

It's all about confidence



2006 Annual *Report*

AWEX

www.awex.com.au

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Highlight's 2005/06

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- Review of woolclasser training resources completed and implemented
- Review of AWEX-ID version 3.0S completed
- Refresher training for active accredited appraisers completed
- Indicator review released July 1, 2006
- Awarded ACACA funding to travel to China in September 2006
- “Boardtalk to the Bush” seminars completed. Over 1200 woolclassers attend 23 seminars across Australia
- AWEX reviews and implements new extensive clip inspection and feedback procedures
- AWEX Woolclasser Code of Practice under review with extensive consultation with industry
- Preparation for Woolclasser re-registration underway
- Registration Review Committee established to review wool preparation performance
- 1st stage of e-bale (RFID) project completed
- AWEX licenses AWEX-ID to South Africa
- AWEX migrates from Memorandum and Articles to Constitution
- AWEX Board Strategy meeting defines future direction for AWEX
- Completed a comprehensive survey of members and the wider industry

Chairman's Message



Allan Farrar *AWEX Chairman*

For the past five years my report to Members as Chairman of AWEX has opened with some comment about the difficult conditions being experienced by all sectors of the wool industry. Conditions, both in terms of production and markets are still unquestionably very difficult.

Very many woolgrowers are battling drought for the fifth year. International textile fibre markets are rigorously competitive. China's market dominance has created challenging issues for everyone.

However, despite the on-going battle it is possible to detect a resurgence of optimism and confidence, more particularly an expression of determination from many quarters to halt the wool industry's decline and to create a renaissance.

The strong sheep meat market, which has emerged during the last five years, thanks to concerted, skilful and successful export marketing initiatives, has helped to underpin the industry's capital in the face of seasonal vicissitudes and low wool prices.

Merino Stud Breeders have maintained their commitment to excellence. The industry is harnessing genetic technology to generate improvements in productivity and quality. But the introduction of exotic breeds is a serious threat to wool quality and must be managed accordingly.

There is widespread acknowledgement of the need for and commitment to, co-operation and

communication globally between wool growers, brokers, exporters, processors, scientists, technologists and marketers including retailers.

The Test Marketing Program is but one, inspiring example of the spirit of the renaissance which is abroad. The mood of the participants and the papers presented at the IWTO Congress in Cairo and the World Merino Conference in Perth, W.A. were indicative of the good will and determination toward this initiative. We are pleased to have been able to make a contribution to this program on behalf of members. However, pragmatism suggests that the benefits of this program will be reflected by the market in the medium to longer term.

The 2005/2006 year has been a very challenging one for AWEX, as it has been for our members. Your Directors have faced a complex matrix of challenges in a number of AWEX's roles and responsibilities in the industry. In this context we commissioned a professional survey of

"The Test Marketing Program is but one, inspiring example of the spirit of the renaissance which is abroad."



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members to support our decision making. AWEX is committed to the continued high quality delivery of its essential services to its members and to the wider wool industry. We are also committed to continuous improvement in the quality of our service. We know we have much work to do – the need for improvement in the preparation of the clip is a case in point - and the industry and its constituent organisations have much work to do but we intend to be there for our members as an essential element in the incipient wool renaissance.

On behalf of the Board I thank and commend our CEO, his senior management and staff on their commitment, their efforts and achievements under testing circumstances. We applaud 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 their unstinting support during the year.

R A Farrar

Chairman, Australian Wool Exchange Limited

30 August 2006

CEO's Message



Mark Grave AWEX CEO

AWEX has evolved from an organisation solely focused on facilitating wool auctions to one that is keenly focused on industry compliance, wool preparation standards and market information, those issues which underpin commercial trading confidence throughout the industry.

The operating environment for AWEX has been very difficult in recent years and if it were not for the ongoing support of our members the many achievements and project developments of AWEX would not have been possible. The direct member benefits are not always easy to quantify but the delivery, motivation and improvements which AWEX has made to its services are unquestionable.

The Australian wool industry is a vibrant, passionate and pragmatic industry but over and above this, Australia is at the leading edge of the wool industry with its production volume and overall commitment to excellence and efficiency. Buyers and Processors from around the world choose to buy Australian wool.

AWEX's financial year end performance has been a modest one delivering a surplus of \$39,446.

AWEX is a not-for-profit company and serves its members and by direct association the wider wool industry. We continue to monitor our revenue

AWEX has accomplished much over the last year, in an environment that has become increasingly difficult for us all in the wool industry. Whilst we are all aware of the climate of the industry in that period it is important to recognise the improvements and benefits we have achieved for our members, clients and the industry.

and expenditure very closely and importantly we aim to preserve the equity members have built up and invest it where it will deliver the best return to members. The budget for 2006/07 has forecast another near to break even position. This is in keeping with the company objectives. AWEX members should be confident the management and Board are acutely aware of our responsibilities to members with respect to the management of the funds members have built up in AWEX.

During the 2005/06 financial year two members resigned from AWEX. This was disappointing and had an impact on AWEX financially, however, it has not reduced our level of service or the commitment to the fundamental services AWEX provides.

AWEX members strongly support the objectives with which AWEX operates and from which it was founded, specifically, the need for an independent body to provide 'industry good' services including market information and industry compliance, clip inspection monitoring services which provide confidence to the trade.

Member Survey

These views were evident from the outcomes received from members from the Member Survey in December/January conducted by Genroe Consulting. AWEX's report card from members

on our services were stark and telling and were pivotal in your Board's decisions at the April Strategy meeting. The outcomes of that strategy meeting led to further consultation with members which led to a reconsideration of some issues. The evolution of AWEX will continue as the needs of the industry and our members change.

AWEX's work is often less glamorous than other aspects of the industry but is no less important. We work at the grass roots of the wool industry because we know that it has a significant impact on each stage down the wool pipeline.

An important strategy of AWEX has been to maintain and increase where possible the presence of staff and skills at the 'coal face'. It is the day to day interaction between AWEX and our members which provides the greatest insight into the needs and pressures facing our members and the industry.

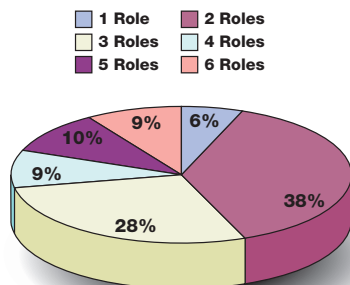
Over the past 12-15 months AWEX has been fortunate to welcome new staff to the company who have replaced former staff but added greater depth and strength to our skill base and provide significant benefits in the approach and provision of services to members. With new staff comes a greater opportunity to share skills and broaden the base of knowledge and to significantly increase productivity through better management and deployment of technology.

Woolclasser Registration

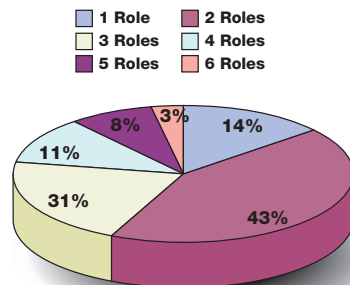
AWEX continues to deliver real value to our members, to our subscribers and to the industry. The new initiatives and projects achieved in 2005/06 include for the first time standardised training resources for woolclassers across Australia. AWEX has listened to the concerns

Membership Structure

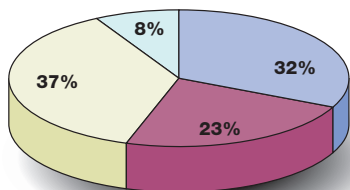
Number of Roles that Members Operate by Bale



Number of Roles that Members Operate by Member



Type of Roles that Members Operate by Member



CEO's *Message* continued

of Buyer members regarding the perceived fall in standards for woolclassing and have done something about it. Up until March 2006 woolclassing was taught with a variety of often antiquated training material in each state and by each Registered Training Organisation. Much of the material was in excess of 20 years old. AWEX with the visionary funding support of the International Fibre Centre, Geelong and the skills of the Trends Unit of SW-Tafe have created for the Wool Industry national training material standardised for our new and up and coming woolclassers.

The resources are a vast improvement and in managing this very important project, AWEX now has the responsibility of ensuring these resources remain relevant in the changing nature of the wool industry. At AWEX we want to recognise the importance of and uphold the talented skill base of the woolclasser. Diminishing skilled resources are impacting on the wool industry as we have increasing pressure from booming industries such as mining.

Clip Inspection

A new, improved and extensive program of clip inspection monitoring was introduced during the year and importantly is backed up by additional training and calibration for AWEX staff across each region. The program is supported by vastly improved communications with Brokers and Buyers to ensure the market is well informed.

The improved clip inspection service clearly identifies every issue raised either by Buyers or AWEX and resolves them before sale. The result is also vastly improved feedback to the woolclasser. The woolclasser is the first stage of processing and there is a lot of pressure on the woolclasser to get it right and with the assistance of the industry we will get the right messages to them. Woolclassers are accountable for their performance and as an industry we must support them in their work.



Boardtalk

'BoardTalk to the Bush' seminars have been a resounding success. This has been a bold initiative particularly as the seminars, aimed at woolclassers, were taken to remote locations across the country to provide the greatest opportunity for woolclassers to attend and be informed. The vast majority of Australia's 24,000 woolclassers do not live in cities and therefore, we will deliver this key service where they live. The success of and need for these open forums where woolclassers can meet with their peers will continue in 2006/07.

'BoardTalk to the Bush' locations

Queensland	<ul style="list-style-type: none"> • Charleville • Stanthorpe
New South Wales	<ul style="list-style-type: none"> • Glen Innes • Uralla • Dubbo • Broken Hill • Yass • Wagga
Victoria	<ul style="list-style-type: none"> • Swan Hill • Sale • Ararat • Casterton
South Australia	<ul style="list-style-type: none"> • Kangaroo Island • Burra • Kimba • Narracorte
Western Australia	<ul style="list-style-type: none"> • Esperance • Narrogin • Mount Barker • Northampton • Perth • Kojonup
Tasmania	<ul style="list-style-type: none"> • Campbell Town

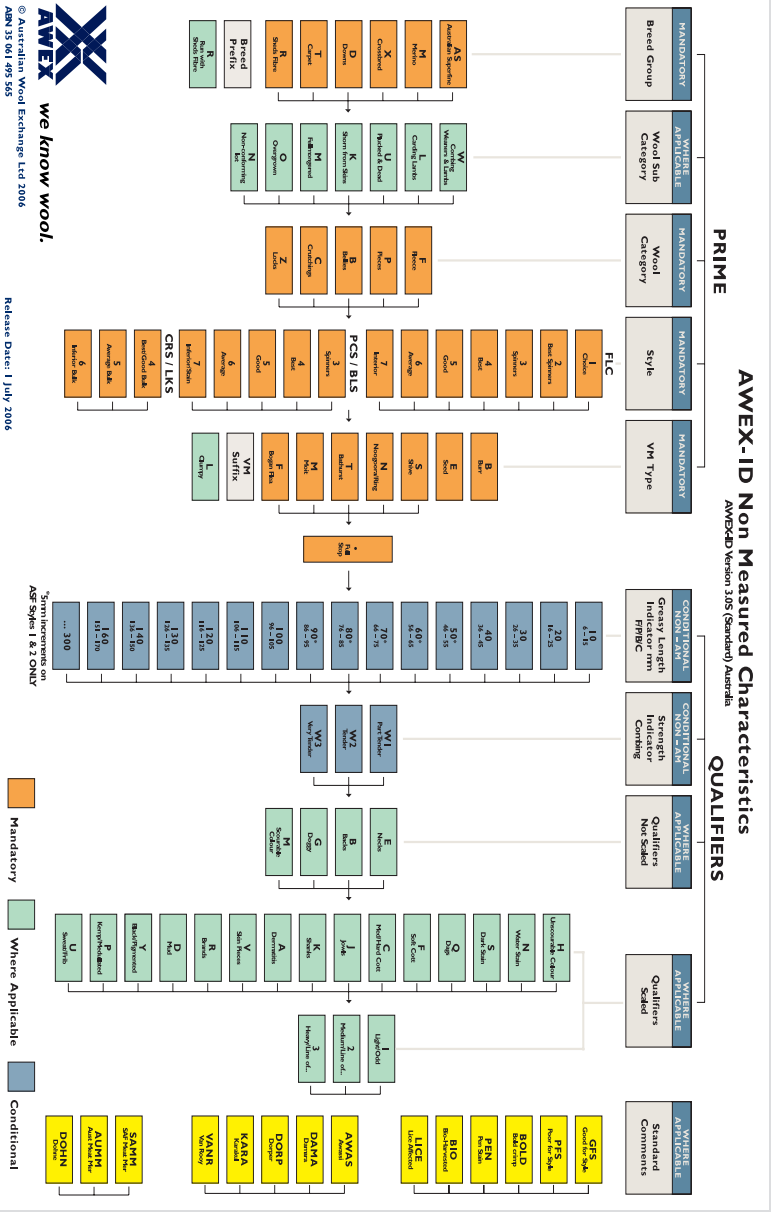
Code of Practice 2007 in Review

The review of the Code of Practice, arguably the single most important formal document in the Australian wool industry, has taken place over the past 18 months. The Code of Practice defines what we as an industry want as a standard to make Australian wool the most sought after in the world. The review has been the most rigorous undertaken by the industry to date and the outcome is an industry reference document, which provides meaningful direction for the woolclasser and woolgrower to prepare wool to be traded with confidence across the world.

The Code of Practice 2007 will deliver a greater focus on shared involvement of wool growers in shearing and over and above this will be a more user friendly document which will be used. Together with this Code will come an extensive education campaign to ensure that all of the changes are well understood. Education is an important component in any successful program.

Shearing and woolclassing is the first stage of the wool processing pipeline. It is imperative that we recognise this fact and that we support the principles of woolclassing which have been developed with the cooperation of the trade.





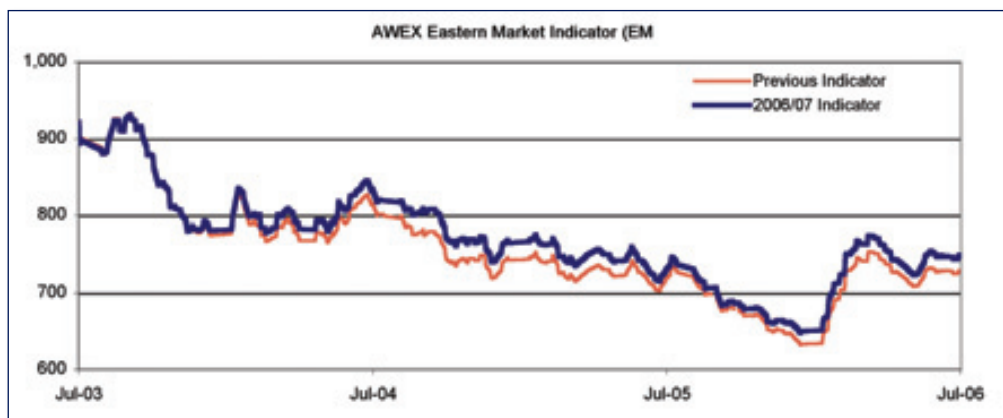
AWEX-ID Review

Also during the year AWEX has revised AWEX-ID and released version 3.0S. This is an important review and one that is delivering benefits to AWEX through greater descriptive powers for AWEX clip inspector staff. AWEX-ID v3.0S has also been licensed to South Africa. To ensure a successful release, AWEX also undertook training in each region for Broker and Buyer staff to ensure the changes were well understood.

Indicator Review

2005/06 marked another timely review of the AWEX Market Indicators. The review was conducted under the active guidance and participation of members to ensure we had the best counsel on all issues that are market reporting. The indicators are significant in derivative markets and are used by Woolgrowers, Brokers and Buyers to gain understanding of the markets.

In February 2006 a project jointly funded between AWEX and AWI was completed which reviewed the current technologies and cost benefits of the introduction of an "e-bale" identification device. The outcomes were such that a first stage trial was also undertaken to pragmatically assess the merit and robustness of the technology. Further trialing is required and is marked as a project on the horizon for AWEX.



CEO's Message *continued*

Communication

Other significant changes which have increased efficiency and productivity have included the re-writing of the AWEX corporate web-site. AWEX now has a low cost and manageable web-site that is truly user friendly. I encourage you to visit the AWEX web-site on **www.awex.com.au**. New programs for Wool Clearing Services were introduced to streamline the process of the transfer of information. The combining of the AWEX Reports web-site and the AWEX Online web-site will reduce costs to AWEX and industry and provide greater access to AWEX's market information.

AWEX has also been actively working with industry on various projects including the Dark & Medullated Risk Working Group, the AWI Wool Production Forecasting Committee, the AWI Free Trade Agreement Committee and the Industry Compliance and Standards Working Group. These roles have all been active working roles for the benefit of members which AWEX has been able to add significant value.

NASC

The National Auction Selling Committee (NASC) has also been supported by AWEX on behalf of our members. AWEX provides administration support

to this committee at no cost to members as well as the subsequent rostering services to the industry.

ACACA

On a separate issue AWEX received funding in June from the Federal Government as part of the Australia-China Agricultural Cooperation Agreement (ACACA) initiative to travel to China in September.

This is the first time AWEX has traveled to China to visit mills, specifically, to receive first hand information of the issues which they face. AWEX's aim is to create better dialogue with the processors of Australian wool so we can provide the best information for our woolclassers. Our aim is to improve the standard of preparation of Australian wool and this is one step in that direction.



It's all about confidence



Well skilled and dedicated staff are the vital ingredient to AWEX's commitment and delivery of services. I would like to express my unwavering admiration and gratitude to my team who perform admirably with the greatest conviction. Often the coal face can be testing and our job is not always easy, I believe the industry is fortunate to have the benefits of your skill, patience and demeanor.

The strength and success of AWEX is our membership. I would also like to thank you for your participation, input and challenging of our services. It is what makes this industry great.

It is important that AWEX does not lose sight of who it is and what it is there to achieve.

Mark Grave

CEO, Australian Wool Exchange Limited

30 August 2006

Our Members

Trading Members

A C Pacific Trading Pty Ltd	Fibres (Australia) Pty Ltd
A R Rhodes & Company	Fletcher International Exports Pty Ltd
A S Gedge Australia Pty Ltd	Fox and Lillie Pty Ltd
ACF Wool Traders Pty Ltd	Fremantle Wool Trading Company Pty Ltd
Adelaide Wool Company Pty Ltd	Goddard Wool Marketing Pty Ltd
AES Scott & Company Pty Ltd	Goldex Corporation Pty Ltd t/as Mascot Wool
Associated Wool Exporters Pty Ltd	Gordon Litchfield Wool Pty Ltd
Attadale Wool Company Pty Ltd	GrainCorp Operations Limited
Australian Wool & Pastoral Agency Ltd	H Dawson Sons & Co (Aust) Pty Ltd
Australian Wool Network Pty Ltd	Harvest Wool (Australia) Pty Ltd
Australis Wool Pty Ltd	Hodge Wool Pty Ltd
Barwon & Yarra Wool Brokers Pty Ltd	Itochu Wool Limited
Beecher Wool Services	J A Seager & N E Seager Partnership
Bowden Wool Auctions Pty Ltd division of AWN	James Stedman (Wool) Pty Ltd
Brockmill Pty Ltd	Jemalong Wool Pty Ltd
T/as Dyson Jones Wool Marketing	Jenkyn Wool Exports Pty Ltd
Bryton Wool	John Boddice Wool Company Pty Ltd
BWK Elders Australia Pty Ltd	Kathaytex Australia Pty Ltd
Cable Wool Pty Ltd	Landini Industries Pty Ltd
Chadron Pty Ltd	Landmark Limited
Chargeurs Wool Australia Pty Ltd	Lanoc Wool Pty Ltd
Cogtrust Pty Ltd T/as Coggan Wool	Laycock Speciality Fibres Pty Ltd
Conn Wool Pty Ltd	Lempriere (Australia) Pty Ltd
Dewavrin Australia Pty Ltd	Lochville Pty Ltd
Diamond T & Bar Pastoral Company Pty Ltd	Louis Dreyfus Australia Pty Ltd
Don Belgre Pty Ltd	M & M Wools (Aust) Pty Ltd
Dynon Wools (Aust) Pty Ltd	M A Kieman & Company Pty Ltd
E P Robinson Pty Ltd	McFeeters Wool
F Whitbread & Company	Melbourne International Wool Traders Pty Ltd

Meredith Wool Company Pty Ltd

Michell Pty Ltd

Ming Shan Company (Australia) Pty Ltd

Modiano Australia Pty Ltd

Montgomery Wools Pty Ltd

Morepen Pty Ltd

Moses and Son

New England Wool Pty Ltd

New Wool Traders

NGS Wool (Queensland) Pty Ltd
division of AWN

Ostini Wool Pty Ltd

P J Morris Wools Pty Ltd

P Lyons & Company Pty Ltd

Peter Scanlan Wools

Primac Elders Wool Department

Primaries of WA Pty Ltd

Quality Wool Pty Ltd

Quay Wool Services Pty Ltd

Reward Australia Pty Ltd

Riverina Wool (Aust) Pty Ltd

Riverton Wools

Roberts Limited

Rodwells & Company Pty Ltd

Saunders Wool Pty Ltd

Segard Masurel (Australia) Pty Ltd

Sim International Pty Ltd

Sky Wool Australia Pty Ltd

Southern Cross Wool Pty Ltd

Standard Wool Australia Pty Ltd

Startoy Pty Ltd

Stockwool Pty Ltd

Tourwool division of AWN

Techwool Trading Pty Ltd

The New Zealand Merino Company Ltd

Tradeswool Country Woolbuyers Pty Ltd

Tradeswool Pty Ltd

United Farmers Co-Operative Company Ltd

V & H Smythe Pty Ltd

Victoria Wool Processors Pty Ltd

Vicwool Pty Ltd

Watswool Pty Ltd

West Coast Wools Pty Ltd

Western Wool Marketing

Williams Wool Pty Ltd

Wool Agency Company Pty Ltd

Woolgrowers Independent

Selling Services Ltd

Yarra Wool

Yeoward & Company

Our Members

Associates & Growers

Associate Members

Australian Superfine Woolgrowers' Association

The WoolMark Company

WA Department of Agriculture

Grower Members

A & A H Burgess

A J Byrne & Company

Abfam Nominees Pty Ltd

Andrew Wall

Anthony Chenery

Arthur M Bock

Australian Wool Growers Pty Ltd

Autumnvale Pastoral Company

Balquhidder Pty Ltd

Banks Brothers

Bloomfield Pastoral Company

Brett Campbell

Bukalong Enterprises

Byanga Pastoral Company

C E Hyde & Company

C M De Mestre

C W A & D W Prell

Callubri Pty Ltd

Cavanagh Partnership

Clyde Agriculture Limited

Coomba Grazing Company Pty Ltd

D D & A J Long

D W Taylor Pty Ltd

Dingo Range

Dr Robert N Baulch

Duncan Fraser

East Murandal

G A Amery Family Trust T/as Amberedge Pty Ltd

G W & C L Clothier & Sons

Garth England

Gary William Lovering

George Terrant Walker

Glenbuddah Pty Ltd

Glenelg Estate

Golding Farms

Gordon Litchfield

Gorrinn Pastoral Company

Ian Aubrey

Ian Burbury

Ian Mclean

Ian William Whiteley

J A & J A McCracken

J M Moore

J P & S M Ranken

J R & D M D Mills

J R L Hall & Company

John Edward Beveridge

Jonathan Tischler

K Q & J J Miller

Kalmer Pastoral Company

Kentucky Pty Ltd

Kevin Gill

Lindsay & Bridgman

MA & AL Nicholls

Mance Pastoral Company Pty Ltd

Marong Pastoral Company Pty Ltd

Max Zell Family Settlement Trust

Mclvor Agricultural Consultants Pty Ltd

Michael Bilney

Michael Emery

Mr Terry Carlon

Neville Parker

P T & K C Walker (Partnership)

Parling Yards Trading Company

Pete Longley

Phil O'Brien Wool Pool

Quambaloo Pastoral Company

R J & L J Parkins

Robert Pietsch

Robert Richardson Dick

Roger Farquharson Mason

S S & W A Parkinson

Spielvogel, Karalta

Stonehouse Grazing

Strathbogie Pastoral Company

Sun Valley AG

Terinallum Partnership

The Mutooroo Pastoral Company Pty Ltd

Twynam Pastoral Company Pty Ltd

W S & M E McCann Pty Ltd

Wandella Pastoral Partnership

Woolaway Grazing

WoolProducers

Yarrabee Grazing Company

Yarrum Valley Pty Ltd

Directors' Report

Your Directors submit their report for the year ended 30 June 2006.

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
	R.A. Farrar <i>Chairman</i> <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; Past Chairman, Audit, Compliance and Corporate Governance Committee *.
	R.W. Amos <i>Director Appointed 18/11/2005</i> <ul style="list-style-type: none"> Managing Director, Adelaide Wool Company Pty Ltd; Past Federal President of the Federal Council of Private Treaty Merchants of Australia; Managing Director, Robaine Pty Ltd. 	<ul style="list-style-type: none"> Non Executive Director; Member, Organisational Review Committee.
	D.R. Belgre <i>Director</i> <ul style="list-style-type: none"> Managing Director, Don Belgre Pty Ltd; Managing Director, G. Schneider Australia Pty Ltd; Italian Region Representative, Australian Superfine Woolgrowers' Association; Chairman, Australian Wool Network Pty Ltd. 	<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.
	A.L. Harris <i>Resigned 7/10/2005</i> <ul style="list-style-type: none"> National Wool Representative, Elders Ltd; President, National Council of Wool Selling Brokers; Director, Australian Wool Testing Authority Ltd. 	<ul style="list-style-type: none"> Non Executive Director; Member, Organisational Review Committee.
	I.K. McIvor <i>Director</i> <ul style="list-style-type: none"> International Trade Consultant and Woolgrower; Director, Livecorp Ltd; Director, Australian Livestock Exporters Council Ltd. 	<ul style="list-style-type: none"> Non Executive Director; Member, Remuneration Committee; Member, Audit Committee; Member, Compliance and Corporate Governance Committee; Past Member, Audit, Compliance and Corporate Governance Committee *.
	D.R. Michell <i>Director</i> <ul style="list-style-type: none"> Managing Director, Michell Pty Limited; Chairman and Director, Wirra Wirra Vineyards Pty Limited; Director, Australian Wool Testing Authority Ltd; Past President, Australian WoolProducers Council. 	<ul style="list-style-type: none"> Non Executive Director; Member, Organisational Review Committee.
	M.J. Moses <i>Director</i> <ul style="list-style-type: none"> Managing Director – Moses and Son; Director, Pinefarm Pty Limited; Director, Yennora Wool Brokers; Director/Secretary, The Pinnacles (Temora) Pty Limited. 	<ul style="list-style-type: none"> Non Executive Director; Member, Rules Committee; Member, Membership Admission Committee; Board Representative ISAC.
	D.J. Nancarrow <i>Director</i> <ul style="list-style-type: none"> Managing Director – Dewavrin Australia Pty Ltd; Director, Independent Wooldumpers Pty Ltd; President, Australian Council of Wool Exporters. 	<ul style="list-style-type: none"> Non Executive Director; Member, Organisational Review Committee.

Director / Experience		Special Responsibilities
	R.D. Pietsch <i>Director</i> <ul style="list-style-type: none"> • Grazier; • Director, Terrica Holdings; • Director, Australian Wool Testing Authority Ltd; • Director, AgForce Enterprises Qld; • Director, AgForward; • President, WoolProducers. 	<ul style="list-style-type: none"> • Non Executive Director; • Chairman, Rules Committee; • Member, Organisational Review Committee.
	G.M. Stooke <i>OAM Resigned 18/11/2005</i> <ul style="list-style-type: none"> • Managing Director, Standard Wool Australia Pty Ltd; • Managing Director, SH Allen & Sons Pty Ltd; • Director, Independent Wooldumpers Pty Ltd; • Director, Jandakot Wool Washing Pty Ltd; • Chairman, WA Rugby Union Inc. 	<ul style="list-style-type: none"> • Non Executive Director; • Member, Remuneration Committee; • Past Member, Audit, Compliance and Corporate Governance Committee *.
	C.M. Turner <i>Director Appointed 14/10/2005</i> <ul style="list-style-type: none"> • Victorian State Wool Manager, Landmark Ltd; • Member, Dark and Medullated Fibre Risk Committee, Federation of Australian Wool Organisations and Australian Wool Innovation. 	<ul style="list-style-type: none"> • Non Executive Director; • Member, Organisational Review Committee.
	D.M. Watt <i>Director</i> <ul style="list-style-type: none"> • Lawyer; • Woolgrower; • Chairman of Integrated Tree Cropping Ltd; • Chairman, Titan Resources Ltd. 	<ul style="list-style-type: none"> • Non Executive Director; • Member, Audit Committee; • Member, Compliance and Corporate Governance Committee; • Member, Remuneration Committee; • Past Member, Audit, Compliance and Corporate Governance Committee *.
	M.F. Pritchard <i>Company Secretary</i> <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, Organisational Review Committee; • Secretary, Rules Committee; • Past Secretary, Audit, Compliance and Corporate Governance Committee *.

Note: At the Board meeting held on the 24th February 2006, the Directors approved the separation of the Audit, Compliance and Corporate Governance Committee into two separate committees.

Alternate Director	Experience	Special Responsibilities
L.E. Baronet <i>Alternate for D R Michell Resigned 29/7/2005</i>	<ul style="list-style-type: none"> • Director, Old Mill Way; • Director, Old Mill Way Super Fund. 	<ul style="list-style-type: none"> • Alternate Director
R. Cable <i>Alternate for D R Belgre Resigned 28/2/2006</i>	<ul style="list-style-type: none"> • Director, Cable Wool Pty Ltd. 	<ul style="list-style-type: none"> • Alternate Director
D.R. Hamblin <i>Alternate for R D Pietsch</i>	<ul style="list-style-type: none"> • Grazier; • Director, WoolProducers; • Councillor, NSW Farmers Executive; • Chairman, NSW Farmers Wool Committee; • Professional Woolclasser. 	<ul style="list-style-type: none"> • Alternate Director
W. Lempriere <i>Alternate for D J Nancarrow</i>	<ul style="list-style-type: none"> • Managing Director, Lempriere Australia Pty Ltd; • Director, Lempriere Fox and Lillie Pty Ltd. 	<ul style="list-style-type: none"> • Alternate Director
D.A. Macdonald <i>Alternate for M J Moses</i>	<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

Directors' Report *continued*

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.

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.

Employees

The company employed 18 full time and 11 casual employees as at 30 June 2006 (2005: 17 full time permanent and 12 casual employees).

Results

An operating surplus of \$39,446 (2005: \$449,053) was achieved for the year.

Dividends

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

Review of Operations

Revenue for the year was primarily derived from service fees received of \$5,528,884 (2005: \$5,291,108). Total revenue for the period was \$5,920,994 (2005: \$5,741,463).

Total operating expenses for the year were

\$5,881,548 (2005: \$5,292,410) relating to the provision of project and ongoing services.

Performance Management

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

Risk Management

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

The Board has mechanisms in place to oversight 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 10 Directors, including the Chairman. There are four 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.

Although AWEX is not a listed company, it adopts the best practice recommendations as drafted by the ASX Corporate Governance Council.

Principal 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.

Principal 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 CEO. The CEO is not a member of the Board.

Details of Directors' term of office appear previously 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.

Principal 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.

Principal 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.

Principal 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.

Directors' Report *continued*

Principal 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.

Principal 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 oversight 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.

Principal 8:

Encourage enhanced performance.

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

Principal 9:

Remunerate fairly and responsibly.

Details of Directors' remuneration are detailed 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.

Principal 10:

Recognise the legitimate interests of shareholders.

AWEX is a member-based company and does not have shareholders.

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

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

As at the date of this report no matters or circumstances have arisen since 30 June 2006 that have significantly affected or may significantly affect:

1. the company's operations; or
2. the result of those operations; or
3. the company's state of affairs;

in the financial year subsequent to 30 June 2006.

Likely Developments and Expected Result of Operations

There are no likely development 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 2006, 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;
- Remuneration Committee;
- Rules Committee;
- Organisational Review Committee; and
- Membership Admissions Committee.

		Board	Committees				
		Board Meetings	Audit	Compliance & Corporate Governance	Remuneration	Rules	Organisation Review
Directors:		A / E	A / E	A / E	A / E	A / E	A / E
R A Farrar		7 / 7	1 / 1	1 / 1	1 / 1		
R W Amos <i>Appointed 18/11/05</i>		2 / 2					
D R Belgre		7 / 7			1 / 1	2 / 2	
A L Harris <i>Resigned 7/10/05</i>		4 / 4					
I K Mclvor		5 / 7	1 / 1	1 / 1	1 / 1		
D R Michell		6 / 7					
M J Moses		7 / 7				2 / 2	
D J Nancarrow		7 / 7					
R D Pietsch		7 / 7				2 / 2	
G M Stooke <i>OAM Resigned 18/11/05</i>		5 / 5				1 / 1	
C M Turner <i>Appointed 14/10/05</i>		3 / 3					
D M Watt		7 / 7	1 / 1	1 / 1	1 / 1		
Alternate Directors:							
Alternate	For	A / E	A / E	A / E	A / E	A / E	A / E
L E Baronet <i>Resigned 29/7/05</i>	D Michell						
R Cable <i>Resigned 28/2/06</i>	D Belgre						
D R Hamblin	R Pietsch						
W Lempriere	D Nancarrow						
D A Mcdonald	M Moses						

A / E = Attended / Eligible to Attend

*Note: At the Board meeting held on the 24th February 2006, the Directors approved the separation of the Audit, Compliance and Corporate Governance Committee into two separate committees. Neither the Audit Committee nor the Compliance and Corporate Governance Committees have met since the 24th February 2006 and prior to 30 June 2006.

Directors' Report *continued*

Directors' Indemnity

During the year the company has paid a premium of \$71,624.31 (2005: \$63,904.78) for professional indemnity insurance for officers and employees of the company, which provides cover for all past, present and future officers, and employees.

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

Directors' Benefits

A number of the directors have interests in organisations that utilise the services of the company in the ordinary course of business. These services were provided under the company's standard terms and conditions.

With these exceptions, since 30 June 2005 no director of the company has received or become entitled to receive a benefit (other than remuneration included in note 14 to the accounts) because of a contract that the director, a firm of which the director is a member, or an entity in which the director has a substantial financial interest, has made (during the year ended 30 June 2006 or at any other time) with either the company or an entity that the Company controlled, or a body corporate that was related to the company, when the contract was made or when the director received or became entitled to receive the benefit.

Auditor

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

Auditors' Independence Declaration

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

Signed in accordance with a resolution of the directors.



R A Farrar
Chairman



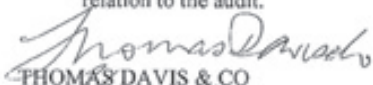
D R Belgre
Director
Sydney 30 August 2006

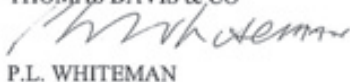
AUSTRALIAN WOOL EXCHANGE LIMITED
A.B.N. 35 061 495 565

**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 2006 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.


THOMAS DAVIS & CO


P.L. WHITEMAN

Date: 30th August, 2006

Liability limited by a scheme approved under Professional Standards
Legislation

Financial Report

Income Statement

<i>for the year ended 30 June 2006</i>	Notes	2006 June	2005 June
		\$	\$
Revenues from ordinary activities	2	5,920,994	5,741,463
Employee benefit expenses		(1,605,581)	(1,542,722)
Depreciation and Amortisation Expenses	3	(450,569)	(408,060)
Occupancy Costs		(363,356)	(381,322)
Other expenses from ordinary activities		(3,462,042)	(2,960,306)
Profit from ordinary activities before income tax expense	3	39,446	449,053
Income tax expense relating to ordinary activities	1(b)	-	-
Net profit from ordinary activities after related income tax expense	13	39,446	449,053

The above Income Statement is to be read in conjunction with the accompanying notes.

Statement of changes in Members' Funds

<i>for the year ended 30 June 2006</i>	Notes	2006 June	2005 June
		\$	\$
Total members' funds at the beginning of the financial year		4,773,833	4,324,780
Net income recognised directly in members' funds		-	-
		4,773,833	4,324,780
Net Profit/(Loss) for the year		39,446	449,053
Total recognised income and expense for the year		39,446	449,053
Total members' funds at the end of the financial year		4,813,279	4,773,833

The above Statement of Changes in Members' Funds is to be read in conjunction with the accompanying notes.

Financial Report

Balance Sheet

as at 30 June 2006	Notes	2006 June	2005 June
CURRENT ASSETS		\$	\$
Cash and cash equivalents	4	4,945,015	6,045,164
Receivables	5	465,873	360,985
Other current assets	6	117,501	91,917
Total Current Assets		5,528,389	6,498,066
NON CURRENT ASSETS			
Property, Plant & Equipment	7, 20	537,844	723,338
Total Non Current Assets		537,844	723,338
TOTAL ASSETS		6,066,233	7,221,404
CURRENT LIABILITIES			
Payables	8	522,906	515,629
Provisions	9	149,506	396,929
Other current liabilities	10	488,688	1,447,948
Total Current Liabilities		1,161,100	2,360,506
NON CURRENT LIABILITIES			
Provisions	11	91,854	87,065
Total Non Current Liabilities		91,854	87,065
TOTAL LIABILITIES		1,252,954	2,447,571
NET ASSETS		4,813,279	4,773,833
MEMBERS' FUNDS			
Reserves	12	640,000	640,000
Retained Surplus	13	4,173,279	4,133,833
TOTAL MEMBERS' FUNDS		4,813,279	4,773,833

The above Balance Sheet is to be read in conjunction with the accompanying notes.

Cash Flow Statement

<i>for the year ended 30 June 2006</i>	Notes	2006 June	2005 June
		\$	\$
Cash flows from operating activities			
Receipts from customers		4,519,915	4,686,120
Payments to suppliers		(5,555,712)	(4,708,805)
Interest Received		311,014	328,868
Net cash inflows / (outflows) from operating activities	19	(724,783)	306,183
Cash flows from investing activities			
Payments for property, plant & equipment		(375,698)	(458,511)
Proceeds from sale of plant and equipment		332	10,000
Net cash inflows / (outflows) from investing activities		(375,366)	(448,511)
Net increase (decrease) in cash held		(1,100,149)	(142,328)
Cash and cash equivalents at the beginning of the financial year		6,045,164	6,187,493
Cash and cash equivalents at the end of the financial year	4	4,945,015	6,045,164

The above Cash Flow Statement is to be read in conjunction with the accompanying notes.

Financial Report

Notes to the financial statements

for the year ended 30 June 2006

1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report has been prepared in accordance with the historical cost convention, and does 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 Report.

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

A summary of significant accounting policies is set out below:

This financial report was authorised for issue on 30 August, 2006 by the board of directors.

Statement of Compliance

The financial report complies 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.

This is the first financial report prepared based on AIFRS and the figures to 30 June 2006 have been reviewed accordingly. There were no material differences between the 2005 financial report prepared under GAAP and AIFRS, hence no restatement

of balances has taken place and members' funds have not changed and therefore no reconciliation of changes is required.

(a) Property, Plant & Equipment

AASB1 allows for the current carrying values to be the deemed cost on transition to 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:.

	30 June 06	30 June 05
Plant and Equipment	3-8 Years	3-8 Years
Software	3 Years	3 Years

(b) Income Tax

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

(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.

Notes to the financial statements (cont.)

for the year ended 30 June 2006

(e) Revenue Recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the 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 Balance Sheet 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.

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.

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

(f) Employee Benefits

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.

(i) Superannuation

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

(ii) Number of employees at year end

	30 June 06	30 June 05
Full time permanent staff	18	17
Casual Staff	11	12

(g) Good 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 balance sheet.

(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.

Financial Report

Notes to the financial statements (cont.)

for the year ended 30 June 2006	2006 June	2005 June
	\$	\$
2. Revenue from Ordinary Activities		
Operating activities		
Joining Fees	11,000	20,000
Subscription Fees	63,893	65,970
Fees for Service*	5,528,844	5,291,108
Other Revenue	6,243	25,642
Interest received/receivable	311,014	328,868
Non-operating activities		
Gain on disposal of Property, Plant & Equipment	-	9,875
Total revenue from Ordinary Activities	5,920,994	5,741,463
* Included in Fees for Services is income from Projects of \$630,732 (2005: \$464,880). Project expenses related to this revenue amounted to \$530,292 (2005:\$267,029)		
3. Profit 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	450,569	408,060
Total Depreciation and Amortisation Expenses	450,569	408,060
Operating lease rentals		
- Minimum lease payments	289,245	265,155
Total Operating Lease Rental	289,245	265,155
Transfer to provision for Holiday Pay	82,929	79,185
Transfer to/(from) provision for Long Service Leave	4,789	2,232
(Losses)/Gains on Disposal of Property, Plant & Equipment		
Gain/(loss) on disposal of property, plant and equipment	332	10,000
Loss on Disposal	(110,623)	(125)
Net gain/(loss) on disposal of property, plant and equipment	(110,291)	9,875

Notes to the financial statements (cont.)

for the year ended 30 June 2006		2006 June	2005 June
4. Current Assets - Cash and Cash Equivalents		\$	\$
Cash on Hand		800	800
Cash at Bank		186,125	144,014
Deposits at Call		4,758,090	5,900,350
Cash and Cash Equivalents		4,945,015	6,045,164
5. Current Assets - Receivables			
Trade Debtors *		375,240	230,526
less: Provision for Doubtful debts		(15,000)	(15,000)
Trade debtors after provision for doubtful debts		360,240	215,526
Accrued Revenue		105,633	145,459
Receivables		465,873	360,985
* Terms: Trade debtors are non-interest bearing and generally on 30 day terms.			
6. Current Assets - Other			
Prepayments		90,442	61,544
Other Debtors		27,059	30,373
Other		117,501	91,917
7. Non Current Assets - Property, Plant and Equipment			
Plant and equipment at cost		2,206,884	2,294,311
less: Accumulated depreciation		(1,669,040)	(1,570,973)
Property, Plant and Equipment	20	537,844	723,338
Refer also to note 1(h) for impairment of assets.			
8. Current Liabilities - Payables			
Creditors		310,145	271,489
Accrued Expenses		212,761	244,140
Payables		522,906	515,629
9. Current Liabilities - Provisions			
Employee entitlements (being provision for Annual Leave and superannuation)		149,506	135,149
Other *		-	261,780
Provisions		149,506	396,929
* On the 3rd June 2005, the Directors approved a contribution of \$US200,000 to the IWTO for a Wool Test Marketing program which remained unpaid as at 30th June 2005.			

Financial Report

Notes to the financial statements (cont.)

for the year ended 30 June 2006		2006 June	2005 June
		\$	\$
10. Current Liabilities - Other			
Unearned Income	1(e)	488,688	1,447,948
Other		488,688	1,447,948
11. Non-current Liabilities - Provisions			
Employee entitlements (being provision for Long Service Leave)		91,854	87,065
Provisions		91,854	87,065
12. Members' Funds - Reserves			
Members' Reserves			
Balance at 1 July		640,000	640,000
Transfer from Retained Surplus		-	-
Reserves		640,000	640,000
13. Members' Funds - Retained Surplus			
Retained Surplus			
Balance at 1 July		4,133,833	3,684,780
Net profit attributable to members of the company		39,446	449,053
Retained Surplus		4,173,279	4,133,833
14. Remuneration of Directors and Key Management Personnel			
Income paid or otherwise made available to directors and key management by the company or related parties.			
Short-term benefits		612,989	613,814
Post-employment benefits		30,575	25,265
Other Long-term benefits		5,929	6,720
		649,493	645,799
No retirement benefits were paid to directors during the year.			
15. Remuneration of Auditors			
Amounts received or due and receivable by Thomas Davis & Co for:			
- audit of the financial report of the company		13,640	13,200
- other services			
Remuneration of Auditors		13,640	13,200
16. Expenditure Commitments			
Operating leases (non cancellable)			
Minimum lease payments			
not later than one year		115,557	98,878
later than one year and not later than five years		453,020	11,868
Expenditure Commitments		568,577	110,746
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 (cont.)

<i>for the year ended 30 June 2006</i>		2006 June	2005 June
		\$	\$
17. Related Party Disclosure			
The directors of the Australian Wool Exchange Limited during the financial year were:			
R A Farrar	R W Amos (Appointed 18 November 2005)		
D R Belgre	A L Harris (Resigned 7 October 2005)		
I K McIvor	D J Nancarrow		
D R Michell	M J Moses		
R D Pietsch	G M Stooke OAM (Resigned 18 November 2005)		
C M Turner (Appointed 14 October 2005)	D M Watt		
Alternate directors were:			
R W Amos (Resigned 18 November 2005)	L Baronet (Resigned 29 July 2005)		
R Cable (Resigned 28 February 2006)	D R Hamblin		
W Lempriere	D A Macdonald		
C M Turner (Resigned 14 October 2005)			
Director and Director-related entity Transactions			
A number of the directors are directors of entities which transact with the company.			
The directors involved are:			
R W Amos	R Bawden		
D R Belgre	R Cable		
A L Harris	W Lempriere		
I K McIvor	D R Michell		
M J Moses	D J Nancarrow		
R D Pietsch	G M Stooke OAM		
C M Turner			
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			
Joining, subscription and trading fees		353,715	511,764
Selling facility fees		118,804	93,062
EDI Network fees and Market Reports		153,032	113,996
Sample site and showfloor charges		19,625	18,025
Other		94,607	343,840
		739,783	1,080,687

Financial Report

Notes to the financial statements (cont.)

<i>for the year ended 30 June 2006</i>	2006 June	2005 June
	\$	\$
18. Segment Information		
The company operated predominantly in one industry, being the Australian Wool Industry.		
19. Reconciliation of operating profit from ordinary activities after income tax to net cash from operating activities		
Profit from ordinary activities	39,446	449,053
Depreciation and amortisation	450,569	408,060
Increase/(Decrease) in Other Provisions	(242,634)	285,748
(Profit)/Loss on disposal of plant and equipment	110,291	(9,875)
Decrease/(Increase) in trade and other debtors	(104,888)	147,618
Decrease/(Increase) in other debtors and prepayments	(25,584)	38,292
Decrease/(Increase) in trade creditors, accruals and unearned income	(951,983)	(1,012,713)
Net cash Inflows/(Outflows) from operating activities	(724,783)	306,183
Financing arrangements		
Payroll facility	50,000	50,000
Used at balance date	-	-
Unused at balance date	50,000	50,000
20. 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	723,338	673,012
Additions	375,698	458,511
Disposals (net)	(110,623)	(125)
Depreciation Expense	(450,569)	(408,060)
Carrying amount at end of the period	537,844	723,338

Notes to the financial statements (cont.)

<i>for the year ended 30 June 2006</i>	2006 June	2005 June
	\$	\$
21. 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 and cash equivalents	4,945,015	6,045,164
Weighted Average Effective Interest Rate	5.80%	5.77%
Trade Debtors & Other Receivables	465,873	360,985
Weighted Average Effective Interest Rate	N/A	N/A
Other Assets	117,501	91,917
Weighted Average Effective Interest Rate	N/A	N/A
Total Financial Assets	5,528,389	6,498,066
Financial Liabilities		
Trade Creditors and other payables	522,906	515,629
Weighted Average Effective Interest Rate	N/A	N/A
Total Financial Liabilities	522,906	515,629
(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 balance sheet, net of provision for doubtful debts.		
22. Contingent Liabilities		
The company has provided a bank guarantee in respect of rental obligations to the value of \$71,880 (2005: \$89,218).		

Financial Report

Notes to the financial statements (cont.)

for the year ended 30 June 2006

23. The following Australian Accounting Standards issued or amended which are applicable to the Company but are not yet effective and have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	AASB Standard Affected	Nature of Change in Accounting Policy and Impact	Application Date of the Standard	Application Date for the Company
2005-5	AASB 1 : First-time Adoption of AIFRS	No change, no impact	01-Jan-06	01-Jul-06
	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	01-Jan-06	01-Jul-06
2005-9	AASB 132: Financial Instruments: Recognition and Measurement	No change, no impact	01-Jan-06	01-Jul-06
	AASB 139: Financial Instruments: Disclosure and Presentation	No change, no impact	01-Jan-06	01-Jul-06
2005-10	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	01-Jan-07	01-Jul-07
	AASB 101: Presentation of Financial Statements	No change, no impact	01-Jan-07	01-Jul-07
	AASB 114: Segment Reporting	No change, no impact	01-Jan-07	01-Jul-07
	AASB 1: First-time Adoption of AIFRS	No change, no impact	01-Jan-07	01-Jul-07
New Standard	AASB 7: Financial Instruments: Disclosure	No change, no impact	01-Jan-07	01-Jul-07

All other pending Standards issued between the previous financial report and the current reporting date have no application to the Company.

for the year ended 30 June 2006

23. (Continued)

AASB Amend.	AASB Standard Affected
2004-3	AASB 1: First-time Adoption of AIFRS
	AASB 101: Presentation of Financial Statements
	AASB 124: Related Party Disclosures
2005-1	AASB 139: Financial Instruments: Recognition and Measurement
2005-2	AASB 1023: General Insurance Contracts
2005-4	AASB 139: Financial Instruments: Recognition and Measurement
	AASB 132: Financial Instruments Disclosure and Presentation
2005-06	AASB 3: Business Combinations
2005-9	AASB 4: Insurance Contracts
	AASB 1023: General Insurance Contracts
2005-10	AASB 117: Leases
	AASB 133: Earnings per share
	AASB 4: Insurance Contracts
	AASB 1023: General Insurance Contracts
	AASB: 1030: Life Insurance Contracts
2006-1	AASB 121: The effects of Changes in Foreign Exchange Rates New Standard
	AASB 119: Employee Benefits: December 2004

Auditors' Report

Directors' Declaration

AUSTRALIAN WOOL EXCHANGE LIMITED A.B.N. 35 061 495 565

The Directors of the company declare that:

1. the financial statements set out on pages 16 to 37:
 - 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 2006 and performance for the year ended on that date.
2. in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



R A Farrar *Chairman*



D R Belgre *Director*

Sydney 30 August 2006

AUSTRALIAN WOOL EXCHANGE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AUSTRALIAN WOOL EXCHANGE LIMITED

Scope

We have audited the financial report of the Australian Wool Exchange Limited for the financial year ended 30 June 2006 as set out on pages 16 to 38. The Company's Directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

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

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

Audit Opinion

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

- a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2006 and its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.


THOMAS DAVIS & CO.

P.L. WHITEMAN PARTNER

Chartered Accountants

SYDNEY, 30 August, 2006

'Liability limited by a scheme approved under Professional Standards Legislation'.

Auction Statistics

Auction Offering Statistics Season 05/06 - Micron Profile by Region First Hand Offered Bales

Region	Micron Band	Merino Fleece*		Merino Skirtings**		XB Fleece & Skirts		Oddments***	
NORTH									
	0.1-18.5	119,439	28.4%	54,260	38.8%	14	0.0%	20,065	29.8%
	18.6-22.5	287,755	68.4%	85,464	61.0%	2,346	3.0%	31,613	47.0%
	22.6-26.5	13,250	3.2%	207	0.1%	28,558	36.9%	11,967	17.8%
	26.6-30.5	7	0.0%	5	0.0%	41,849	54.1%	2,994	4.4%
	30.6-34.5	0	0.0%	0	0.0%	3,573	4.6%	464	0.7%
	34.6+	2	0.0%	0	0.0%	989	1.3%	7	0.0%
	Untested	11	0.0%	75	0.1%	28	0.0%	180	0.3%
		420,464		140,011		77,357		67,290	
SOUTH									
	0.1-18.5	114,588	20.2%	41,597	27.8%	32	0.0%	25,276	20.3%
	18.6-22.5	368,904	65.0%	105,574	70.5%	2,512	1.9%	58,066	46.6%
	22.6-26.5	83,922	14.8%	1,977	1.3%	40,951	31.2%	28,850	23.2%
	26.6-30.5	242	0.0%	114	0.1%	71,042	54.1%	7,901	6.3%
	30.6-34.5	19	0.0%	30	0.0%	13,763	10.5%	1,572	1.3%
	34.6+	0	0.0%	0	0.0%	2,777	2.1%	82	0.1%
	Untested	184	0.0%	475	0.3%	310	0.2%	2,732	2.2%
		567,859		149,767		131,387		124,479	
WEST									
	0.1-18.5	24,721	6.4%	7,560	8.9%	5	0.0%	6,635	8.9%
	18.6-22.5	315,040	81.9%	76,019	89.2%	1,333	9.8%	53,782	72.3%
	22.6-26.5	43,455	11.3%	555	0.7%	6,048	44.4%	9,079	12.2%
	26.6-30.5	208	0.1%	13	0.0%	3,201	23.5%	251	0.3%
	30.6-34.5	46	0.0%	9	0.0%	1,154	8.5%	66	0.1%
	34.6+	7	0.0%	0	0.0%	133	1.0%	2	0.0%
	Untested	953	0.2%	1,062	1.2%	1,752	12.9%	4,591	6.2%
		384,430		85,218		13,626		74,406	
	1,372,753		374,996		222,370		266,175		

* include Weaners

** Pieces and Bellies

*** Lambs, Locks, Crutchings, Miscellaneous

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Australian Wool Exchange Limited

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