Highlights of 2002 / 2003

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

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

Highlights of 2002 / 2003:

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

Mission Statement

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

ALLAN FARRAR, AWEX CHAIRMAN

Meeting the Challenge

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

Financial Results

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

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

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

Declining Volumes

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

The volume of wool flowing through AWEX’s managed facilities has been under great pressure, as a result of declining wool production. Leakage from traditional physical wool auctions and AWEX’s eclipse electronic system continues. It is estimated in the 2003/2004 season, wool traded outside the mainstream systems will account for 25% to 30% of offerings. This compares to an estimated 12% to 15% in the 1999/2000 season. First-hand wool handled by AWEX Members this current year is budgeted to be only 336 million kilograms as compared to 635 million kilograms in the 1999/2000 season, a fall of 47% over three years.

The drought has had a drastic effect on Australian sheep numbers. However, the continuing economic consequences of a buoyant live sheep export trade and local slaughter market has also had considerable impact. Despite the easing of the drought and with flock numbers likely to be well under 100 million at 30th June 2003, there are enormous challenges confronting all industry participants.

The situation and outlook has been confirmed by the Australian Wool Innovation Production Forecasting Committee at its meeting held on 11th September 2003.

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

Member Survey

In July 2003, AWEX made a strategic decision to conduct a survey of Members to gain a greater level of understanding of the impact of the current market conditions on Members’ current operations, as well as their short to medium term prospects. The survey was conducted through the independent services of Ernst & Young Chartered Accountants.

Close to 40% of Members responded to the survey representing a broad spectrum of member activity and size. This level of response is a good outcome in terms of the objectives of the survey.

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

Respondents were quite candid in their assessment of the current industry climate and the impact it has had on the operation of their business. Equally, their assessment of AWEX’s performance over the past 12 months has provided the AWEX Board and Management with some invaluable feedback and insight into meeting the needs of the Membership and benchmarking performance.

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

Forward Strategy

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

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

New Appointment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### ‘E2’ – The Next Generation Eclipse

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

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

Some objectives of the ‘E2’ project are to:

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

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

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### Adding Value by Providing Service Excellence

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

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

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

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

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### Dynamics of the Australian Sheep Flock

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

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

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

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

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### Graphical Representation

- Adult Sheep flock
- Breeding ewes and rams
- Wethers
- Lamb
- Lamb flock
- Additions to the sheep flock
- Sheep slaughter
- Sheep slaughter weight
- Mutton production
- Fleece weight
- Sheep and lambs shorn
- Wool production

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

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

Woolclasser Development Program 2001 / 2002

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

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

We note from the evaluations completed by course participants – 49% of whom were professional classers, 51% were owner classers – that 29% of participants rated their knowledge of these six key areas as very good – that 67 skilled trainers have successfully delivered 1,728 training sessions under the Woolclasser Development Program (WDP) at 424 locations, to 22,517 woolclassers over two years (2001/2002) – is an outstanding achievement. The Australian Wool Exchange (AWEX) and its WDP program manager, TAFE NSW – Western Institute, have demonstrated a highly professional approach in the planning, delivery and evaluation of the program.

Based on our analyses and consultation, we conclude that:

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

WOOLSEARCH Website

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

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

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

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

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

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

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

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

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

<table>
<thead>
<tr>
<th>Director</th>
<th>Experience</th>
<th>Special Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>R.A. Farrar</td>
<td>Chairman, Pitt Son and Keene Pty Ltd; Chairman, McGarvie Smith Institute; Director, Mapes Pty Ltd; Councillor Royal Agricultural Society of NSW.</td>
<td>Chairman; Chairman of Audit, Compliance and Corporate Governance Committee; Chairman of Remuneration Committee.</td>
</tr>
<tr>
<td>D.R. Belgre</td>
<td>Managing Director, Don Balgre Pty Ltd; Managing Director, G. Schneider Australia Pty Ltd; Italian Region Representative, Australian Superfine Woolgrowers’ Association; Chairman, Australian Wool Network Pty Ltd.</td>
<td>Non Executive Director; Member of Rules Committee; Member of Remuneration Committee.</td>
</tr>
<tr>
<td>S. Campbell</td>
<td>Grazer; President, WoolProducers; Director, Australian Wool Testing Authority.</td>
<td>Non Executive Director; Chair of Rules Committee.</td>
</tr>
<tr>
<td>A.L. Harris</td>
<td>National Manager – Wool, Elders Limited.</td>
<td>Non Executive Director; Member of Organisational Review Committee.</td>
</tr>
<tr>
<td>I.K. McIvor</td>
<td>International Trade Consultant and Woolgrower; Company Secretary, Liv corp Ltd; Director, Australian Livestock Exporters Council Ltd.</td>
<td>Non Executive Director; Member of Remuneration Committee; Member of Audit, Compliance and Corporate Governance Committee.</td>
</tr>
<tr>
<td>D.R. Michell</td>
<td>Chief Executive – Wool, Michell Australia Pty Ltd.</td>
<td>Non Executive Director; Member of Organisational Review Committee.</td>
</tr>
<tr>
<td>M. Moses</td>
<td>Managing Director, Moses and Son; Director/Secretary, Pindaram Pty Ltd – T/A, Tamora Wool Trading.</td>
<td>Non Executive Director; Member of Rules Committee.</td>
</tr>
<tr>
<td>D. Nancarrow</td>
<td>Managing Director, Dewarwin Australia Pty Ltd; Director, Independent Woolpressers Pty Ltd.</td>
<td>Non Executive Director; Member of Organisational Review Committee.</td>
</tr>
<tr>
<td>G.M. Stooke OAM</td>
<td>Managing Director, Standard Wool Australia Pty Ltd; Managing Director, SH Allen &amp; Sons Pty Ltd; Director, Independent Woolpressers Pty Ltd; Director, Jandakot Wool Washing Pty Ltd; Member, Principal Committee of Australian Council of Wool Exporters; Chairman of WA Rugby Union Inc.</td>
<td>Non Executive Director; Member of Rules Committee; Chairman of Organisational Review Committee.</td>
</tr>
<tr>
<td>D.M. Watt</td>
<td>Lawyer, Woolgrower; Director of Allexo Corporation Ltd; Chairman, Burswood Ltd; Director, QSA Management Ltd; Associate Member of the Australian Competition &amp; Consumer Commission; Director, Australian Plantation Timber Limited; Director, Integrated Tree Cropping Limited.</td>
<td>Non Executive Director; Member of Audit, Compliance and Corporate Governance Committee; Member Remuneration Committee.</td>
</tr>
</tbody>
</table>
Being limited by guarantee, the company does not pay dividends.

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

Employees

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

Results

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

Dividends

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

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

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

<table>
<thead>
<tr>
<th>Board Meetings</th>
<th>Committee Meetings</th>
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<tbody>
<tr>
<td></td>
<td>Audit &amp; Compliance</td>
</tr>
<tr>
<td>E = Eligible, A = Attended</td>
<td>E</td>
</tr>
</tbody>
</table>

Number of meetings attended by:

Directors
- R.A. Farrar: 7 7 5 5 4 4 - - - -
- D.R. Belgre: 7 4 - - 4 3 5 3 - -
- S. Campbell: 7 5 - - - - 5 5 - -
- A.L. Harris: 7 7 - - - - - - - -
- I.K. McIvor: 7 6 5 5 4 4 - - - -
- D.R. Michell: 7 4 - - - - - - - -
- M. Moses: 7 7 - - - - - - - -
- D. Nancarrow: 7 6 - - - - - - - -
- G.M. Stooke OAM: 7 7 - - - - 5 5 - -
- D.M. Watt: 7 7 5 5 4 4 - - - -

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

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

Directors’ Indemnity

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

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

Directors’ Benefits

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

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

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

Signed in accordance with a resolution of the directors.

R.A. Farrar
Chairman

D.R. Belgre
Director

Sydney, 16 September 2003
Our Members

Trading Members

A. R. Rhodes & Company
A.S. Gedge Australia Pty Ltd
ACF Wool Traders Pty Ltd
Adelaide Wool Company Pty Ltd
AES Scott & Company Pty Ltd
AOE Grains Pty Ltd
Arcadian Wool Brokers Ltd
Associated Wool Exporters Pty Ltd
Atsade Wool Company Pty Ltd
Australian Wool & Pastoral Agency Ltd
Australian Wool Network Pty Ltd
Barwon & Yarra Wool Brokers Pty Ltd
Beecher Wool Services
Bloomfield Pty Ltd T/as Acacia Wool
Bowden Wool Auctions Pty Ltd
Brockmill Pty Ltd T/as Dyson Jones Wool Marketing
Bryton Wool
BWK Eiders Australia Pty Ltd
Cable Wool Pty Ltd
Chadron Pty Ltd
Chargeurs Wool Australia Pty Ltd
China Zimbabwe Wooltauts Australia Pty Ltd
Cogtrust Pty Ltd T/as Coggan Wool Compagnie d’Importation de Laines
Conn Wool Pty Ltd
CTRC Australia Pty Ltd
Davies Wool
Dewarwim Australia Pty Ltd
Diamond T & Bar Pastoral Company Pty Ltd
Dixon Wool Pty Ltd
Don Belg Wool Pty Ltd
Dubbo Wool Brokers Pty Ltd
Dyon Wool (Australia) Pty Ltd
E.P. Robinson Pty Ltd
Eiders Ltd
F.Wheatley & Company (Rocklea)
Fibres (Australia) Pty Ltd
Fletcher International Exports Pty Ltd (Dubbo)
Formostac (Australia) Pty Ltd
Fox & Lillie Pty Ltd
Fry Wool Services
Gaimind Wool Pty Ltd
Godard Wool Marketing Pty Ltd
Gordon Litchfield Wool Pty Ltd
H. Dawson Sons & Company (Aust) Pty Ltd
Harold de Tuyetey Pty Ltd
Hodge Wool Pty Ltd
I.H. Yeoward & Company Pty Ltd

Stock Wool Pty Ltd
T. L. Tourrier & Company Pty Ltd
Techwood Trading Pty Ltd
Trades Wool Country Woolbuyers Pty Ltd
Trades Wool Pty Ltd
United Wool Brokers Pty Ltd
V. & H. Smythe Pty Ltd
Victoria Wool Processors Pty Ltd
Viscount Wool Pty Ltd
West Coast Wool Pty Ltd
Western Wool Marketing
Williams Wool Pty Ltd
Wool Agency Company Pty Ltd
Woolgrowers Independent Selling Services Ltd
Yarra Wool

Associate Members

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

Growers

A.J. Byrne & Company
A.W. Morse
Abłam Nominees Pty Ltd
Alister Cameron
Allison Watson
Andrew Burgess
Andrew Wall
Anthony Chenery
Arthur M. Bock
Australian Wool Growers Pty Ltd
Autumnvale Pastoral Company
Baileyside Wool Pty Ltd
Banks Brothers
Bloomfield Pastoral Company
Brett Campbell
Brolga Pastoral Company
Bukalong Enterprises
Byangs Pastoral Company
C. W.A. & D.W. Prall
C.E. Hyde & Company
C.M. De Mestre
Callibur Pty Ltd
Castle Carrocks Mariners
Cavanagh Partnership
Clyde Agriculture Limited
Coomba Grazing Company Pty Ltd

D.D. Long & A.J. Long
D.W. Taylor Pty Limited
Doran Pty Ltd
Dingo Range
Dongemon Grazing Company
Dr. Robert N. Bulch
Duncan Fraser
East Murandal
F.J. Duncan
G.W. & C.L. Clothier & Sons
G.B. & G.L. & Roberts
G.A. Amery Family Trust
Garth England
Gary William Loring
George Terrant Walker
Glenbuddah Pty Ltd
Glenelg Estate
Glenwood Cumnock Pty Ltd
Golding Farms
Goonginal Partnership
Gordon Litchfield
Gorrin Pastoral Company
I. & I Meek Pty Ltd
Ian Aubrey
Ian Burbury
Ian McLean
Ian William Whiteley
J.A. & J.A. McCracken
J.C. Irwin
J.L. Hall & Company
J.M. Moore
J.R. & S.M. Rankan
J.R. & D.M. D. Mills
John Edward Beveridge
John Mayes
John Rumph
John Sady & Sons
Jonathan Tischler
Jungbaurra Pty Ltd
Kentucky Wool Pty Ltd
Kevin Gill
Kisel Holdings Pty Ltd
Lachlan Campbell
Leigh Tuck
Lindsay & Bridgman
Lynwood Grazing Company
M.K. & M.A. Bartholomaeus
M.A. & L. Nicholls
Macquarie Hills Partnership
Mance Pastoral Company Pty
Marong Pastoral Company Pty Ltd
Max Zell Family Settlement Trust
McGee Pastoral Company
Melhor Agricultural Consultants Pty Ltd
Mark McLean

Michael Bilney
Michael Emery
M.J. Jetty Pastoral
Mulluna Partnership
Murrabangora Pastoral Company
N.P. O’Shannessy
Narruc Investments Pty Ltd
Neville Parker
F.T. & K.C. Walker (Partnership)
Parking Yards Trading Company
Patrick Banks
Pete Longley
Phil O’Brien Wool Pool
Quamboolu Pastoral Company
R.D. & K.L. Avery
R.J. & L.J. Parkins
Redbank Pastoral Company
Robert Hall
Robert Pietsch
Robert Richardson Dick
Roger Farquharson Mason
S.D. & W.A. Beveridge
S.G. Groves & Company
Spelhobel, Karzala
S.S. & W.A. Parkinson
Stonehouse Grazing
Strathbogie Pastoral Company
Sun Valley AG
T. & A. Silkock
Terinalum Partnership
Terry Carlston
The Mutuoroo Pastoral Company Pty Ltd
Tim Watts
Trevor Mosey
Twyman Pastoral Company Pty Ltd
W.S. & M.E. McCann Pty Ltd
Wandella Pastoral Partnership
Windaroo Pastoral Company
Woolhowe Pty Ltd
Woolaway Grazing
WoolProducers
Yarrabee Grazing Company

Meeting the Challenge
# AUSTRALIAN WOOL EXCHANGE LIMITED

## Statement of Financial Performance

### Year ended 30 June 2003

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2003</th>
<th>30 June 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Revenues from ordinary activities</td>
<td>2</td>
<td>6,569,046</td>
</tr>
<tr>
<td>Employee benefits expense</td>
<td>(1,887,415)</td>
<td>(2,347,231)</td>
</tr>
<tr>
<td>Depreciation and Amortisation Expense</td>
<td>3</td>
<td>(404,306)</td>
</tr>
<tr>
<td>Occupancy Costs*</td>
<td>(678,394)</td>
<td>(734,844)</td>
</tr>
<tr>
<td>Other expenses from ordinary activities</td>
<td>(2,746,442)</td>
<td>(3,197,348)</td>
</tr>
<tr>
<td>Profit from ordinary activities before income tax expense</td>
<td>3</td>
<td>852,489</td>
</tr>
<tr>
<td>Income tax expense relating to ordinary activities</td>
<td>1(c)</td>
<td>-</td>
</tr>
<tr>
<td>Net profit from ordinary activities after related income tax expense</td>
<td>13</td>
<td>852,489</td>
</tr>
</tbody>
</table>

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

## AUSTRALIAN WOOL EXCHANGE LIMITED

## Statement of Financial Position

### At 30 June 2003

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2003</th>
<th>30 June 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>CURRENT ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Assets (Note A)</td>
<td>4</td>
<td>4,084,842</td>
</tr>
<tr>
<td>Receivables</td>
<td>5</td>
<td>407,958</td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
<td>91,909</td>
</tr>
<tr>
<td>TOTAL CURRENT ASSETS</td>
<td></td>
<td>4,584,709</td>
</tr>
<tr>
<td>NON-CURRENT ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Plant and Equipment</td>
<td>7, 20</td>
<td>530,058</td>
</tr>
<tr>
<td>TOTAL NON-CURRENT ASSETS</td>
<td></td>
<td>530,058</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td></td>
<td>5,114,767</td>
</tr>
<tr>
<td>CURRENT LIABILITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables (Note A)</td>
<td>8</td>
<td>812,034</td>
</tr>
<tr>
<td>Provisions</td>
<td>9</td>
<td>138,110</td>
</tr>
<tr>
<td>Other</td>
<td>10</td>
<td>362,136</td>
</tr>
<tr>
<td>TOTAL CURRENT LIABILITIES</td>
<td></td>
<td>1,312,280</td>
</tr>
<tr>
<td>NON-CURRENT LIABILITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions</td>
<td>11</td>
<td>99,967</td>
</tr>
<tr>
<td>TOTAL NON-CURRENT LIABILITIES</td>
<td></td>
<td>99,967</td>
</tr>
<tr>
<td>TOTAL LIABILITIES</td>
<td></td>
<td>1,412,247</td>
</tr>
<tr>
<td>NET ASSETS</td>
<td></td>
<td>3,702,520</td>
</tr>
<tr>
<td>EQUITY</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserves</td>
<td>12</td>
<td>640,000</td>
</tr>
<tr>
<td>Retained Surplus</td>
<td>13</td>
<td>3,062,520</td>
</tr>
<tr>
<td>TOTAL EQUITY</td>
<td></td>
<td>3,702,520</td>
</tr>
</tbody>
</table>

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

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

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

Statement of Cash Flows
For the Year Ended 30 June 2003

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

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

AUSTRALIAN WOOL EXCHANGE LIMITED

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The company is a company limited by guarantee, incorporated and domiciled in Australia. In accordance with the Memorandum of Association the liability of members in the event of the company being wound up would not exceed $5 per member. As the company is limited by guarantee, there is no reference in the Statement of Financial Position to Share Capital.

(b) Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous year.

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

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

- Plant & Equipment: 3-8 years
- Software: 3 years

(e) Recoverable Amount of Non-Current Assets
Where the carrying amount of an individual non-current asset is greater than its recoverable amount the asset is revalued to its recoverable amount.

The expected net cash flows included in determining recoverable amounts of non-current assets have not been discounted to their present values.
(f) Receivables and Revenue Recognition

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of invoicing. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised where some doubt as to the collection exists.

(g) Government Grants

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

(h) Employee Entitlements

(i) Wages and Salaries

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

(ii) Superannuation

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

(iii) Annual and Long Service Leave

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

(iv) Number of employees at year end

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

(i) Cash flows

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

(j) Trade and other creditors

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

(k) Unearned income

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

---

**AUSTRALIAN WOOL EXCHANGE LIMITED**

**Notes to the Financial Statements**

for the Year Ended 30 June 2003 (continued)

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2003</th>
<th>30 June 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. REVENUES FROM ORDINARY ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Joining fees</td>
<td>13,228</td>
<td>10,889</td>
</tr>
<tr>
<td>Subscription fees</td>
<td>74,895</td>
<td>72,854</td>
</tr>
<tr>
<td>Common fees</td>
<td>804,385</td>
<td>996,926</td>
</tr>
<tr>
<td>Fees for services</td>
<td>5,090,830</td>
<td>5,683,662</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>362,964</td>
<td>321,524</td>
</tr>
<tr>
<td>Interest received/receivable</td>
<td>221,844</td>
<td>284,742</td>
</tr>
<tr>
<td>Proceeds from sale of Plant and Equipment</td>
<td>900</td>
<td>1,065</td>
</tr>
<tr>
<td>Total Revenues from Ordinary activities</td>
<td>6,569,046</td>
<td>7,371,662</td>
</tr>
</tbody>
</table>

3. EXPENSES AND LOSSES/GAINS

(a) Expenses

Depreciation and Amortisation of non-current assets

Depreciation of plant and equipment | 404,306       | 424,655       |
Amortisation of plant and equipment under finance lease | -           | 5,361          |
Total Depreciation and Amortisation Expense | 404,306       | 430,016       |

Operating lease rental

Minimum lease payments | 373,075       | 402,153       |
Contingent Rentals | -            | -              |
Rental Expense arising from sub-leases | 113,850       | 113,031       |
Total Operating Lease Rental | 486,925       | 515,184       |

Provision for doubtful trade debtors | 15,000        | 15,000        |
Transfer to provisions for holiday pay | 76,447        | 95,886        |
Transfer to provisions for long service leave | 12,312        | 43,076        |

(b) Losses/(gains)

Net loss/(gain) on disposal of property, plant and equipment | 9,137         | 59,085        |
### 4. CURRENT ASSETS - CASH ASSETS

<table>
<thead>
<tr>
<th></th>
<th>30 June 2003</th>
<th>30 June 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on Hand</td>
<td>800</td>
<td>800</td>
</tr>
<tr>
<td>Cash at Bank</td>
<td>252,589</td>
<td>338,063</td>
</tr>
<tr>
<td>Deposits at Call</td>
<td>3,831,453</td>
<td>5,030,573</td>
</tr>
<tr>
<td><strong>Cash Assets</strong></td>
<td><strong>4,084,842</strong></td>
<td><strong>5,369,436</strong></td>
</tr>
</tbody>
</table>

### 5. CURRENT ASSETS - RECEIVABLES

<table>
<thead>
<tr>
<th></th>
<th>30 June 2003</th>
<th>30 June 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Debtors</td>
<td>347,783</td>
<td>523,765</td>
</tr>
<tr>
<td>less: Provision for Doubtful Debts</td>
<td>(15,000)</td>
<td>(15,000)</td>
</tr>
<tr>
<td>Trade Debtors after provision for doubtful debts</td>
<td>332,783</td>
<td>508,765</td>
</tr>
<tr>
<td>Accrued Revenue</td>
<td>75,175</td>
<td>106,096</td>
</tr>
<tr>
<td><strong>Receivables</strong></td>
<td><strong>407,958</strong></td>
<td><strong>614,861</strong></td>
</tr>
</tbody>
</table>

(a) Terms and conditions

Trade debtors are non-interest bearing and generally on 30 day terms.

### 6. CURRENT ASSETS - OTHER

<table>
<thead>
<tr>
<th></th>
<th>30 June 2003</th>
<th>30 June 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepayments</td>
<td>65,198</td>
<td>39,590</td>
</tr>
<tr>
<td>Other Debtors</td>
<td>26,711</td>
<td>37,650</td>
</tr>
<tr>
<td>Other</td>
<td>91,909</td>
<td>77,240</td>
</tr>
</tbody>
</table>

### 7. NON-CURRENT ASSETS - PROPERTY PLANT AND EQUIPMENT

<table>
<thead>
<tr>
<th></th>
<th>30 June 2003</th>
<th>30 June 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant and equipment at cost</td>
<td>1,891,017</td>
<td>1,868,324</td>
</tr>
<tr>
<td>less: Accumulated Depreciation</td>
<td>(1,360,959)</td>
<td>(1,119,339)</td>
</tr>
<tr>
<td><strong>Property Plant and Equipment</strong></td>
<td><strong>530,058</strong></td>
<td><strong>748,985</strong></td>
</tr>
</tbody>
</table>

### 8. CURRENT LIABILITIES - PAYABLES

<table>
<thead>
<tr>
<th></th>
<th>30 June 2003</th>
<th>30 June 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creditors</td>
<td>235,385</td>
<td>432,908</td>
</tr>
<tr>
<td>Accrued Expenses</td>
<td>274,777</td>
<td>429,436</td>
</tr>
<tr>
<td>Training - Classer Registration</td>
<td>301,872</td>
<td>1,688,065</td>
</tr>
<tr>
<td>Payables</td>
<td>812,034</td>
<td>2,550,409</td>
</tr>
</tbody>
</table>

### 9. CURRENT LIABILITIES - PROVISIONS

<table>
<thead>
<tr>
<th></th>
<th>30 June 2003</th>
<th>30 June 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Entitlements (being provision for annual leave and superannuation)</td>
<td>138,110</td>
<td>173,689</td>
</tr>
<tr>
<td>Provisions</td>
<td>138,110</td>
<td>173,689</td>
</tr>
</tbody>
</table>

### 10. CURRENT LIABILITIES - OTHER

<table>
<thead>
<tr>
<th></th>
<th>30 June 2003</th>
<th>30 June 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unearned Income</td>
<td>362,136</td>
<td>1,141,855</td>
</tr>
<tr>
<td>Other</td>
<td>362,136</td>
<td>1,141,855</td>
</tr>
</tbody>
</table>

### 11. NON-CURRENT LIABILITIES - PROVISIONS

<table>
<thead>
<tr>
<th></th>
<th>30 June 2003</th>
<th>30 June 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Entitlements (being provision for long service leave)</td>
<td>99,967</td>
<td>94,538</td>
</tr>
<tr>
<td>Provisions</td>
<td>99,967</td>
<td>94,538</td>
</tr>
</tbody>
</table>

### 12. EQUITY - RESERVES

<table>
<thead>
<tr>
<th></th>
<th>30 June 2003</th>
<th>30 June 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members' Reserves</td>
<td>640,000</td>
<td>640,000</td>
</tr>
<tr>
<td>Transfer from retained surplus</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reserves at 30 June</td>
<td>640,000</td>
<td>640,000</td>
</tr>
</tbody>
</table>

### 13. EQUITY - RETAINED SURPLUS

<table>
<thead>
<tr>
<th></th>
<th>30 June 2003</th>
<th>30 June 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retained surplus at 1 July</td>
<td>2,210,031</td>
<td>1,547,808</td>
</tr>
<tr>
<td>Net profit attributable to members of the company</td>
<td>852,489</td>
<td>662,223</td>
</tr>
<tr>
<td>Retained surplus at 30 June</td>
<td>3,062,520</td>
<td>2,210,031</td>
</tr>
</tbody>
</table>
AUSTRALIAN WOOL EXCHANGE LIMITED

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

17. RELATED PARTY DISCLOSURES

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

- R.A. Farrar
- D.R. Belgre
- S. Campbell
- A.L. Harris
- I.K. McIvor
- D.R. Michell
- M. Moses
- D. Nancarrow
- G.M. Stooke
- D.M. Watt

Alternate Directors

- R.W. Amos
- L. Baronet
- R. Bawden
- R. Cable
- W. Lempriere
- D.A. Macdonald
- R. Pietsch
- R.J. Quirk

Director and Director-related entity Transactions

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

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

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

Aggregate amounts of these transactions are as follows:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2003</th>
<th>30 June 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joining, subscription and trading fees</td>
<td>$960,231</td>
<td>$1,188,484</td>
</tr>
<tr>
<td>Selling facility fees</td>
<td>$420,128</td>
<td>$468,154</td>
</tr>
<tr>
<td>EDI Network fees and Market Reports</td>
<td>$292,048</td>
<td>$261,270</td>
</tr>
<tr>
<td>Sample site and showfloor charges</td>
<td>$6,741</td>
<td>$7,459</td>
</tr>
<tr>
<td>Other</td>
<td>$365,200</td>
<td>$337,315</td>
</tr>
</tbody>
</table>

Total Aggregate Lease Expenditure Contracted for at Balance Date: $2,044,348

18. SEGMENT INFORMATION

The company operates predominantly in one industry, being the Australian wool industry.
19. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES TO NET CASH FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2003</th>
<th>30 June 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit from ordinary activities</td>
<td>852,489</td>
<td>662,223</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>404,306</td>
<td>430,016</td>
</tr>
<tr>
<td>Increase/(Decrease) in Other Provisions</td>
<td>(30,150)</td>
<td>17,397</td>
</tr>
<tr>
<td>Loss on disposal of plant and equipment</td>
<td>9,137</td>
<td>59,085</td>
</tr>
<tr>
<td>Decrease/(increase) in trade and other debtors</td>
<td>175,982</td>
<td>86,307</td>
</tr>
<tr>
<td>Decrease/(increase) in other debtors and prepayments</td>
<td>15,740</td>
<td>(10,986)</td>
</tr>
<tr>
<td>(Decrease)/increase in trade creditors, accruals and unearned income</td>
<td>(2,517,700)</td>
<td>(1,942,236)</td>
</tr>
<tr>
<td>(Decrease)/Increase in other provisions</td>
<td>-</td>
<td>(117,601)</td>
</tr>
<tr>
<td>Net cash (outflows)/inflows from operating activities</td>
<td>(1,090,196)</td>
<td>(815,795)</td>
</tr>
</tbody>
</table>

20. PROPERTY, PLANT AND EQUIPMENT - RECONCILIATIONS

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current and previous financial year.

(a) Plant and Equipment

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2003</th>
<th>30 June 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at 1 July</td>
<td>748,985</td>
<td>652,526</td>
</tr>
<tr>
<td>Additions</td>
<td>195,298</td>
<td>574,390</td>
</tr>
<tr>
<td>Disposals (net)</td>
<td>(9,919)</td>
<td>(53,276)</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>(404,306)</td>
<td>(424,655)</td>
</tr>
<tr>
<td>Carrying amount at 30 June</td>
<td>530,058</td>
<td>748,985</td>
</tr>
</tbody>
</table>

(b) Plant and Equipment under finance lease

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2003</th>
<th>30 June 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at 1 July</td>
<td>-</td>
<td>11,170</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Disposals (net)</td>
<td>-</td>
<td>(5,809)</td>
</tr>
<tr>
<td>Amortisation Expense</td>
<td>-</td>
<td>(5,361)</td>
</tr>
<tr>
<td>Carrying amount at 30 June</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

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

(a) Interest rate risk

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Floating Interest Rate</td>
<td>Cash</td>
<td>4,084,842</td>
<td>5,369,436</td>
<td>4,084,842</td>
<td>5,369,436</td>
<td>4.74% 4.60%</td>
</tr>
<tr>
<td></td>
<td>Trade Debtors and other receivables</td>
<td>-</td>
<td>407,958</td>
<td>614,861</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Other assets</td>
<td>-</td>
<td>91,909</td>
<td>77,240</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Total Financial Assets</td>
<td>4,084,842</td>
<td>5,369,436</td>
<td>499,867</td>
<td>692,101</td>
<td>4,584,709</td>
<td>6,061,537</td>
</tr>
</tbody>
</table>

(ii) Financial liabilities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Trade Creditors and other payables</td>
<td>-</td>
<td>510,162</td>
<td>862,344</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Total Financial liabilities</td>
<td>-</td>
<td>510,162</td>
<td>862,344</td>
<td>510,162</td>
<td>862,344</td>
<td>510,162</td>
</tr>
</tbody>
</table>

(b) Net fair values

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

(c) Credit risk exposure

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

22. CONTINGENT LIABILITIES

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

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

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

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

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

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

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

b) other mandatory professional reporting requirements in Australia.

Thomas Davis & Co
Chartered Accountants

P.L. Whitaman
Partner

Sydney, 16 September 2003

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