The year in review was a challenging one for the Australian Wool Exchange Limited (AWEX). It was a period when the fortunes of the Australian wool industry were mixed - characterised by widespread drought, fluctuating prices and decreasing supply.

AWEX responded to the challenge of change by steadily but inexorably moving forward. The year 2001/02 saw the implementation of our comprehensive internal re-structure, affording us significant operating efficiencies with no reduction in service levels whilst maintaining a clear focus on our core business.

Specific highlights of the year 2001/02 included:

- The relocation of Head Office from the Sydney CBD to Lane Cove on Sydney’s North Shore, resulting in considerable immediate and future cost-savings;
- The successful rationalisation of key functions back to Head Office in Sydney;
- Positive financial results, given the cost of implementing the re-structure. A surplus of $662,223 means that Member’s equity now stands at $2,850,031 compared to $1,178,554 three years ago;
- The establishment of two new internal operating divisions, Commercial Operations and Industry Services, was completed to budget and within pre-set timeframes;
- Technological improvements, including the adoption of a new financial reporting system, the integration of eight separate databases into one central program, the upgrading of our electronic sales tool, eclipse™, and the development of XML servers to supplement EDI services;
- The Woolclasser Development Program saw 18,622 Woolclassers attend 1,209 courses around Australia. At time of print (September 30, 2002) some 21,000 people have completed the course. Ninety-six per cent of the attendees rated the course as “satisfactory or better”. The program will be finalised on 31 December, 2002; and
- Successful ongoing industry relationships and representation of Members at national and international forums.
The issue of vital and constant concern to the AWEX Board during 2001/02 has been the effect on our trading Members, and on the industry as a whole, of the continuing decline in Australian wool production. The drop in merino sheep numbers has been exacerbated by the worsening drought conditions, which are confronting the majority of Australian wool producers.

Restructure Results
During the year, the AWEX Board and management team have focused on the implementation of the restructuring proposals made by the Organisational Review Committee, on which we reported this time last year. Our objective was to make AWEX a more efficient and customer responsive organisation. I believe we have achieved that goal. Management has done an excellent job in implementing the staff, systems and premises changes necessary to realise this objective.

The relocation in January this year of our Head Office to Lane Cove, the subsequent movement of technology from Melbourne to Sydney, as well as the downsizing of office space at Brooklyn, have all gone according to plan, with savings ahead of those originally contemplated. After nine years of operation, AWEX is maturing as a member based organisation and the changes implemented during the last twelve months, which have been enhanced by new product and service offerings, reflect this development.

Financial Gains
This year’s financial result has been a good one, given the cost of implementing the changes. The surplus of $862,223 means that Members’ equity now stands at $2,800,031 compared to $1,178,554 just three years ago. Whilst this is an improved situation, many challenges remain to be addressed. In anticipation of a continuing decline in throughput, all sectors of the industry are faced with the need to increase productivity and lower their cost base. AWEX must further refine its operations and achieve higher productivity from its modest resources.

Maintaining Relevance
Information technology is bringing all sections of the industry, from the wool producer through to the end manufacturer, closer together. The development of communication protocols, internet browser services and competitive selling systems all require AWEX to be ahead of the game. The AWEX Board has to grapple with issues associated with the impact of such technological development on our Members, all of whom are Australian based.

AWEX has never sought to be in a monopoly position in the provision of facilities for the exchange of wool ownership. AWEX certainly does not seek to be in competition with its Members, nor to see any undermining of its Members’ business domains. But our mission presupposes that we should strive impartially to offer the best possible facilities for the exchange of wool ownership, for the benefit of its Members.

Allan Farrar
Chairman, Australian Wool Exchange Limited

The composition of the AWEX Board reflects all the sectors of the industry in which our Members are involved. The Board has sought to address the future role and forward strategies of AWEX from the perspective of the needs and interests of the industry as a whole.

Future Technology
AWEX’s expenditure on systems will continue with a number of new internet browser based services under investigation. These would include the provision of live auction data, SFE price data dissemination and a browser interface to eclipse. A particular highlight of this work has been the recently released "runtime" version of eclipse that does not require a dedicated terminal but allows access from any compatible device such as a PC or laptop computer.

"As at the 30th June 2002, the Woolclasser Development Program has been an outstanding success -18,622 Woolclassers attended one of 1,209 training sessions around Australia."

David White, AWEX Chief Executive Officer

"Our internal re-structure led to an increasingly commercial focus and earned us tangible cost savings. Most importantly, our core functions became clearer and more transparent."

David White, AWEX Chief Executive Officer

"As at the 30th June 2002, the Woolclasser Development Program has been an outstanding success -18,622 Woolclassers attended one of 1,209 training sessions around Australia."
Implementation – AWEX Restructure

The AWEX Restructure was a result of the Board’s recommendation in May 2001 to form an Organisational Development Committee. The Organisational Development Committee took into consideration the responses from AWEX Members to the Commercialisation survey.

Improved Management, Accountabilities & Systems

The most obvious physical change occurred in January 2002 when the Australian Wool Exchange relocated from the original Sydney CBD site to the new address at 318 Burns Bay Rd, Lane Cove.

Other key elements of the restructure are:

• Recognition and separation of the key business units of Commercial Operations and Industry Services.
• Consolidation of commercial activities to Head Office to maximise the use of technology and increase productivity without diminishing the level of service.
• Focus on the Regional Offices for delivery of functions and services in support of the auction sales and other core activities.
• Streamlining of management, accountability and cost control measures within operations.

Preparing for Future Opportunities

AWEX is a technology and information driven organisation. It now has the opportunity to build on its core functions and activities while being able to investigate future opportunities, including those which add value to the exchange of wool ownership and deliver other valued services to our customer base.

New & Rationalised Premises

Now fully functioning, the new AWEX Head Office will deliver significant cost savings over the coming years while providing ample space to consolidate many of the key Commercial Operations, Industry Services and Corporate activities.

AWEX’s offices at Brooklyn have been much reduced in size and AWEX’s Fremantle Selling Centre will cease operation on its lease expiry in April 2003. New arrangements based in Spearwood WA are currently being finalised.

Future Strategy

A number of factors are likely to affect the medium to long-term future of the Australian wool industry. It is essential that AWEX further refines its structure and operations.

AWEX will need to have a very flexible approach as changes occur.

The competition for land use between crops, cattle and sheep combined with the competition between alternative returns from sheep meat and wool is leading to a reorganisation of the way many people are farming. Severe drought conditions in 2001/02 have led to farm management decisions that may have serious impact on the wool industry’s ability to restore previous levels of production.

The graph highlights this situation. Latest production estimates for the 2002/03 season are for a national clip of less than 500 million kilos. However, it is the medium to longer-term outlook that is of most concern. The industry is threatened by a spiralling fall in wool production. Wool price increases caused by shortage of supply may soon lead to fibre substitution by mills - there is already anecdotal evidence that this is occurring at an increasing pace.

These are issues which face every participant in the Australian wool industry. As most of our services, and therefore revenue sources, are linked to production levels, AWEX will be no exception.

AWEX is committed to its leadership role in facilitating the exchange of ownership of Australian wool in accordance with our charter. However, if industry predictions hold true and production continues to fall, our operations may require a re-evaluation. The Board, in its strategy development, is conscious of the impact that reducing production will have on AWEX’s continued ability to provide valuable services, without having to raise its charges.

As noted in the Chairman’s and CEO’s Reports on pages 2 and 3 of this document, AWEX is assessing and investing in technological infrastructure and embracing internet transport mechanisms to better deliver market reporting and data transfer services.

Achieving Financial Stability

An adequate capital position

The Australian Wool Exchange was originally formed in 1994. Initial operations were funded by revenues and initial Member joining fees, which in the first year amounted to some $500,000. Special loans from Members helped fund liabilities until subscriptions had been received.

In the event, AWEX’s deficiency from operations in the first year was $243,000 so it initially had Member’s equity of just $250,000. By June 1996, at $283,390, this equity had not increased to any real degree.

As noted in the Australian Wool Exchange’s 1996 Annual Report: “Capital funds will be required to be accumulated to meet the organisation’s contingent liabilities, equipment replacement and to enhance services to Members.”

Between 1994 and 1999, little investment in supporting systems was possible due to a basic lack of capital. Where feasible, investments were made which improved the processes, but it has not been until the last three years that AWEX has been in a position to invest adequately in its infrastructure.

Since its formation, it has been a key long-term goal for AWEX to have sufficient funds on hand to support its development efforts. Staff remember times when plans were put on hold and concerns raised as to AWEX’s future viability.

The current position is much improved on those times. However, Members’ notional equity at $2,850,031 represents about 50% of operating costs and prudent stewardship of resources is a constant concern of management and the Board.
Commercial Operations and Industry Services

On a day-to-day level, AWEX works across two divisions - Commercial Operations and Industry Services. During the year under review, both areas were re-aligned as part of the company's total restructure with the objective of providing focused, more commercial services with no compromise on service quality.

Commercial Operations’ Highlights

AWEX’s Commercial Operations Division seeks to provide leading edge trading and support services for the full range of its clients. The division encompasses the operations of Regional Auction Centres in Victoria, New South Wales and Western Australia, electronic sales functions such as the eclipse system, as well as Market Reporting and Information, Wool Clearing Services and Member Relations. This section summarises Commercial Operations’ key activities during 2001.

AWEX further developed its service of providing customised information reports for Members and other clients during 2001/02. Reports covering niche areas of interest such as specific mill types and grower-targeted information for brokers were created for a cross section of clients. As information increasingly becomes the commodity of the future, AWEX will expand this service, developing tailored reports for clients at every stage of the wool pipeline.

Trading Services - eclipse

AWEX’s computer-based electronic trading system which is available to woolgrowers through their local wool broker. It was developed by AWEX to complement the traditional auction system and introduced to the market in 2000. A series of upgrades were developed and promoted throughout the year with the result that in excess of 50 AWEX Members now actively use eclipse on a regular basis. In excess of 46,000 bales of wool were traded during the period, resulting in over $40,000,000 worth of sales. The reputation of eclipse continues to grow as a partner to the auction system.

AWEX Wool Clearing Services

The consolidation of the three regional Clearing Houses into one integrated National Clearing Service, based at Lane Cove, has proven a successful move. The national service has allowed the standardisation of the information distributed both in terms of content and timing. This brings greater efficiency to the service. As all AWEX functions, the Wool Clearing Service is sensitive to wool volume reductions and to the subsequent reduction in the number of industry participants.

“We’ve used AWEX’s eclipse system for some twelve months and hit upon the idea that if we projected it onto a screen, we would be able to have our growers come to our office in Parkes and watch their wool being sold in Sydney. It’s been a terrific success. The growers like what eclipse does - they can see their brands up on the screen, what it sells for and who bought their wool. We’ve had a very positive response from our customers and are very happy to be able to provide them with an extra level of service.”

Pat Byrnes, Managing Director, Western Wool, Parkes, New South Wales.

AWEX’s Woolclasser Development Program, so for a range of reasons, I was keen to do the course myself. Two of the issues that were particularly well covered were education on dark fibre contamination and documentation - very important concerns for brokers. As a direct result of the course, we’ve seen a marked improvement in understanding of dark fibre issues, most importantly, the course has made Woolclassers realise that it is their stencil on the bale and they need to be completely up to speed.

Don Macdonald, Managing Director, Lanoc Wool, Dubbo, New South Wales.

Industry Services’ Highlights

AWEX’s Industry Services Division works to maintain industry standards and compliance with regard to clip preparation and presentation for sale, thereby enhancing the quality and integrity of the Australian wool clip. Three key initiatives have been undertaken this year - the Woolclasser Development Program, a review of the Industry Services Advisory Model and the establishment of an integrated Corporate and Industry Services database.

“The Woolclasser Development Program should have been compulsory not only for Australian Woolclassers but for woolgrowers as well. As an Owner/Classer, I found the course beneficial to me both in terms of my practical classing skills and as a wool product. Now that I’ve done the course, I’m confident that I can present my wool for sale the best way possible. Even if woolgrowers didn’t participate in the actual course, there are lessons there for us all.”

Senator Paul Calvert, Owner/Classer, “Mount Mather”, Sandford, Tasmania.

Woolclasser Development Program

AWEX’s Woolclasser Development Program (WDP) was introduced in 2001 to:

•  fulfil the objective of AWEX in operating Woolclasser Registration;
•  meet the specified requirements for professional registration;
•  underpin the integrity of registration;
•  improve the wool preparation standards in the wool industry; and
•  facilitate trade between AWEX Members.

The WDP was held in 490 locations across rural Australia, representing 1209 individual sessions. At 30th June, 2002, 18,622 of 23,851 registered Woolclassers have completed the program. At time of print (September 30, 2002) some 21,000 people have completed the course. More than 98% of Woolclassers who completed the course say they now “have greater confidence to perform their duties as a Woolclasser”. Over 96% of Woolclassers stated they were satisfied with the WDP and its delivery.

“We actually helped create some of the content for AWEX’s Woolclasser Development Program, so for a range of reasons, I was keen to do the course myself. Two of the issues that were particularly well covered were education on dark fibre contamination and documentation - very important concerns for brokers. As a direct result of the course, we’ve seen a marked improvement in understanding of dark fibre issues, most importantly, the course has made Woolclassers realise that it is their stencil on the bale and they need to be completely up to speed.”

Don Macdonald, Managing Director, Lanoc Wool, Dubbo, New South Wales.

Industry Services Advisory Model

During 2001, AWEX reviewed the models it used to seek advice on Industry Services issues. From its inception in 1994, AWEX had used an industry-based committee called the Quality Advisory Committee (QAC) for this purpose. The review recommended that a new structure be established and as a result the QAC ceased operation.

The AWEX Board acknowledges and appreciates all the efforts of QAC members. In particular, a special mention is noted of the significant contribution made by John McCracken who chaired the QAC from its inception.

ISAC will provide advice to the AWEX Board and management on issues relating to:

•  AWEX Standards and Codes;
•  AWEX Registration, accreditation and licensing programs;
•  AWEX Education and Training issues, specifically those supporting accreditation and registration programs procedures;
•  AWEX Industry Consultation;
•  AWEX Quality Assurance programs; and
•  Other relevant matters relating to industry standards and services.

Short term, industry based working groups will be established to support ISAC and they will deal with specific issues. Underpinning the operation of ISAC and the Working Groups will be specific AWEX member and industry consultation processes. This will ensure that the groups have access to appropriate information and industry views, which are required to formulate sound industry-based recommendations for the AWEX Board.

ISAC Members

Chair: Andy Hirst (Professional Wool/Sheep Classer & Wool Grower)

Members: Geoff Keynes (Mitchell Australia Pty Ltd, Adelaide)
Peter Morgan (Australian Wool Industries Secretary)
Philip Goddard (Goddard Wool Marketing, Inverell)
Robert Putten (Wool Grower - Queensland)

AWEX Director: Matty Moses (Wool Broker Director)

AWEX Staff: Lindsay Spencer (General Manager - Industry Services)
Integrated Corporate Services System (CSS) Database

As part of the centralisation of many AWEX functions, eight separate Industry Services' databases held in a range of locations were integrated into one, managed from Head Office in Lane Cove. The CSS is an integrated database system that allows AWEX to manage data in the areas of AWEX membership, Market Reporting subscriptions and all Industry Services' activities. The CSS brought together several diverse databases formerly used within AWEX to manage its operations. Previously a company or individual may have appeared in more than one of the databases, but there was no relationship between the information held in each location. The CSS has overcome this problem by linking each activity together. The CSS became fully operational in April 2002 after installation and commissioning of the Woolclassing module.

Contamination Reduction

AWEX Industry Services has been active in monitoring the potential contamination risks to the Australian wool industry. In particular, AWEX has been involved in the establishment of an international wool contamination survey. This survey is being undertaken by the CSIRO and is funded by AWI. The survey is seeking to quantify the nature and extent of contamination arising in Australian wool. The result of the survey will be available in 2003. Also, AWEX supports the initiative taken by AWI to develop a test for identifying pigmented fibre contamination, which continues to be seen as a significant threat to the marketing of Australian merino wool.

Directors' Report

Your Directors submit their report for the year ended 30 June 2002.

Directors

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

<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</td>
<td>Chairman;</td>
</tr>
<tr>
<td>(Appointed 22 November 2001)</td>
<td>Chairman, McGarvie Smith Institute</td>
<td>Chairman of Audit and Compliance Committee;</td>
</tr>
<tr>
<td></td>
<td>Director, Mayes Pty Ltd</td>
<td>Chairman of Remuneration Committee.</td>
</tr>
<tr>
<td></td>
<td>Director, Enteding Pty Ltd</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Councillor Royal Agricultural Society of NSW</td>
<td></td>
</tr>
<tr>
<td>D.R. Belgre</td>
<td>Managing Director, Don Belgre Pty Ltd</td>
<td>Non Executive Director;</td>
</tr>
<tr>
<td></td>
<td>Managing Director, G. Schneider Australia P/L</td>
<td>Member of Rules Committee;</td>
</tr>
<tr>
<td></td>
<td>Italian Region Representative, Australian Superfine Woolgrowers’ Association;</td>
<td>Member of Remuneration Committee;</td>
</tr>
<tr>
<td></td>
<td>Chairman, Australian Wool Network Pty Ltd</td>
<td></td>
</tr>
<tr>
<td>S. Campbell</td>
<td>Grazer;</td>
<td>Non Executive Director;</td>
</tr>
<tr>
<td>(Appointed 23 November 2001)</td>
<td>President, WoolProducers</td>
<td>Chair of Rules Committee.</td>
</tr>
<tr>
<td></td>
<td>Director, National Farmers' Federation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Director, Australian Wool Testing Authority</td>
<td></td>
</tr>
<tr>
<td>A.L. Harris</td>
<td>National Manager – Wool, Elders Limited</td>
<td>Non Executive Director;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Member of Organisational Review Committee.</td>
</tr>
<tr>
<td>L.K. Mclvor</td>
<td>International Trade Consultant and Woolgrower;</td>
<td>Non Executive Director;</td>
</tr>
<tr>
<td></td>
<td>Company Secretary, Livecorp Ltd.</td>
<td>Member of Rules Committee;</td>
</tr>
<tr>
<td></td>
<td>Director, Australian Livestock Exporters Council Ltd.</td>
<td>Member of Audit and Compliance Committee;</td>
</tr>
<tr>
<td>D.R. Michell</td>
<td>Chief Executive – Wool, Michell Australia Pty Ltd</td>
<td>Non Executive Director;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Member of Organisational Review Committee.</td>
</tr>
<tr>
<td>M.J. Moses</td>
<td>Managing Director – Moses and Son</td>
<td>Non Executive Director;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Member of Rules Committee.</td>
</tr>
<tr>
<td>D.J. Nancarrow</td>
<td>Managing Director – Dowerarr Australia Pty Ltd</td>
<td>Non Executive Director;</td>
</tr>
<tr>
<td></td>
<td>Director, Independent Woolumpers Pty Ltd</td>
<td>Member of Organisational Review Committee.</td>
</tr>
<tr>
<td>M.A. Nicholls</td>
<td>Woolgrower;</td>
<td>Non Executive Director;</td>
</tr>
<tr>
<td>(Retired 23 November 2001)</td>
<td>Director, Australian Animal Health Council Ltd;</td>
<td>Member of Remuneration Committee;</td>
</tr>
<tr>
<td></td>
<td>Director, National Registration Authority for Agricultural and Veterinary Chemicals;</td>
<td>Member of Organisational Review Committee.</td>
</tr>
<tr>
<td></td>
<td>Director, Corke Instrument Engineering (Australia) Pty Ltd;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Director, ChemCert (NSW) Pty Ltd</td>
<td></td>
</tr>
</tbody>
</table>

Director Experience

- Director, ChemCert (NSW) Pty Ltd Director, Corke Instrument Engineering Committee.
- Director, National Registration Authority for Agricultural and Veterinary Chemicals; Director, Corke Instrument Engineering (Australia) Pty Ltd; Director, ChemCert (NSW) Pty Ltd.
Directors’ Report (continued)

Director | Experience | Special Responsibilities
--- | --- | ---
G.M. Stooke OAM | Managing Director, Standard Wool Australia P/L; Managing Director, SH Allen & Sons Pty Ltd; Director, Independent Woolumpers Pty Ltd; Member, Principals Committee of Australian Council of Wool Exporters; Chairman of WA Rugby Union Inc. | Non Executive Director; Member of Rules Committee; Chairman of Organisational Review Committee.

D.M. Watt | Lawyer, Woolgrower; Director of Alaco Corporation Ltd; Director of Barlwood Ltd; Director of QSA Management Ltd; Associate Member of the Australian Competition & Consumer Commission; Director, Australian Plantation Timber Limited; Director, Integrated Tree Cropping Limited. | Non Executive Director; Member of Audit and Compliance Committee; Member of Remuneration Committee.

Alternate Director | Experience | Special Responsibilities
--- | --- | ---
R.W. Amos | Managing Director, Adelaide Wool Company; Past Federal President of the Federal Council of Private Treaty Wool Merchants of Australia; Managing Director, Robaine Pty Ltd. | Alternate Director

L.E. Barsten (Appointed 25 July, 2002) | Managing Director, Cherpans Wool, Wagga; Director, Old Mill Way; Director, Old Mill Way Super Fund | Alternate Director

R. Bawden | National Marketing Manager - Wool, Woolmarkers Landmark; Director, Wooldumpers Australia Pty Ltd | Alternate Director; Member of Organisational Review Committee.

R. Cable | Director of Cable Wool Pty Ltd. | Alternate Director

D.A. Macdonald | Managing Director, Dubbo Wool Brokers P/L | Alternate Director

R.D. Pietsch (Appointed 7 August, 2002) | Grafter; Director, Terrea Holdlame; Director, AGForce Developments | Alternate Director

R.J. Quirk | Executive Director, Australian Wool Industries Secretariat; Deputy Chairman, Federation of Australian Wool Organisations; Advisor to IWTO President. | Alternate Director

D. Wolfenden (Retired 23 November 2001) | Woolgrower; | Alternate Director

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

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

Employees
The company employed 22 full time permanent staff and 7 casual employees as at 30 June 2002. During 2001 AWEX employed 30 full time permanent and 9 casual employees.

Results
An operating surplus of $662,223 (2001 operating surplus $911,064) 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 $5,683,662 (2001: $5,086,287) and common fees received from members of $996,926 (2001: $1,059,178). Total revenue for the period was $7,371,662 (2001: $6,859,258).

Total Operating expenses for the year were $6,709,439 ($7,371,662) relating to provision of ongoing services.

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

Corporate Governance and 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.

Significant Changes in the State of Affairs
There were no significant changes to the company’s state of affairs during the year.

Matters Subsequent to the End of the Financial Year
In the period subsequent to 30 June 2002 drought conditions have worsened in many wool-growing areas across the country. This may significantly affect the company’s operations in future financial years.

Likely Developments and Expected Results of Operations
The Directors foresee the declining wool volumes resulting from reduced sheep numbers and drought conditions across much of the country will result in reduced revenues for the company during the 2002/2003 and possibly subsequent financial years.

End of the Financial Year
2002/2003 and possibly subsequent financial years.
Directors’ Indemnity
During the year the Company has paid a premium of $19,314 (2001:$13,816) 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, D.A. Macdonald, I.K. McIvor, D.R. Michell, M.J. Moses, D.J. Nancarrow, M.A. Nicholls, 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 2002 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 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, 10th October, 2002
Our Members

Trading Members
A B Rhodos & Company
A S Gudge Aust Pty Ltd
A M & P Lyons
ACF Wool Traders Pty Ltd
Adelaide Wool Company Pty Ltd
AES Scott & Company Pty Ltd
AOR Grains Pty Ltd
Ardakan Wool Brokers Ltd
Associated Wool Exporters Pty Ltd
Atitude Wool Company Pty Ltd
Australian Wool & Pastoral Agency Limited
Australian Wool Network Pty Ltd
Barwon & Yarrah Wool Brokers Pty Ltd
Beach Wool Services
Bloomfield Pty Ltd
Bowden Wool Auctions Pty Ltd
Brockman Pty Ltd
Bryton Wool
Buxton International Pty Ltd
BWK Elders Australia Pty Ltd
Cable Wool Pty Ltd
Chadron Pty Ltd
Charguar Wool Australia Pty Ltd
China Zhong Hui Wooltops Australia Pty Ltd
Corrugat Ltd
Compagnie d’Importation de Laines
Conn Wool Pty Ltd
CTBC Australia Pty Ltd
D & A R Jeffrey Pty Ltd
Desevain Australia Pty Ltd
Diamond T & Bar Pastoral Company Pty Ltd
Don Boltby Pty Ltd
Dubbo Wool Brokers Pty Ltd
Dyron Wool (Aust) Pty Ltd
E P Robinson Pty Ltd
Elders Limited
F Whitbread & Company
Fibres (Australia) Pty Ltd
Fletcher International Exporters Pty Ltd (Morne)
Fornostat (Aust) Pty Ltd
Garden Pty Ltd
Germid Wool Pty Ltd
Goedkold Wool Marketing Pty Ltd
Gordon Lithfield Wool Pty Ltd
H Dawson Sons & Company (Aust) Pty Ltd
Harold de Tucsy Pty Ltd
Hodge Wool Pty Ltd
I H Yeoward & Company Pty Ltd
Itochu Wool Ltd
James Stedman (Wool) Pty Ltd
Jomalong Wool Pty Ltd
Jenky Wool Exports Pty Ltd
John Boddie Wool Company Pty Ltd
Katherine Wool Company Pty Ltd
Kangarang (Australia) Pty Ltd
Lachlan Industries Pty Ltd
Landini & Company Pty Ltd
Larrock Speciality Fibres Pty Ltd
Lampiaure (Australia) Pty Ltd
Lampiaure and Little Pty Ltd
Losco Pty Ltd
Louis Dreyfus Australia Pty Ltd
M & G Wool Company
M & M Wool Pty Ltd
M A & Kiaro & Company Pty Ltd
Marapar Bank Ltd
Marahuni Australia Pty Ltd
Maulden (Australia) Limited
McFeeters Wool
Melbourne International Wool Traders Pty Ltd
Melbourne Wool Exporters Pty Ltd
Meredith Wool Company Pty Ltd
Mitchell Australia Pty Ltd
Ming Shan Company (Australia) Pty Ltd
Modiano Australia Pty Ltd
Montgomery Wool Pty Ltd
Moonpaw Pty Ltd
Moss & Sons
Murrumbidgee Wool Brokers Pty Ltd
New England Fibre Testing Pty Ltd
New England Wool Pty Ltd
NGS Wool (Queensland) Pty Ltd
Norfolk Wool Traders Pty Ltd
Oxina Wool Pty Ltd
P J Morris Woods Pty Ltd
Peter Scanlan Woods
Port Phillip Wool Processing Pty Ltd
Prmac Elders Wool Department
Prominent of WA Pty Ltd
Quality Soft Wool of Australia Ltd
Quality Wool Pty Ltd
Quarry Wool Services Pty Ltd
R & D Ryan Pty Ltd
R & W Treeby Pty Ltd
Rannerda Pty Ltd
Sandy Creek Wool Company Pty Ltd
Simo International Pty Ltd
Southern Cross Wool Pty Ltd
Standard Wool Australia Pty Ltd
Starty Pty Ltd
Stirling Sorting Company Pty Ltd
Stockwell Pty Ltd
T L Tarry & Co Pty Ltd
TAS Wool Purchases Pty Ltd
Techwood Trading Pty Ltd
Tweedwool Country Woolbuyers Pty Ltd
Tradewool Pty Ltd
Unicol Wool Brokers Pty Ltd
V & H Smythe Pty Ltd
Victoria Wool Processors Pty Ltd
Vicwool Pty Ltd
Woolfarmers Landmark Limited
West Coast Wool Pty Ltd
Western Wool Marketing
Westgate Wool Company Pty Ltd
Williams Wool Pty Ltd
Wool Agency Company Pty Ltd
Woolgrowers Independent Selling Services Ltd
Woolstock Australia Limited
Yarrah Wool

Grower Members
A J Byrne & Company
A H Holcombe Pastoral Co
A W Morse
Alfam Nominees Pty Ltd
Akister Cameron
Allison Watson
Andrew Wall
Arthur & Bock
Australian Wool Growers Pty Ltd
Autumnaire Pastoral Company
Bolshaphaker Pty Ltd
Bank Brothers
Barnoy Pty Ltd
Bilney, Michael
Bloomfield Pastoral Company
Bridg Pastoral Company
Bruce Cunningham
Bulahora Enterprises
Butterfly Lagoon Partnership
Bangor, Andrew
Byunga Pastoral Company
C A W & D W Prill
C E Hyde & Co
C M D Moores
Calabrih Pty Ltd
Carrington Station
Carssoola Partners
Cervaphar Partnership
Chain O Ponds
Chenery, Anthony
Chely Agriculture Limited
Coomba Grazing Company Pty Ltd
D D Long & A J Long
D W D & C Craig
D W Taylor Pty Limited
Dunor Pty Ltd
Dingo Range
Dongisenio Grazing Company
Dora G Nad
Dr Robert N Baulch
Doris H Nash
Dongiemon Grazing Company
E P Robinson Pty Ltd
Elders Limited
F Whitbread & Company
Fibres (Australia) Pty Ltd
Fletcher International Exporters Pty Ltd (Morne)
Fornostat (Aust) Pty Ltd
Garden Pty Ltd
Germid Wool Pty Ltd
Goedkold Wool Marketing Pty Ltd
Gordon Lithfield Wool Pty Ltd
H Dawson Sons & Company (Aust) Pty Ltd
Harold de Tucsy Pty Ltd
Hodge Wool Pty Ltd
I H Yeoward & Company Pty Ltd
Itochu Wool Ltd
James Stedman (Wool) Pty Ltd
Jomalong Wool Pty Ltd
Jenky Wool Exports Pty Ltd
John Boddie Wool Company Pty Ltd
Katherine Wool Company Pty Ltd
Kangarang (Australia) Pty Ltd
Lachlan Industries Pty Ltd
Landini & Company Pty Ltd
Larrock Speciality Fibres Pty Ltd
Lampiaure (Australia) Pty Ltd
Lampiaure and Little Pty Ltd
Losco Pty Ltd
Louis Dreyfus Australia Pty Ltd
M & G Wool Company
M & M Wool Pty Ltd
M A & Kiaro & Company Pty Ltd
Marapar Bank Ltd
Marahuni Australia Pty Ltd
Maulden (Australia) Limited
McFeeters Wool
Melbourne International Wool Traders Pty Ltd
Melbourne Wool Exporters Pty Ltd
Meredith Wool Company Pty Ltd
Mitchell Australia Pty Ltd
Ming Shan Company (Australia) Pty Ltd
Modiano Australia Pty Ltd
Montgomery Wool Pty Ltd
Moonpaw Pty Ltd
Moss & Sons
Murrumbidgee Wool Brokers Pty Ltd
New England Fibre Testing Pty Ltd
New England Wool Pty Ltd
NGS Wool (Queensland) Pty Ltd
Norfolk Wool Traders Pty Ltd
Oxina Wool Pty Ltd
P J Morris Woods Pty Ltd
Peter Scanlan Woods
Port Phillip Wool Processing Pty Ltd
Prmac Elders Wool Department
Prominent of WA Pty Ltd
Quality Soft Wool of Australia Ltd
Quality Wool Pty Ltd
Quarry Wool Services Pty Ltd
R & D Ryan Pty Ltd
R & W Treeby Pty Ltd
Rannerda Pty Ltd
Sandy Creek Wool Company Pty Ltd
Simo International Pty Ltd
Southern Cross Wool Pty Ltd
Standard Wool Australia Pty Ltd
Starty Pty Ltd
Stirling Sorting Company Pty Ltd
Stockwell Pty Ltd
T L Tarry & Co Pty Ltd
TAS Wool Purchases Pty Ltd
Techwood Trading Pty Ltd
Tweedwool Country Woolbuyers Pty Ltd
Tradewool Pty Ltd
Unicol Wool Brokers Pty Ltd
V & H Smythe Pty Ltd
Victoria Wool Processors Pty Ltd
Vicwool Pty Ltd
Woolfarmers Landmark Limited
West Coast Wool Pty Ltd
Western Wool Marketing
Westgate Wool Company Pty Ltd
Williams Wool Pty Ltd
Wool Agency Company Pty Ltd
Woolgrowers Independent Selling Services Ltd
Woolstock Australia Limited
Yarrah Wool

Associate Members
Australian Superfine Woolgrowers’ Association
Comex Commodity Exchange Pty Ltd
Department of Agriculture WA

Glenmor Partners
Glenwood Cummock Pty Ltd
Golding Farms
Geogional Partnership
Gerrin Pastoral Company
Grazier Family Trust
Hilton Pastoral Company
I & B P Mk Pty Ltd
Ian Aubrey
Ian Burbury
Ian McLean
Ian William Whiteley
J A & J McCracken
J C Irwin
J R L Hall & Company
J H & D R England
J M Moore
J P & S M Ranke
J R & D M D Mills
John Mayes
John Bumpus
John Shady & Sons
Jungaburra Pty Ltd
Kentucky Pty Ltd
Kevin Gill
Kool Holdings Pty Ltd
Lachlan Campbell
Laramed Pastoral Company
Leigh Tuck
Lindsey & Bridgman
Litchfield, Gordon
Lynwood Grazing Company
M K & M A Bartholomaeus
Mance Pastoral Co Pty
Marong Pastoral Co Pty Ltd
Maroona Proprietors
Max Zell Family Settlement Trust
McGee Pastoral Company
McInnes Bros
Melior Agricultural Consultants Pty Ltd
McLean, Mark
Michael Emery
Morgan, M. R
Mr Bert Campbell
Mr Dudley Cockington
Mr Duncan Fraser
Mr Garth England
Mr John Edward Beveridge
Mr Roger Cunningham Manson
Mr Jetty Pastoral Company
Midura Partnership
Mirangal Pastoral Company
The above statement of financial performance should be read in conjunction with the accompanying notes.

The above statement of financial position should be read in conjunction with the accompanying notes.
1. Summary of significant accounting policies

(a) Basis of Accounting

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

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

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

(b) Changes in Accounting Policies

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

(c) Income Tax

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

(d) Leasehold Improvements

The cost of improvements to leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised at between 7.5 percent and 20 percent per annum.

(e) Leased Non-Current Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets (finance leases), and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is established at its fair value at the inception of the lease. The liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the profit and loss account in the periods in which they are incurred.

(f) 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:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Life</th>
<th>30 June 02</th>
<th>30 June 01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor Vehicles</td>
<td>5 years</td>
<td>5 years</td>
<td></td>
</tr>
<tr>
<td>Plant &amp; Equipment</td>
<td>3-8 years</td>
<td>3-8 years</td>
<td></td>
</tr>
<tr>
<td>Software</td>
<td>3 years</td>
<td>3 years</td>
<td></td>
</tr>
</tbody>
</table>

The above statement of cashflows should be read in conjunction with the accompanying notes.
(g) 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.

(iv) Number of employees at year end
There are 22 full time permanent and 7 casual employees as at 30 June 2002 (2001: 30 full permanent and 9 casual employees).

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) Unearned income
Wool classer registration income (refer Note 12 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.

Notes to the Financial Statements for the Year Ended 30 June 2002 (continued)

2. Revenues from Ordinary Activities

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2002</th>
<th>30 June 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joining fees</td>
<td>10,889</td>
<td>29,655</td>
</tr>
<tr>
<td>Subscription fees</td>
<td>72,854</td>
<td>80,895</td>
</tr>
<tr>
<td>Common fees</td>
<td>996,926</td>
<td>1,059,178</td>
</tr>
<tr>
<td>Fees for services</td>
<td>5,683,662</td>
<td>5,086,287</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>321,524</td>
<td>397,398</td>
</tr>
<tr>
<td>Interest received/receivable</td>
<td>284,742</td>
<td>165,505</td>
</tr>
<tr>
<td>Proceeds from sale of Plant and Equipment</td>
<td>1,065</td>
<td>40,340</td>
</tr>
<tr>
<td>Total Revenues from Ordinary activities</td>
<td>7,371,662</td>
<td>6,859,258</td>
</tr>
</tbody>
</table>

3. Expenses and Losses/Gains

(a) Expenses

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2002</th>
<th>30 June 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation and Amortisation of non-current assets</td>
<td>424,655</td>
<td>321,031</td>
</tr>
<tr>
<td>Amortisation of plant and equipment under finance lease</td>
<td>5,361</td>
<td>24,258</td>
</tr>
<tr>
<td>Total Depreciation and Amortisation Expense</td>
<td>430,016</td>
<td>345,289</td>
</tr>
</tbody>
</table>

Operating lease rental

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2002</th>
<th>30 June 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum lease payments</td>
<td>402,153</td>
<td>775,389</td>
</tr>
<tr>
<td>Contingent Rentals</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rental Expense arising from sub-leases</td>
<td>113,031</td>
<td>-</td>
</tr>
<tr>
<td>Total Operating lease rental</td>
<td>515,184</td>
<td>775,389</td>
</tr>
</tbody>
</table>

Provision for doubtful trade debtors | 15,000 | - |

Transfer to provisions for holiday pay | 95,886 | 16,311 |

Transfer to provisions for long service leave | 43,076 | 5,709 |

(b) Losses/(gains)

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2002</th>
<th>30 June 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss/(gain) on disposal of property, plant and equipment</td>
<td>59,085</td>
<td>873</td>
</tr>
</tbody>
</table>
## Notes to the Financial Statements for the Year Ended 30 June 2002 (continued)

### 4. Current Assets - Cash Assets

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2002</th>
<th>30 June 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on Hand</td>
<td>800</td>
<td>1,816</td>
</tr>
<tr>
<td>Cash at Bank</td>
<td>338,063</td>
<td>92,900</td>
</tr>
<tr>
<td>Deposits at call</td>
<td>5,030,573</td>
<td>6,707,099</td>
</tr>
<tr>
<td>Cash Assets</td>
<td>5,369,436</td>
<td>8,801,815</td>
</tr>
</tbody>
</table>

### 5. Current Assets - Receivables

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2002</th>
<th>30 June 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Debtors</td>
<td>523,765</td>
<td>636,527</td>
</tr>
<tr>
<td>less: Provision for Doubtful Debts</td>
<td>(15,000)</td>
<td>-</td>
</tr>
<tr>
<td>Trade Debtors after provision for doubtful debts</td>
<td>508,765</td>
<td>636,527</td>
</tr>
<tr>
<td>Accrued Revenue</td>
<td>106,096</td>
<td>64,641</td>
</tr>
<tr>
<td>Receivables</td>
<td>614,861</td>
<td>701,168</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>Notes</th>
<th>30 June 2002</th>
<th>30 June 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepayments</td>
<td>39,590</td>
<td>31,284</td>
</tr>
<tr>
<td>Other Debtors</td>
<td>37,650</td>
<td>39,440</td>
</tr>
<tr>
<td>Other</td>
<td>77,240</td>
<td>70,724</td>
</tr>
</tbody>
</table>

### 7. Non-Current Assets - Property Plant and Equipment

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2002</th>
<th>30 June 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant and equipment at cost*</td>
<td>1,868,324</td>
<td>1,703,294</td>
</tr>
<tr>
<td>less: Accumulated Depreciation</td>
<td>(1,119,339)</td>
<td>(1,050,768)</td>
</tr>
<tr>
<td>Total</td>
<td>748,985</td>
<td>652,526</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2002</th>
<th>30 June 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant and equipment under finance leases</td>
<td>-</td>
<td>56,924</td>
</tr>
<tr>
<td>less: Accumulated Amortisation</td>
<td>-</td>
<td>(45,754)</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>11,170</td>
</tr>
<tr>
<td>Property, Plant &amp; Equipment</td>
<td>748,985</td>
<td>663,696</td>
</tr>
</tbody>
</table>

* Plant and equipment includes computer terminals leased to Eclipse customers at cost ($72,877.40).

### 8. Non-Current Assets - Other

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2002</th>
<th>30 June 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepayments</td>
<td>-</td>
<td>3,080</td>
</tr>
<tr>
<td>Security Deposits</td>
<td>-</td>
<td>912</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>3,992</td>
</tr>
</tbody>
</table>

### 9. Current Liabilities - Payables

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2002</th>
<th>30 June 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creditors</td>
<td>432,908</td>
<td>791,138</td>
</tr>
<tr>
<td>Accrued Expenses</td>
<td>429,436</td>
<td>366,915</td>
</tr>
<tr>
<td>Training - Classer Registration</td>
<td>1,688,065</td>
<td>3,035,791</td>
</tr>
<tr>
<td>Payables</td>
<td>2,550,409</td>
<td>4,193,844</td>
</tr>
</tbody>
</table>

### 10. Current Liabilities - Interest Bearing Liabilities

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2002</th>
<th>30 June 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease Liabilities</td>
<td>-</td>
<td>10,997</td>
</tr>
<tr>
<td>Hire purchase Liabilities</td>
<td>-</td>
<td>17,596</td>
</tr>
<tr>
<td>Interest Bearing Liabilities</td>
<td>-</td>
<td>28,593</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2002</th>
<th>30 June 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Entitlements (being provision for annual leave and superannuation)</td>
<td>173,689</td>
<td>324,365</td>
</tr>
<tr>
<td>Provisions</td>
<td>173,689</td>
<td>324,365</td>
</tr>
</tbody>
</table>

### 12. Current Liabilities - Other

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2002</th>
<th>30 June 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unearned Income</td>
<td>1,141,855</td>
<td>1,440,656</td>
</tr>
<tr>
<td>Other</td>
<td>1,141,855</td>
<td>1,440,656</td>
</tr>
</tbody>
</table>

### 13. Non-Current Liabilities - Interest Bearing Liabilities

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2002</th>
<th>30 June 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hire Purchase Liabilities</td>
<td>-</td>
<td>14,666</td>
</tr>
<tr>
<td>Interest Bearing Liabilities</td>
<td>-</td>
<td>14,666</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2002</th>
<th>30 June 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Entitlements (being provision for long service leave)</td>
<td>94,538</td>
<td>51,463</td>
</tr>
<tr>
<td>Provisions</td>
<td>94,538</td>
<td>51,463</td>
</tr>
</tbody>
</table>

### 15. Equity - Reserves

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2002</th>
<th>30 June 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members Reserves</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 1 July</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>

### 16. Equity - Retained Surplus

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2002</th>
<th>30 June 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retained surplus at 1 July</td>
<td>1,547,808</td>
<td>636,744</td>
</tr>
<tr>
<td>Net profit attributable to members of the company</td>
<td>662,223</td>
<td>911,064</td>
</tr>
<tr>
<td>Retained surplus at 30 June</td>
<td>2,210,031</td>
<td>1,547,808</td>
</tr>
</tbody>
</table>
17. Remuneration of Directors

Income paid or otherwise made available to Directors by the company or related parties 215,552 212,107

The number of Directors of the company whose income from the company or related parties was within the specified bands are as follows:

<table>
<thead>
<tr>
<th>Band</th>
<th>No.</th>
<th>No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 – $ 9,999</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>$10,000 – $19,999</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>$20,000 – $29,000</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>$30,000 – $39,000</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>$40,000 – $49,000</td>
<td>-</td>
<td>1</td>
</tr>
</tbody>
</table>

No retirement benefits were paid to Directors during the year.

18. Remuneration of Auditors

Amounts received or due and receivable by Thomas Davis and Co for:
- audit of the financial report of the company 11,000 9,500
- other services - -

Remuneration of Auditors 11,000 9,500

19. Expenditure Commitments

Operating leases (non-cancellable)

Minimum lease payments 19(a)
- not later than one year 184,491 350,412
- later than one year and not later than five years 317,529 42,858
- later than five years - -

Aggregate lease expenditure contracted for at balance date 502,020 393,270

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

Commitments in relation to finance leases are payable as follows:

Not later than one year - 11,143
Later than one year but not later than two years - -
Later than two years but not later than five years - -
Minimum lease payments - -
Less: Future finance charges - (146)

Representing lease liabilities:
Current (note 10 ) - 10,997
Non-Current (note 13 ) - -

20. 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.J. Moses
- D.J. Nancarrow
- M.A. Nicholls
- G.M. Stooke
- D.M. Watt

Alternate Directors
- R.W. Amos
- R. Bawden
- R. Cable
- D.A. Macdonald
- 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
- R. Bawden
- D.R. Belgre
- R. Cable
- S. Campbell
- A.L. Harris
- D.A. Macdonald
- I.K. McIvor
- D.R. Michell
- M.J. Moses
- D.J. Nancarrow
- M.A. Nicholls
- 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>Description</th>
<th>30 June 2002</th>
<th>30 June 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joining, subscription and trading fees</td>
<td>1,188,484</td>
<td>1,535,142</td>
</tr>
<tr>
<td>Selling facility rentals</td>
<td>468,154</td>
<td>582,899</td>
</tr>
<tr>
<td>EDI Network fees and Market Reports</td>
<td>261,270</td>
<td>249,584</td>
</tr>
<tr>
<td>Sample site and showfloor charges</td>
<td>7,459</td>
<td>4,449</td>
</tr>
<tr>
<td>Other</td>
<td>337,315</td>
<td>176,269</td>
</tr>
<tr>
<td></td>
<td>2,262,682</td>
<td>2,548,343</td>
</tr>
</tbody>
</table>

21. Segment Information

The company operates predominantly in one industry, being the Australian wool industry.
Notes to the Financial Statements for the Year Ended 30 June 2002 (continued)

22. Reconciliation of profit from ordinary activities to net cash from Operating activities

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2002</th>
<th>30 June 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit from ordinary activities</td>
<td>662,223</td>
<td>911,064</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>430,016</td>
<td>345,289</td>
</tr>
<tr>
<td>Increase in Other Provisions</td>
<td>17,397</td>
<td>-</td>
</tr>
<tr>
<td>Loss on disposal of plant and equipment</td>
<td>59,083</td>
<td>873</td>
</tr>
<tr>
<td>Decrease/(increase) in trade and other payables</td>
<td>86,307</td>
<td>(63,434)</td>
</tr>
<tr>
<td>Decrease/(increase) in other payables and prepayments</td>
<td>(10,986)</td>
<td>(48,039)</td>
</tr>
<tr>
<td>(Decrease)/Increase in trade creditors, accruals and unearned income</td>
<td>(1,942,236)</td>
<td>4,828,740</td>
</tr>
<tr>
<td>(Decrease)/Increase in other provisions</td>
<td>(117,601)</td>
<td>34,673</td>
</tr>
<tr>
<td>Net cash (outflows)/inflows from operating activities</td>
<td>(815,795)</td>
<td>6,089,166</td>
</tr>
</tbody>
</table>

22(a). Notes to Statement of Cash Flows (continued)

Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

**Bank Loan Facilities**

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2002</th>
<th>30 June 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total bank overdrafts</td>
<td>19,500</td>
<td>19,500</td>
</tr>
<tr>
<td>Used at balance date</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unused at balance date</td>
<td>19,500</td>
<td>19,500</td>
</tr>
</tbody>
</table>

**Payroll Facility**

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2002</th>
<th>30 June 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total payroll facility</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Unused at balance date</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unused at balance date</td>
<td>20,000</td>
<td>20,000</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.

23. 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 2002</th>
<th>30 June 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at 1 July</td>
<td>652,526</td>
<td>90,705</td>
</tr>
<tr>
<td>Additions</td>
<td>574,390</td>
<td>403,372</td>
</tr>
<tr>
<td>Disposals (net)</td>
<td>(53,276)</td>
<td>(20,520)</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>(424,655)</td>
<td>(321,031)</td>
</tr>
<tr>
<td>Carrying amount at 30 June</td>
<td>748,985</td>
<td>652,526</td>
</tr>
</tbody>
</table>

(b) **Plant and Equipment under finance lease**

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2002</th>
<th>30 June 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at 1 July</td>
<td>11,170</td>
<td>49,771</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Disposals (net)</td>
<td>(5,809)</td>
<td>(14,343)</td>
</tr>
<tr>
<td>Amortisation Expense</td>
<td>(5,361)</td>
<td>(24,258)</td>
</tr>
<tr>
<td>Carrying amount at 30 June</td>
<td>-</td>
<td>11,170</td>
</tr>
</tbody>
</table>
The Directors of the company declare that:

(1) the financial statements set out on pages 16 to 28:

(a) comply with Accounting Standards and the Corporation Act 2001; and
(b) give a true and fair view of the Company’s financial position as at 30 June 2002 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 Belgre
Director

Sydney, 10th October, 2002

24. Financial Instruments

(a) Interest rate risk

<table>
<thead>
<tr>
<th>Floating Interest Rate</th>
<th>Non-interest bearing</th>
<th>Total carrying amount as per the statement of financial position</th>
<th>Weighted average effective interest rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 June 02</td>
<td>30 June 01</td>
<td>30 June 02</td>
<td>30 June 01</td>
</tr>
<tr>
<td>Cash</td>
<td>5,369,436</td>
<td>6,801,815</td>
<td>-</td>
</tr>
<tr>
<td>Trade Debtors and other receivables</td>
<td>-</td>
<td>-</td>
<td>614,861</td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
<td>-</td>
<td>77,240</td>
</tr>
<tr>
<td>Total Financial assets</td>
<td>5,369,436</td>
<td>6,801,815</td>
<td>692,101</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.

25. Contingent Liabilities

The company holds a bank guarantee with a face value of $71,880 (2001: $98,165) in respect of rental obligations to that value.
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, 2002 as set out on pages 16 to 28. 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 2002 and of its performance for the year ended on that date; and
   ii) complying with Accounting Standards and the Corporations Regulations 2001; and

b) other mandatory professional reporting requirements.

Thomas Davis & Co
Chartered Accountants

P.L. Whiteman
Partner

Sydney, 10th October, 2002

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

2001/2002 – An Overview

Market Overview – EMI

2002/03

Regional Market Indicators and Micron Price Guide (AUD cents/kg clean)

Regional Indicator 839 917 766 905 650 876
17 MPG - - - - - -
18 - - - - - -
18.5 - - - - - -
19 1280 1077 1258 1058 - -
19.5 - - - - - -
20 754 976 739 962 731 956
21 655 967 655 963 658 955
22 654 975 646 970 640 961
23 631 981n 629 974n 624 961
24 626 976n 631 967n 614 947n
25 598 952n 600 953n - -
26 538 878n 544 930n - -
28 533 724n 524 741n - -
32 510 529n 499 544n - -

Note: n = nominal quote.
## Australian Wool Exchange Limited

A.B.N. 35 001 495 565

### 2001/2002 – An Overview

### Market Indicators Summary – 2001/2002 Season

#### Closing AWEX Indicators (AUD cents/kg clean)

<table>
<thead>
<tr>
<th>Date</th>
<th>North</th>
<th>South</th>
<th>West</th>
<th>East</th>
</tr>
</thead>
<tbody>
<tr>
<td>06-Jun-01</td>
<td>848</td>
<td>764</td>
<td>662</td>
<td>803</td>
</tr>
<tr>
<td>13-Jun-01</td>
<td>848</td>
<td>756</td>
<td>666</td>
<td>799</td>
</tr>
<tr>
<td>20-Jun-01</td>
<td>846</td>
<td>751</td>
<td>682</td>
<td>801</td>
</tr>
<tr>
<td>27-Jun-01</td>
<td>831</td>
<td>749</td>
<td>686</td>
<td>801</td>
</tr>
<tr>
<td>03-Jul-01</td>
<td>829</td>
<td>743</td>
<td>681</td>
<td>803</td>
</tr>
</tbody>
</table>

#### Sale Recesses

<table>
<thead>
<tr>
<th>Date</th>
<th>North</th>
<th>South</th>
<th>West</th>
<th>East</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-Jun-01</td>
<td>846</td>
<td>751</td>
<td>682</td>
<td>801</td>
</tr>
<tr>
<td>27-Jun-01</td>
<td>831</td>
<td>749</td>
<td>686</td>
<td>801</td>
</tr>
<tr>
<td>03-Jul-01</td>
<td>829</td>
<td>743</td>
<td>681</td>
<td>803</td>
</tr>
<tr>
<td>10-Jul-01</td>
<td>826</td>
<td>741</td>
<td>679</td>
<td>803</td>
</tr>
<tr>
<td>17-Jul-01</td>
<td>824</td>
<td>740</td>
<td>678</td>
<td>803</td>
</tr>
<tr>
<td>24-Jul-01</td>
<td>823</td>
<td>739</td>
<td>677</td>
<td>803</td>
</tr>
<tr>
<td>31-Jul-01</td>
<td>822</td>
<td>738</td>
<td>676</td>
<td>803</td>
</tr>
</tbody>
</table>

#### 2001/2002

**Indicators**

<table>
<thead>
<tr>
<th>Date</th>
<th>North</th>
<th>South</th>
<th>West</th>
<th>East</th>
</tr>
</thead>
<tbody>
<tr>
<td>05-Jun-01</td>
<td>850</td>
<td>756</td>
<td>680</td>
<td>806</td>
</tr>
<tr>
<td>12-Jun-01</td>
<td>848</td>
<td>754</td>
<td>678</td>
<td>804</td>
</tr>
<tr>
<td>19-Jun-01</td>
<td>846</td>
<td>752</td>
<td>676</td>
<td>804</td>
</tr>
<tr>
<td>26-Jun-01</td>
<td>844</td>
<td>750</td>
<td>674</td>
<td>804</td>
</tr>
<tr>
<td>03-Jul-01</td>
<td>842</td>
<td>748</td>
<td>672</td>
<td>804</td>
</tr>
<tr>
<td>10-Jul-01</td>
<td>840</td>
<td>746</td>
<td>670</td>
<td>804</td>
</tr>
<tr>
<td>17-Jul-01</td>
<td>838</td>
<td>744</td>
<td>668</td>
<td>804</td>
</tr>
<tr>
<td>24-Jul-01</td>
<td>836</td>
<td>742</td>
<td>666</td>
<td>804</td>
</tr>
</tbody>
</table>

**Statistical Overview for Season 2001/2002**

<table>
<thead>
<tr>
<th>Region</th>
<th>Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>South</td>
</tr>
<tr>
<td>Offered</td>
<td>1,147,634</td>
</tr>
<tr>
<td>% change</td>
<td>-3.4%</td>
</tr>
</tbody>
</table>

**Characteristics**

- **Offered**
  - **North**: 1,147,634
  - **South**: 2,189,657
  - **West**: 999,684
  - **East**: 1,262,736
- **% change**: -3.4% (North), -2.7% (South), -1.0% (West), -0.3% (East)

### Notes

- **North Region** Indicators comprised from sales in Sydney and Newcastle. **Southern Region** Indicators comprised from sales in Melbourne and Launceston. **Western Region** Indicators comprised from Fremantle sales only.
- **n.s.** No Sale.

The Statistical Overview is the weighted average of the two prevailing North & South Regional indicators and is expressed as provisional (p) when only one of these regional indicators is produced in the current sale day.