



we know wool

Annual Report 2010

Australian Wool Exchange Limited



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ABN 35 061 495 565

Annual Report and Financial Statements

For the year ended 30 June 2010

1	Chairman's Message
3	CEO's Report
8	Company Principles
10	Operational Report
18	Members
20	Directors' and Financial Report
27	Auditor's Declaration
47	Directors' Declaration
48	Auditor's Report
49	Contacts

Chairman's message



The end of 2010 will see the completion for me of 60 years in and around the Australian wool industry. The wool industry has a long and proud tradition and I know that I speak for everyone in saying that the scope of change which the industry has experienced in the immediately past 20 or 30 years has been beyond anything which we may have conceived as possible. It is fair to say that the industry has been surpassed in terms of its position in the Australian economy and in terms of its sociological significance. But the wool industry continues as a great Australian industry and Australian wool retains its standing as an extraordinary and wonderful textile fibre. In my view, the respect which the wool industry is accorded, in the face of all its adversities, is testimony to the commitment of the participants in it. I think that the standing of the industry is due to relentless pursuit for quality, as a basic element of the industry's philosophy.

I am completing my third and final term as Chairman of AWEX at the Annual General Meeting on 26 November 2010. It has been an honour to work with the AWEX Board and Management for nine years. I believe that AWEX has steadfastly retained a commitment to quality in all facets of its services to the industry and that this has been vital for the industry in such difficult times. It is a matter of great satisfaction for the Board that AWEX's contribution is widely appreciated, and is acknowledged internationally.

The AWEX Board and Management have accepted that it is their responsibility to ensure that the commitment to quality is carried forward in all of the AWEX roles. We have to ensure that the services we provide meet the needs of our members and of the industry at large, in which our members operate. The Board has the basic responsibility to carefully manage, and use, the members' funds effectively and in the interests of the members. It follows that the industry will be best served if all significant participants in the industry are members of AWEX and play a part in

determining its policies and strategies and their execution. The AWEX Board is committed to achieving this involvement. We know that this requires a commitment to consultation and communication.

To keep faith with our responsibilities, AWEX management has had to accept the need to deliver more, at less cost, in terms of the scope and effectiveness of AWEX services and they have done that. The introduction of the National Wool Declaration and now the attendant Integrity Program, are AWEX initiatives, essential for wool's participation in the current global business environment which demands traceability. The AWEX Board and management are resolute in our confidence in the future of our great product and we are committed to doing all we can to assure that future.

Our CEO, Mark Grave has detailed the on-going development of our services in his report. We believe that the Members of AWEX, the Australian wool producers and the global wool processing industry want AWEX to

Chairman's message

continue to deliver its services as a company which is independent and impartial.

As forecast in our last Annual Report the financial outcome for AWEX for 2009/2010 has been a deficit. The figure of \$132,151, was more than budgeted, as it included some re-structuring costs. Income from the quality services fee was lower than budget. At 30 June 2010, Members' funds were over \$4.9m. All investment funds are with Australian banks, in accordance with policy. The company remains in a sound position, for the present, to continue the full range of our services to members and to the industry. We have received some government assistance in the context of the NWD-IP, but we expect to run a small deficit for 2010/2011. The Board acknowledges the continuing need to resolve the financial issues relevant to the future delivery by AWEX of its services.

On behalf of the Board, I again thank AWEX management and staff for their dedication and their efforts and achievements under challenging circumstances. The CEO has continued to provide outstanding leadership and his team has shown their determination to continue to enhance AWEX's performance and standing in the industry. I also wish to thank your Directors for their hard work, their commitment to the future of AWEX and our industry, and their unstinting support during the year.

A handwritten signature in blue ink, appearing to read 'R. A. Farrar', with a horizontal line underneath.

Allan Farrar
Chairman

September 2010



The 2009/10 year has been both a challenging and rewarding year for AWEX. The challenges for the Australian wool industry are obvious with sustained low, wool production of approximately 350mkg, a changing demographic in the profile of the Australian sheep industry and the prevailing difficult global economic conditions. The reward comes with how we as an industry manage and rise to each of these challenges and as a service organisation how AWEX responds to the needs of our Members and the broader wool industry.

AWEX has dramatically modified the way it operates its services, particularly over the past 5 years. While lower wool volumes continue to drive unit costs up the introduction of new technologies can deliver longer term savings and efficiencies. Sustainable fee-for-service provision in a difficult economic climate presents some real challenges for AWEX and our customers. AWEX remains committed to delivering its services at a low and sustainable level to ensure that Members and clients receive the benefit of value for money services.

The challenge for AWEX remains in our ability to deliver sustainable services to Members and the wool industry. Lower volumes drive unit costs up, technology has an initial cost but delivers lower costs in the long term and the concept of sustainable fee-for-service provision in a difficult economic climate presents some real challenges for AWEX and our customers. Over and above this there is a need to be innovative at times like this to ensure that the industry embraces progress rather than recede or stagnate. All these issues represent challenges which must be addressed to ensure the future direction and path of the industry enhances the rich and valuable heritage of the past 200 years.

AWEX has recognised and demonstrated that there has been a need to change not only what we do but also how we do it. The company has restructured over the past 10 years with a change in the services provided, the introduction of improved technology and a reallocation of resources. In the past few months AWEX staffing levels have been rationalized to 14 with a full time equivalent of 11.4. Managing a more flexible workforce allows AWEX the opportunity to retain the corporate knowledge and depth of experience which is vital in understanding both members and the industry and is equally important in providing robust services.

AWEX remains committed to its policy of maintaining 100% inspection of wool being offered through Australian auctions which allows not only for greater monitoring of the quality and level of preparation of the Australian wool clip but also consistency of appraisal for market information which is used globally. These are and remain important foundations of AWEX and of value to the wool industry.

Financial Performance

During the year, the financial performance of AWEX has been influenced by the difficult economic circumstances of the industry. The

year end result of (\$132,151) is the second successive year that AWEX has incurred a loss. It is our intent that AWEX will return to a break even position at the earliest opportunity. During 2009/10 AWEX introduced a voluntary Quality Services Fee (QSF) to assist in the funding of the showfloor work of AWEX, the Industry Services Advisory Committee which is responsible for establishing and monitoring standards and Codes of Practice. A voluntary QSF was not effective as it created division amongst members, a situation which is not desirable. In 2009/10 the AWEX Board made the decision that the QSF will become mandatory for members in 2010/11 on wool sold in order to ensure that the valued showfloor services are sustainable.

AWEX also has managed the use of Members funds well and over the past 2 years Member's Funds have returned a weighted average of 5.61% and 7.59% in 2009-10 and 2008-09 respectively. The Board policy of investing in secure Australian bank term deposits and bank bills is sound and has returned dividends which have assisted in AWEX defraying the cost of services to members.

As always the key to operating an effective service company is to ensure that expenses are well managed and targeted to maximize the leverage of each dollar spent. Whilst the revenue can be highly variable the management of expenses is within the control of AWEX. Member reserves as at 30 June 2010 were \$4,927,742.

In 2009/10 two key issues which were considered and decided by the Board were

the cessation of the provision of Network Services and the decision not to renew the lease of Sale Rooms and Offices at 691 Geelong Road, Melbourne.

Network Services

The decision to cease providing Network Services from 23rd July 2010 after servicing members and the industry for 15 years was a key consideration by the AWEX Board during 2009/10. As an integral part of the Network Service AWEX assisted many buyers and brokers with Network queries, IT problems and information related to the distribution of data. Key activities were to ensure that weekly auction catalogues were available at the designated times and to assist clients with the sending and receiving of data. The decision to cease providing the service was considered carefully by the Board and this followed broad consultation with participants and an independent review of the service. The decision was made to give a commercial and economic benefit to Members and clients based on the assessment that viable alternatives were available that would meet the needs of the industry.

AWEX formed a working group to monitor and assess the transition, meeting on two occasions. The aim of the working group was to ensure that all issues of concern were addressed prior to AWEX ceasing operation. AWEX and the working group were satisfied with the process and the end result was a seamless transition from one service to the next. The ongoing provision of Network services will be monitored carefully by all

customers to ensure that the service remains of a similar high quality.

On behalf of Members and clients I would like to thank AWEX staff member Nigel Stewart for his support service to network clients over many years. Nigel has become synonymous with efficient and thoughtful service to network clients.

AWEX will continue to provide the Wool Clearing Service to industry. The provision of timely information with respect to transport and dumping deliveries is essential in maintaining efficient logistics. AWEX understands the assurance that this service provides to exporters, selling agents and dumps in moving bales from store to dump to ship.

Sales Rooms

The 30th June 2010 also marked the final sale of wool at the Victorian Wool Centre. The Victorian Wool Centre was opened in 1993 and served as the main and arguably best selling centre in Australia. The Victorian Wool Centre also held offices for most buying firms and showfloor space for a number of large and small selling agents.

Over the years as the industry rationalized, the increasing vacant space on site became more difficult to fill and the fall in wool production meant that the unit cost of selling wool at the venue increased to such a point that it was no longer viable. When the Victorian Wool Centre opened wool production in 1992/93 was 815 mkg, in 2009/10 production was less than half of that level at ~350mkg. In line with the reduction in wool production

and the rationalisation of the industry, tenants of the Victorian Wool Centre required less space which meant their offices were beyond their needs and were expensive to maintain. When Australian Wool Handlers opened up competing salesrooms with their shareholders, the long term future of the Victorian Wool Centre was set. With similar commercial space significantly cheaper, the cost of maintaining the venue was not sustainable.

The benefit of the AWEX Board's decision to not seek a further lease at the Victorian Wool Centre is that the salesrooms in Melbourne have now been consolidated into one site and there are clear logistic and economic benefits to Members and industry.

AWEX will continue to provide saleroom infrastructure to Members. This occurs in Fremantle, Sydney and Newcastle.

Market Information

The Australian wool market has again been volatile in terms of market price but in consideration of the heights of the Australian dollar against the US Dollar the market has performed above expectations. Grower expectations are that the wool market needs to improve further if it is to compete with other markets such as meat and grain.

The AWEX EMI finished the season on 849c kg/clean after opening the season at 743c kg/clean. In USD terms this equates the EMI to a USD600c kg/clean and USD720c kg/clean. National weekly offerings at auction averaged 41,500 bales per week during the 2009-10 season within a range of 27,000 - 53,500

bales. The relatively consistent offering has taken a large variable out of the equation which has been known to distort the market in recent years.

In 2009/10 AWEX pursued "Early Appraisal" of sale catalogues which provides a full appraisal and inspection service prior to a catalogue being transmitted. A clear benefit of this service is the early detection of clip preparation problems so that Brokers/Selling Agents have every opportunity to address the problem before the catalogue is transmitted. This avoids the costly exercise of withdrawing wool from sale and of buyers downloading duplicate information and delaying sale of wool until identified issues have been rectified.

National Wool Declaration (NWD)

In 2009-10 AWEX gained considerable recognition for the work achieved in introducing the NWD and developing the supporting Integrity Program (IP). The challenge for AWEX and the industry is to increase the adoption of the NWD to provide the necessary feedback for growers, buyers, processors and retailers.

The NWD has received broad support from traders but the challenge still remains to create better understanding and awareness amongst the broader community of the industry. The next challenge is the implementation of the NWD-IP, specifically the on-farm program. AWEX chose to make three strategic appointments in locations that will minimise the cost of travel and provide flexibility to ensure that the required 225 on farm inspections can be completed by 30th April 2011.

The NWD is now an important information tool in today's wool industry. The next review of the NWD will commence in October 2011.

Community

AWEX is community minded and over the years has made regular donations to the Royal Flying Doctor Service, Beyond Blue and participated in Oxfam events. As a company we have also made significant donations to the Test Marketing Program and the Red Cross Tsunami Appeal.

2010 marked the third successive year that AWEX has entered a team "Wild & Woolly III" in the Oxfam Trailwalker Sydney event. The challenge is for each team of 4 people to walk 100kms in less than 48hrs. In each event AWEX has chosen to wear Merino garments in support of the wool industry and over this period AWEX has managed to raise nearly \$25,000 for Oxfam and the various charity programs which they support.

Over and above this in 2009/10 AWEX helped sponsor 600 books "The Workboot Series – The Story of Wool in Australia". Kondinin Group produced the book as part of an agricultural series aimed at telling the story of wool to primary school students. Kondinin also organised the "Farm Day" event where families from the cities were invited to stay with families from the country. The books which are aimed at children of primary school age were given to families so they could better understand life in the country and the importance of agricultural industries such as wool. AWEX purchased 600 books with the left over books being progressively distributed

to primary school libraries around the country. The feedback with respect to the books and the “Farm Day” event has been tremendous with families from across the country and as far a field as the USA writing notes of thanks back to AWEX.

Chairman - R. A. Farrar

This year marks the final term of AWEX Chairman, Mr. Robert Allan Farrar. Allan commenced as AWEX Chairman after the AWEX Annual General Meeting in 2001. Allan has presided as Chairman during some of the most difficult periods of AWEX’s 17 year history has guided the AWEX Board through many challenges and delivered some of its greatest achievements.

On behalf of staff and Members I would like to thank Allan for his Chairmanship and dedication as a Director of the Board of AWEX.

Allan has worked tirelessly for AWEX and his passion for wool and the services which AWEX provides is unwavering. I would like to thank Allan for his counsel over the past 7 years. Allan’s interest and belief in AWEX, AWEX Members, corporate governance and support for his Directors and AWEX staff stands as a testament to his personal attributes and his personable manner with which he has addressed the position as Chairman.

Allan is AWEX’s longest serving Chairman and on behalf of AWEX Directors, Staff and Members I would like to thank him for his service to AWEX and the wool industry.

Finally, I would like to thank Members for their support of the work of AWEX. I am fully

aware that this support is tested at times but we are committed to work with Members to achieve the best outcome. Thank you to the staff of AWEX. The work they do is often unheralded and certainly not glamorous but their dedication and belief in the principles of what we strive to achieve is unquestionable. The staff of AWEX are an asset to the wool industry.

A handwritten signature in blue ink, appearing to read 'Mark Grave'.

Mark Grave
CEO

September 2010

Company principles

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

Principle 1

Lay solid foundations for Management and Oversight.

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

Principle 2

Structure the Board to add value.

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

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

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

Principle 3

Promote ethical and responsible decision-making.

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

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

Principle 4

Safeguard the integrity in Financial Reporting.

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

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

Principle 5

Make timely and balanced disclosures.

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

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

Principle 6

Respect the rights of shareholders.

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

Principle 7

Recognise and manage risk.

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

Principle 8

Encourage enhanced performance.

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

Principle 9

Remunerate fairly and responsibly.

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

Details of the Remuneration Committee members and the number of meetings and attendees are set out elsewhere in this report. The committee determines the remuneration of the CEO and senior management. The committee also considers and reviews annual salary reviews for all staff.

Principle 10

Recognise the legitimate interests of shareholders.

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

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

Operationalreport

Industry Services Advisory Committee (ISAC)

Over the years the term “Quality Assurance” has gathered some baggage due to the reckless implementation of standards and codes of practices in many industries. In the wool industry quality is regarded as a critical character of the wool fibre and quality assurance gives buyers and processors the ability to trade in confidence. To that end AWEX is proud of the “Quality Assurance” programs that it has developed through the work of ISAC and with industry over the past 17 years.

ISAC is used by AWEX as the advisory committee to the Board providing advice and guidance in AWEX Standards, Codes of Practice and technical programs, services and issues. ISAC is a broad skills-based Committee comprising representatives from amongst growers, brokers, buyers, processors and other industry experts. The members are well-recognised amongst their peers and more often than not are representatives from Federal or State Farming organisations, AWEX Members, Training institutions and other skills based participants.

In 2009/10 AWEX commenced the woolclasser re-registration program where all registered woolclassers were invited to re-register for the 2010-12 period. Given the changes in the industry of wool production, long drought periods and the effect of a booming mining industry, AWEX was concerned about the possible loss of skills to other industries.

The process of re-registration commences some 15 months earlier when planning begins for the triennium review of the Code of Practice and Rules of Registration as well as the planning of the administrative side of such a huge task.

ISAC has the responsibility for reviewing the Woolclasser Rules and Code of Practice and again

this year ISAC was extended to include additional skill sets and a broader representation to consider the 2010-12 Code. This ensures that ISAC has access to appropriate technical information as well as trade views, which are required to formulate sound industry based recommendations for the AWEX Board. In addition a Woolclasser reference group was used for the first time to add value to the consultation process which also included submissions from participants.



A survey of woolclassers was also completed in 2009 where over 1,100 responses with respect to the Code of Practice, Bale Descriptions and other issues of concern to woolclassers were addressed. The survey served as an important feedback mechanism in the review of the Code of Practice, the introduction of the Sheep Breed Compendium and for future issues to be addressed by ISAC.

Invitations to register were sent to over 22,500 woolclassers. The 2010-12 registration period also saw AWEX introduce an on-line payment and registration system for the first time with over 24% of all registrations being completed online.

In addition AWEX had developed a reference document for woolclassers and the industry – Sheep Breed Compendium – where all known commercial

breeds of sheep were catalogued by breed with a list of significant characteristics such as:

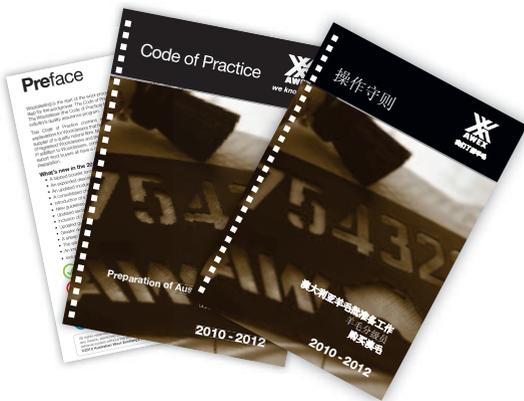
- Weight (typical as an adult);
- Wool (type);
- Diameter (micron range);
- Length (mm at 12 months);
- Pigmentation (rating);
- Medullation (rating).

Feedback from our woolclassers indicated that there were new breeds appearing of which they knew little about. The concern was quite apparent when woolclassers were seeking guidance on preparation issues and particularly in relation to their concerns about pigmentation and medullation risk.

New South Wales, South Australia and Victoria representing 80% of all woolclassers. This year AWEX also introduced Masterclasser as a registered class of woolclasser. To be eligible to register as a Masterclasser the woolclasser must be:

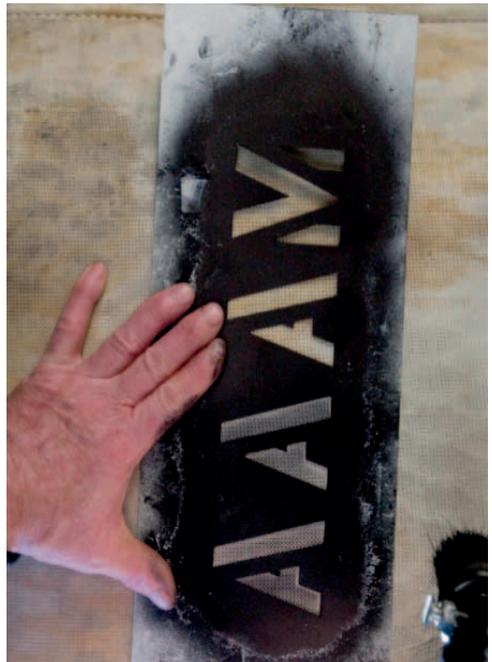
- A registered AW woolclasser;
- Recommended to AWEX by a selling agent or woolgrower;
- A high volume (bales classed) woolclasser;
- Attend and successfully complete a Masterclass course;
- Commit to further and ongoing training.

To date there are 176 registered Masterclassers who together have prepared over 12% of the Australian wool clip. This is a highly sought after and influential group of professionals and they stand as a strong link in the pursuit of quality and excellence.



The new Code of Practice and the Sheep Breed Compendium have been well received by woolclassers, selling agents and wool growers alike.

Overall woolclasser registrations fell by 10.9% with just over 20,000 registered for the 2010-12 period. This number is expected to increase over the next 2 ½ years as new registrations come on line and those who have forgotten to register re-register. The key states for volume of registered woolclassers remain



National Wool Declaration – Integrity Program (NWD-IP)

From the outset a critical part of the NWD was going to be the implementation of an integrity program to support and validate the declarations made. The program would not commence until suitable funding had been secured and to that end AWEX successfully applied to the Australian Government Department of Agriculture, Fisheries and Forestry's Promoting Australian Produce program for joint funding of the NWD-IP, which commenced on Monday 24 May 2010.

The main aim of the NWD-IP is to develop and implement an education, extension and integrity program for Mulesing Status. These activities are designed to support and promote the attributes and reliability of supply of Australian wool, both locally and internationally. This will provide credibility to the NWD so buyers, processors and retailers have confidence in declarations. AWEX is undertaking this program based on its independence and experience in conducting quality assurance

programs with ISAC has provided a sounding board for ideas on how best to undertake tasks within the project.

A Desktop Audit conducted randomly on 5% of all declarations has been conducted since August 2008. This process involves the comparison of information supplied in the NWD, the Classer's Specification and the Sale Catalogue. As this is done pre-sale, any anomalies can be rectified prior to the wool being auctioned. The NWD-IP expands this concept to include a Desktop Authentication of Pain Relief and On-Farm Inspections for declarations of Non-Mulesed and Ceased Mulesing Status. The initial framework for the NWD-IP program was previously developed by an Industry Working Group that reported to ISAC, and subsequently the AWEX Board.

ISAC will continue to contribute to the development and monitoring of the NWD-IP, with the view to developing a NWD-IP model that achieves the financial support of industry and facilitates its continuation after April 2011.



Operational report *continued*

Classing House Code of Practice (CH COP)

The triennial review of the CH COP was conducted by AWEX with additional members co-opted to represent the larger CHs. The CH COP is considered a mature document and as such did not require many changes; however, issues related to the integrity of CH product were reviewed and in some cases modified. The review coincides with the re-registration of CH's and is an important barometer for the health of the Classing Houses and issues which they deal with on a regular basis. The review covered all technical issues and the use of a CH working group was important in receiving direct feedback from industry experts in this field

Publications

AWEX continued to develop publications for the benefit and use of woolclassers and members. These include:

- Code of Practice (English and Chinese)
- Australian Bale Marking Standards poster
- Bale ID poster
- Sheep Breed Compendium
- “Keep Your Clip Clean” poster

In addition AWEX continues Boardtalk, an informative issues paper distributed to all woolclassers, twice each year as well as the annual Activity Statement. The Activity Statement details all the lots and clips classed by a woolclasser in each season. The main aim of the Activity Statement is to provide a summary of their classing and to ensure that the detail of the recorded information is correct. The feedback we have received from woolclassers has been very useful and made sure that the records are correct.



Market Information

As measured by the industry benchmark, the AWEX Eastern Market Indicator (AWEX-EMI), the wool market had a strong result during the 2009/10 wool selling season. The market continued to recover from the low point reached in March 2009, tracking similar rises in stock markets around the globe on the back of a restored confidence in the global financial system. While Europe struggled to emerge from a recession during the year, the US economy showed some improvement and Asia resumed its strong growth fueling market sentiment. The wool market did retrace some ground in the final few months of the year amid concerns about some European countries with high government debt, however overall the market closed 15.6% higher than the previous season close. It was the first seasonal rise in three years and largely offset the combined 17.2% fall recorded in the preceding two seasons.

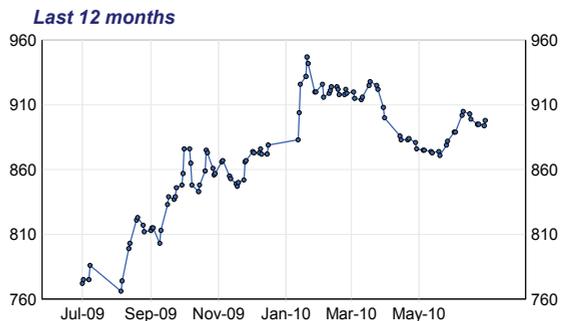
In customer terms, a rising local currency saw a gain in the AWEX-EMI of 23.4% when converted to US dollars. The instability in Europe had a

weakening affect on the Euro, putting further pressure on prices for customers located in the Eurozone. When converted to Euro the AWEX-EMI made a jump of 41.6%, taking it to a seven year high on that measure.

Australian wool production was officially estimated at 343 million kilograms for the season, 5.2% lower than 2008/09 and the fifth consecutive fall. Showing less of a decrease were volumes at auction, offering 3.6% less than the previous season and only 1.1% lower for sold volumes. Weekly catalogue size remained reasonably consistent, averaging 41,500 bales each week and in a range of 26,000 to 51,000 bales. Regular volumes are welcomed by the trade and provide a level of confidence for buyers competing for wool on a week to week basis.

Meat prices continue to have an impact on enterprise decisions at the farm level with Non-Merino Breeds approaching 20% of volumes offered at auction. Prices for these types were reasonably static however, despite solid gains in the medium-micron Merino types.

AWEX Eastern Market Indicator



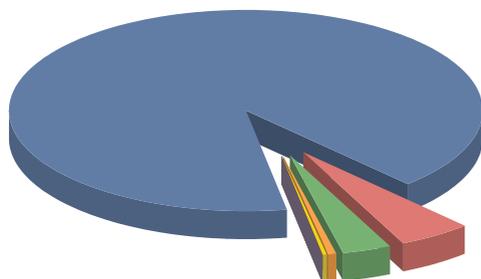
Operational report *continued*

Top 15 Destinations 2009-2010 (Excluding Sheep Skins)

(c) Australian Wool Exchange Ltd

Destination	Greasy Equivalent Kg	% Change	% of total	Value AUD\$	% Change
1 China	270.8 Mkg	3%	75.2%	\$1,522.2 Mill.	10%
2 India	28.8 Mkg	16%	8.0%	\$155.1 Mill.	18%
3 Slovakia	11.4 Mkg	31%	3.2%	\$56.6 Mill.	46%
4 Italy	10.9 Mkg	-53%	3.0%	\$80.9 Mill.	-54%
5 Korea, Republic Of	9.6 Mkg	5%	2.7%	\$40.7 Mill.	11%
6 Taiwan	7.1 Mkg	159%	2.0%	\$40.3 Mill.	226%
7 Thailand	4.6 Mkg	73%	1.3%	\$23.9 Mill.	50%
8 Taiwan	3.2 Mkg	-8%	0.9%	\$15.8 Mill.	7%
9 Malaysia	2.6 Mkg	130%	0.7%	\$13.0 Mill.	159%
10 USA	2.1 Mkg	116%	0.6%	\$11.9 Mill.	60%
11 United Kingdom	2.0 Mkg	185%	0.5%	\$8.7 Mill.	227%
12 Turkey	1.5 Mkg	193%	0.4%	\$7.5 Mill.	253%
13 Iran	1.5 Mkg	88%	0.4%	\$12.2 Mill.	140%
14 Mexico	0.8 Mkg	-26%	0.2%	\$4.2 Mill.	-36%
15 Germany	0.7 Mkg	-17%	0.2%	\$3.4 Mill.	-27%
16 Others	2.7 Mkg	-92%	0.8%	\$14.8 Mill.	-91%
360.2 Mkg				\$2,011.2 Mill.	

Export Summary by Class (% of mass KG)



Statistical Overview for Season 2009-2010

(c) Australian Wool Exchange Ltd

		North	South	West	2008/09	2008/09
Total Offered	Bales	589,661	945,574	425,467	1,753,258	2,034,680
	Lots	134,062	160,628	66,498	326,270	377,441
	Tonnes	103,546	167,949	75,245	309,705	360,009
First Hand Offered	Bales	553,266	874,729	375,026	1,842,508	1,842,508
	Lots	126,484	148,911	59,032	342,776	342,776
	Tonnes	97,082	155,236	66,254	325,819	325,819
Reoffer %		6.17%	7.49%	11.86%	9.44%	9.44%
Total Sold	Bales	546,560	851,408	355,290	1,772,363	1,772,363
	Lots	125,296	145,054	55,920	330,032	330,032
	Tonnes	95,877	151,070	62,758	313,306	313,306
Average Lot Size (Total)		4.40	5.89	6.40	5.43	5.39
Average Lot Size (First Hand)		4.37	5.87	6.35	5.39	5.38
Average Bale Weight (kgs)		169.16	173.56	173.05	171.84	171.58
Average Price (c/kg)	Greasy	571	531	519	544	500
	Clean	875	829	840	848	777
Average Micron		20.13	21.10	19.99	20.54	20.54
Micron profile (%)	<19.6	48.8%	33.2%	43.4%	40.1%	38.0%
	19.6 - 23.5	35.8%	46.8%	52.5%	44.7%	47.5%
	>23.5	15.3%	19.6%	3.9%	14.9%	14.1%
Average Staple Length - MFLC		84.8	87.9	84.5	86.1	85.3
Average Staple Strength - MFLC		36.2	33.5	30.1	33.8	34.7
Average Position of Break - MFLC		50.3	50.0	50.2	50.2	50.4
Average VMB		2.8	1.9	2.1	2.3	2.3
Average Yield (Schlum)		63.6	63.3	60.9	63.0	62.7
Wool Type Profiles % Bales offered						
Fleece		58.1%	61.5%	66.2%	61.5%	61.6%
Pieces		14.8%	10.5%	9.7%	11.6%	11.8%
Bellies		4.6%	5.7%	4.8%	5.2%	5.4%
Lambs		4.2%	5.1%	7.5%	5.4%	5.1%
Weaners		11.5%	10.5%	6.1%	9.9%	9.6%
Crutchings		4.2%	3.9%	3.6%	3.9%	3.9%
Locks		2.5%	2.7%	2.1%	2.5%	2.6%
Method of Offer %						
Growers		82.6%	78.3%	82.4%	80.5%	81.7%
bulk class & interlots		17.4%	21.7%	17.6%	19.5%	18.3%

•All Averages are Simple Averages •Bales Offered including reoffers unless stated • Includes New Zealand Stored Wool

Members

Trading Members

ABB Grain Ltd

A C Pacific Trading Pty Ltd

A R Rhodes & Company

A S Gedge Australia Pty Ltd

ACF Wool Traders Pty Ltd

Attadale Wool Company Pty Ltd

Australia Beyond Investment Pty Ltd

Australian Wool & Pastoral Agency Limited

Australian Wool Network Pty Ltd

Australis Wool Pty Ltd

B & Z Enterprises Pty Ltd

B N Proud & Company

Barwon & Yarra Valley Wool Brokers Pty Ltd

Beecher Wool Services

Bo Rui Pty Ltd

Bryton Wool

BWK Elders Australia Pty Ltd

Cable Wool Pty Ltd

Chargeurs Wool Australia Pty Ltd

Chinatex (Australia) Wool Company Pty Ltd

Cogtrust Pty Ltd T/as Coggan Wool

Conn Wool Pty Ltd

Dewavrin Australia Pty Ltd

Don Belgre Pty Ltd

Donghai Australia Pty Ltd

Dynon Wools (Aust) Pty Ltd

E P Robinson Pty Ltd

Fibres (Australia) Pty Ltd

Fletcher International Exports Pty Ltd

Fox & Lillie Australia Pty Ltd

Fremantle Wool Trading Company Pty Ltd

Goldex Corporation Pty Ltd t/as Mascot Wool

Gordon Litchfield Wool Pty Ltd

Harvest Wool (Australia) Pty Limited

Hodge Wool Pty Ltd

J A Seager & N E Seager Partnership

James Stedman (Wool) Pty Ltd

Jemalong Wool Pty Ltd

Jenkyn Wool Exports Pty Ltd

John Marshall & Company Limited

Kathaytex Pty Limited

Landini Industries Pty Ltd

Lanoc Wool Pty Ltd

Laycock Speciality Fibres Pty Ltd

Lempriere (Australia) Pty Ltd

M & M Wools (Aust) Pty Ltd

M A Kiernan & Company Pty Ltd

Maggie International Trading Pty Ltd

McFeeters Wool & Company

Michell Pty Ltd

Modiano Australia Pty Ltd

Montgomery Wools Pty Ltd

Morepen Pty Ltd

Moses and Son Pty Ltd

New England Wool Pty Ltd

Ostini Wool Pty Ltd

P J Morris Wools Pty Ltd

Peter Scanlan Wools

Quality Wool Pty Ltd

Queensland Cotton Corporation Pty Ltd

Reward Australia Pty Ltd

Riverina Wool (Aust) Pty Ltd

Riverton Wools Pty Ltd

Ruralco Holdings Limited

Saunders Wool Pty Ltd

Segard Masurel (Australia) Pty Ltd

Sky Wool Australia Pty Ltd

Stockwool Pty Ltd

Sunshine Fortex (Australia) Groups Pty Ltd

Swan Wool Processors Pty Limited

Techwool Trading Pty Ltd

The New Zealand Merino Company Ltd

Tradeswool Country Woolbuyers Pty Ltd

Tradeswool Pty Ltd

Victoria Wool Processors Pty Ltd

Viterra Ltd

Watswool Pty Ltd

West Coast Wools Pty Ltd

Williams Wool Export Pty Ltd

Williams Wool Pty Ltd

Wool Agency Company Pty Ltd

Woolgrowers Independent Selling Services Ltd

Yarra Wool

Yeoward & Company

Associate Members

Australian Superfine Wool Growers Association Inc

Australian Wool Innovation Limited

WA Department of Agriculture

Grower Members

A J Byrne & Company

Autumnvale Pastoral Company

Bickleigh Hillburn Pty Ltd

Bloomfield Pastoral Company

Brett Campbell

Bukalong Enterprises

Byanga Pastoral Company

C W A & D W Prell

Carnbrae (Harden) Pastoral Company

Cavanagh Partnership

D D & A J Long

Dingo Range

ER & RL Amery

Garth England

Glenbuddah Pty Ltd

Glenelg Estate

Gordon Litchfield

Gorrinn Pastoral Company

GW & RT Bridgman

Ian Aubrey

Ian Burbury

Ian Mclean

Ian William Whiteley

J P & S M Ranken

J S & W A Parkinson

K A & J J Miller

Kentucky Pty Ltd

KM & YC Gill

Malison Pastoral Holdings

Mance Pastoral Company Pty Ltd

Marong Pastoral Company Pty Ltd

Max Zell Family Settlement Trust

IK, MJ & CLK Mclvor

Paling Yards Trading Company

Phil O'Brien Wool Pool

R F Mason

Robert Pietsch

Robert Richardson Dick

Stonehouse Grazing

T & J Spielvogel

Terinallum Partnership

The Mutooroo Pastoral Company Pty Ltd

Twynam Pastoral Company Pty Ltd

W J & S Parkins

Woolaway Grazing

WoolProducers

Yarrabee Grazing Company

Directors' and Financial report



Directors' report



Your Directors submit their report for the year ended 30 June 2010.

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

Director	Experience	Special Responsibilities
	<p>R.A. Farrar Chairman</p> <ul style="list-style-type: none"> • Chairman, McGarvie Smith Institute; • Hon. Councillor, Royal Agricultural Society of NSW. 	<ul style="list-style-type: none"> • Chairman; • Chairman, Compliance and Corporate Governance Committee; • Chairman, Remuneration Committee; • Member, Audit Committee.
	<p>R.W. Amos Director</p> <ul style="list-style-type: none"> • Member, Federal Council of Private Treaty Merchants of Australia; • Managing Director, Robaine Pty Ltd. 	<ul style="list-style-type: none"> • Non Executive Director; • Member, Membership Admission Committee; • Member, Rules Committee.
	<p>M. D. Avery Director (Appointed 4/12/2009)</p> <ul style="list-style-type: none"> • Wool Manager, Queensland Cotton Ltd; • President, Australian Council of Wool Exporters and Processors; • Director, Australian Wool Testing Authority Ltd. 	<ul style="list-style-type: none"> • Non Executive Director; • Member, Audit Committee; • Member, Compliance and Corporate Governance Committee; • Member, Remuneration Committee.
	<p>D.R. Belgre Director (Resigned 4/12/2009)</p> <ul style="list-style-type: none"> • Managing Director, Don Belgre Pty Ltd; • Managing Director, G. Schneider Australia Pty Ltd; • Chairman, Australian Wool Network Pty Ltd; • Chairman, AWN Property Pty Ltd. 	<ul style="list-style-type: none"> • Non Executive Director; • Member, Audit Committee; • Member, Compliance and Corporate Governance Committee; • Member, Rules Committee; • Member, Remuneration Committee; • Member, Membership Admission Committee.
	<p>T.J. Doolan Director</p> <ul style="list-style-type: none"> • National Business Development Manager, Wool, Livestock, Environment - Ruralco Holdings Ltd (up to 30/09/2009); • National Manager, Water & Environment Ruralco Holdings Ltd (commenced 1/10/2010); • Director, Sneydes Pastoral Co Pty Ltd; • Director, Archards Irrigation Pty Ltd. 	<ul style="list-style-type: none"> • Non Executive Director.
	<p>D.R. Hamblin Director</p> <ul style="list-style-type: none"> • Grazier; • President, WoolProducers Australia Ltd; • Director, Australian Wool Testing Authority Ltd; • Councillor, NSW Farmers Federation Executive; • Professional Woolclasser. 	<ul style="list-style-type: none"> • Non Executive Director; • Chairman, Rules Committee.

Directors' report *continued*

Director	Experience	Special Responsibilities
	<p>M.J. Moses Director</p> <ul style="list-style-type: none"> • Managing Director, Moses and Son Pty Ltd; • Director, Pinefarm Pty Limited; • Director, Bluechip Livestock; • Director, Yennora Wool Brokers; • Director/Secretary, The Pinnacles (Temora) Pty Limited; • Director, Inland Woolbrokers Association. 	<ul style="list-style-type: none"> • Non Executive Director; • Member, Rules Committee; • Member, Membership Admission Committee.
	<p>D.M. Watt</p> <ul style="list-style-type: none"> • Lawyer; • Woolgrower. 	<ul style="list-style-type: none"> • Non Executive Director; • Chairman, Audit Committee; • Member, Compliance and Corporate Governance Committee; • Member, Remuneration Committee.
Secretary	Experience	Special Responsibilities
	<p>M.F. Pritchard (Originally appointed 01/06/2005)</p> <ul style="list-style-type: none"> • Chartered Accountant. 	<ul style="list-style-type: none"> • Company Secretary; • Chief Financial and Administrative Officer; • Secretary, Audit Committee; • Secretary, Compliance and Corporate Governance Committee; • Secretary, Membership Admission Committee; • Secretary, Remuneration Committee; • Secretary, Organisational Review Committee.
Alternate Director	Experience	Special Responsibilities
<p>G.C. Fisken Alternate for D.R. Hamblin</p>	<ul style="list-style-type: none"> • Woolgrower; • Chairman, Sheep and Goat Compensation Advisory Committee Victoria; • Director, WoolProducers Australia Ltd. 	<ul style="list-style-type: none"> • Alternate Director.
<p>M.J. de Kleuver Alternate for T.J. Doolan</p>	<ul style="list-style-type: none"> • Wool Manager, Rodwell & Co. Pty Ltd; • Operations Manager, Southern Wool Warehousing. 	<ul style="list-style-type: none"> • Alternate Director.
<p>D.A. MacDonald Alternate for M.J. Moses</p>	<ul style="list-style-type: none"> • Managing Director, Lanoc Wool Pty Ltd; • Managing Director, Yennora Wool Brokers Pty Ltd. 	<ul style="list-style-type: none"> • Alternate Director.

Corporate Information

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

Corporate Objects

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

- a) establish and provide an internationally competitive system for the fair, efficient and informed trading of Australian wool;
- b) encourage competition;
- c) facilitate self-regulation amongst market participants; and
- d) develop and implement innovations,

for the benefit of all wool market participants.

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

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

Principal Activities

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

- Supply of market information on behalf of members;
- Administration of quality management programs;
- Wool pack quality management;
- Administering the conduct of wool selling; and
- Registration of wool classers.

Results

An operating deficit of \$132,151 (2009: deficit of \$119,715) was realised for the year.

Dividends

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

Company limited by Guarantee

The Australian Wool Exchange Ltd is incorporated under the Corporations Act 2001 and is an entity limited by guarantee. If the company is wound up, the constitution states that each member undertakes to contribute to the property of the company a maximum of \$5.00 towards meeting any outstanding obligations of the company. Whilst the Directors do not believe that any contribution will be required in the event of the company being wound up, the maximum collective liability of members at 30 June 2010 is \$655 (2009: \$720).

Review of Operations

Revenue for the year was primarily derived from service fees received of \$3,306,702 (2009: \$3,471,779). Total revenue for the period was \$3,741,482 (2009: \$4,024,495).

Total operating expenses for the year were \$3,873,633 (2009: \$4,144,210) relating to the provision services.

Performance Management

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

Risk Management

The Board is responsible for identifying risks and opportunities on a timely basis and for ensuring the company's objectives and activities are aligned with those risks and opportunities. The Board considers

Directors' report *continued*

this to be a crucial function and therefore does not have a separate risk management sub-committee.

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

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

Corporate Governance

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

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

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

Likely Developments and Expected Result of Operations

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

Directors' Meetings

The following table sets out the number of meetings of the company's directors held during the year ended 30 June 2010, and the number of meetings attended by each director.

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

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

		Board		Committees											
		Board Meetings		Audit		Compliance & Corporate Governance		Membership		Remuneration		Rules		Organisation Review	
Directors:		A	E	A	E	A	E	A	E	A	E	A	E	A	E
R A Farrar	Chairman	6	6	1	1	3	3			1	1				
R W Amos		6	6												
M D Avery	Appointed 4/12/2009	3	3			2	2			1	1				
D R Belgre	Resigned 4/12/2009	3	3	1	1	1	1								
T J Doolan		1	6												
D R Hamblin		5	6												
M J Moses		6	6												
D M Watt		6	6	1	1	3	3			1	1				
Alternate Directors:		A	E	A	E	A	E	A	E	A	E	A	E	A	E
D A MacDonald	M J Moses														
G C Fiskin	D R Hamblin	1	1												
M J de Kleuver	T J Doolan	5	5												

A / E = Attended / Eligible to Attend

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

Directors' report *continued*

Auditor

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

Auditor's Independence Declaration

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

Signed in accordance with a resolution of the directors.



R A Farrar
Chairman



D M Watt
Deputy Chairman

Sydney 3rd September 2010

AUSTRALIAN WOOL EXCHANGE LIMITED

A.B.N. 35 061 495 565

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION
307C OF THE CORPORATIONS ACT 2001**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Thomas Davis', written in a cursive style.

THOMAS DAVIS & CO

A handwritten signature in black ink, appearing to read 'P.L. Whiteman', written in a cursive style.

P.L. WHITEMAN

Date 3rd September 2010

Liability limited by a scheme approved under Professional Standards Legislation

Financial report

Statement of Comprehensive Income

for the year ended 30 June 2010		Notes	2010	2009
			\$	\$
Revenues from ordinary activities	2		3,741,482	4,024,495
Employee benefit expenses			(1,621,212)	(1,561,094)
Depreciation and Amortisation Expenses	3		(60,160)	(136,951)
Occupancy Costs			(603,247)	(563,387)
Other expenses from ordinary activities			(1,589,014)	(1,882,778)
Profit/(Loss) from ordinary activities before income tax expense	3		(132,151)	(119,715)
Income tax expense	1(b)		-	-
Profit/(loss) from ordinary activities after related income tax expense	14		(132,151)	(119,715)
Other comprehensive income for the year			-	-
Total comprehensive income/(loss) for the year			(132,151)	(119,715)
Profit/(Loss) attributable to members of the entity			(132,151)	(119,715)
Total comprehensive income/(loss) attributable to members of the entity			(132,151)	(119,715)

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

Statement of changes in members' funds

for the year ended 30 June 2010	Notes	Members Reserves	Retained Surpluses	Total
		\$	\$	\$
Balance at 1 July 2008		640,000	4,539,608	5,179,608
Profit attributable to the entity		-	(119,715)	(119,715)
Total other comprehensive income for the year		-	-	-
Balance as at 30 June 2009		640,000	4,419,893	5,059,893
Profit attributable to the entity		-	(132,151)	(132,151)
Total other comprehensive income for the year		-	-	-
Balance as at 30 June 2010		640,000	4,287,742	4,927,742

The above statement of changes in members' funds is to be read in conjunction with the accompanying notes.

Financial report *continued*

Statement of Financial Position

as at 30 June 2010	Notes	2010	2009
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	4	5,034,629	1,960,015
Receivables	5	282,785	243,956
Other current assets	6	124,071	145,844
Total Current Assets		5,441,485	2,349,815
NON CURRENT ASSETS			
Investments	7	1,889,226	3,616,870
Property, Plant & Equipment	8, 21	101,596	70,949
Total Non Current Assets		1,990,822	3,687,819
TOTAL ASSETS		7,432,307	6,037,634
CURRENT LIABILITIES			
Payables	9	224,859	170,658
Provisions	10	190,179	184,992
Other current liabilities	11	1,920,106	479,993
Total Current Liabilities		2,335,144	835,643
NON CURRENT LIABILITIES			
Provisions	12	169,421	142,098
Total Non Current Liabilities		169,421	142,098
TOTAL LIABILITIES		2,504,565	977,741
NET ASSETS		4,927,742	5,059,893
MEMBERS' FUNDS			
Members' Reserves	13	640,000	640,000
Retained Surpluses	14	4,287,742	4,419,893
TOTAL MEMBERS' FUNDS		4,927,742	5,059,893

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

Statement of Cash Flows

for the year ended 30 June 2010	Notes	2010	2009
		\$	\$
Cash flows from operating activities			
Receipts from customers *		4,797,541	2,895,057
Payments to suppliers and employees		(3,725,387)	(4,184,814)
Interest Received		366,998	459,332
Net cash inflows/(outflows) from operating activities	20	1,439,152	(830,425)
Cash flows from investing activities			
Payments for property, plant & equipment		(92,182)	(25,295)
Proceeds from sale of plant and equipment		-	-
Net cash inflows / (outflows) from investing activities		(92,182)	(25,295)
Net increase (decrease) in cash held		1,346,970	(855,720)
Cash and cash equivalents at the beginning of the financial year		5,576,885	6,432,605
Cash and cash equivalents at the end of the financial year	4, 7	6,923,855	5,576,885
Current	4	5,034,629	(1,960,015)
Non Current	7	1,889,226	3,616,870
Cash and cash equivalents at the end of the financial year		6,923,855	5,576,885

* The 2010 receipts from customers includes collection of the triennium woolclasser registration fees

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

Financial report *continued*

Notes to the financial statements

for the year ended 30 June 2010	Notes	2010	2009
<p>1. Summary of significant accounting policies</p> <p>These general purpose financial statements have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001. Australian Accounting Standards set out accounting policies that AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions.</p> <p>The financial statements have been prepared in accordance with the historical cost convention, and do not take into account changes in money values or, except where stated, current valuations of non-current assets. The accounting policies have been consistently applied except where stated in the Financial Statements.</p> <p>The company is a company limited by guarantee, incorporated and domiciled in Australia. Its registered office is Ground Floor, 318 Burns Bay Road, Lane Cove, NSW 2066. In accordance with the Constitution of 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.</p> <p>The financial statements were authorised for issue by the Board on 3rd September 2010.</p>			

Notes to the **financial statements** – *continued*

for the year ended 30 June 2010	Notes	2010	2009
<p>A summary of significant accounting policies is set out below:</p>			
<p>Statement of Compliance</p> <p>The financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). A statement of compliance with International Financial Reporting Standards cannot be made due to the Company applying the not for profit sector specific requirements contained in AIFRS.</p>			
<p>(a) Property, Plant & Equipment</p> <p>AASB1 allows for the current carrying values to be the deemed cost under AIFRS. Each class of property plant and equipment is carried at cost or deemed cost, where applicable, less any accumulated depreciation and any impairment in value. Assets are depreciated on a straight line basis to write off the net cost of each item over its expected useful life to the company. Estimates of remaining useful life are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:</p>			
Plant and Equipment		3-8 Years	3-8 Years
Software		3-4 Years	3-4 Years
<p>(b) Income Tax</p> <p>The company has been granted an exemption from income tax under Section 23(h) of the Income Tax Assessment Act 1936.</p>			
<p>(c) Recoverable Amount of Non-Current Assets</p> <p>Where the carrying amount of an individual non-current asset is greater than its recoverable amount the asset is revalued to its recoverable amount.</p> <p>The expected net cash flows included in determining recoverable amounts of non-current assets have not been discounted to their present values.</p>			
<p>(d) Receivables</p> <p>All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of invoicing. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised where some doubt as to the collection exists.</p>			

Financialreport *continued*

Notes to the financial statements – *continued*

for the year ended 30 June 2010	Notes	2010	2009
<p>(e) Revenue Recognition</p> <p>Revenue is recognised to the extent that is probable that the economic benefits will flow to the Australian Wool Exchange Limited and that it can be reliably measured.</p> <p>Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.</p> <p>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.</p> <p>The net gain/(loss) on 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.</p> <p>Government grants for any purpose other than for research and development, are recognised as revenue when the right to receive the grant exists, or when control over the grant is obtained. Where government grants are received or receivable in relation to research and development costs which have been deferred, the grant is deducted from the cost of research and development costs deferred. Where grants are received or receivable in relation to research and development costs which have been charged as an expense to the operating statement, those grants are credited as revenue in the operating statement.</p> <p>All revenue is stated net of the amount of goods and services tax (GST).</p> <p>(f) Employee Benefits</p> <p>Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be paid within one year together with benefits arising from wages and salaries, superannuation and long service leave which will be settled after one year, have been measured at the amount expected to be paid plus related on-costs.</p> <p>(i) Superannuation</p> <p>The company contributes to an employee accumulation superannuation fund. Contributions are charged against income.</p>			

Notes to the financial statements – continued

for the year ended 30 June 2010	Notes	2009	2008
(ii) Number of employees at year end			
- Permanent staff		15	15
- Casual Staff		8	6
- Total full time equivalent Staff		14.8	14.0
(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.			

Financialreport *continued*

Notes to the financial statements – *continued*

for the year ended 30 June 2010	Notes	2010	2009
<p>(j) Adoption of New and Revised Accounting Standards</p> <p>During the current year the company adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.</p> <p>The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the Australian Wool Exchange Ltd.</p>			
<p>AASB 101: Presentation of Financial Statements</p> <p>In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the company's financial statements.</p>			
<p>Disclosure impact</p> <p>Terminology changes - The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.</p> <p>Reporting changes in equity - The revised AASB 101 requires all changes in equity arising from transactions with members, in their capacity as members, to be presented separately from non-members changes in equity. Member changes in equity are to be presented in the statements of changes in equity, with non-member changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that member changes in equity and other comprehensive income be presented in the statement of changes in equity.</p> <p>Statement of comprehensive income - The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.</p> <p>The company's financial statements now contain a statement of comprehensive income.</p>			

Notes to the **financial statements** – *continued*

for the year ended 30 June 2010	Notes	2010	2009
<p>Other comprehensive income - The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit and loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.</p> <p>(k) New Accounting Standards for Application in Future Periods</p> <p>The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the company follows:</p> <p>AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).</p> <p>These standards are applicable retrospectively and amend the classification and measurement of financial assets. The company has not yet determined any potential impact on the financial statements.</p> <p>The changes made to accounting requirements include:</p> <ul style="list-style-type: none"> • simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value; • simplifying the requirements for embedded derivatives; • removing the tainting rules associated with held-to-maturity assets; • removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost; • allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect to these investments that are a return on investment can be recognised in comprehensive income and there is no impairment or recycling on disposal of the instrument; 			

Financial report *continued*

Notes to the financial statements – *continued*

for the year ended 30 June 2010	Notes	2010	2009
<ul style="list-style-type: none"> requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristic of the contractual cash flows. <p>AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).</p> <p>This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the company.</p> <p>AASB 2009-4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable to annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).</p> <p>These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvement project. No changes are expected to materially affect the company.</p> <p>The company does not anticipate early adoption of any of the above Australian Accounting Standards.</p>			

Notes to the financial statements – continued

for the year ended 30 June 2010	Notes	2010	2009
		\$	\$
2. Revenue from Ordinary Activities			
<i>Operating activities</i>			
- Joining Fees		-	16,000
- Subscription Fees		67,090	71,127
- Fees for Service		3,306,702	3,471,779
- Other Revenue		692	6,257
- Interest Received		366,998	459,332
<i>Non-operating activities</i>			
- Other Revenue		-	-
Total revenue from Ordinary Activities		3,741,482	4,024,495
3. Profit(Loss) from Ordinary Activities			
Profit/(Loss) from Ordinary Activities has been determined after			
Charging as an expense:			
Depreciation and Amortisation of non-current assets			
- Depreciation of plant and equipment		60,160	136,951
Total Depreciation and Amortisation Expenses		60,160	136,951
Operating lease rentals			
Minimum lease payments		491,811	451,973
Total Operating Lease Rental		491,811	451,973
Transfer to/(from) provision for Holiday Pay			
		(8,289)	(12,186)
Transfer to/(from) provision for Long Service Leave			
		27,323	(4,021)
(Losses)/Gains on Disposal of Property, Plant & Equipment			
Gain/(loss) on disposal of property, plant and equipment			
		-	-
Loss on Disposal			
		(1,375)	(733)
Net gain/(loss) on disposal of property, plant and equipment		(1,375)	(733)

Financial report *continued*

Notes to the financial statements – *continued*

for the year ended 30 June 2010	Notes	2010	2009
		\$	\$
4. Current Assets - Cash and Cash Equivalents			
Cash on Hand		800	800
Cash at Bank		1,339,926	1,167,310
Deposits at Call		3,693,903	791,905
Cash and Cash Equivalents		5,034,629	1,960,015
5. Current Assets - Receivables			
Trade Debtors *		164,530	148,013
less: Provision for Doubtful debts		(15,000)	(15,000)
Trade debtors after provision for doubtful debts		149,530	133,013
Accrued Revenue		133,255	110,943
Receivables		282,785	243,956
* Terms: Trade debtors are non-interest bearing and generally on 30 day terms.			
6. Current Assets - Other			
Prepayments		80,380	109,317
Other Debtors		43,691	36,527
Other		124,071	145,844
7. Investments			
Investments in Bank Bills due beyond 30 June 2010		1,889,226	3,616,870
		1,889,226	3,616,870
8. Non Current Assets - Property, Plant and Equipment			
Plant and equipment at cost		2,177,523	2,164,056
less: Accumulated depreciation		(2,075,927)	(2,093,107)
Property, Plant and Equipment	21	101,596	70,949
Refer also to note 1(h) for impairment of assets.			

Notes to the **financial statements** – *continued*

for the year ended 30 June 2010	Notes	2010	2009
		\$	\$
9. Current Liabilities - Payables			
Creditors		75,765	58,830
Accrued Expenses		149,094	111,828
Payables		224,859	170,658
10. Current Liabilities - Provisions			
Employee entitlements (being provision for Annual Leave and Superannuation)		140,951	148,372
Other		49,228	36,620
Provisions		190,179	184,992
11. Current Liabilities - Other			
Unearned Income	1(e)	1,920,106	479,993
Other		1,920,106	479,993
Unearned income represents Woolclasser registration fees received for the period 1/1/2010 to 31/12/2012			
12. Non-current Liabilities - Provisions			
Employee entitlements (being provision for Long Service Leave)		169,421	142,098
Provisions		169,421	142,098
13. Members' Funds - Reserves			
Members' Reserves			
Balance at 1 July		640,000	640,000
Transfer from Retained Surplus		-	-
Reserves		640,000	640,000

Financial report *continued*

Notes to the financial statements – *continued*

for the year ended 30 June 2010	Notes	2010	2009
		\$	\$
14. Members' Funds - Retained Surplus			
Retained Surplus			
Balance at 1 July		4,419,893	4,539,608
Net profit attributable to members of the company		(132,151)	(119,715)
		4,287,742	4,419,893
15. Remuneration of Directors and Key Management Personnel			
Income paid or otherwise made available to directors and key management by the company or related parties. No retirement benefits were paid to directors during the year.			
Short-term benefits		544,328	509,523
Post-employment benefits		58,370	65,422
Other Long-term benefits		16,394	5,965
		619,092	580,910
16. Remuneration of Auditors			
Amounts received or due and receivable by Thomas Davis & Co for:			
- audit of the financial report of the company		15,400	15,400
- other services		-	-
		15,400	15,400
17. Expenditure Commitments			
Operating leases (non cancellable)			
Minimum lease payments			
- not later than one year		119,887	455,836
- later than one year and not later than five years		10,822	127,469
- later than five years		-	-
		130,709	583,305
Expenditure Commitments			
These commitments represent payments due under non-cancellable operating leases that have not been recognised as liabilities in the current financial year.			

Notes to the financial statements – continued

for the year ended 30 June 2010	Notes	2010	2009
		\$	\$
18. Related Party Disclosure			
The directors of the Australian Wool Exchange Limited during the financial year were:			
R.A.Farrar	T.J.Doolan		
R.W.Amos	D.R.Hamblin		
M.D.Avery (Appointed 4/12/2009)	M.J.Moses		
D.R.Belgre (Retired 4/12/2009)	D.M.Watt		
Alternate directors were: D.A.MacDonald, G.C.Fisken and M.J.de Kleuver			
Director and Director-related entity Transactions			
A number of the directors are directors of entities which transact with the company.			
The directors involved are:			
M.D.Avery	T.J.Doolan	M.J.Moses	
D.R.Belgre	D.R.Hamblin		
The company receives joining fees, subscriptions, trading fees and service fees for the use of wool selling facilities from the director-related entities during the financial year. All services were provided under the company's standard terms and conditions.			
Aggregate amounts of these transactions are as follows:			
Income			
Selling facility fees		104,833	192,571
EDI Network fees and Market Reports		48,506	73,976
Other		717	7,899
		154,056	274,446
19. Segment Information			
The company operated predominantly in one industry, being the Australian Wool Industry.			

Financial report *continued*

Notes to the financial statements – *continued*

for the year ended 30 June 2010	Notes	2010 June	2009 June
		\$	\$
20. Reconciliation of operating profit/(loss) from ordinary activities after income tax to net cash from operating activities			
Profit(Loss) from ordinary activities		(132,151)	(119,715)
Depreciation and amortisation		60,160	136,951
Increase/(Decrease) in Other Provisions		32,510	6,989
(Profit)/Loss on disposal of plant and equipment		1,375	733
Decrease/(Increase) in trade and other debtors		(38,830)	52,751
Decrease/(Increase) in other debtors and prepayments		21,774	(12,878)
Decrease/(Increase) in trade creditors, accruals and unearned income		1,494,314	(895,256)
Net cash Inflows/(Outflows) from operating activities		1,439,152	(830,425)
21. Property, Plant and Equipment - Reconciliation			
Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.			
Plant and Equipment			
Carrying amount at beginning of the period		70,949	183,338
Additions		92,182	25,295
Disposals (net)		(1,375)	(733)
Depreciation Expense		(60,160)	(136,951)
Carrying amount at end of the period		101,596	70,949

Notes to the financial statements – continued

for the year ended 30 June 2010		Notes	2010 June	2009 June
			\$	\$
22. Financial Instruments				
(a) Interest Rate Risk				
The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and liabilities is as follows:				
Financial Assets				
Cash, cash equivalents and investments - Current	4	5,034,629	1,960,015	
Cash, cash equivalents and investments - Non Current	7	1,889,226	3,616,870	
Total Cash, cash equivalents and investments		6,923,855	5,576,885	
Weighted Average Effective Interest Rate		5.61%	7.59%	
Trade Debtors & Other Receivables	5	282,785	243,956	
Weighted Average Effective Interest Rate		N/A	N/A	
Other Assets	6	124,071	145,844	
Weighted Average Effective Interest Rate		N/A	N/A	
Total Financial Assets		7,330,711	5,966,685	
Financial Liabilities				
Trade Creditors and other payables	9	224,859	170,658	
Weighted Average Effective Interest Rate		N/A	N/A	
Total Financial Liabilities		224,859	170,658	
(b) Net Fair Value				
All financial assets and liabilities have been recognised at the balance date at their net fair values as their carrying amount approximates fair value.				
(c) Credit Risk Exposure				
The company's maximum exposure to credit risk at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets in the statement of financial position, net of provision for doubtful debts.				

Financial report *continued*

Notes to the financial statements – *continued*

for the year ended 30 June 2010	Notes	2010	2009
		\$	\$
23. Contingent Liabilities			
The company has provided a bank guarantee in respect of payroll obligations to the value of:		50,000	50,000
Financing arrangements			
Payroll facility		50,000	50,000
Used at balance date		-	-
Unused at balance date		50,000	50,000

Directors' declaration



The Directors' of the company declare that:

1. the financial statements set out on pages 21 to 46:
 - a. comply with Accounting Standards and the Corporations Act 2001; and
 - b. give a true and fair view of the Company's financial position as at 30 June 2010 and performance for the year ended on that date.
2. in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This statement is made in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'R A Farrar', with a horizontal line drawn underneath.

R A Farrar
Chairman

A handwritten signature in black ink, appearing to read 'D M Watt', with a horizontal line drawn underneath.

D M Watt
Deputy Chairman

Melbourne 3rd September 2010

Auditor's report

Independent Auditor's Report To The Members Of Australian Wool Exchange Limited

We have audited the accompanying financial report of the Australian Wool Exchange Limited, which comprise the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in members' funds and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material mis-statement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material mis-statement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material mis-statement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation

of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's Opinion

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

- (1) Giving a true and fair view of the Company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- (2) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.



THOMAS DAVIS & CO.



P.L. WHITEMAN, Partner
Chartered Accountants

SYDNEY, 3rd September 2010

Liability limited by a scheme approved under
Professional Standards Legislation

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