



# annualreport

Australian Wool Exchange Limited. 2017-2018





*we know wool*

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## **Annual Report for the year ended 30 June 2018.**

Australian Wool Exchange Limited ABN 35 061 495 565.



# Chair's Report

*Drought conditions have perpetuated or set in for many wool growing areas over the past twelve months. In contrast to former droughts, continuing strong demand for wool of most types has seen sustained high prices, with the EMI reaching 2116 cents/kg clean (in AU\$) on 16 August, though easing in late October to 1,874 cents/kg clean. The levels of wool prices have been just rewards for wool growers and most other participants in the supply chain. A lower Australian dollar has assisted, hovering around 71-74 cents against the US dollar. The challenge in coming months and years, already emerging as issues, is the ongoing wool supply, the maintenance of quality assurance in all parts of the supply chain, and the building uncertainty around trade tensions between China and the USA.*

One of the four key objectives of AWEX, is to 'develop and implement innovations, for the benefit of all wool participants'. In this vein, it's exciting to see many hours of planning, design, and development successfully lead to the 'soft launch' of WoolClip. WoolClip is a website and smart phone application, designed to enter on-farm wool information to generate and send wool specifications in data and report form to the warehouse, and the organisation chosen by the wool grower to market their wool.

Some of the many features of WoolClip include the ability to: add information progressively during shearing, (using the smart phone app if no data connections); maintain a job by one or more users (e.g. owner and wool classer) working as a collaborative team; avoid duplicate bales on a specification; enable capture of data by mobs for future analysis of yields and quality (as information entered is saved); the release of the Specification on finalisation by the user: and authorise National Wool Declarations online, or remotely by using a smart phone or email. WoolClip is a significant step forward for the Australian wool industry in the accurate and efficient capture of wool classing information, for processing wool shorn and mob performance analysis, and an integral element in enhancing traceability.

The gradual iterative development and rollout of WoolClip, has enabled progressive amendments

and improvements to the software making it a more practical and user friendly tool. The AWEX team has received invaluable feedback from many individuals including wool growers, wool classers, and wool brokers. Enhancements, corrections, and further testing has resulted in a practical and user-friendly tool that will significantly reduce errors in the labelling and subsequent transport and sorting of wool through to processing.

With our finite, limited resources, it was decided to complete the development of WoolClip, with work on eBale project deferred until mid this year. This was a logical sequence of work given the integral part WoolClip will play in the management of wool clips and wool bales. An initial trial of eBale, will involve RFID Tags on wool bales, based on a small number of shearings. Testing will be undertaken along all the processes between farm and wool store, and will commence in WA in the latter part of this year.

The triennial wool classer renewal of registrations is underway at the time of writing. The introduction of a wool classer identification card will provide further assurance of the integrity of the wool classing process. This will give growers greater confidence in classers and reduce the incidence of the use of the bale stencil by those other than the designated wool classer.



Educational and training material on WoolClip will be included in the mail out pack to wool classers. Although wool classer numbers have fallen over recent years, it is encouraging that for the 2017/18 season, 281 people graduated from wool classing training, the highest number of graduate classers registered since 2001.

The Code of Practice review was also completed during the year, with an updated version, 2019-21 Code of Practice: Preparation of Australian Wool Clips, issued on 2nd October. The National Wool Declaration completion rate increased to 66% for the 2017 season, up from 61% in 2016, and 42.2% in 2010. From NWD data, non mulesed wool has risen to 11.5% and pain relief status to over 31%. There is ongoing and increasing demand for information on the where wool is sourced, whether from mobs that are non-mulesed, receive pain relief, have ceased mulesing, etc. There is also clear, incontrovertible evidence of premium pricing for non-mulesed, or ceased mulesing categories.

At an operational level, AWEX achieved another small surplus of \$115,398, consistent with our not for profit status and commitment to re-investment in services to benefit the wool industry. Operating revenue was over \$4.8 million compared with \$4.1 million in the prior year. Main contributors were from bale label sales, wool classer registrations, and user-pay service fees. Revenue from bale labels was \$2.04 million reflecting higher volume on 2016-17 to 2 million, and increased price per label to \$1. Wool classer registration fees, representing revenue allocation for year 3 of the last triennial period, was \$1.3 million. Service fees received were \$1.1 million. Aside from normal operating costs, \$0.6 million was spent on software development. Cash reserves stood at \$6.9 million at 30 June 2018. Members' Reserves increased slightly to \$6.9 million reflecting the Board's determination to build a higher level of reserves over the medium term.

I would like to acknowledge the contribution of the directors of the AWEX Board in providing timely and insightful feedback and advice on the development and delivery of AWEX's objectives. In respect of Board membership changes, we welcomed Gary Turner to the Board as Andrew Basire retired as a director.

On behalf of the Directors, our appreciation and gratitude is extended to the AWEX team

led so capably by Mark Grave. In particular, it is appropriate to acknowledge the outstanding contribution and tenacity of Nigel Stewart and David Cotter, in bringing WoolClip to fruition.

Finally, the level of collaboration, exhibited by many parts of the wool industry, in the development of WoolClip and now the eBale project, is a clear demonstration of what may be achieved with relatively limited resources, combined with cooperation, intellect, drive and commitment. Long may this collaboration continue and spread.



Robyn Clubb, Chair  
October 2018

## Industry Key Performance Indicators

|   | 12/13     | 13/14     | 14/15     | 15/16     | 16/17     | 17/18     |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| AWEX EMI (ave.)                                   | 1037      | 1073      | 1097      | 1254      | 1401      | 1734      |
| AWEX EMI USD (ave.)                               | 1065      | 987       | 909       | 911       | 1059      | 1276      |
| AUD (\$ US)                                       | 1.0277    | 0.9194    | 0.8324    | 0.7266    | 0.756     | 0.736     |
| Sheep Shorn (Million)                             | 78.8      | 78        | 76.9      | 73.4      | 74.3      | 76        |
| Wool Prod. (Mkg)                                  | 352 m     | 341 m     | 346 m     | 325 m     | 340 m     | 338 m     |
| Auction Offered (AU Mkg)                          | 339.9 m   | 320.3 m   | 347.5 m   | 321.00 m  | 331.9 m   | 336.2 m   |
| Auction Sold (AU Mkg)                             | 306.53 m  | 286.51 m  | 319.99 m  | 294.25 m  | 305.46 m  | 317.31 m  |
| Auction Sold (AU Bales)                           | 1,741,085 | 1,625,129 | 1,800,657 | 1,652,737 | 1,709,686 | 1,780,555 |
| Auction Sold (\$ Billion)                         | \$2.01 b  | \$1.94 b  | \$2.23 b  | \$2.33 b  | \$2.74 b  | \$3.43 b  |
| 19 MPG premium<br>over 21 MPG<br>(cents kg clean) | 68 ¢      | 39 ¢      | 48 ¢      | 64 ¢      | 248 ¢     | 236 ¢     |
| Exports 19 mic & finer<br>(China market share)    | 80.3%     | 79.7%     | 79.9%     | 82.8%     | 85.4%     | 85.0%     |

## Export destinations (% market share)

|            | 12/13 | 13/14 | 14/15 | 15/16 | 16/17 | 17/18 |
|------------|-------|-------|-------|-------|-------|-------|
| China      | 75.4% | 71.2% | 73.1% | 70.8% | 74.5% | 74.8% |
| India      | 6.2%  | 7.6%  | 6.4%  | 7.3%  | 6.6%  | 5.6%  |
| Italy      | 4.4%  | 4.7%  | -     | -     | 4.3%  | -     |
| Czech Rep. | -     | -     | 4.5%  | -     | -     | 5.0%  |
| Korea Rep. | -     | -     | -     | 5.3%  | -     | -     |



Mark Grave, 1994

# CEO's Report

*This year has been significant for the Australian wool industry, one of extremes in terms of weather, cum severe drought in many parts of the country, combined with strong wool prices that are of a level that have been as good if not better than have ever been seen. 2018 is also significant for AWEX as the 31st of August 2018 marked AWEX's 25th Anniversary.*

On significant occasions like this, there is the temptation to reflect on how far we have come, what we have achieved and to be content with our track record. Whilst the achievement of reaching 25 years is something to be proud of, it is the next period, our future, that is exciting and that drives AWEX forward.

I would like to acknowledge the support AWEX has received from industry during our first 25 years. The AWEX Board, Management and staff appreciate the support and trust placed in AWEX as it is this support that enables AWEX to continue to deliver services to the wool industry.

AWEX has achieved a modest profit in 2018 of \$115,398, similar to the 2016/17 profit of \$124,800. The full audited financial report is contained in this Annual Report.

In the past 5 years, AWEX has strategically embarked on an ambitious program of investment and development in our infrastructure and service programs to ensure that AWEX, our members, wool classers and our customers can gain greater access and benefit from the full suite of AWEX services. This period is about preparing for the future. The strategic investment in our development projects will continue over the next 3-5 years promising to deliver better, broader and more timely services for the benefit of all industry stakeholders.

Consolidating and integrating our systems has been an important first step towards increasing our efficiencies and reducing overhead maintenance costs. This development of current and supported software programs is critical for AWEX if we are to deliver the next series of program reforms. In this next phase AWEX will undertake a complete re-write of some

of our most recognisable front facing and live programs such as Market Reporting, e2 and our auction sale programs. It is these programs, in combination with our current projects, including the recently released WoolClip and soon to come on line eBale and BaleTrail projects that will ensure that the integrity and traceability of Australian wool will lead the global wool industry into the future.

At AWEX, we are proud of how we are recognised for having flexible and stable systems, the best example of this is our auction sales system. Our approach in developing this system has created greater independence for AWEX and enables AWEX to have the required mobility in the occurrence of a time critical event, disaster recovery or conducting the widely acclaimed Sydney Royal Easter Show Wool auction. The SRES auction has become a highly regarded showcase for the wool industry that is eagerly attended by Growers, Buyers and Brokers. It is AWEX's systems and expertise that make this possible.

I would like to acknowledge the support AWEX receives from the Royal Agricultural Society of NSW (RAS) and their staff, in particular RAS President, Mr Robert Ryan OAM, the RAS Wool Committee lead by Mr Greg Andrews and key RAS administrator and "go-to-person" Ms Pat Cooper. Thanks also to all who participate in the auction itself: the Growers, Buyers and Brokers who make it possible. They are 'the trade'.

I would also like to thank the often unheralded AWEX staff who contribute their expertise, painstaking attention to detail and care for the industry to ensure that this showcase sale is first class and that it proceeds without a hitch.



In particular David Cother, AWEX Wool Services Manager, who drives the event and Nigel Stewart, AWEX IT Manager, who ensures that the services and support given to all are equal to any, anywhere.

This year AWEX released WoolClip, our key on-farm platform for wool classers and wool growers. This program had been under development for more than 2 years but the potential benefits of moving to a more efficient and accurate system of recording and disseminating information will benefit the industry for years to come.

In truth, WoolClip has been in the pipeline for many years as part of AWEX's commitment to overall wool bale integrity and traceability. WoolClip will be the vehicle that starts the journey of traceability of Australian wool through the wool supply chain. AWEX has been working with various technologies and identified a suitable RFID that will withstand the rigours of the wool industry. The RFID will contain a unique bale number and will be applied to each wool pack in combination with a QR code (barcode) that can be scanned by a smartphone using the WoolClip App.

WoolClip provides both a data-specification and a traditional printed version specifications that can be downloaded and emailed to the marketing agent of choice. AWEX is managing the roll out of WoolClip through Brokers, Private Treaty Merchants and by hosting workshops with wool classers.

In addition, 2018 is a wool classer registration year for the period 2019-21 and classers will be able to re-register through WoolClip. WoolClip is a one stop on-farm destination for classers and growers to re-register, create on-farm wool information, to trace wool through the supply chain and to obtain classer reports and activity statements.

Wool Classing and wool classers remain a key service platform for AWEX. The role of the wool classer has come under greater pressure over the past decade due to a lack of strong and consistent market signals. It has only been in the last two years, as the value of wool and the Australian wool clip has reached its current

levels, that greater emphasis is being placed on the value of a wool classer by the buyer. Prior to this, the market was not indicating a strong preference for well prepared wool, wool prepared by a registered wool classer, and growers were seeking lower cost options when preparing their clip.

Today, with market prices at record levels, the inherent risk to a wool buyer and processor buying wool of unknown origins and/or not prepared by a registered classer have increased exponentially. The risk outweighs any reward as buyers and processors seek consistency and confidence in their purchase.

Australia's wool classers and our approach to preparation standards is Australia's competitive advantage.

The re-registration of wool classers for 2019-21 is an opportunity to 'take the pulse' of the industry. This is in effect a 'census' and will provide insight into the health of the industry in terms of available skill base and the profile of the wool classer. The challenge for the industry is to seek opportunities to attract (and keep) people to the wool industry. The profile of the wool classer has changed dramatically over the past 25 years. The increase in the number of women classers is both over due and an opportunity. The AWEX TAFE National Graduate Wool Classer of the Year Competition has been running for nine years. Of the nine winners of the Golden Stencil, eight are women. The upside is enormous, not just for wool classing but for the wool industry, for agriculture.

The cost of education in agriculture remains a topic of broad discussion. We must create greater value in the wool industry to offset the cost of education and that includes career paths, potentially across agriculture, length of tenure of positions in a seasonal market, innovation to demonstrate the future of the industry and better working conditions. Improved working conditions are important to ensure personal safety, health and well being for all employees. It is this type of additional value that will drive industry culture and make the Australian wool industry a destination industry.

I am pleased to report that the NWD, after ten



years, has become an important part of the wool information required by Buyers, Processors and their clients alike. Greater emphasis is being placed on the Mulesing Status and this is supported by the discounts for Non-Declared wool and the preferred pricing for declared wool. There is financial reward for declared wool, with wool from non-mulesed sheep being clearly sought after.

Declaration rates of nearly 66% is encouraging, however, Western Australia (35%) still lags behind Tasmania (82%), Victoria (78%) and New South Wales and South Australia (72%). There is more to be achieved and greater upside for the industry; in particular our wool growers.

From an industry perspective we have seen a welcome return to sustained and significantly improved wool prices over the past 2 years. Market prices are, in general, the best on record, however, this is tempered with the knowledge that once again the difficult drought conditions being experienced across parts of Australia's wool growing regions are impacting on the supply of wool available to the market and difficult long-term farming decisions are being made on a daily basis.

The wool market has continued to strengthen over the past two years with the AWEX EMI increasing approximately 60% during this period. The AWEX EMI opened on July 1, 2017 at reaching 1525 c/kg clean and closed on 30 June 2018 at 2056 c/kg clean, an increase of 34%. At the time of writing the AWEX EMI is 1,874 c/kg clean and has been over 2000 c/kg for 10 weeks since May 2018.

Australian wool production is forecast to decrease with the latest forecast from the Australian Wool Production Forecasting Committee expecting a decrease of 5.7% in 2018/19 season to 322 m/kg. The long term impact of the drought may in fact have a greater impact on production than forecast.

I want to sincerely thank our members for their continued support over the last 25 years. It is the support and trust of our members that allows us to provide the services we do and their confidence in the services we provide is critical to our role as an independent service provider.

I would like to thank AWEX staff. AWEX is fortunate to have very skilled staff who have the understanding and depth of experience in the wool industry. The AWEX slogan 'we know wool' really does epitomise the level of knowledge and understanding about wool within this small but talented group of people. Many of our staff have worked at all levels of the industry and it is this knowledge that adds value to our services and our relationships with stakeholders within the wool industry. I am indeed fortunate to lead this talented group and I value their commitment to the industry and to AWEX. Thank you.

Finally, I want to thank AWEX Chair, Robyn Clubb and the Board of Directors for their trust, support and their commitment to AWEX. Through their leadership and guidance AWEX maintains its position as a trusted service provider. Through their strategic vision, AWEX is preparing for the future and prepared to challenge the status quo. These are healthy attributes of a Board that understands AWEX's role, knows the industry well and is always looking forward. The Board continues to make bold decisions and investments in the interest of AWEX, AWEX Members and the Australian wool industry.

Thank you.



Mark Grave, CEO  
October 2018

# Operations Report

*Today there is greater reliance on the services provided by AWEX, as we continue to support wool trading through the provision of credible administrative services, innovative quality assurance programs (standards and compliance programs) and the 'live' and static market information for Australian wool.*

From the seemingly simple but well-honed administrative services that support weekly auctions, to the compliance programs for wool classing and the National Wool Declaration; customers have greater confidence in the integrity of Australian wool due to these well-developed programs delivered by AWEX.

After 25 years of service, we know it is an imperative that AWEX must continue to invest in and innovate our services to deliver greater benefits for our Members and customers.

Future technologies are an important part of this investment and the future of the wool industry.

## WoolClip

Creating accurate on-farm data that can be easily transferred and used from the farm-gate through the pipeline has had an enormous lift in profile over the last 12 months. Developing a program that is not only intuitive but also delivers and meets the expectations of users along the pipeline is critical.

### Introducing WoolClip



WoolClip is AWEX's new platform (web & App) for creating on-farm shearing information. It was released in August 2018 and the targeted release has been well received. WoolClip can be accessed via a computer, tablet or mobile device. It is cloud based but can be linked to an app on a smartphone or tablet.

WoolClip can be used collaboratively with both the classer and Grower able to access the information at the same time, whether they are in the shed or remote.

The cultural change required to embrace, use and have confidence in a software program to create information on farm is enormous but so is its potential.

With WoolClip users can:

- Create a wool book,
- Create a data-specification and a traditional printed specification,
- Store mob details,
- Reduce errors,
- Reduce time and costs required to double handle information,
- Scan bales – be eBale ready (RFID), and
- Complete the NWD electronically.

In addition, this year, for the first time, wool classers have been able to re-register online using WoolClip and receive a discount. The incentives being both financial reward and a simple paperless process were met with an enthusiastic response. To date over 3,000 classers have used WoolClip to re-register within the first 12 days of it being open.

AWEX has developed WoolClip to be the on-farm link for classers and growers. More importantly, classers and Growers can work collaboratively using WoolClip. The result is greater confidence in the platform and no more excuses for late paperwork.

AWEX conducts daily training sessions (3 times a day) for classers and growers wanting to

learn how to use WoolClip. WoolClip also has a dedicated support line that is manned by AWEX staff who are fully conversant with wool classing and WoolClip. WoolClip support can be contacted on 02 9428 6160.

At AWEX we know that a sustained effort is required to ensure that classers and growers have the opportunity to take advantage of using WoolClip. It is a long term and strategic view.

The next feature to be delivered will be the WoolClip training site and App. This will allow students to learn and classers and growers to discover the benefits of WoolClip in privacy and in their own timeframe.

WoolClip is available and free to download through both App stores and accessible on the web through [www.woolclip.com.au](http://www.woolclip.com.au)

## Wool Classing

### 2018 National Graduate Wool Classer Competition

The 2018 AWEX/TAFE National Graduate Wool Classer Competition was once again held at the Sydney Royal Easter Show (SRES). The competition is unique for wool classers as it is the only public competition of its type. The SRES location can be daunting and is definitely an unfamiliar environment to demonstrate the

skills of wool classers. The competition brings together the best graduate wool classers from across Australia.

This year competitors travelled from New South Wales, Tasmania and South Australia. Being nominated as the leading graduate from each Training Organisation is an outstanding effort and each competitor is congratulated on this achievement.

The 2018 winner of the “Golden Stencil” was Matilda Scott from Conara, TAS. Matilda graduated from TAS TAFE and was trained by Evelyn Archer. Second place and “Silver Stencil” was won by Josie Post, Wudinna, Sth Aust., and third place and “Bronze Stencil” was won by Sophie Watson, Kentucky, NSW.

This is the 9th Year of the National Competition and many have gone on to have flourishing careers in the wool industry. This competition promotes excellence in wool classing skills and is an opportunity for prospective employers to observe some of the best classers in a pressured environment.

### Wool Classers

At the close of the 2016-18 triennium AWEX had 17,621 registered wool classers. This represents an 8.27% decline from the 2013-15 registration period, however, given the concerns and decline with respect to wool production this figure was better than expected.





The wool classing community plays an important role in preparing the nation's clip and maintaining customers confidence in the quality of Australian wool. However, on further analysis the number of classers does not necessarily translate to ample availability of the skill as often classers are disproportionately spread across rural Australia. For example, NSW and VIC account for approximately 80% of all professional wool classers whilst Sth Aust. & Western Aust. make up nearly 15%. Conversely, Sth Aust. & Western Aust. make up 66% of all owner classers which highlights the impact and opportunity wool classing has on remote communities.

Ongoing delivery of training and the cost of training are major issues confronting the industry. The cost of education is increasing at an alarming rate and particularly in a seasonal and low paying industry this becomes almost unobtainable. Educational institutions have regulated obligations and extensive requirements to meet in order to be able to deliver training programs. Financial responsibilities are near the top of this agenda and the cost of delivering wool classer training is often determined by the number of students that enrol.

The interaction AWEX has with wool classers determines the services AWEX provides and gives an insight to the pressure points and what is being experienced in the wool sheds around Australia.

Every three years AWEX conducts a survey of wool classers which is akin to "taking the pulse" of wool classers and understanding what influences or impacts them. The survey results are also used in the review of the Code of Practice for wool preparation which all wool classers subscribe to.

The profile of the Australian wool classer is similar to that of Australian farmers except that wool classers are "marginally younger".

The more recent development has been the increase in the number of female and older wool classer graduates. Education and training is not the domain of the young school leaver. Many who complete their wool classing courses have undertaken training having experienced other work opportunities.

The skill set of the wool classer is not just limited to 'wool' skills. To be effective as a wool classer leading a team in the wool shed they must have

strong communication skills and the ability to resolve disputes and garner the support of their wool handling team.

The wool classer of the future must also have a sound understanding of their industry, some knowledge of how wool is processed and be able to adapt to the introduction of new technology. Wool growers may not always have these skills and they will look to the wool classer as a resource in these areas.

Since the year 2000 the total number of wool classers has fallen by 35%, the greatest fall has been in the number of registered owner classers -43% and Australian wool classers -35%. This is a concern for the industry and the ongoing challenge is how do we attract new classers and retain them in wool.

An increasing focus for AWEX is wool classer compliance. The poor performance of a wool classer, the misuse of the wool classer's stencil, the 'theft/fraud' of a wool classer's stencil and the inappropriate actions of wool classers are areas AWEX is increasingly being involved in. Some of these complaints may have civil and criminal consequences.

The industry has expectations that need to be met to maintain the confidence the industry has in wool classing and the value of the wool classer stencil. In recent times AWEX has suspended classer's that have breached this code of the Rules of Registration. To this end, the 2019-21 Rules of Registration have been strengthened to clarify a classer's role and responsibilities. The AWEX Board have been very clear and supportive on the approach that has been embarked upon.

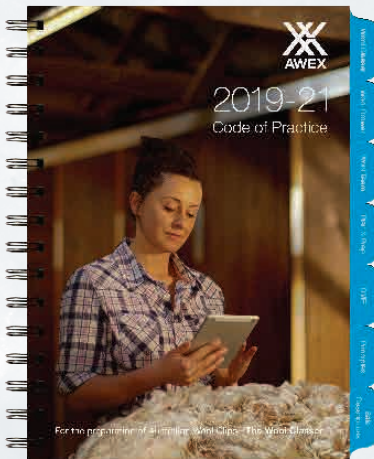
## Review of the Code of Practice

Every three years AWEX reviews the Code of Practice for the Preparation of Australian Wool Clips (Code). The review takes at least 12 months to complete and starts with an open call for submissions. This provides industry with an opportunity to raise issues they feel need to be addressed ahead of the 2019-21 registration period.

The number one issue from this year's submissions was whether 'unskirted wool' should be recognised in the Code of Practice as 'classed wool'. This definition has implications for whether a lot of wool is eligible for a 'P' or

'D' Certificate. To investigate this matter further AWEX surveyed processors, both domestic and internationally. It is prudent to consult with our customers on what they want and expect when they purchase classed wool. After considering all information and responses, the overwhelming feedback from processors was that unskirted wool should not be considered classed in the 2019-21 Code.

It is a healthy discussion to have provided that all views are represented and an informed decision can be made.



## Compliance

An operational outcome of the services AWEX provides is compliance. This is increasing in terms of the resources AWEX commits to it and the need to ensure that industry maintains its confidence in the wool supply chain. In terms of the National Wool Declaration this relates to the desk audits or outcomes of the on farm inspections, with respect auction sales it is the validation of the catalogue data and with respect to wool classing it is the outcome and follow up of clip inspection reports that is completed on a daily, weekly and monthly basis.

This role is difficult to implement, particularly in a self-regulating industry. Compliance is necessary to maintain trust and confidence in each step of the supply chain. The response of wool classers, with respect to compliance, tends to be cautious

and sometimes negative but from AWEX's perspective it is about understanding what the issue is and either defending the actions of the classer or educating the classer on how they can improve their classing and avoid this issue in the future.

Some of the feedback tends to point towards outside influences such as advice from visitors to the wool shed and those working in the shed environment.

For wool classers who display repeated poor performance they are referred to the Registration Review Committee (RRC).

## Registration Review Committee (RRC)

The RRC continues to meet twice a year and adhoc where required. The scope of the RRC is to consider poorly performing wool classers or complaints against wool classers and to recommend a course of action, including: closer monitoring retraining, suspension or deregistration. All recommendations with respect to suspension or deregistration are considered and must be approved by the AWEX Board before being implemented.

All wool classers receive details of the complaints and have rights to respond. There is a clearly documented process to follow. Once the RRC has finalised their recommendations they are tabled for the consideration of the AWEX Board.

## NWD

The National Wool Declaration for Mulesing Status has now been in place for a decade, commencing with the declaration itself in 2008 and the on-farm inspections commencing in 2010. The NWD was introduced to provide information that was being demanded by customers of Australian wool. The NWD integrity program was developed to provide confidence in the NWD by having independent verification of the declaration.

The NWD was met with limited support in 2008, in part because it is, and remains, a voluntary declaration but mainly because of the sensitivity around the issue of mulesing.

Ten years on and we are now seeing clear market signals for each mulesing status. It is these market signals that have helped drive





the surge in participation to a point where we see in excess of 66% nationally of all eligible wool being declared.

There remains many challenges around how the industry can continue to improve the adoption with some sectors of the industry calling for the NWD to be mandatory. Of note is the declaration rates in the Eastern states ranging from 72% to 82%, whilst the declaration rate in WA is 35%. There is potential to improve these figures further.

The recent announcement by New Zealand to ban mulesing only adds to the value of the NWD.

AWEX maintains its commitment to complete 1,000 desk audits annually and 225 on-farm inspections across Australia. Outcomes of the desk audits where changes are necessary, are advised to buyers pre-sale and in the event of an adverse on-farm inspection all relevant buyers are notified as soon as practical.

Over the past five years the increase in the interest of mulesing status from exporters, processors and retailers continues to grow. Exporters are seeking certificates from AWEX which declare which of their purchases have been subject to desk audits and/or on-farm inspections and the relevant outcome if known.

The NWD is not judgemental and AWEX's role is to ensure that buyers have accurate information at hand at the time of purchase.



## Sales & Sales Systems

In 2018 AWEX has revamped and freshened its pre-sale information. This highly valued service continues to be the cornerstone of Australia's selling systems. With such a high percentage of Australia's wool being sold by auction the weekly auction offerings and forecasts are distributed widely.

Also in 2018, AWEX conducted the fourth successful live auction at the Sydney Royal Easter Show. This has become an eagerly anticipated annual event and is participated with great enthusiasm and collaboration between AWEX, AWEX Members and the Royal Agricultural Society of NSW.

It has become a key public showcase of the wool industry and for the many growers who hold wool to be sold in this showcase sale it is a proud occasion where they can demonstrate the vital economic role that the industry has in the Australian economy.

I would like to acknowledge the great cooperation we receive from the RAS in meeting the needs of the industry to conduct a professional wool auction. Together we are able to display how great planning, trust and collaboration can result in a demonstration of a world class wool auction.

On behalf of AWEX I would like to thank the buyers and brokers for their continued support for this event. It is a unique environment in which to conduct a sale and it would not be possible without their support.

The 2018 SRES Auction grossed \$27.03million over the two days, averaging \$2,058 per bale.



## NWD declaration rates (%) by State by Season

Figures based on % sum of bales, all breeds & wool types, first-hand offered,  
P & D Certificates

| %                 | 2008      | 2009      | 2010      | 2011      | 2012      | 2013      | 2014      | 2015      | 2016      | 2017      | 2017 NM   | 2017 PR   |
|-------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>NSW</b>        | <b>40</b> | 40        | 43        | 47        | 50        | 49        | 56        | 63        | 68        | <b>72</b> | 15        | 34        |
| <b>QLD</b>        | <b>28</b> | 25        | 30        | 29        | 38        | 35        | 40        | 47        | 53        | <b>64</b> | 23        | 16        |
| <b>SA</b>         | <b>35</b> | 34        | 44        | 48        | 45        | 45        | 56        | 61        | 67        | <b>72</b> | 7         | 41        |
| <b>TAS</b>        | <b>48</b> | 47        | 69        | 55        | 55        | 47        | 51        | 67        | 80        | <b>82</b> | 30        | 31        |
| <b>VIC</b>        | <b>43</b> | 43        | 45        | 50        | 51        | 51        | 61        | 65        | 76        | <b>78</b> | 12        | 36        |
| <b>WA</b>         | <b>33</b> | 27        | 37        | 35        | 28        | 24        | 21        | 24        | 31        | <b>35</b> | 3         | 17        |
| <b>Aust. Clip</b> | <b>38</b> | <b>37</b> | <b>42</b> | <b>44</b> | <b>45</b> | <b>43</b> | <b>50</b> | <b>55</b> | <b>61</b> | <b>66</b> | <b>12</b> | <b>32</b> |

## Premiums & Discounts for Mulsed Status for Season 2017

Cents/kg clean

| Mulsed Status         | Merino    |           |           |           |           |           |            | Non-merino |           |           |           |
|-----------------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|-----------|-----------|-----------|
|                       | 16        | 17        | 18        | 19        | 20        | 21        | 22         | 27         | 28        | 29        | 30        |
| <b>Not Declared</b>   |           |           |           |           |           |           |            |            |           |           |           |
| Prem/Disc             |           | 6         | 11        | -9        | -4        | -2        | -9         | -8         | -2        | -9        | 0         |
| Std Dev               |           | 93        | 94        | 53        | 45        | 19        | 39         | 102        | 42        | 49        | 28        |
| <b>Ceased Mulsed</b>  |           |           |           |           |           |           |            |            |           |           |           |
| Prem/Disc             |           | 68        | 8         | 19        | 4         | 0         | -10        | -8         | 4         | -5        | 5         |
| Std Dev               |           | 63        | 121       | 64        | 34        | 11        | 19         | 27         | 44        | 19        | 22        |
| <b>Non Mulsed</b>     |           |           |           |           |           |           |            |            |           |           |           |
| Prem/Disc             | <b>36</b> | <b>44</b> | <b>57</b> | <b>44</b> | <b>36</b> | <b>18</b> | <b>-13</b> | <b>20</b>  | <b>6</b>  | <b>-1</b> | <b>2</b>  |
| Std Dev               | <b>50</b> | <b>73</b> | <b>90</b> | <b>67</b> | <b>64</b> | <b>29</b> | <b>22</b>  | <b>56</b>  | <b>35</b> | <b>29</b> | <b>33</b> |
| <b>Mulsed with PR</b> |           |           |           |           |           |           |            |            |           |           |           |
| Prem/Disc             | 24        | 4         | 5         | 8         | 1         | 3         | 1          | 27         | 6         | -2        | -1        |
| Std Dev               | 37        | 74        | 82        | 48        | 42        | 19        | 20         | 157        | 40        | 24        | 29        |

The background of the entire page is a close-up, high-magnification photograph of wool fibers. The fibers are light-colored, possibly white or light grey, and have a distinct, wavy, curly texture. They are densely packed and overlap each other, creating a complex, organic pattern. The lighting is soft, highlighting the individual fibers and their natural crimp.

# themarket inreview

Australian Wool Exchange Limited. 2017-2018

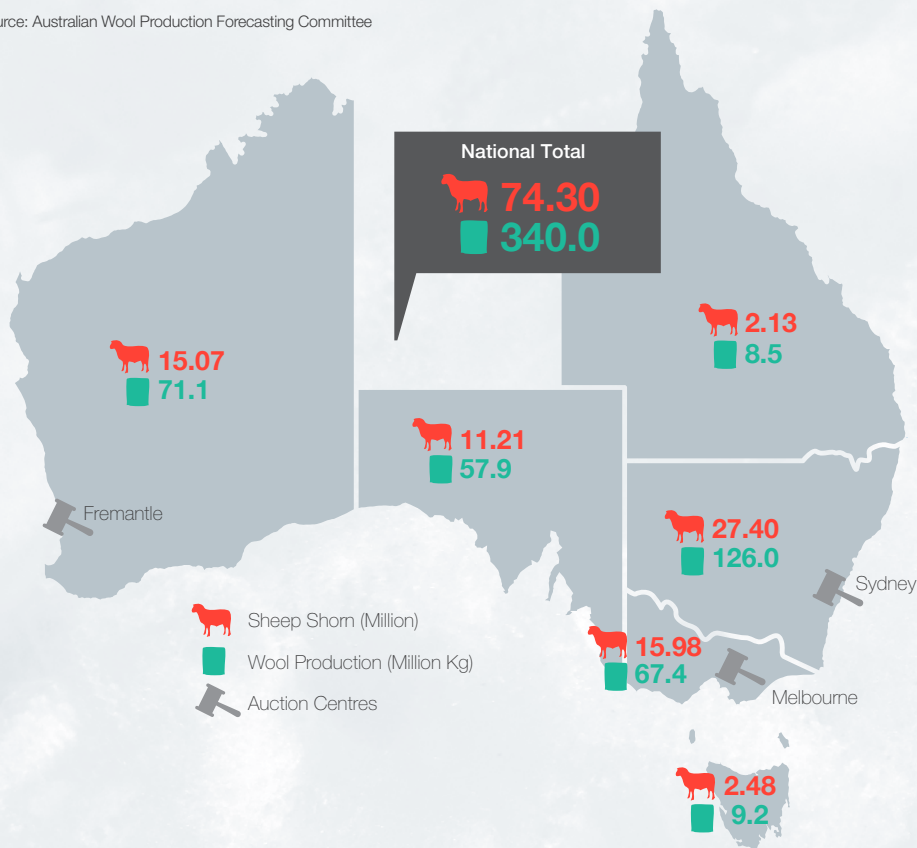
## Top Export Destinations 2017-18

| Destination           | Greasy Equivalent kg | % Change | % of total | Value AUD \$        | % Change |
|-----------------------|----------------------|----------|------------|---------------------|----------|
| 1. China              | 248.8 Mkg            | -4%      | 74.8%      | \$ 2,725.3 m        | 12%      |
| 2. India              | 18.6 Mkg             | -19%     | 5.6%       | \$ 213.7 m          | -4%      |
| 3. Czech Republic     | 16.6 Mkg             | 12%      | 5.0%       | \$ 163.2 m          | 39%      |
| 4. Italy              | 14.6 Mkg             | -2%      | 4.4%       | \$ 231.4 m          | 25%      |
| 5. Korea, Republic of | 13.0 Mkg             | -12%     | 3.9%       | \$ 103.4 m          | -4%      |
| 6. Egypt              | 3.3 Mkg              | -3%      | 1.0%       | \$ 47.1 m           | 11%      |
| 7. Malaysia           | 2.8 Mkg              | 24%      | 0.9%       | \$ 28.3 m           | 52%      |
| 8. Taiwan             | 2.7 Mkg              | -2%      | 0.8%       | \$ 25.4 m           | 22%      |
| 9. Thailand           | 2.5 Mkg              | -9%      | 0.8%       | \$ 32.6 m           | 1%       |
| 10. Japan             | 1.9 Mkg              | 35%      | 0.6%       | \$ 15.5 m           | 38%      |
| 11. United Kingdom    | 1.4 Mkg              | -1%      | 0.4%       | \$ 12.8 m           | 28%      |
| 12. Bulgaria          | 1.2 Mkg              | 46%      | 0.4%       | \$ 10.8 m           | 66%      |
| 13. Germany           | 1.2 Mkg              | -16%     | 0.4%       | \$ 7.7 m            | -6%      |
| 14. Iran              | 0.8 Mkg              | -39%     | 0.2%       | \$ 8.0 m            | -31%     |
| 15. Georgia           | 0.8 Mkg              | 234%     | 0.2%       | \$ 7.0 m            | 255%     |
| 16. Others            | 2.4 Mkg              | -28%     | 0.7%       | \$ 19.1 m           | -21%     |
|                       | <b>332.6 Mkg</b>     |          |            | <b>\$ 3,651.4 m</b> |          |



## Wool Production 2017

Source: Australian Wool Production Forecasting Committee



## Auction Sales Summary 2017

Source: Australian Wool Exchange Ltd.

|           | Total value of wool traded (\$) | Number of bales sold | Number of lots sold | Avg. weight of a wool bale (kg) | Average No. of bales / lot | Average \$ / bale |
|-----------|---------------------------------|----------------------|---------------------|---------------------------------|----------------------------|-------------------|
| Australia | 3.1 b                           | 1.78 m               | 312,319             | 178.3                           | 5.7                        | 1,743             |
| Sydney    | 930 m                           | 514,741              | 106,201             | 177.2                           | 4.8                        | 1,808             |
| Melbourne | 1.5 b                           | 916,687              | 155,447             | 179.0                           | 5.9                        | 1,674             |
| Fremantle | 635 m                           | 347,262              | 50,671              | 178.4                           | 6.9                        | 1,830             |

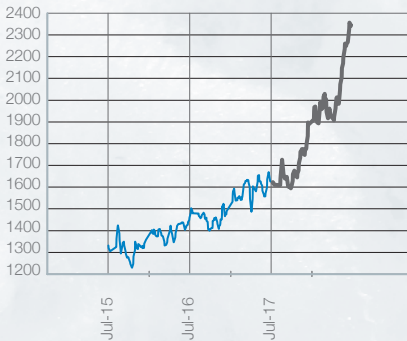
## Micron Price Guides: 2017/18 season performance

### 17 micron



|                | 2015/16 | 2016/17 | 2017/18 |
|----------------|---------|---------|---------|
| Season Maximum | 1583    | 2411    | 2903    |
| Season Average | 1510    | 1914    | 2552    |
| Season Minimum | 1385    | 1540    | 2160    |

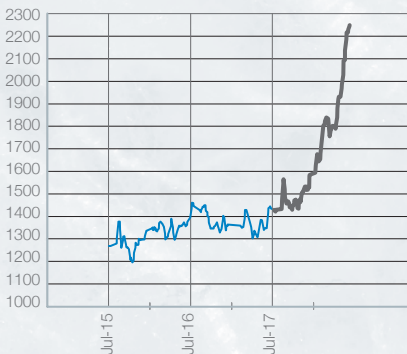
### 20 micron



2016/17 close: 1626  
2017/18 close: 2349  
+723 (+44.5%)

|                | 2015/16 | 2016/17 | 2017/18 |
|----------------|---------|---------|---------|
| Season Maximum | 1462    | 1672    | 2363    |
| Season Average | 1359    | 1526    | 1876    |
| Season Minimum | 1227    | 1397    | 1586    |

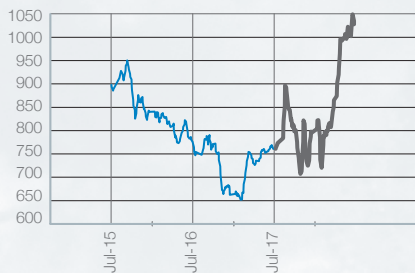
### 23 micron



2016/17 close: 1434  
2017/18 close: 2250  
+816 (+56.9%)

|                | 2015/16 | 2016/17 | 2017/18 |
|----------------|---------|---------|---------|
| Season Maximum | 1395    | 1466    | 2250    |
| Season Average | 1319    | 1387    | 1676    |
| Season Minimum | 1195    | 1303    | 1421    |

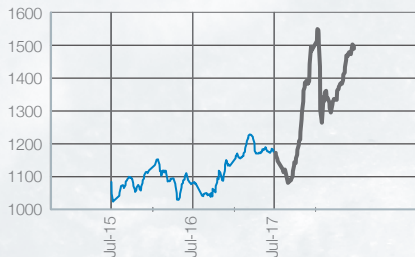
28 micron



2016/17 close: 760  
2017/18 close: 1029  
+269 (+35.4%)

|                | 2015/16 | 2016/17 | 2017/18 |
|----------------|---------|---------|---------|
| Season Maximum | 954     | 803     | 1053    |
| Season Average | 844     | 729     | 842     |
| Season Minimum | 772     | 648     | 701     |

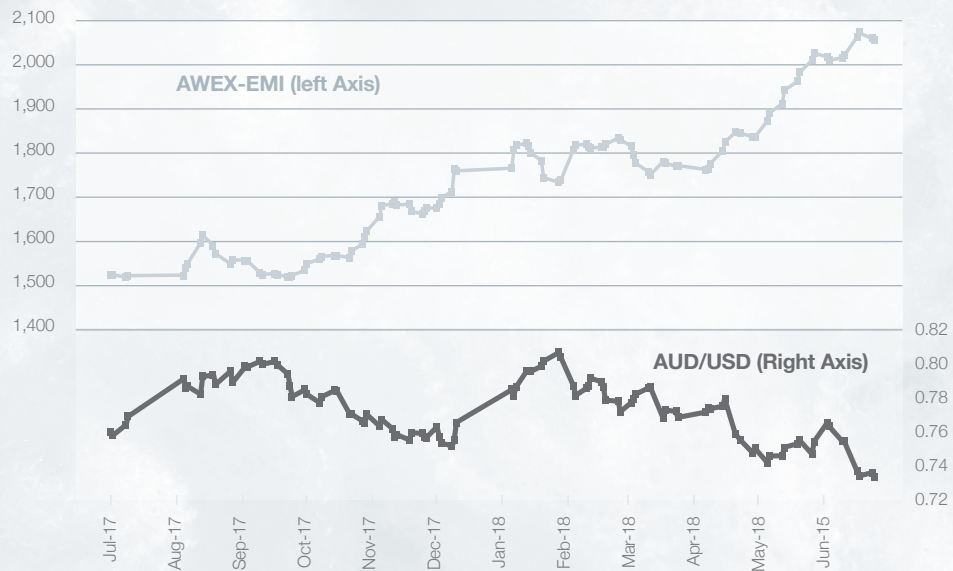
Mer. Card. Ind.



2016/17 close: 1177  
2017/18 close: 1491  
+314 (+26.7%)

|                | 2015/16 | 2016/17 | 2017/18 |
|----------------|---------|---------|---------|
| Season Maximum | 1156    | 1234    | 1572    |
| Season Average | 1088    | 1136    | 1319    |
| Season Minimum | 1004    | 1037    | 1068    |

AWEX-Eastern Market Indicator 2017-18





# Micron Price Guides – seasonal high/low/averages

| National |           |  | High |      |           |  | Low  | Average |  |      |
|----------|-----------|--|------|------|-----------|--|------|---------|--|------|
| EMI      | 21 Jun 18 |  | 2073 | EMI  | 12 Jul 17 |  | 1519 | EMI     |  | 1734 |
| North    |           |  | High |      |           |  | Low  | Average |  |      |
| Ind.     | 21 Jun 18 |  | 2110 | Ind. | 8 Aug 17  |  | 1583 | Ind.    |  | 1808 |
| 165      | 31 May 18 |  | 3097 | 165  | 5 Jul 17  |  | 2207 | 165     |  | 2642 |
| 17       | 31 May 18 |  | 2885 | 17   | 6 Jul 17  |  | 2192 | 17      |  | 2569 |
| 175      | 31 May 18 |  | 2738 | 175  | 13 Sep 17 |  | 2149 | 175     |  | 2445 |
| 18       | 31 May 18 |  | 2554 | 18   | 27 Sep 17 |  | 2070 | 18      |  | 2300 |
| 185      | 21 Jun 18 |  | 2413 | 185  | 13 Sep 17 |  | 1958 | 185     |  | 2158 |
| 19       | 21 Jun 18 |  | 2374 | 19   | 14 Sep 17 |  | 1775 | 19      |  | 2036 |
| 195      | 21 Jun 18 |  | 2370 | 195  | 13 Sep 17 |  | 1671 | 195     |  | 1951 |
| 20       | 21 Jun 18 |  | 2356 | 20   | 20 Sep 17 |  | 1586 | 20      |  | 1876 |
| 21       | 28 Jun 18 |  | 2334 | 21   | 5 Jul 17  |  | 1526 | 21      |  | 1804 |
| 22       | 28 Jun 18 |  | 2328 | 22   | 5 Jul 17  |  | 1461 | 22      |  | 1718 |
| 23       | 15 Feb 18 |  | 1801 | 23   | 8 Nov 17  |  | 1508 | 23      |  | 1674 |
| 24       | 27 Mar 18 |  | 1607 | 24   | 8 Nov 17  |  | 1388 | 24      |  | 1498 |
| 25       | 30 May 18 |  | 1699 | 25   | 25 Oct 17 |  | 1128 | 25      |  | 1269 |
| 26       | 20 Jun 18 |  | 1545 | 26   | 26 Oct 17 |  | 1014 | 26      |  | 1178 |
| 28       | 20 Jun 18 |  | 1053 | 28   | 26 Oct 17 |  | 707  | 28      |  | 841  |
| 30       | 26 Apr 18 |  | 743  | 30   | 25 Oct 17 |  | 514  | 30      |  | 610  |
| 32       | 26 Apr 18 |  | 493  | 32   | 24 Jan 18 |  | 371  | 32      |  | 420  |
| MC       | 16 Jan 18 |  | 1546 | MC   | 31 Aug 17 |  | 1086 | MC      |  | 1313 |
| South    |           |  | High |      |           |  | Low  | Average |  |      |
| Ind.     | 21 Jun 18 |  | 2050 | Ind. | 26 Sep 17 |  | 1471 | Ind.    |  | 1690 |
| 165      | 30 May 18 |  | 3082 | 165  | 6 Jul 17  |  | 2173 | 165     |  | 2644 |
| 17       | 21 Jun 18 |  | 2903 | 17   | 6 Jul 17  |  | 2160 | 17      |  | 2536 |
| 175      | 31 May 18 |  | 2762 | 175  | 6 Jul 17  |  | 2135 | 175     |  | 2428 |
| 18       | 20 Jun 18 |  | 2560 | 18   | 21 Sep 17 |  | 2065 | 18      |  | 2285 |
| 185      | 21 Jun 18 |  | 2427 | 185  | 21 Sep 17 |  | 1926 | 185     |  | 2149 |
| 19       | 21 Jun 18 |  | 2379 | 19   | 21 Sep 17 |  | 1775 | 19      |  | 2040 |
| 195      | 21 Jun 18 |  | 2378 | 195  | 14 Sep 17 |  | 1666 | 195     |  | 1953 |
| 20       | 21 Jun 18 |  | 2363 | 20   | 26 Sep 17 |  | 1592 | 20      |  | 1875 |
| 21       | 28 Jun 18 |  | 2350 | 21   | 27 Sep 17 |  | 1524 | 21      |  | 1800 |
| 22       | 21 Jun 18 |  | 2340 | 22   | 14 Sep 17 |  | 1463 | 22      |  | 1735 |
| 23       | 14 Jun 18 |  | 2250 | 23   | 12 Jul 17 |  | 1421 | 23      |  | 1676 |
| 24       | 31 May 18 |  | 2016 | 24   | 26 Sep 17 |  | 1273 | 24      |  | 1520 |
| 25       | 31 May 18 |  | 1709 | 25   | 25 Oct 17 |  | 1151 | 25      |  | 1292 |
| 26       | 20 Jun 18 |  | 1536 | 26   | 25 Oct 17 |  | 1009 | 26      |  | 1173 |
| 28       | 21 Jun 18 |  | 1048 | 28   | 25 Oct 17 |  | 701  | 28      |  | 842  |
| 30       | 26 Apr 18 |  | 741  | 30   | 25 Oct 17 |  | 510  | 30      |  | 607  |
| 32       | 9 Nov 17  |  | 483  | 32   | 12 Jul 17 |  | 376  | 32      |  | 420  |
| MC       | 10 Jan 18 |  | 1572 | MC   | 30 Aug 17 |  | 1068 | MC      |  | 1323 |
| West     |           |  | High |      |           |  | Low  | Average |  |      |
| Ind.     | 28 Jun 18 |  | 2243 | Ind. | 27 Sep 17 |  | 1559 | Ind.    |  | 1793 |
| 175      | 23 May 18 |  | 2600 | 175  | 26 Oct 17 |  | 2239 | 175     |  | 2411 |
| 18       | 27 Jun 18 |  | 2518 | 18   | 27 Sep 17 |  | 1978 | 18      |  | 2237 |
| 185      | 27 Jun 18 |  | 2428 | 185  | 14 Sep 17 |  | 1874 | 185     |  | 2103 |
| 19       | 27 Jun 18 |  | 2399 | 19   | 14 Sep 17 |  | 1764 | 19      |  | 2006 |
| 195      | 27 Jun 18 |  | 2373 | 195  | 14 Sep 17 |  | 1669 | 195     |  | 1924 |
| 20       | 28 Jun 18 |  | 2363 | 20   | 20 Sep 17 |  | 1586 | 20      |  | 1844 |
| 21       | 28 Jun 18 |  | 2347 | 21   | 6 Jul 17  |  | 1512 | 21      |  | 1771 |
| 22       | 13 Jun 18 |  | 2247 | 22   | 6 Jul 17  |  | 1454 | 22      |  | 1694 |
| 32       | 3 May 18  |  | 402  | 32   | 3 May 18  |  | 402  | 32      |  | 402  |
| MC       | 11 Jan 18 |  | 1564 | MC   | 31 Aug 17 |  | 1109 | MC      |  | 1304 |

# Members as at 30 June 2018

## TRADING MEMBERS

ACF Wool Traders

AR Rhodes & Co.  
(Wool) Pty Ltd

AS Gedge (Aust) Pty Ltd

Australia Beyond  
Investment Pty Ltd

Australian Merino  
Exports Pty Ltd

Australian Wool & Pastoral  
Agency Limited

Australian Wool  
Network Pty Ltd

Australis Wool Pty Ltd

Aztech Investments Pty Ltd  
T/As United Quality Wool

BA Moses Pty Ltd

Barwon & Yarra Valley  
Wool Brokers Pty Ltd

Beecher Wool Services

BN Proud Family Trust

Bryton Wool

Coggan Wool

Don Belgre Pty Ltd

Don Macdonald &  
Co. Woolbrokers

Donghai Australia Pty Ltd

Dyson Jones Wool  
Marketing Services

Elders Rural Services Ltd

Endeavour Wool  
Exports Pty Ltd

EP Robinson Pty Ltd

Fletcher International  
Exports Pty Ltd

Fox & Lillie Pty Ltd

Fremantle Wool Trading  
Company Pty Ltd

G Schneider Australia  
Pty Limited

Goldex Corporation Pty  
Ltd T/A Mascot Wool

Gordon Litchfield Wool Pty Ltd

Hodge Wool Pty Ltd

Jemalong Wool Unit Trust

Kathaytex Pty Ltd

Kentway Trading Pty Ltd

KG PACIFIC PTY LTD

Landini and Co.

Lempriere (Australia) Pty Ltd

Michell Wool Pty Ltd

Modiano Australia Pty Ltd

Montgomery Family Trust

Natsun Australia Pty Ltd

New England Wool Pty Ltd

Ostini Wool Pty Ltd

Peter Scanlan Wools

Pioneer Wool Pty Ltd

PJ Morris Wools Pty Ltd

Quality Wool Pty Ltd

Riverina Wool (Aust) Pty Ltd

Ruralco Holdings Limited

S & G Cotton Australia Pty Ltd

Saunders Wool Pty Ltd

Seatech Industrial Pty Ltd

Segard Masurel (Australia)  
Pty Ltd

Spearwood Wool

Stockwool Pty Ltd

Swan Wool Processors Pty Ltd

T20 Enterprises Pty Ltd

Taiyuan International  
(Australia) Pty Ltd

Techwool Trading Pty Ltd

The New Zealand Merino  
Company Ltd

Tianyu Wool Pty Ltd

Tradeswool Country  
Woolbuyers Pty Ltd

Tradeswool Pty Ltd

United Wool Company Pty Ltd

Victoria Wool  
Processors Pty Ltd

Watswool Pty Ltd

Weddin Wool Services

West Coast Wools Unit Trust

Williams Wool Export Pty Ltd

Wool Agency Co Pty Ltd

Yangtse (Australia) Pty Ltd

Yeoward & Co.

Zhong Long International  
Pty Ltd

## GROWER MEMBERS

Amberedge Pty Ltd  
Autumnvale Pastoral Company  
Bickleigh Hillburn Pty Ltd  
Bloomfield Pastoral Company  
Carnbrae Harden Pastoral Co.  
Cavanagh Partnership  
Hamblin & Co.  
Ian Aubrey  
Ian Burbury  
IK, MJ & CLK Mcivor  
Kentucky Pty Limited  
Kildara Pastoral Co.

KM & YC Gill  
MI & ME Zell  
Paling Yards Trading Co.  
RD & AM Pietsch T/A  
Terlinga Partnership  
Richardson Family Trust  
Stonehouse Grazing  
The Mutooroo Pastoral  
Company Pty Ltd  
Twynam Pastoral Company  
Pty Ltd  
Woolproducers  
Australia Limited  
Yarrabee Grazing Co.

## ASSOCIATE MEMBERS

The Australian Superfine Wool  
Growers' Association Inc.  
Australian Wool Innovation Ltd  
Department of Primary  
Industries and Regional  
Development WA





# Company Principles

*Although Australian Wool Exchange Limited (AWEX) is not a listed company, it adopts the best practice recommendations as drafted by the ASX Corporate Governance Council insofar as those recommendations are appropriate for a company of the size and nature of AWEX.*

## **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.

## **2. Structure the Board to add value**

The Board is comprised primarily of sectoral members, in accordance with the Company's Constitution. The Constitution provides for two separate appointees to the positions of Chair 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 they may offer themselves for re-election.

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

## **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.

## **4. Safeguard the integrity in Financial Reporting**

The Board has an Audit Committee which has 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.

## **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.

## 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.

## 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 and performance. This includes the convening of the Audit Committee, which monitors and advises the Board on management, finance and expenditure policies and oversees the external financial statement audit; the Remuneration Committee, which monitors and advises the Board on issues relating to policies as well as remuneration for AWEX staff.

## 8. Encourage enhanced performance

The Board annually reviews the performance of Directors. The Chairwoman oversees the performance of the CEO.

Reviews for all staff, including senior management, are also carried out each year.

## 9. Remunerate fairly and responsibly

Summary of remuneration of Key Management Personnel is set out in note 17 to the accounts. 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 in the Directors' 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.

## 10. Recognise the legitimate interests of shareholders

AWEX recognises the interests of members in accordance with Corporations Law.

The company has developed a code of conduct for staff and directors. The code gives all staff and directors a best practice guide to conduct.

# Directors' Report

Your directors submit their report for the year ended 30 June 2018.

The names of the company's directors in office during the financial year and until the date of this report are as follows:

- Ms Robyn Clubb
- Mr Martin J Moses
- Mr John Colley
- Mr Andrew Blanch
- Mr Richard Halliday
- Mr Gary Turner      Appointed 24 November 2017
- Mr Andrew Basire      Until 24 November 2017

Directors were in office for the entire period unless otherwise stated.

## Principal Activities

The Australian Wool Exchange Limited (AWEX) is a member services organisation. Members include Australian and international wool brokers, processors, exporters, private treaty merchants, wool producers and industry associations.

The principal activities of the entity are to support the Australian Wool Industry by achieving the following short and long term objectives.

## Short-term and Long-term Objectives

The Short-term and Long-term objectives for which AWEX was established are set out in its Constitution and 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.



## Strategies

AWEX achieves these objectives by offering:

- Quality Assurance and Integrity Programs,
- Market Information,
- Appraisal,
- Clip Inspection, 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 wool preparation standards which encourage competition in a self-regulated market;
- Manage wool pack quality; and
- Management of registration of wool classers.

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

## Review of Operations and Results

|                                 | 2018 \$   | 2017 \$   |
|---------------------------------|-----------|-----------|
| Revenue                         | 4,784,746 | 4,099,957 |
| Profit from ordinary activities | 115 398   | 124,800   |

## Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the company during the year.

## Matters subsequent to the end of the financial year

There has been no matter or circumstance which has arisen since 30 June 2018 that has significantly affected or may significantly affect the company's operations, the results of those operations or the company's state of affairs in future financial years.

# Information on Directors

| DIRECTOR   | QUALIFICATIONS   | COMPANY   | EXPERIENCE   | SPECIAL RESPONSIBILITIES                        |
|--|--|---|--|---|
| <b>R Clubb</b><br>Director from 24/8/2016<br>  | BEc, CA, MAICD, F Fin  | Elders Ltd<br>Craig Mostyn Group<br><br>Rice Marketing Board for the State of NSW<br>Essential Energy<br><br>Royal Agricultural Society of NSW  | Non-executive Director<br>Non-executive Director<br>Member<br><br>Non-executive Director<br>Councillor                   | Chair of Board<br>Chair, Remuneration Committee |
| <b>M J Moses</b><br>Director from 1/2/2000<br>  | Australian College of Professionals:<br>Real Estate, Agency Operations, Property Management & Stock & Station Agent<br><br>Wool Grower | B A Moses & Son Pty Ltd<br>Pinefarm Pty Ltd<br>Bluechip Livestock<br>Yennora Wool Brokers<br>The Pinacles (Temora) Pty Ltd<br>Inland Woolbrokers Association<br>Merinolink Ltd  | Managing Director<br>Director<br>Director<br>Director<br>Director/Secretary<br><br>Director<br><br>Director              | Member<br>Audit Committee                       |
| <b>J H Colley</b><br>Director from 25/11/2016<br>Director from 25/11/2011 to 28/11/2014<br>Alternate Director to M Hunt from 22/2/2016 to 24/11/2016<br> | Registered Real Estate Agent<br>Stock & Station Agent<br>MAICD (Member Australian Institute of Company Directors)                      | Australian Pastoral Investments Pty Ltd<br>Australian Wool Network Pty Ltd<br>National Council Wool Brokers of Australia<br>Arlia Pty Ltd<br>Jemina Pty Ltd<br>Colley Pty Ltd<br>AWN Property Pty Ltd<br>AWN Pastoral Pty Ltd<br>Dyson Jones (WA) Pty Ltd | Director<br>Director<br>President<br><br>Director<br>Director<br>Director<br>Director/ Secretary<br>Director<br>Director | Member, Remuneration Committee                  |

| DIRECTOR  | QUALIFICATIONS  | COMPANY  | EXPERIENCE   | SPECIAL RESPONSIBILITIES       |
|---|---|--|--|--------------------------------|
| <b>A Blanch</b><br>Director from 23/11/2015<br><br>Alternate Director from 3/9/2010<br><br> | B AppSc (Agriculture)<br>Hawkesbury<br>Agricultural College   | New England Wool Pty Ltd<br><br>New England Wool Holdings Pty Ltd  | Managing Director<br><br>Managing Director   | Chair, Audit Committee         |
| <b>R Halliday</b><br>Director from 9/3/2015<br><br>   | Wool Grower   | WoolProducers Australia Ltd<br><br>Australian Wool Testing Authority Ltd   | President<br><br>Director  | Member, Audit Committee        |
| <b>G Turner</b><br>Director from 24/11/2017<br><br>                                       | Associate Degree of Applied Science (Wool & Fibre Marketing)<br><br>Financial Investment<br><br>Wool Buyer & Exporter | ReeAshBro Pty Ltd<br>ReeAshBro (Wool) Pty Ltd<br><br>Wallace Investments Pty Ltd<br><br>Australian Wool Industries Secretariat<br><br>Private Treaty Wool Merchants of Aust. | Managing Director<br>Managing Director<br><br>Director<br><br>Chairman<br><br>Executive Committee Member | Member, Remuneration Committee |
| <b>A Basire</b><br>Director from 28/11/2014 to 24/11/2017<br><br>                         |   | Private Treaty Wool Merchants or Australia<br>Spearwood Wools Pty Ltd  | Vice President<br><br>Director   | Member, Remuneration Committee |



| ALTERNATE<br>DIRECTOR  | QUALIFICATIONS | COMPANY   | EXPERIENCE  | SPECIAL<br>RESPONSIBILITIES |
|--|----------------|---|---|-----------------------------|
| <b>G Litchfield<br/>(Alt for M Moses)</b><br>Alternate Director<br>from 12/5/2015<br>  |                | Gordon Litchfield<br>Wool Pty Ltd<br>National Auction<br>Selling Committee    | Director<br><br>Committee<br>Member                         | Nil                         |
| <b>M Hunt<br/>(Alt for J Colley)</b><br>Alternate Director from<br>25/11/2016<br>Director from<br>28/11/2014 to<br>25/11/2016<br> |                | Elders Rural Services<br>Australia Ltd<br>Livestock Markets Ltd<br>Elders Ltd | Director<br><br>Director<br>Zone General<br>Manager – South | Nil                         |
| <b>P Morris<br/>(Alt for A Blanch)</b><br>Alternate Director from<br>22/2/2016<br>   |                | PJ Morris Wools<br>Pty Ltd  | Managing Director   | Nil                         |

| ALTERNATE DIRECTOR  | QUALIFICATIONS  | COMPANY   | EXPERIENCE                             | SPECIAL RESPONSIBILITIES |
|---|---|---|--|--------------------------|
| <b>E Storey (Alt for R Halliday)</b><br>Alternate Director from 29/6/2015<br>   | BEc, Sydney University  | WoolProducers Australia Ltd<br>Futter Park Pty Ltd<br>Livestock Biosecurity Network Pty Ltd                       | Vice President<br>Director<br>Director | Nil                      |
| <b>J Sugars (Alt for G Turner)</b><br>Alternate Director from 6/3/2018<br>   |   | AR Rhodes Co. (Wool) Pty Ltd  | Director                               | Nil                      |
| <b>B Litchfield (Alt for A Basire)</b><br>Alternate Director from 1/6/2015 to 24/11/17<br>Director from 25/11/2011 to 28/11/2014<br>Alternate Director from 22/6/2011 to 25/11/2011<br> | Australian College of Professionals:<br>Real Estate, Agency Operations, Property Management & Stock & Station Agent<br>Auctioneer<br>Wool Classer | Royal National Capital Agricultural Society<br>Private Treaty Wool Merchants of Australia<br>Monaro Wool Services | Director<br>President<br>Manager       | Nil                      |

## Directors' Meetings

The following table sets out the number of meetings of the company's directors held during the year ended 30 June 2018, and the number of meetings attended by each director.

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

- Audit Committee,
- Remuneration Committee.

|            |                    | Board          |       |              |
|------------|--------------------|----------------|-------|--------------|
|            |                    | Board Meetings | Audit | Remuneration |
| Directors  |                    | A / E          | A / E | A / E        |
| R Clubb    |                    | 6 / 6          | -     | 1 / 1        |
| M Moses    |                    | 6 / 6          | 1 / 1 | -            |
| J H Colley |                    | 5 / 6          | -     | 1 / 1        |
| A Blanch   |                    | 5 / 6          | 1 / 1 | -            |
| R Halliday |                    | 5 / 6          | 1 / 1 | -            |
| G Turner   | Appointed 24/11/17 | 3 / 3          | -     | 1 / 1        |
| A Basire   | Until 24/11/17     | 3 / 3          | -     | -            |

| Alternate Directors |             | A / E | A / E | A / E |
|---------------------|-------------|-------|-------|-------|
| G Litchfield        | M. Moses    | -     | -     | -     |
| M Hunt              | J. H Colley | 1 / 1 | -     | -     |
| P Morris            | A. Blanch   | 1 / 1 | -     | -     |
| E Storey            | R. Halliday | 1 / 1 | -     | -     |
| J Sugars            | G. Turner   | -     | -     | -     |
| B A Litchfield      | A. Basire   | -     | -     | -     |

A = Attended, E = Eligible to Attend.



## Membership

The Australian Wool Exchange Limited is incorporated under the Corporations Act 2001 and is an entity limited by guarantee and without share capital. 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 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 2018 is \$460 (2017: \$490).

The number of members as at 30 June 2018 and the comparison with the prior year is as follows:

|           | 2018      | 2017      |
|-----------|-----------|-----------|
| Trader    | 67        | 72        |
| Grower    | 22        | 23        |
| Associate | 3         | 3         |
|           | <b>92</b> | <b>98</b> |

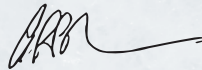
## Auditors' Independence Declaration

A copy of the Auditors' independence declaration as required under Section 60-40 of the Australian Charities and Not-for-profits Commission Act 2012 (ACNC Act) is attached to this Directors' Report.

Signed in accordance with a resolution of the directors.



R Clubb  
Chairwoman



A Blanch  
Director

Date: 22 August 2018

# Auditor's Declaration

## AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 60-40 OF THE AUSTRALIAN CHARITIES AND NOT-FOR-PROFITS COMMISSION ACT 2012 (ACNC ACT)

As lead auditor of the company for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- i. no contraventions of the auditor independence requirements of the ACNC Act in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



THOMAS DAVIS & CO.



J.G. RYAN, PARTNER  
Chartered Accountants

SYDNEY,  
Date: 22 August 2018

*Liability limited by a scheme approved under Professional Standards Legislation*

# financialreport

Australian Wool Exchange Limited. 2017-2018



# statement of profit or loss and other comprehensive income

| for the year ended 30 June 2018   | notes | 2018<br>\$     | 2017<br>\$     |
|---|-------|----------------|----------------|
| Revenues from ordinary activities                                       | 2     | 4,784,746      | 4,099,957      |
| Employee benefit expenses   |       | (2,218,208)    | (2,096,053)    |
| Depreciation and amortisation expenses                                  | 3     | (145,042)      | (145,342)      |
| Occupancy costs   |       | (314,885)      | (297,536)      |
| Software development costs  |       | (600,852)      | (16,945)       |
| Other expenses from ordinary activities                                 |       | (1,390,361)    | (1,419,281)    |
| Profit for the year before income tax expense                           |       | 115,398        | 124,800        |
| Income tax expense  | 1(b)  | -              | -              |
| <b>Profit from ordinary activities after related income tax expense</b> | 15    | <b>115,398</b> | <b>124,800</b> |
| Other comprehensive income for the year                                 |       | -              | -              |
| <b>Total comprehensive income for the year</b>                          |       | <b>115,398</b> | <b>124,800</b> |
| <b>Total comprehensive income attributable to members of the entity</b> |       | <b>115,398</b> | <b>124,800</b> |

The above statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

# statement of financial position

| as at 30 June 2018                   | notes | 2018<br>\$       | 2017<br>\$       |
|--------------------------------------|-------|------------------|------------------|
| <b>CURRENT ASSETS</b>                |       |                  |                  |
| Cash and cash equivalents            | 4     | 4,910,737        | 4,490,344        |
| Receivables                          | 5     | 99,632           | 112,935          |
| Other current assets                 | 6     | 102,840          | 98,866           |
| <b>Total Current Assets</b>          |       | <b>5,113,209</b> | <b>4,702,145</b> |
| <b>NON-CURRENT ASSETS</b>            |       |                  |                  |
| Cash and cash equivalents            | 7     | 2,000,000        | 3,000,000        |
| Property, plant and equipment        | 8     | 1,311,384        | 1,546,149        |
| <b>Total Non-current Assets</b>      |       | <b>3,311,384</b> | <b>4,546,149</b> |
| <b>TOTAL ASSETS</b>                  |       | <b>8,424,593</b> | <b>9,248,294</b> |
| <b>CURRENT LIABILITIES</b>           |       |                  |                  |
| Payables                             | 9     | 250,728          | 219,676          |
| Provisions                           | 10    | 510,166          | 446,757          |
| Other current liabilities            | 11    | 506,189          | 1,417,662        |
| Lease liabilities                    | 12    | 126,001          | 121,155          |
| <b>Total Current Liabilities</b>     |       | <b>1,393,084</b> | <b>2,205,250</b> |
| <b>NON-CURRENT LIABILITIES</b>       |       |                  |                  |
| Provisions                           | 10    | 27,402           | 28,334           |
| Lease liabilities                    | 12    | 409,059          | 535,060          |
| <b>Total Non-current Liabilities</b> |       | <b>436,461</b>   | <b>563,394</b>   |
| <b>TOTAL LIABILITIES</b>             |       | <b>1,829,545</b> | <b>2,768,644</b> |
| <b>NET ASSETS</b>                    |       | <b>6,595,048</b> | <b>6,479,650</b> |
| <b>MEMBERS' FUNDS</b>                |       |                  |                  |
| Members' reserves                    | 13    | 640,000          | 640,000          |
| Retained surpluses                   | 14    | 5,955,048        | 5,839,650        |
| <b>TOTAL MEMBERS' FUNDS</b>          |       | <b>6,595,048</b> | <b>6,479,650</b> |
|                                      |       |                  |                  |

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

statement of changes  
in members' funds

| for the year ended 30 June 2018  | Members' Reserves<br>\$ | Retained Surpluses<br>\$ | Total<br>\$      |
|--|-------------------------|--------------------------|------------------|
| <b>Balance at 30 June 2016</b>   | <b>640,000</b>          | <b>5,714,850</b>         | <b>6,354,850</b> |
| Profit attributable to members   | -                       | 124,800                  | 124,800          |
| Total other comprehensive income for the year  | -                       | -                        | -                |
| <b>Balance at 30 June 2017</b>   | <b>640,000</b>          | <b>5,839,650</b>         | <b>6,479,650</b> |
| Profit attributable to members   | -                       | 115,398                  | 115,398          |
| Total other comprehensive income for the year  | -                       | -                        | -                |
| <b>Balance at 30 June 2018</b>   | <b>640,000</b>          | <b>5,955,048</b>         | <b>6,595,048</b> |
| <p><i>The above statement of changes in members' funds is to be read in conjunction with the accompanying notes.</i></p> |                         |                          |                  |



# statement of cash flows

| for the year ended 30 June 2018  | notes | 2018<br>\$       | 2017<br>\$       |
|--|-------|------------------|------------------|
| <b>Cash flows from operating activities</b>  |       |                  |                  |
| Receipts from customers  |       | 3,671,482        | 2,948,892        |
| Payments to suppliers and employees  |       | (4,430,707)      | (3,830,298)      |
| Interest Received  |       | 211,120          | 246,232          |
| <b>Net cash inflows / (outflows) from operating activities</b>                                     | 20    | <b>(548,105)</b> | <b>(635,174)</b> |
| <b>Cash flows from investing activities</b>  |       |                  |                  |
| Payments for property, plant & equipment   |       | (31,502)         | (150,743)        |
| Proceeds from sale of plant and equipment  |       | -                | 1,500            |
| <b>Net cash inflows / (outflows) from investing activities</b>                                     |       | <b>(31,502)</b>  | <b>(149,243)</b> |
| <b>Net increase (decrease) in cash held</b>  |       | <b>(579,607)</b> | <b>(784,417)</b> |
| Cash and cash equivalents at the beginning of the financial year                                   |       | 7,490,344        | 8,274,761        |
| <b>Cash and cash equivalents at the end of the financial year</b>                                  |       | <b>6,910,737</b> | <b>7,490,344</b> |
| Current  | 4     | 4,910,737        | 4,490,344        |
| Non-Current  | 7     | 2,000,000        | 3,000,000        |
| <b>Cash and cash equivalents at the end of the financial year</b>                                  |       | <b>6,910,737</b> | <b>7,490,344</b> |
| <i>The above statement of cash flows is to be read in conjunction with the accompanying notes.</i> |       |                  |                  |

# notes to the financial statements

for the year ended 30 June 2018

## 1. Summary of significant accounting policies

### Basis of preparation

Australian Wool Exchange Limited applies Australian Accounting Standards - Reduced Disclosure Requirements as set out in AASB 1053: Application of Tiers of Australian Accounting Standards.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the Australian Charities and Not-for-profits Commission Act 2012. The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flows, have been prepared on an accruals basis and 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 company is a company limited by guarantee. In accordance with the Constitution of the 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 22 August 2018.

A summary of significant accounting policies is set out below:

### (a) Property, Plant & Equipment

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.

The cost of software also includes direct labour costs that are attributable to the asset. Estimates of remaining useful life are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

|                     |  |            |
|---------------------|--|------------|
| Plant and Equipment |  | 3-8 Years  |
| Software            |  | 3-10 Years |

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss in the period in which they arise.

## **(b) Income Tax**

The company has been granted an exemption from income tax under the Income Tax Assessment Act.

## **(c) 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.

## **(d) Receivables**

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.

## **(e) Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Australian Wool Exchange Limited and that it can be reliably measured.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon delivery of the service to the customers. Triennium Wool Classer registration income is recognised based on the pattern of services rendered. Income not recognised as earned is carried forward as unearned, and shown in the Statement of Financial Position as Unearned Income under the heading Current Liabilities - Other.

The net gain/(loss) of non-current asset sales is included as revenue/(expense) at the date control passes to the buyer, usually when an unconditional contract of sale is signed. The net gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

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

## **(f) Employee Benefits**

### **Short-term employee benefits**

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits expected to be settled wholly within one year after the end of the reporting period in which the employees render the related service, including wages and salaries. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the obligation is settled including related on-costs. The company's obligations for short-term employee benefits are recognised as current provisions in the statement of financial position.

### **Superannuation**

The company contributes to employee accumulation superannuation funds. Contributions are charged against income when they become payable.



## notes to the financial statements (cont.)

for the year ended 30 June 2018

### **Other long-term employee benefits**

Provision is made for employee's long service leave and annual leave entitlements not expected to be settled within 1 year after the end of the reporting period in which the employees render the service. Other long-term employee benefits are measured at the present value of the expected future payment to be made to employees. Expected future payments incorporate related on-costs. Upon the re-measurement of these obligations, the net change is recognised in profit or loss as part of employee benefits expense.

The company's obligations for long-term employee benefits are presented as non-current provisions in the statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

### **(g) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on purchase of goods and services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense items as applicable.
- receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the statement of financial position.

### **(h) Impairment**

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If such an indication exists and where carrying values exceed the recoverable amount, the asset is written down to the recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use.

### **(i) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, cash at bank, deposits held at call with banks and bank bills. Where bank bills have maturity dates greater than 12 months after the end of the reporting period, they are classified as Non-Current.

### **(j) Trade and other payables**

Trade and other payables represent the liabilities for goods and services received by the company that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

### **(k) Leases**

Leases are recognised under the new Accounting Standard AASB 16: Leases. Applicable leases whether finance or operating in nature are to be recognised on the Statement of Financial Position as liabilities with corresponding right-of-use assets. These leases are measured at their net present values and include future lease payments under an option where that option is reasonably expected to be taken up. For operating leases that do not need to meet the requirements under this standard being leases that are less than 12

months or of minor values, and where substantially all the risks and benefits remain with the lessor, these are recognised as expenses over the term of the lease.

## **(l) Financial Instruments**

### **Initial recognition and measurement**

Financial assets and liabilities are recognised when the company becomes party to contractual provisions of the instrument. For financial assets, this is the equivalent to the date that the company commits itself to either purchase or sell the asset. Financial instruments are initially measured at fair value plus transaction costs.

### **Classification and subsequent measurement**

Financial instruments are subsequently measured at fair value, amortised cost or using the effective interest method or cost.

#### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

#### ***Financial liabilities***

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost.

## **(m) Provisions**

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

## **(n) Comparatives**

When required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

## **(o) Critical Accounting Estimates and Judgements**

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

## **(p) New and Amended Accounting Standards**

The company has assessed all new and amended accounting standards issued and effective for the current financial reporting period, and determine there to be no effect on the current or prior period financial statements.

## notes to the financial statements (cont.)

| for the year ended 30 June 2018   | 2018<br>\$       | 2017<br>\$       |
|---|------------------|------------------|
| <b>2. Revenue from Ordinary Activities</b>  |                  |                  |
| <i>Operating Activities</i>   |                  |                  |
| Sale of goods - Bale labels   | 2,043,679        | 1,327,576        |
| Wool classer registration fees  | 1,327,877        | 1,273,762        |
| Service fees  | 1,112,452        | 1,167,545        |
| Membership joining and annual subscription fees   | 89,618           | 83,342           |
|   | <b>4,573,626</b> | <b>3,852,225</b> |
| <i>Other Income</i>   |                  |                  |
| Interest Received   | 211,120          | 246,232          |
| Other Revenue   | -                | 1,500            |
| <b>Total revenue from Ordinary Activities</b>   | <b>4,784,746</b> | <b>4,099,957</b> |
| <b>3. Profit/(Loss) from Ordinary Activities</b>  |                  |                  |
| <b>Profit/(Loss) from Ordinary Activities has been determined after Charging as an expense:</b> |                  |                  |
| Depreciation and Amortisation of non-current assets   |                  |                  |
| - Depreciation of plant and equipment   | 145,042          | 145,342          |
| <b>Total Depreciation and Amortisation Expenses</b>   | <b>145,042</b>   | <b>145,342</b>   |
| Lease rentals   |                  |                  |
| - Minimum lease payments  | 268,787          | 255,220          |
| <b>Total Lease Rentals</b>  | <b>268,787</b>   | <b>255,220</b>   |
| Superannuation contributions  | 200,045          | 202,361          |
| Transfer to/(from) provision for Holiday Pay  | 37,725           | (18,529)         |
| Transfer to/(from) provision for Long Service Leave   | 24,752           | (14,728)         |
| Gain/(loss) on disposal of property, plant and equipment  | (70)             | 1,500            |
| <b>Net gain/(loss) on disposal of property, plant and equipment</b>                             | <b>(70)</b>      | <b>1,500</b>     |
|   |                  |                  |



| for the year ended 30 June 2018                      | 2018<br>\$       | 2017<br>\$       |
|--|------------------|------------------|
| <b>4. Current Assets - Cash and Cash Equivalents</b> |                  |                  |
| Cash on Hand   | 574              | 1,658            |
| Cash at Bank   | 385,459          | 363,982          |
| Term Deposits  | 4,524,704        | 4,124,704        |
| <b>Cash and Cash Equivalents</b>                     | <b>4,910,737</b> | <b>4,490,344</b> |
| <b>5. Current Assets - Receivables</b>               |                  |                  |
| Trade Debtors  | 59,330           | 75,830           |
| less: Provision for impairment                       | (15,000)         | (15,000)         |
| Trade debtors after provision for impairment         | 44,330           | 60,830           |
| Accrued Revenue                                      | 55,302           | 52,105           |
| <b>Receivables</b>                                   | <b>99,632</b>    | <b>112,935</b>   |
| Provision for impairment                             |                  |                  |
| Movement in doubtful debts                           |                  |                  |
| Opening balance at 1 July                            | 15,000           | 15,000           |
| Charge for the year                                  | -                | -                |
| Written off  | -                | -                |
| <b>Closing balance at 30 June</b>                    | <b>15,000</b>    | <b>15,000</b>    |
| <b>6. Current Assets - Other</b>                     |                  |                  |
| Prepayments  | 67,174           | 61,601           |
| Stock on Hand  | 21,435           | 25,921           |
| Other Debtors  | 14,231           | 11,344           |
| <b>Other</b>   | <b>102,840</b>   | <b>98,866</b>    |
| <b>7. Non-current - Cash and Cash Equivalents</b>    |                  |                  |
| Term Deposits  | 2,000,000        | 3,000,000        |
| <b>Cash and Cash Equivalents</b>                     | <b>2,000,000</b> | <b>3,000,000</b> |
|  |                  |                  |

## notes to the financial statements (cont.)

| for the year ended 30 June 2018   | 2018<br>\$       | 2017<br>\$       |
|---|------------------|------------------|
| <b>8. Non-current Assets - Property, Plant and Equipment</b>  |                  |                  |
| Plant and equipment at cost   | 2,512,651        | 2,614,738        |
| less: Accumulated depreciation  | (1,751,390)      | (1,724,804)      |
|   | 761,261          | 889,934          |
| Software under development  | 15,063           | -                |
| less: Accumulated depreciation  | -                | -                |
|   | 15,063           | -                |
| Leased Premises   | 1,133,524        | 1,133,524        |
| less: Accumulated Amortisation  | (598,464)        | (477,309)        |
|   | <b>535,060</b>   | <b>656,215</b>   |
| <b>Property, Plant and Equipment</b>  | <b>1,311,384</b> | <b>1,546,149</b> |
| Reconciliation of the carrying amounts of property, plant and equipment and leased assets at the beginning and end of the financial year. |                  |                  |
| <b>Plant and Equipment</b>  |                  |                  |
| Carrying amount at beginning of the period  | 889,934          | 884,533          |
| Additions   | 31,502           | 150,743          |
| Disposals (net)   | (70)             | -                |
| Depreciation Expense  | (145,042)        | (145,342)        |
| Carrying amount at end of the period  | <b>776,324</b>   | <b>889,934</b>   |
| <b>Reconciliation of Leased Premises</b>  |                  |                  |
| Opening balance of Leased Premises  | 656,215          | 786,987          |
| Additions   | -                | -                |
| Disposals/adjustments   | -                | (8,118)          |
| Used  | (121,155)        | (122,654)        |
| <b>Closing balance of Leased Assets</b>   | <b>535,060</b>   | <b>656,215</b>   |
|   | <b>1,311,384</b> | <b>1,546,149</b> |
| <b>9. Current Liabilities - Payables</b>  |                  |                  |
| Creditors   | 72,910           | 78,072           |
| Accrued Expenses  | 177,818          | 141,604          |
| <b>Payables</b>   | <b>250,728</b>   | <b>219,676</b>   |

| for the year ended 30 June 2018  | 2018<br>\$     | 2017<br>\$       |
|--|----------------|------------------|
| <b>10. Provisions</b>  |                |                  |
| Employee entitlements (being provision for Annual Leave and Long Service Leave)                            | 537,568        | 475,091          |
| <b>Provisions</b>  | <b>537,568</b> | <b>475,091</b>   |
| <b>Analysis of Provisions</b>  |                |                  |
| Opening balance of Employee Provisions   | 475,091        | 508,349          |
| Additions  | 175,372        | 152,674          |
| Used   | (112,895)      | (185,932)        |
| Closing balance of Employee Provisions   | <b>537,568</b> | <b>475,091</b>   |
| <b>11. Current Liabilities - Other</b>   |                |                  |
| Unearned Income *  | 506,189        | 1,417,662        |
| <b>Other</b>   | <b>506,189</b> | <b>1,417,662</b> |
| * Unearned income represents Wool classer registration fees received for the period 1/1/2016 to 31/12/2018 |                |                  |
| <b>12. Lease Liabilities</b>   |                |                  |
| Lease Liabilities - Current  | 126,001        | 121,155          |
| Lease Liabilities - Non-current  | 409,059        | 535,060          |
| <b>Total Lease Liabilities</b>   | <b>535,060</b> | <b>656,215</b>   |
| <b>Lease Details and Commitments</b>   |                |                  |
| Capitalised lease amortisation   | 121,155        | 122,654          |
| Operating lease expenses   | 147,632        | 132,566          |
| <b>Total Lease charges</b>   | <b>268,787</b> | <b>255,220</b>   |
| <b>Minimum Capitalised lease payments</b>  |                |                  |
| - not later than one year  | 126,001        | 121,155          |
| - later than one year and not later than five years  | 409,059        | 535,060          |
| - later than five years  | -              | -                |
| <b>Expenditure Commitments</b>   | <b>535,060</b> | <b>656,215</b>   |



## notes to the financial statements (cont.)

| for the year ended 30 June 2018   | 2018<br>\$       | 2017<br>\$       |
|---|------------------|------------------|
| <b>13. Members' Funds - Reserves</b>  |                  |                  |
| Members' Reserves   |                  |                  |
| Balance at 1 July   | 640,000          | 640,000          |
| Transfer from Retained Surplus  | -                | -                |
| <b>Reserves</b>   | <b>640,000</b>   | <b>640,000</b>   |
| <b>14. Members' Funds - Retained Surplus</b>  |                  |                  |
| Balance at 1 July   | 5,839,650        | 5,714,850        |
| Net surplus attributable to members of the company  | 115,398          | 124,800          |
| <b>Retained Surplus</b>   | <b>5,955,048</b> | <b>5,839,650</b> |
| <b>15. Remuneration of Key Management Personnel</b>   |                  |                  |
| Income paid or otherwise made available to directors and key management by the company or related parties.      |                  |                  |
| Key Management Personnel compensation   | 760,703          | 765,440          |
| <b>16. Remuneration of Auditors</b>   |                  |                  |
| Amounts received or due and receivable by Thomas Davis & Co for:  |                  |                  |
| - audit of the financial report of the company  | 19,000           | 17,000           |
| - other services  | -                | -                |
| <b>Remuneration of Auditors</b>   | <b>19,000</b>    | <b>17,000</b>    |
| <b>17. Events after the Reporting Period</b>  |                  |                  |
| The Directors are not aware of any significant events that have occurred since the end of the reporting period. |                  |                  |

# notes to the financial statements (cont.)

| for the year ended 30 June 2018  | 2018<br>\$       | 2017<br>\$       |
|--|------------------|------------------|
| <b>18. Related Party Disclosures</b>   |                  |                  |
| <b>Director and Director-related entity transactions</b>   |                  |                  |
| A number of the directors are directors of entities which transacted with the company. The transactions during the year were as follows:   |                  |                  |
| Sales of services relating to membership, subscriptions, trading, 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. | 150,975          | 147,284          |
| Sponsorship paid for wool promotion activities, including Royal Agricultural Society of NSW  | 17,295           | 21,000           |
| Outstanding balances at year end arising from the above transactions:  |                  |                  |
| Current receivables (Sales of Services)  | 8,025            | 8,304            |
| Current payables (Sponsorships)  | -                | 5,500            |
| <b>19. Segment Information</b>   |                  |                  |
| The company operated predominantly in one industry, being the Australian Wool Industry.  |                  |                  |
| <b>20. Reconciliation of operating profit/(loss) from ordinary activities after income tax to net cash from operating activities</b>   |                  |                  |
| Profit/(Loss) from ordinary activities   | 115,398          | 124,800          |
| Depreciation and amortisation  | 145,042          | 145,342          |
| (Profit)/Loss on disposal of plant and equipment   | 70               | (1,500)          |
| Decrease in trade debtors and accrued revenue  | 13,303           | 38,301           |
| (Increase)/Decrease in other debtors and prepayments   | (3,974)          | 5,306            |
| (Decrease) in trade creditors, accruals and unearned income  | (880,421)        | (914,165)        |
| Increase/(Decrease) in Provisions  | 62,477           | (33,258)         |
| <b>Net cash Inflows/(Outflows) from operating activities</b>   | <b>(610,582)</b> | <b>(601,916)</b> |

## notes to the financial statements (cont.)

| for the year ended 30 June 2018  | 2018<br>\$       | 2017<br>\$       |
|--|------------------|------------------|
| <b>21. Financial Instruments</b>   |                  |                  |
| <b>(a) Interest Rate Risk</b>  |                  |                  |
| 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: |                  |                  |
| <b>Financial Assets</b>  |                  |                  |
| Cash and cash equivalents - Current  | 4,910,737        | 4,490,344        |
| Cash and cash equivalents - Non-current  | 2,000,000        | 3,000,000        |
| Total Cash and cash equivalents  | 6,910,737        | 7,490,344        |
| Trade Debtors & Other Receivables  | 99,632           | 112,935          |
| Other Assets   | 102,840          | 98,866           |
| <b>Total Financial Assets</b>  | <b>7,113,209</b> | <b>7,702,145</b> |
| <b>Financial Liabilities</b>   |                  |                  |
| Trade Creditors and other payables   | 250,728          | 219,676          |
| <b>Total Financial Liabilities</b>   | <b>250,728</b>   | <b>219,676</b>   |
| <b>22. Contingent Liabilities</b>  |                  |                  |
| The company has provided a bank guarantee in respect of:   |                  |                  |
| Lease obligations  | 67,737           | 67,737           |
|  | <b>67,737</b>    | <b>67,737</b>    |
| <b>Financing arrangements</b>  |                  |                  |
| Bank Guarantees  | 67,737           | 67,737           |
| Used at balance date   | -                | -                |
| <b>Unused at balance date</b>  | <b>67,737</b>    | <b>67,737</b>    |
| <b>23. Capital Expenditure Commitments</b>   |                  |                  |
| Capital expenditure commitments contracted for:  |                  |                  |
| Software under development   | 138,538          | -                |
| <b>24. Subsequent Events</b>   |                  |                  |
| There have been no events subsequent to the reporting date which would have a material effect on the company's financial statements at 30 June 2018.   |                  |                  |



# Directors' Declaration

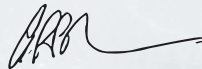
The Directors of the company declare that:

1. the financial statements and notes as set out on pages 8 to 19, are in accordance with the Australian Charities and Not-for-profits Commission Act 2012 (ACNC Act), and:
  - a. comply with Accounting Standards - Reduced Disclosure Requirements; and
  - b. give a true and fair view of the financial position of the company as at 30 June 2018 and of its 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 declaration is made in accordance with a resolution of the board of directors and is signed in accordance with subsection 60.15(2) of the Australian Charities and Not-for-profits Commission Regulation 2013.



R Clubb  
Chairwoman



A Blanch  
Director

Date: 22 August 2018

# Auditor's Report

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSTRALIAN WOOL EXCHANGE LIMITED**

### **Opinion**

We have audited the financial report of Australian Wool Exchange Limited, which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in members' fund's and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors declaration.

In our opinion, the financial report of Australian Wool Exchange Limited has been prepared in accordance with Division 60 of the Australian Charities and Not-for-profits Commission Act 2012, including:

- a. giving a true and fair view of the Company's financial position as at 30 June, 2018 and of its performance for the year ended on that date; and
- b. complying with Australian Accounting Standards - Reduced Disclosure Requirements and the Australian Charities and Not-for-profits Commission Regulation 2013.

### **Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the company in accordance with the ACNC Act, the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### **Information Other than the Financial Report and Auditor's Report Thereon**

The directors are responsible for the other information. The other information comprises the information included in the company annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the Australian Charities and Not-for-profits Commission Act 2012 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

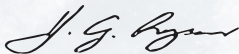


- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



THOMAS DAVIS & CO.



J.G. RYAN, PARTNER  
Chartered Accountants

SYDNEY,  
Date: 22 August 2018

*Liability limited by a scheme approved under Professional Standards Legislation*



*we know wool*

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- Wool Classer Registration
- Administration: Change of Contact Details/Address
- Code of Practice
- Sheep Breed Compendium
- Clip Preparation Advice & Support
- Clip Inspection Correspondence
- Activity Statements
- Reference Material
- Stencils/Stamps/Pens
- WoolClip

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- Auction Enquiry

## **Southern Region**

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- Auction Enquiry

## **Western Region**

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- Auction Enquiry



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Australian Wool Exchange Limited ABN 35 061 495 565

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