key areas as very good to excellent, prior to the course. This figure had increased to 69% after participation in the course.

Based on our analyses and consultation, we conclude that:

- The vast majority of Australia's currently active woolclassers have achieved improved knowledge and skill levels as a result of participation in the WDP;
- AWEX, and the industry as a whole, now has a more accurate database of registered and trained woolclassers – an essential element for industry-wide quality assurance;
- Comprehensive and up-to-date training resources have been developed, formally accredited and delivered in a nationally standardised way."



AWI Shearing / Wool Handler Training Initiative

AWEX, in conjunction with BCS Agribusiness Solutions, successfully tendered for Part C of the Australian Wool Innovation (AWI) Shearer and Wool Handler Training Initiative. The initiative involves five distinct components:

- Part A: Coaching and Training of Shearers and Wool Handlers;
- Part B: Training Novices through VET in Schools;
- **Part C: Employment Placement Service;**
- Part D: Group Training Organisation Feasibility Study; and
- Part E: Evaluation of the Pilot.

Part C: Employment Placement Service

This involves the development of an employment database accessible by shearers, wool handlers, contractors and wool producers. This service was identified as an important mechanism for increasing industry efficiency and improving communication within the industry.

The key deliverables in part C are:

- Establishing and populating a database that details; shearers and wool handlers available for work and wool producers and shearing contractors requiring staff;
- Promotion of the service and the benefits of registration to the rural community;
- Assisting with the placement of shearers and wool handlers in employment;
- Reporting on alternate operating models using different technologies; and
- Reporting on the national potential of the service to support the AWI Shearer and Wool Handler Training Initiative.

The WOOLSEARCH website will be used for the Shearer/Wool Handler employment service. WOOLSEARCH will provide a single access point for people looking for staff in all areas of wool harvesting and preparation.

WOOLSEARCH Website

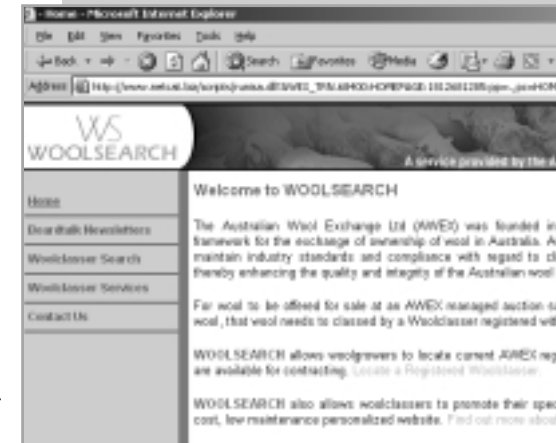
WOOLSEARCH, a unique Internet based service, has recently been launched by AWEX to provide Woolclassers with an innovative way to promote their services to potential clients, as well as provide access to up-to-date and relevant woolclassing information.

Through the easy to use WOOLSEARCH website, wool producers, classing houses, shearing contractors or anyone seeking the services of a Woolclasser can go online and search for a list of current AWEX Registered Australian Woolclassers within a particular regional area.

As part of the 2004/2006 AWEX Woolclasser registration, the contact details of Australian Woolclassers will be automatically included on the WOOLSEARCH website. This means that they will have access to hundreds of new or prospective clients without the outlay of expensive newspaper advertising or relying on word of mouth to find ongoing work as a Woolclasser.

AWEX Registered Australian Woolclassers requiring a higher level of visibility in their promotion, may wish to consider the use of a personalised WOOLSEARCH mini-website. A WOOLSEARCH mini-website is their own website detailing their areas of expertise, experience, availability and other personalised information. This information is linked directly to their general contact details listed on WOOLSEARCH. The WOOLSEARCH mini-website is fully designed and maintained, leaving Woolclassers free to focus on their woolclassing.

Whilst providing an ideal, cost effective method of promoting the services of AWEX registered Australian Woolclassers, WOOLSEARCH also provides up to date links to information relating to woolclassing, electronic copies of BOARDtalk, as well as an online change of details form.



To view WOOLSEARCH visit
www.woolsearch.com.au.



Graincare

Graincare is an auditable Code of Practice covering cereals, pulses and oilseeds, which focuses on food and feed safety. Grain growers and the Grains Council of Australia (GCA), in partnership with the wider grains industry, have developed this Code of Practice. The Grains Research and Development Corporation (GRDC) was also involved in the development of the program and provides ongoing support. Graincare is an on-farm program designed to assist growers produce grain that will satisfy the quality assurance requirements of the market.

AWEX, through a new trading entity "Industry Services Australia", became the licensee for Graincare late in 2003. This new venture will utilise AWEX's current skills in the development of industry standards, the management of registration and compliance programs and database administration. The current systems AWEX has in place for Woolclasser registration, Sampling Site and Showfloor registration, etc will be utilised to provide this new service efficiently and effectively.

This is the first venture of AWEX into servicing another rural sector. It is envisaged that this will be a test case for AWEX's capabilities. Planning is well underway to ensure the ongoing high standard of current service to AWEX members and customers as well as to the new customers that this venture will bring to AWEX.

AWEX members who are currently involved in the grain's industry may find some mutual benefit from this AWEX initiative. As the program develops under Industries Services Australia, AWEX members will be kept informed of its progress and the opportunities it will present.

Directors' Report

Directors' Report

Your directors submit their report for the year ended 30 June 2003.

Directors

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 this entire period unless otherwise stated.

Director	Experience	Special Responsibilities
R.A. Farrar	Chairman, Pitt Son and Keene Pty Ltd; Chairman, McGarvie Smith Institute; Director, Mayas Pty Ltd; Councillor Royal Agricultural Society of NSW.	Chairman; Chairman of Audit, Compliance and Corporate Governance Committee; Chairman of Remuneration Committee.
D.R. Belgre	Managing Director, Don Belgre Pty Ltd; Managing Director, G. Schneider Australia Pty Ltd; Italian Region Representative, Australian Superfine Woolgrowers' Association; Chairman, Australian Wool Network Pty Ltd.	Non Executive Director; Member of Rules Committee; Member of Remuneration Committee.
S. Campbell	Grazier; President, WoolProducers; Director, Australian Wool Testing Authority.	Non Executive Director; Chair of Rules Committee.
A.L. Harris	National Manager – Wool, Elders Limited.	Non Executive Director; Member of Organisational Review Committee.
I.K. McIvor	International Trade Consultant and Woolgrower; Company Secretary, Livecorp Ltd; Director, Australian Livestock Exporters Council Ltd.	Non Executive Director; Member of Remuneration Committee; Member of Audit, Compliance and Corporate Governance Committee.
D.R. Michell	Chief Executive – Wool, Michell Australia Pty Ltd.	Non Executive Director; Member of Organisational Review Committee.
M. Moses	Managing Director, Moses and Son; Director/Secretary, Pinefarm Pty Ltd-T/A, Temora Wool Trading.	Non Executive Director; Member of Rules Committee.
D. Nancarrow	Managing Director, Dewavrin Australia Pty Ltd; Director, Independent Wooldumpers Pty Ltd.	Non Executive Director; Member of Organisational Review Committee.
G.M. Stooke OAM	Managing Director, Standard Wool Australia Pty Ltd; Managing Director, SH Allen & Sons Pty Ltd; Director, Independent Wooldumpers Pty Ltd; Director, Jandakot Wool Washing Pty Ltd; Member, Principals Committee of Australian Council of Wool Exporters; Chairman of WA Rugby Union Inc.	Non Executive Director; Member of Rules Committee; Chairman of Organisational Review Committee.
D.M. Watt	Lawyer, Woolgrower; Director of Alesco Corporation Ltd; Chairman, Burswood Ltd; Director, QSA Management Ltd; Associate Member of the Australian Competition & Consumer Commission; Director, Australian Plantation Timber Limited; Director, Integrated Tree Cropping Limited.	Non Executive Director; Member of Audit, Compliance and Corporate Governance Committee; Member Remuneration Committee.

Director	Experience	Special Responsibilities
R.W. Amos	Managing Director, Adelaide Wool Company; Past Federal President of the Federal Council of Private Treaty Wool Merchants of Australia; Managing Director, Robaine Pty Ltd.	Alternate Director
L.E. Baronet (Appointed 25 July, 2002)	Managing Director, Chargeurs Wool, Wagga; Director, Chargeur Wool New Zealand; Director, Old Mill Way; Director, Old Mill Way Super Fund.	Alternate Director
R. Bawden	National Wool Manager, Landmark an AWB Company; Director, Wooldumpers Australia Pty Ltd.	Alternate Director
R. Cable	Director of Cable Wool Pty Ltd.	Alternate Director
W. Lempriere (Appointed 20 September, 2002)	Managing Director, Lempriere Australia Pty Ltd	Alternate Director
D.A. Macdonald	Managing Director, Dubbo Wool Brokers Pty Ltd; Managing Director, Yennora Wool Brokers Pty Ltd.	Alternate Director
R.D. Pietsch (Appointed 7 August, 2002)	Grazier; Director, Terrica Holdings; Director, AGForce Developments.	Alternate Director
R.J. Quirk (Resigned 20 September, 2002)	Executive Director, Australian Wool Industries Secretariat; Deputy Chairman, Federation of Australian Wool Organisations; Advisor to IWTO President.	Alternate Director

Corporate Information

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

Principal Activities

The company's principal continuing activities during the year consisted of: administering the conduct of wool selling; administration of quality management programs; wool pack quality management; supply of market information on behalf of members; and the registration of wool classers.

Employees

The company employed 22 full time permanent staff and 8 casual employees as at 30 June 2003 (2002: 22 full time permanent and 7 casual employees).

Results

An operating surplus of \$852,489 (2002: operating surplus \$662,223) was achieved for the year.

Dividends

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

Review of Operations

Revenue for the year was primarily derived from service fees received of \$5,090,830 (2002: \$5,683,662) and common fees received from members of \$804,385 (2002: \$996,926). Total revenue for the period was \$6,569,046 (2002: \$7,371,662).

Total Operating expenses for the year were \$5,716,557 (2002: \$6,709,439) relating to provision of ongoing 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 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 does have mechanisms in place to oversight specific aspects of management functionality. These include the convening of the Audit, Compliance and Corporate Governance Committee, which monitors and advises the Board on management finance, corporate governance and expenditure policies and oversees the external financial statement audit process; and the Remuneration Committee, which monitors and advises the Board on issues relating to personnel policies as well as remuneration for AWEX staff.

Corporate Governance

The Board has expanded the Terms of Reference of the Audit, Compliance and Corporate Governance Committee (formerly

the Audit and Compliance Committee) to include responsibilities with respect to the company's corporate governance requirements. Further to its responsibilities in relation to oversight of financial reporting, internal controls and external audit, the Committee now assists the Board to fulfill its corporate governance duties and advises the Board on matters relating to Board composition and procedures, Board sub-committees, corporate governance policies and Board evaluations. The Committee is in the process of developing a policy and various other mechanisms, in line with the guidelines published by ASX, and these will be published as soon as possible.

Significant Changes in the State of Affairs

There were no significant changes to the company's state of affairs during the year.

Matters Subsequent to the End of the Financial Year

On August 11 2003, the Chairman announced the departure of the Chief Executive Officer, Mr David White, from AWEX effective 12 September 2003. The AWEX Board agreed to appoint Mr Mark Grave as Chief Executive Officer, pending a review of AWEX's structure. The review will be undertaken by the Board's Organisational Review Committee with a view to reallocating and realigning responsibilities to achieve the most effective, efficient and economic operating structure for AWEX in the context of the continued reduction in Australian wool production and the lower volumes forecast for the future financial years.

Likely Developments and Expected Results of Operations

The Board foresee the declining wool volumes resulting from reduced sheep numbers will result in markedly reduced revenues for AWEX during the 2003/2004 and subsequent financial years.

Directors' Meetings

The following table sets out the number of meetings of the company's directors held during the year ended 30 June 2003, and the number of meetings attended by each director. As at the date of this report, the company had an Audit, Compliance and Corporate Governance Committee, a Remuneration Committee, a Rules Committee and an Organisational Review Committee.

There were seven meetings of the Board of Directors and five meetings each of the Audit, Compliance and Corporate Governance Committee and the Rules Committee. The Remuneration Committee held four meetings during the year ended 30 June 2003. The Organisational Review Committee did not meet during the period.

	Board Meetings		Committee Meetings							
	E	A	Audit & Compliance		Remuneration		Rules		Organisational Review	
E = Eligible, A = Attended	E	A	E	A	E	A	E	A	E	A
Number of meetings attended by:										
Directors										
R.A. Farrar	7	7	5	5	4	4	-	-	-	-
D.R. Belgre	7	4	-	-	4	3	5	3	-	-
S. Campbell	7	5	-	-	-	-	5	5	-	-
A.L. Harris	7	7	-	-	-	-	-	-	-	-
I.K. McIvor	7	6	5	5	4	4	-	-	-	-
D.R. Michell	7	4	-	-	-	-	-	-	-	-
M. Moses	7	7	-	-	-	-	5	5	-	-
D. Nancarrow	7	6	-	-	-	-	-	-	-	-
G.M. Stooke OAM	7	7	-	-	-	-	5	5	-	-
D.M. Watt	7	7	5	5	4	4	-	-	-	-

Alternate Directors

R.W. Amos	-	-	-	-	-	-	-	-	-	-
L.E. Baronet (Alternate for D. Michell)	3	3	-	-	-	-	-	-	-	-
R. Bawden (Alternate for A. Harris)	-	-	-	-	-	-	-	-	-	-
R. Cable	2	2	-	-	-	-	-	-	-	-
W. Lempriere (Alternate for D. Nancarrow)	-	-	-	-	-	-	-	-	-	-
D.A. Macdonald	-	-	-	-	-	-	-	-	-	-
R.D. Pietsch (Alternate for S. Campbell)	2	2	-	-	-	-	-	-	-	-
R.J. Quirk	-	-	-	-	-	-	-	-	-	-

(Alternate for D. Nancarrow, resigned 20 September 2002)

Directors' Indemnity

During the year the Company has paid a premium of \$54,116 (2002:\$19,314) for professional indemnity insurance for officers and employees of the company which provides cover for all past, present and future officers and employees.

The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company.

Directors' Benefits

Each of R.W. Amos, L.E. Baronet, R. Bawden, D.R. Belgre, R. Cable, S.H. Campbell, A.L. Harris, W. Lempriere, D.A. Macdonald, I.K. McIvor, D.R. Michell, M. Moses, D. Nancarrow, R.D. Pietsch G.M. Stooke, have interests in organisations which utilise the services of the company in the ordinary course of business. These services are provided under the company's standard terms and conditions.

With these exceptions, since 30 June 2002 no director of the company has received, or has become entitled to receive, a benefit (other than a remuneration benefit included in note 17 to the accounts) because of a contract that the director, a firm of which the director is a member, or an entity in which the director has a substantial financial interest, has made (during the year ended 30 June 2003 or at any other time) with either the company or an entity that the company controlled, or a body corporate that was related to the company, when the contract was made or when the director received, or became entitled to receive, the benefit.

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

Signed in accordance with a resolution of the directors.



R.A. Farrar
Chairman



D.R. Belgre
Director

Sydney, 16 September 2003

Our Members

Trading Members

A. R. Rhodes & Company
 A. S. Gedge Australia Pty Ltd
 ACF Wool Traders Pty Ltd
 Adelaide Wool Company Pty Ltd
 AES Scott & Company Pty Ltd
 AOE Grains Pty Ltd
 Arcadian Wool Brokers Ltd
 Associated Wool Exporters Pty Ltd
 Attadale Wool Company Pty Ltd
 Australian Wool & Pastoral Agency Ltd
 Australian Wool Network Pty Ltd
 Barwon & Yarra Wool Brokers Pty Ltd
 Beecher Wool Services
 Bloomfield Pty Ltd T/as Acacia Wool
 Bowden Wool Auctions Pty Ltd
 Brockmill Pty Ltd T/as Dyson Jones
 Wool Marketing
 Bryton Wool
 BWK Elders Australia Pty Ltd
 Cable Wool Pty Ltd
 Chadron Pty Ltd
 Chargeurs Wool Australia Pty Ltd
 China Zhong Hui Wooltops Australia
 Pty Ltd
 Cogtrust Pty Ltd T/as Coggan Wool
 Compagnie d'Importation de Laines
 Conn Wool Pty Ltd
 CTCRC Australia Pty Ltd
 Davis Wool
 Dewavrin Australia Pty Ltd
 Diamond T & Bar Pastoral Company
 Pty Ltd
 Dixon Wool Pty Ltd
 Don Belgre Pty Ltd
 Dubbo Wool Brokers Pty Ltd
 Dynon Wools (Australia) Pty Ltd
 E.P. Robinson Pty Ltd
 Elders Ltd
 F.Whitbread & Company (Rocklea)
 Fibres (Australia) Pty Ltd
 Fletcher International Exports Pty Ltd
 (Dubbo)
 Formostat (Australia) Pty Ltd
 Fox & Lillie Pty Ltd
 Fry Wool Services
 Gemind Wool Pty Ltd
 Goddard Wool Marketing Pty Ltd
 Gordon Litchfield Wool Pty Ltd
 H. Dawson Sons & Company (Aust)
 Pty Ltd
 Harold de Tuetey Pty Ltd
 Hodge Wool Pty Ltd
 I.H.Yeoward & Company Pty Ltd

Itochu Wool Ltd
 James Stedman (Wool) Pty Ltd
 Jemalong Wool Pty Ltd
 Jenkyn Wool Exports Pty Ltd
 John Boddice Wool Company Pty Ltd
 Kathaytex Australia Pty Ltd
 Kreglinger (Australia) Pty Ltd
 Landini & Company Pty Ltd
 Landmark - an AWB company
 Laycock Speciality Fibres Pty Ltd
 Lempriere (Australia) Pty Ltd
 Lochville Pty Ltd
 Louis Dreyfus Australia Pty Ltd
 M. & G.Wool Company
 M. & M.Wools (Australia) Pty Ltd
 M.A. Kiernan & Company Pty Ltd
 Macquarie Bank Ltd
 Marubeni Australia Ltd
 Masurel Fils (Australia) Ltd
 McFeeters Wool
 Melbourne International Wool Traders
 Pty Ltd
 Melbourne Wool Exporters Pty Ltd
 Meredith Wool Company Pty Ltd
 Michell Australia Pty Ltd
 Ming Shan Company (Australia) Pty Ltd
 Modiano Australia Pty Ltd
 Monaro Wool Services Pty Ltd
 Montgomery Wools Pty Ltd
 Morepen Pty Ltd
 Moses & Son
 Murrumbidgee Wool Brokers Pty Ltd
 New England Wool Pty Ltd
 NGS Wool (Queensland) Pty Ltd
 Norfolk Wool Traders Pty Ltd
 Ostini Wool Pty Ltd
 P.J. Morris Wools Pty Ltd
 Peter Scanlan Wools
 Port Phillip Wool Processing Pty Ltd
 Primac Elders Wool Department
 Primaries of WA Pty Ltd
 Quality Wool Pty Ltd
 Quay Wool Services Pty Ltd
 Reward Australia Pty Ltd
 Riverina Wool Brokers
 Riverton Wools
 Roberts Ltd
 Rodwells & Company Pty Ltd
 Sandy Creek Wool Company Pty Ltd
 Saunders Wool Pty Ltd
 Sim International Pty Ltd
 Southern Cross Wool Pty Ltd
 Standard Wool Australia Pty Ltd
 Startoy Pty Ltd
 Stirling Sorting Company Pty Ltd

Stockwool Pty Ltd
 T L Tourrier & Company Pty Ltd
 Techwool Trading Pty Ltd
 Tradeswool Country Woolbuyers
 Pty Ltd
 Tradeswool Pty Ltd
 United Wool Brokers Pty Ltd
 V. & H. Smythe Pty Ltd
 Victoria Wool Processors Pty Ltd
 Vicwool Pty Ltd
 West Coast Wools Pty Ltd
 Western Wool Marketing
 Williams Wool Pty Ltd
 Wool Agency Company Pty Ltd
 Woolgrowers Independent Selling
 Services Ltd
 Yarra Wool

Associate Members

Australian Superfine Woolgrowers'
 Association
 Department of Agriculture, Western
 Australia
 The WoolMark Company

Growers

A. J. Byrne & Company
 A.W. Morse
 Abfam Nominees Pty Ltd
 Alister Cameron
 Allison Watson
 Andrew Burgess
 Andrew Wall
 Anthony Chenery
 Arthur M. Bock
 Australian Wool Growers Pty Ltd
 Autumnvale Pastoral Company
 Balquhider Pty Ltd
 Banks Brothers
 Bloomfield Pastoral Company
 Brett Campbell
 Brolga Pastoral Company
 Bukalong Enterprises
 Byanga Pastoral Company
 C.W.A. & D.W. Prell
 C.E. Hyde & Company
 C.M. De Mestre
 Callubri Pty Ltd
 Castle Carrock Merinos
 Cavanagh Partnership
 Clyde Agriculture Limited
 Coomba Grazing Company Pty Ltd
 D. D. Long & A. J. Long
 D.W. Taylor Pty Limited
 Danor Pty Ltd
 Dingo Range
 Dongiemon Grazing Company
 Dr. Robert N. Baulch
 Duncan Fraser
 East Murandal
 F.J. Duncan
 G.W. & C. L. Clothier & Sons
 G., B., G. & L. Roberts
 G.A. Amery Family Trust
 Garth England
 Gary William Lovering
 George Terrant Walker
 Glenbuddah Pty Ltd
 Glenelg Estate
 Glenwood Cumnock Pty Ltd
 Golding Farms
 Goonigal Partnership
 Gordon Litchfield
 Gorrinn Pastoral Company
 I. & P. Meek Pty Ltd
 Ian Aubrey
 Ian Burbury
 Ian McLean
 Ian William Whiteley
 J.A. & J.A. McCracken
 J. C. Irwin
 J. R. L. Hall & Company
 J. M. Moore
 J. P. & S. M. Ranken
 J. R. & D. M. D. Mills
 John Edward Beveridge
 John Mayes
 John Rumph
 John Shady & Sons
 Jonathan Tischler
 Jungaburra Pty Ltd
 Kentucky Pty Ltd
 Kevin Gill
 Kisel Holdings Pty Ltd
 Lachlan Campbell
 Leigh Tuck
 Lindsay & Bridgman
 Lynwood Grazing Company
 M. K. & M.A. Bartholomaeus
 M.A. & A. L. Nicholls
 Macquarie Hills Partnership
 Mance Pastoral Company Pty
 Marong Pastoral Company Pty Ltd
 Max Zell Family Settlement Trust
 McGee Pastoral Company
 Mclvor Agricultural Consultants Pty Ltd
 Mark McLean

Michael Bilney
 Michael Emery
 Mt Jetty Pastoral
 Mulluna Partnership
 Murragamba Pastoral Company
 N. P. O'Shannessy
 Narruc Investments Pty Ltd
 Neville Parker
 P.T. & K. C. Walker (Partnership)
 Parling Yards Trading Company
 Patrick Banks
 Pete Longley
 Phil O'Brien Wool Pool
 Quambaloo Pastoral Company
 R. D. & K. L. Avery
 R. J. & L. J. Parkins
 Redbank Pastoral Company
 Robert Hall
 Robert Pietsch
 Robert Richardson Dick
 Roger Farquharson Mason
 S. D. & W.A. Beveridge
 S. G. Groves & Company
 Spielvogel, Karalta
 S. S. & W.A. Parkinson
 Stonehouse Grazing
 Strathbogie Pastoral Company
 Sun Valley AG
 T. & A. Silcock
 Terinallum Partnership
 Terry Carlon
 The Mutooroo Pastoral Company
 Pty Ltd
 Tim Watts
 Trevor Mosey
 Twynam Pastoral Company Pty Ltd
 W. S. & M. E. McCann Pty Ltd
 Wandella Pastoral Partnership
 Windaroo Pastoral Company
 Wivenhoe Pty Ltd
 Woolaway Grazing
 WoolProducers
 Yarrabee Grazing Company

AUSTRALIAN WOOL EXCHANGE LIMITED

Statement of Financial Performance
Year ended 30 June 2003

	Notes	30 June 2003	30 June 2002
		\$	\$
Revenues from ordinary activities	2	6,569,046	7,371,662
Employee benefits expense		(1,887,415)	(2,347,231)
Depreciation and Amortisation Expense	3	(404,306)	(430,016)
Occupancy Costs*		(678,394)	(734,844)
Other expenses from ordinary activities		(2,746,442)	(3,197,348)
Profit from ordinary activities before income tax expense	3	852,489	662,223
Income tax expense relating to ordinary activities	1(c)	-	-
Net profit from ordinary activities after related income tax expense	13	852,489	662,223

* Includes cost of head lease at 691 Geelong Road, Brooklyn for which \$309,169 sublease income was received for the period.

The above statement of financial performance to be read in conjunction with the accompanying notes.

AUSTRALIAN WOOL EXCHANGE LIMITED

Statement of Financial Position
At 30 June 2003

	Notes	30 June 2003	30 June 2002
		\$	\$
CURRENT ASSETS			
Cash Assets (Note A)	4	4,084,842	5,369,436
Receivables	5	407,958	614,861
Other	6	91,909	77,240
TOTAL CURRENT ASSETS		4,584,709	6,061,537
NON-CURRENT ASSETS			
Property Plant and Equipment	7, 20	530,058	748,985
TOTAL NON-CURRENT ASSETS		530,058	748,985
TOTAL ASSETS		5,114,767	6,810,522
CURRENT LIABILITIES			
Payables (Note A)	8	812,034	2,550,409
Provisions	9	138,110	173,689
Other	10	362,136	1,141,855
TOTAL CURRENT LIABILITIES		1,312,280	3,865,953
NON-CURRENT LIABILITIES			
Provisions	11	99,967	94,538
TOTAL NON-CURRENT LIABILITIES		99,967	94,538
TOTAL LIABILITIES		1,412,247	3,960,491
NET ASSETS		3,702,520	2,850,031
EQUITY			
Reserves	12	640,000	640,000
Retained Surplus	13	3,062,520	2,210,031
TOTAL EQUITY		3,702,520	2,850,031

Note A: cash assets and payables at 30 June 2003 included cash collected from Woolclassers for the Woolclasser Development Program and course fees payable to the Western Institute of TAFE for provision of the Woolclasser Development Program. Both the cash collected and the course fees payable amount to \$301,872.10.

The above statement of financial position to be read in conjunction with the accompanying notes.

AUSTRALIAN WOOL EXCHANGE LIMITED

Statement of Cash Flows
For the Year Ended 30 June 2003

	Notes	30 June 2003	30 June 2002
		\$	\$
Cash flows from operating activities			
Receipts from customers		5,770,038	6,928,427
Payments to suppliers and employees		(7,096,855)	(7,974,964)
Interest Received		236,621	230,742
Net cash (outflows)/ inflows from operating activities	19	(1,090,196)	(815,795)
Cash flows from investing activities			
Payments for property, plant and equipment		(195,298)	(574,390)
Proceeds from sale of plant and equipment		900	1,065
Net cash outflows from investing activities		(194,398)	(573,325)
Cash flows from financing activities			
Repayments of lease liabilities		-	(43,259)
Net cash outflows from investing activities		-	(43,259)
Net increase/(decrease) in cash held		(1,284,594)	(1,432,379)
Cash at the beginning of the financial year		5,369,436	6,801,815
Cash at the end of the financial year	4	4,084,842	5,369,436

The above statement of cash flows to be read in conjunction with the accompanying notes.

AUSTRALIAN WOOL EXCHANGE LIMITED

Notes to the Financial Statements
for the Year Ended 30 June 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

This general purpose financial report has been prepared in accordance with Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and the *Corporations Act 2001*.

The financial statements are prepared in accordance with the historical cost convention, and do not take into account changes in money values.

The company is a company limited by guarantee, incorporated and domiciled in Australia. In accordance with the Memorandum of Association the liability of 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.

(b) Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year.

(c) Income Tax

The company has been granted an exemption from income tax under Section 23(h) of the Income Tax Assessment Act 1936.

(d) Depreciation

Depreciation is calculated on a straight line basis to write off the net cost of each item of property, plant and equipment over the expected useful life to the company. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

	30 June 2003	30 June 2002
Plant & Equipment	3-8 years	3-8 years
Software	3 years	3 years

(e) Recoverable Amount of Non-Current Assets

Where the carrying amount of an individual non-current asset is greater than its recoverable amount the asset is revalued to its recoverable amount.

The expected net cash flows included in determining recoverable amounts of non-current assets have not been discounted to their present values.

(f) Receivables and Revenue Recognition

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.

(g) Government Grants

Government grants for any purpose, other than for research and development, are recognised as revenue when the right to receive the grant exists, or when control over the grant is obtained. Where government grants are received or receivable in relation to research and development costs which have been deferred, the grant is deducted from the cost of research and development costs deferred. Where grants are received or receivable in relation to research and development costs which have been charged as an expense to the operating statement, those grants are credited as revenue in the operating statement.

(h) Employee Entitlements

(i) Wages and Salaries

A liability for wages and salaries is recognised, and is measured as the amount unpaid at balance date at current pay rates in respect of employees' services up to that date.

(ii) Superannuation

The company contributes to an employee accumulation superannuation fund. Contributions are charged against income.

(iii) Annual and Long Service Leave

A liability for annual and long service is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to balance date. In assessing expected future payments regard is had to assess expected future wage and salary levels.

(iv) Number of employees at year end

There are 22 full time permanent and 8 casual employees as at 30 June 2003 (2002: 22 full permanent and 7 casual employees).

(i) Cash flows

For the purpose of the statements of cash flows, cash includes cash on hand, deposits held on call with banks and investments in money market instruments, net of bank overdrafts.

(j) Trade and other creditors

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition.

(k) Unearned income

Wool classer registration income (refer Note 10 of this annual report) is recognised as earned based on the pattern of services rendered. The pattern of services rendered is based on the proportion of costs incurred in the year to the total expected costs over the wool classer registration period. The income not recognised as earned is carried forward as unearned.

AUSTRALIAN WOOL EXCHANGE LIMITED

**Notes to the Financial Statements
for the Year Ended 30 June 2003 (continued)**

Notes	30 June 2003	30 June 2002
	\$	\$
2. REVENUES FROM ORDINARY ACTIVITIES		
Joining fees	13,228	10,889
Subscription fees	74,895	72,854
Common fees	804,385	996,926
Fees for services	5,090,830	5,683,662
Other Revenue	362,964	321,524
Interest received/receivable	221,844	284,742
Proceeds from sale of Plant and Equipment	900	1,065
Total Revenues from Ordinary activities	6,569,046	7,371,662
3. EXPENSES AND LOSSES/GAINS		
(a) Expenses		
Depreciation and Amortisation of non-current assets		
Depreciation of plant and equipment	404,306	424,655
Amortisation of plant and equipment under finance lease	-	5,361
Total Depreciation and Amortisation Expense	404,306	430,016
Operating lease rental		
Minimum lease payments	373,075	402,153
Contingent Rentals	-	-
Rental Expense arising from sub-leases	113,850	113,031
Total Operating Lease Rental	486,925	515,184
Provision for doubtful trade debtors	15,000	15,000
Transfer to provisions for holiday pay	76,447	95,886
Transfer to provisions for long service leave	12,312	43,076
(b) Losses/(gains)		
Net loss/(gain) on disposal of property, plant and equipment	9,137	59,085

AUSTRALIAN WOOL EXCHANGE LIMITED

Notes to the Financial Statements
for the Year Ended 30 June 2003 (continued)

	Notes	30 June 2003	30 June 2002
		\$	\$
4. CURRENT ASSETS - CASH ASSETS			
Cash on Hand		800	800
Cash at Bank		252,589	338,063
Deposits at Call		3,831,453	5,030,573
Cash Assets		4,084,842	5,369,436
5. CURRENT ASSETS - RECEIVABLES			
Trade Debtors	5(a)	347,783	523,765
less: Provision for Doubtful Debts		(15,000)	(15,000)
Trade Debtors after provision for doubtful debts		332,783	508,765
Accrued Revenue		75,175	106,096
Receivables		407,958	614,861
(a) Terms and conditions			
Trade debtors are non-interest bearing and generally on 30 day terms			
6. CURRENT ASSETS - OTHER			
Prepayments		65,198	39,590
Other Debtors		26,711	37,650
Other		91,909	77,240
7. NON-CURRENT ASSETS - PROPERTY PLANT AND EQUIPMENT			
Plant and equipment at cost	20(a)	1,891,017	1,868,324
less: Accumulated Depreciation		(1,360,959)	(1,119,339)
Property Plant and Equipment		530,058	748,985

AUSTRALIAN WOOL EXCHANGE LIMITED

Notes to the Financial Statements
for the Year Ended 30 June 2003 (continued)

	Notes	30 June 2003	30 June 2002
		\$	\$
8. CURRENT LIABILITIES - PAYABLES			
Creditors		235,385	432,908
Accrued Expenses		274,777	429,436
Training - Classer Registration		301,872	1,688,065
Payables		812,034	2,550,409
9. CURRENT LIABILITIES - PROVISIONS			
Employee Entitlements (being provision for annual leave and superannuation)		138,110	173,689
Provisions		138,110	173,689
10. CURRENT LIABILITIES - OTHER			
Unearned Income	l(k)	362,136	1,141,855
Other		362,136	1,141,855
11. NON-CURRENT LIABILITIES - PROVISIONS			
Employee Entitlements (being provision for long service leave)		99,967	94,538
Provisions		99,967	94,538
12. EQUITY - RESERVES			
Members' Reserves			
Balance at 1 July		640,000	640,000
Transfer from retained surplus		-	-
Reserves at 30 June		640,000	640,000
13. EQUITY - RETAINED SURPLUS			
Retained surplus at 1 July		2,210,031	1,547,808
Net profit attributable to members of the company		852,489	662,223
Retained surplus at 30 June		3,062,520	2,210,031

AUSTRALIAN WOOL EXCHANGE LIMITED

Notes to the Financial Statements
for the Year Ended 30 June 2003 (continued)

	Notes	30 June 2003	30 June 2002
		\$	\$
14. REMUNERATION OF DIRECTORS			
Income paid or otherwise made available to directors by the company or related parties.		226,223	215,552
The number of directors of the company whose income from the company or related parties was within the specified bands are as follows:			
\$0	\$9,999	-	1
\$10,000	\$19,999	9	8
\$20,000	\$29,999	-	1
\$30,000	\$39,999	-	1
\$40,000	\$49,999	-	-
\$50,000	\$59,999	1	-
No retirement benefits were paid to directors during the year.			
15. REMUNERATION OF AUDITORS			
Amounts received or due and receivable by Thomas Davis and Co for:			
- audit of the financial report of the company		12,100	11,000
- other services		-	-
Remuneration of Auditors		12,100	11,000
16. EXPENDITURE COMMITMENTS			
<i>Operating leases (non-cancellable)</i>			
Minimum lease payments	16(a)		
- not later than one year		427,925	184,491
- later than one year and not later than five years		278,843	317,529
- later than five years		-	-
Aggregate lease expenditure contracted for at balance date		706,768	502,020

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

AUSTRALIAN WOOL EXCHANGE LIMITED

Notes to the Financial Statements
for the Year Ended 30 June 2003 (continued)**17. RELATED PARTY DISCLOSURES**

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

R.A. Farrar	D.R. Belgre	S. Campbell	A.L. Harris
I.K. McIvor	D.R. Michell	M. Moses	D. Nancarrow
G.M. Stooke	D.M. Watt		
<i>Alternate Directors</i>			
R.W. Amos	L. Baronet	R. Bawden	R. Cable
W. Lempriere	D.A. Macdonald	R. Pietsch	R.J. Quirk

Director and Director-related entity Transactions

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

The directors involved are:

R.W. Amos	L. Baronet	R. Bawden	D.R. Belgre
R. Cable	S. Campbell	A.L. Harris	W. Lempriere
D.A. Macdonald	I.K. McIvor	D.R. Michell	M. Moses
D. Nancarrow	R. Pietsch	G.M. Stooke	

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.

Aggregate amounts of these transactions are as follows:

Income	30 June 2003	30 June 2002
	\$	\$
Joining, subscription and trading fees	960,231	1,188,484
Selling facility fees	420,128	468,154
EDI Network fees and Market Reports	292,048	261,270
Sample site and showfloor charges	6,741	7,459
Other	365,200	337,315
	2,044,348	2,262,682

18. SEGMENT INFORMATION

The company operates predominantly in one industry, being the Australian wool industry.

AUSTRALIAN WOOL EXCHANGE LIMITED

Notes to the Financial Statements
for the Year Ended 30 June 2003 (continued)

	Notes	30 June 2003	30 June 2002
		\$	\$
19. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES TO NET CASH FROM OPERATING ACTIVITIES			
Profit from ordinary activities		852,489	662,223
Depreciation and amortisation		404,306	430,016
Increase/(Decrease) in Other Provisions		(30,150)	17,397
Loss on disposal of plant and equipment		9,137	59,085
Decrease/(increase) in trade and other debtors		175,982	86,307
Decrease/(increase) in other debtors and prepayments		15,740	(10,986)
(Decrease)/increase in trade creditors, accruals and unearned income		(2,517,700)	(1,942,236)
(Decrease)/Increase in other provisions		-	(117,601)
Net cash (outflows)/inflows from operating activities		(1,090,196)	(815,795)
19 (A). NOTES TO STATEMENT OF CASH FLOWS (CONT.)			
Financing arrangements			
Unrestricted access was available at balance date to the following lines of credit:			
Bank Loan Facilities			
Total bank overdrafts		-	19,500
Used at balance date		-	-
Unused at balance date		-	19,500
Payroll Facility			
Total payroll facility		50,000	20,000
Unused at balance date		-	-
Unused at balance date		50,000	20,000

Subject to continuation of satisfactory credit ratings, the bank loan facilities may be drawn at any time and may be terminated by the bank without notice. Interest rates on facilities are variable and subject to adjustment.

AUSTRALIAN WOOL EXCHANGE LIMITED

Notes to the Financial Statements
for the Year Ended 30 June 2003 (continued)

	Notes	30 June 2003	30 June 2002
		\$	\$
20. PROPERTY, PLANT AND EQUIPMENT - RECONCILIATIONS			
Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current and previous financial year:			
(a) Plant and Equipment			
Carrying amount at 1 July		748,985	652,526
Additions		195,298	574,390
Disposals (net)		(9,919)	(53,276)
Depreciation Expense		(404,306)	(424,655)
Carrying amount at 30 June		530,058	748,985
(b) Plant and Equipment under finance lease			
Carrying amount at 1 July		-	11,170
Additions		-	-
Disposals (net)		-	(5,809)
Amortisation Expense		-	(5,361)
Carrying amount at 30 June		-	-

AUSTRALIAN WOOL EXCHANGE LIMITED

**Notes to the Financial Statements
for the Year Ended 30 June 2003 (continued)**

21. FINANCIAL INSTRUMENTS

(a) Interest rate risk

	Floating Interest Rate		Non-interest bearing		Total carrying amount as per the statement of financial position		Weighted average effective interest rate	
	30 June 2003	30 June 2002	30 June 2003	30 June 2002	30 June 2003	30 June 2002	30 June 2003	30 June 2002
(i) Financial assets								
Cash	4,084,842	5,369,436	-	-	4,084,842	5,369,436	4.74%	4.60%
Trade Debtors and other receivables	-	-	407,958	614,861	407,958	614,861	N/A	N/A
Other assets	-	-	91,909	77,240	91,909	77,240	N/A	N/A
Total Financial Assets	4,084,842	5,369,436	499,867	692,101	4,584,709	6,061,537		
(ii) Financial liabilities								
Trade Creditors and other payables	-	-	510,162	862,344	510,162	862,344	N/A	N/A
Total Financial liabilities	-	-	510,162	862,344	510,162	862,344		

(b) Net fair values

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 exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets in the statement of financial performance, net of any provisions for doubtful debts.

22. CONTINGENT LIABILITIES

The company holds a bank guarantee with a face value of \$71,880 (2002: \$71,880) in respect of rental obligations to that value.

AUSTRALIAN WOOL EXCHANGE LIMITED

Directors' Declaration

The Directors of the company declare that:

(1) the financial statements set out on pages 19 to 31:

(a) comply with Accounting Standards and the Corporation Act 2001; and

(b) give a true and fair view of the Company's financial position as at 30 June 2003 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.



R.A. Farrar
Chairman



D.R. Belgre
Director

Sydney, 16 September 2003

AUSTRALIAN WOOL EXCHANGE LIMITED

Independent Auditors' Report to the members of the AUSTRALIAN WOOL EXCHANGE LIMITED

SCOPE

We have audited the financial report of Australian Wool Exchange Limited for the financial year ended 30th June, 2003 as set out on pages 19 to 32. The Company's Directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the Company's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

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

- a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2003 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.



Thomas Davis & Co
Chartered Accountants



P.L. Whiteman
Partner

Sydney, 16 September 2003

'Liability limited by the Accountants' Scheme approved under the Professional Standards Act 1994 (NSW)'.



Australian Wool Exchange Limited

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