Wool Production stabilised in 2003-04 halting the trend of the past 10 years

AWEX appoints Mark Grave as CEO on September 12th, 2003

AWEX celebrates 10th Anniversary milestone

AWEX receives strong interest in Woolclasser Re-registration

AWEX’s Organisational Review Committee conducted a comprehensive review of AWEX’s structure, function and services

Restructure – AWEX reduces staff and further centralises services

AWEX addresses new competition in Trading Services

Fee restructure – AWEX releases Fee Structure based on new focus on core services

New Zealand Merino commences selling in Australia and apply for membership of AWEX

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 statement

Allan Farrar
AWEX Chairman

‘catalyst for change’

We certainly live in interesting times and it should come as no surprise that the Australian Wool Industry continues to evolve at a rapid pace. Since the Australian Wool Exchange (AWEX) was established more than a decade ago in response to self-regulation, it has provided industry leadership and tackled a range of challenging issues. Time and again, AWEX and its Members have demonstrated a willingness to adapt to changing circumstances and to take hard decisions in the long term interests of Australia’s wool industry. The past year has been no different and in fact has been amongst the most challenging periods of AWEX’s history.

financial results

In last year’s Annual Report, I indicated the AWEX Board and Management’s concerns over a less than favourable outlook for 2003-04. Whilst these conditions prevailed, particularly, in the first six months of the year, the turnaround in the second half of the year, in auction throughput, bolstered AWEX’s financial outcome. The combination of better than budgeted income in several key service areas, reduced costs resulting from significant structural changes and prudent fiscal control, enabled AWEX to deliver a strong financial result. AWEX’s surplus of $622,260 has increased Members’ equity to $4,324,779.

In the 2004-05 financial year we will be operating under new competitive conditions. The level of wool production is expected to be marginally improved. AWEX has undertaken significant structural changes to address the new operating environment. In consideration of these underlying issues the AWEX Board anticipates a break-even or small financial deficit in 2004-05. It is the AWEX Board’s conviction however, that for AWEX to remain efficient, innovative and viable, we must continue to invest in technology and its processes for the benefit of Members and clients.

new competition

In March 2004 Australian Wool Handlers (AWH) unveiled a proposal to introduce competitive trading systems in parallel to AWEX in the 2004-05 season. As AWH’s shareholders are the two largest Wool Selling Brokers in Australia, the AWH move meant that significant change was inevitable. AWEX’s response has been driven by the guiding principle that AWEX’s responsibility is to the interests of the entire industry.

The proposal acted as a catalyst to accelerate many of the changes foreshadowed in AWEX’s 2002-03 Annual Report – changes that became not only desirable but essential in the new environment. We have worked hard to reach agreement on several key operational issues to provide certainty to industry participants and most importantly, to minimise the risk of fragmentation and unnecessary disruption. Under the leadership of our new Chief Executive Officer, Mark Grave and his dedicated management team, AWEX has achieved a highly constructive and workable outcome from consultation and negotiation with participants in the industry.

member feedback

A welcome by-product of the AWH proposal was the opportunity it presented to actively seek out the attitudes of a large cross-section of our Members from across Australia. In a series of face-to-face meetings instigated by AWEX, the Board and senior management spoke to many Members about the level of importance they place on AWEX’s services and responsibilities. What emerged was a largely consistent and often passionate view that AWEX’s role as an independent and impartial deliverer of market information and guardian of industry standards is greatly valued. In response to the strong sentiments expressed, AWEX reaffirmed its commitment to maintaining its role in safeguarding what is truly important to industry participants – reliable data and uncompromising standards.

AWEX restructure

The AWEX Board and Management also acknowledged that AWEX must actively respond to changing circumstances with new ideas and approaches. We have undertaken an all-encompassing review of AWEX’s operational structure, its services and the basis of its fees. The AWEX Board considered a number of recommendations from its Organisational Review Committee and agreed that AWEX must focus on the provision of information services and industry standards. AWEX will concentrate on delivering high quality services in these core service areas. We will also continue to provide high quality support services and facilities to those Members who require the use of AWEX selling systems. The operations and management of AWEX have been restructured to drive efficiencies and the Board is examining options to reduce its size to one more commensurate with the new focus of the organisation, while maintaining its effectiveness in terms of industry opinion in presentation.

revised fee schedule

Flowing on from the restructure was the need to reassess the allocation of AWEX’s costs, with a view to establish a fee structure that reflects true cost recovery and the value of the services which AWEX provides. The fees announced in July were the result of a careful review and we believed successfully moved AWEX towards a fair reflection of the costs incurred for the services it provides. We will continue to keep our costs and fees under close review.

looking forward

As we have done in the past, the AWEX Board and Management team have responded constructively to a range of challenges this year. We have worked hard to pursue new business strategies and to achieve further structural improvements so that AWEX is able to continue as an essential player in the Australian and international wool industry by adding value and meeting the needs and expectations of Members.

No doubt change will continue and, in turn, AWEX will seek to turn change to the advantage of AWEX Members and the wool sector as a whole. I express my gratitude for the tireless efforts of the Board and Management in ensuring that AWEX consistently emerges from its challenges stronger, more efficient and well-positioned for the future.
It has been a most challenging year for the Wool Industry and AWEX. I wish to thank AWEX staff for their dedicated contribution to the sound performance of the Company in 2003-04. Whilst Australian wool production stabilised at 480 mkg in 2003-04, the level remains a concern to all within the industry. The 2004-05 Australian Wool Innovation Production Forecast of 500 mkg signals a reversal of the trend over the last ten years. The ability to recover from the near record low in production is subject to the continued impact of long term drought, historically low stock numbers and moderate wool prices. Wool prices continue to run second to the higher and moderate wool prices. Long term drought, historically low stock numbers and moderate wool prices. Wool prices continue to run second to the higher and moderate wool prices. Wool prices continue to run second to the higher and moderate wool prices. Wool prices continue to run second to the higher and moderate wool prices.

Wool prices continue to run second to the higher returns from sheep meat and cattle leaving Australian wool producers with difficult business decisions. The changing composition of the Australian flock and the relationship between wool and sheep meat remains critical for industry to better understand the dynamics of wool production in Australia in 2003-04.

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One of the strengths of AWEX has been its ability to strategically evolve as challenges emerge. The new competitive environment in auction selling systems has been a catalyst for AWEX to implement strategic change. The challenge has been for AWEX to critically assess its operations and services provided to remain competitive and relevant. In redefining AWEX’s core focus the value of AWEX to Members and the industry has consistently been the independence and impartiality provided through the services AWEX delivers. Members have made it very clear that they put a high value on maintaining the consultative, transparent and broadly representative structure of AWEX and we remain committed to this.

A revised operational structure has been implemented that allows AWEX to contain costs while continuing to meet the needs of Members and the needs of the wider wool industry in an ever-changing environment. Our approach has been to ensure management is streamlined with resources directed towards operational services. This will provide a close and responsive relationship between management and members.

In response to industry feedback, the Board agreed to replace Regional Committees with a National Auction Selling Committee (NASC) a committee of buyers and sellers. The decision-making for issues affecting the conduct and administration of wool auction trading is firmly in the hands of Members and recognises that regional issues have a National impact. The Industry Services Advisory Committee (ISAC) will not only be retained but revitalised as its role is integral with much of the new focus and drive of AWEX.

NZ merino
Recently, New Zealand Merino Limited commenced offering wool for sale at auction in Australia through the Melbourne sale centre. New Zealand Merino has also taken the necessary corporate actions to become a Member of AWEX. The 2004-05 season is well underway and it will be a year of transition for the wool industry. AWEX will assist Members through this transition and ensure that those standards and services required by industry are not compromised. I am confident that through our actions AWEX continues to be well-placed to not only fulfil its essential role but exceed it wherever possible.

“Nothing endures but change” (Heraclitus) Over the past ten years so much has changed for the wool industry and also for AWEX.

The first official AWEX Board meeting took place on the 31st August 1993, and AWEX celebrated this milestone by holding a function in Sydney in conjunction with the AGM on November 28th, 2003.

In the last 10 years, AWEX has often led some of the most innovative developments in the wool industry. AWEX has, at times, been lauded for its initiative and at other times found itself in some challenging and politically difficult situations.

Whilst change is ongoing, AWEX has never forgotten its role within the industry or its responsibility to, and strong relationship with, its Members. AWEX was founded through the efforts of a large number of foundation Members and it is these Members which have provided AWEX with the charter to evolve into an effective and committed service organisation.

AWEX has been well served during these formative years by five Chairmen:

- Mr. David Boyd (Interim Chairman 1993),
- Mr. Charles Curran AO as founding Chairman (1993-96),
- Mr. John O’Neill AO (1996-2001),
- Mr. Don Watt (Interim Chairman 2001) and
- Mr. Allan Farrar (2001-) current Chairman.

Each Chairman has, with the support of the AWEX Board and Management, played a role in leading and unifying AWEX. AWEX has had a total of 37 individual Directors in this same period and their contribution is testimony to the industry’s willingness to be actively involved in AWEX’s development.

The tireless work of the inaugural AWEX CEO, Mr. Peter Smith, was fundamental in establishing AWEX as a peak professional and innovative service organisation. The appointment of AWEX’s second CEO, Mr. David White, built on the solid base established and provided the platform for AWEX to deliver efficiently through the better use of technology. The current CEO, Mr. Mark Grave, has the responsibility of leading AWEX management and staff in a significantly changed operating environment and strategically directing AWEX towards the future.

AWEX has achieved much in a difficult environment by understanding its role and consulting widely with its Members and industry in general.

AWEX’s record is well regarded and given its limited budget its list of achievements are considerable and include:

1. Centralised Selling.
2. Electronic Selling Trials.
4. AWEX-ID - Australia and overseas.
5. Wool Development Program.

Many challenges lay ahead for AWEX and the wool industry over the next 10 years. The Board, Management and Staff of AWEX are committed to many more AWEX achievements.

AWEX’s greatest asset is the talent, dedication and commitment of its staff, both past and present. There is no doubt that the breadth of achievements of AWEX would not have been possible had it not been for the drive and passion of the small but talented group of staff AWEX has been fortunate enough to harness in the last ten years.

From the initial vision and drive of the Management team in establishing AWEX, the implementation of new platforms for selling systems and market information, the adoption and improvements in industry registration schemes, to the vital role of the regional offices in improving communications and understanding the concerns of its Members and the implementation of some politically challenging programs, AWEX and its members have indeed been fortunate.

The industry has changed and so too has AWEX. 10 years is a milestone of achievement of which AWEX and its members can be proud.
A key initiative of AWEX in 2003-04 has been the challenge of reviewing the organisation in totality, not only in terms of operational structure but also the varied and many functions that AWEX provides. This review has been a key focus of the AWEX Board and Senior Management team and has looked not only at the operational structure but also a full review of the Committee’s IT funds and Board structure.

Over the years AWEX has been through several significant reviews and subsequent changes. The restructure of operations in 2001 was the catalyst for redefining AWEX and its role. It provided the platform for change, recognising that there were two different service streams within AWEX. The result was to centralise many of AWEX’s internal functions which were regionally based giving AWEX the ability to streamline its functions and maintain better cost control.

A hallmark of the developments of AWEX over the years has been the well balanced investment in technology to deliver more services at a lower cost than before.

AWEX had 35 full time staff in 1997, today with only 18 full and permanent part-time staff, the level of service has not diminished and the workload has increased. The achievements in efficiency would not have been possible had AWEX not continued to invest and develop improved systems in its formative years. The expectation on AWEX is high.

AWEX has sponsored many industry Committees for example; Industry Services Advisory Committee and Regional Committees. As the industry has evolved, AWEX has recognised the need to review these Committee structures to ensure they remain relevant.

The role of Regional Committees has been to bring together over the years all Members to discuss relevant local and/or national issues. The issues raised, particularly in the early years of AWEX, were considerable and these Committees worked tirelessly to establish national standards, AWEX Rules, review codes of practice, develop Wool Selling Programs and have input in the development of market reporting. Many of these issues have since evolved with a more national focus and drive than before. Regional issues remain important as they form the integral fabric of a national system and the new approach, through the National Auction Selling Committee, will recognise this.

The recent restructure of AWEX is a deliberate strategy to keep AWEX Management and staff in touch with Members and clients. AWEX will continue to review and improve the services it provides and the relationship between AWEX and its members will ensure that this is achieved.
In March 2004, AWH met with AWEX to unveil a proposal to introduce competitive trading systems in parallel to AWEX in the 2004-05 season. The services included the provision of salerooms, data capture, trading systems and electronic networks. The introduction of competition in these services in parallel to AWEX is a significant event for AWEX. Competition in itself is something that AWEX embraces and welcomes and with each challenge comes opportunity. AWEX has delivered services into many competitive fields for many years including: market information, electronic trading systems and quality assurance schemes. Competition is an important aspect in ensuring that Companies deliver to the needs of their clients and is something clearly understood by all AWEX Members in their day-to-day operations. AWEX is highly regarded both domestically and internationally as a service provider in these areas.

AWEX established its core services based fundamentally on those activities surrounding the exchange of ownership. These activities and functions are now being challenged and with it the long term viability of AWEX, however, the AWEX response has been measured and in considerable detail.

AWEX initiated a major review of its functions and structure and challenged its own vision and focus on the future direction of the organisation. The AWEX Board and Management recognise that the industry is changing quickly and AWEX must respond with a clear focus and direction to take the organisation forward. As a result of this review process, AWEX has re-emphasised its commitment to delivering functions acknowledged by industry as those which must not be compromised: market information and standards. The wool industry has identified these services as those it wants maintained and carried out by an impartial and reliable organisation which is viable. In addition, AWEX will continue to provide auction services to those Members who require them and will be competitive in their delivery.

Independence is valued highly and so too is the integrity and reputation that AWEX has built over the last 10 years based on the quality and level of the services delivered. AWEX continues to receive interest in its market information services such as AWEX Online around the world. AWEX’s commitment to high quality products and services in these areas, underpinned by independence and integrity, are an integral part to an informed market.

From the moment a competitive system was announced, AWEX has strived for an industry-best solution that minimised the risk of fragmentation and unnecessary additional costs. Our mandate has consistently been to represent what is best for all sectors of the wool trading industry in Australia. Whilst this is a difficult course to charter it has largely been achieved.

AWEX remains focused on working constructively to minimise disruption to the industry, while continuing to provide benefits for our Members and the industry as a whole. With the operational effects of this new competition remaining unknown at this stage, AWEX will build upon its core strengths to ensure its services remain commercial and are viable.
During 2003-04 the evolution of AWEX Market Reports continued with all reports reviewed for content and design during the season. The new look and feel of the reports has been received well by subscribers with increased emphasis on graphical representation and colour. All new AWEX Reports are created and developed by AWEX staff using new software tools. This has resulted in improved reporting, lower development costs and opportunities for staff to increase skills.

The “WOOLTRAK” brand was retired during the season and was replaced with “AWEX Reports”. The number of subscriptions in 2003-04 were slightly lower than the previous financial year due to tighter economic activity and reduced number of participants, the expectation of our clients is increasing in terms of content and frequency. AWEX expects this to stabilise in the 2004-05 season for existing subscribers.

AWEX Online has now been positioned as the key information tool in terms of flexibility of access and available content. AWEX now also offers both ‘push’ and ‘pull’ delivery of market information. Market Information is pushed via e-mail or SMS. Additionally, information is available on two web sites – AWEX Reports and AWEX Online. AWEX Reports offers access to all of the standard static market reports whilst AWEX Online is the premium reporting service that allows the user to interact with live and historical data.

AWEX completed its third woolclasser re-registration period in March 2004. The re-registration period is from January 1, 2004 to December 31, 2006. The re-registration of woolclassers has been in steady decline over the past 10-15 years. This year AWEX received 22,429 registrations for active woolclassers compared to 23,469 in the previous period. This represents a decline of 4.4% of active woolclassers in Australia. Whilst this number is down on previous registrations it has arrested the dramatic decline seen in the early 90s. Feedback and contact with woolclassers is increasing not only through telephone contact but also with email and fax. The highly respected quarterly journal “BoardTalk” is well received with an estimated viewing/reading audience in excess of 35,000. This year for the first time all Woolclassers will have received a ‘Woolclasser Activity Report’. This exciting initiative will provide each Woolclasser with a summary of all clips they have classed which were offered for sale at auction during 2003-04. Woolclassing and the compliance of the Code of Practice continues to be a driving force for AWEX and underpins the trading of wool in Australia. AWEX will continue to develop new and innovative ways to improve communications with this important community so they can be kept abreast of industry issues and the links between industry sectors is shortened.
With breed, the issues lie in the many strains that are within South Africa. Some of these can be challenging to classify within the AWEX-ID system and at times can straddle across breed categories, and may contain heavy Kemp and Black. Kemp and three levels of Black were qualifiers that were both introduced into the AWEX-ID framework specifically for South African conditions. However, with the introduction of “exotic” breeds into Australia, we are increasingly finding a use for these qualifiers within our own market.

The interest and use of AWEX-ID in South Africa has been outstanding and should continue to grow in the coming years as it cements its place as the description system of choice. From here, the AWEX commitment to the AWEX-ID roll-out in South Africa will see a continuation of the calibration workshops that have been in place for the past six years. It is envisaged that these workshops will in time be held in both Australia and South Africa which will continue to see a knowledge transfer of regional conditions swapped between countries. This will benefit the AWEX-ID system as it evolves into a truly transportable and international wool description system.

South Africa

2004 marked another milestone in the roll-out of AWEX-ID into the South African wool market. AWEX Senior Market Analyst, Lionel Plunkett travelled to South Africa in late June where he delivered two AWEX-ID courses to AWEX accredited appraisers in Port Elizabeth, South Africa.

AWEX-ID was initially introduced into South Africa in 1998. Subsequent courses were held in South Africa in 1999 and 2003, with a number of appraisers from BKB visiting Australia for a further workshop in 2002.

BKB are the largest wool broker in South Africa and they were impressed with the simplicity and flexibility inherent in the user friendly wool description system.

The Port Elizabeth course in 2003 was a landmark event as it saw a wider South African audience involved in the workshops and the accreditation of appraisers. As well as a number of BKB appraisers, the workshops involved participants from Cape Mohair and Wool (CMW) as well as Cape Wools. CMW is the largest handler of Mohair and the second largest wool broker, while Cape Wools is the industry body responsible for market reporting and statistics. These two organisations are still evaluating the system for their own use and are currently appraising wool using AWEX-ID in parallel with their own types, however, their involvement signals another step towards the system being embraced by the whole South African wool industry.

All three companies were involved in the June 2004 workshops with a total of 14 appraisers participating. As with previous courses, the goal of the workshops was to calibrate appraisers to a common AWEX-ID standard. This is achieved by appraising a number of samples as a group before undertaking a “blind” assessment on a wide variety of samples. This approach is also familiar with AWEX-employed auditors in Australia, who undertake calibration workshops every six months.

Local differences in the South African clip have seen a number of modifications made to the AWEX-ID system over the past few years. The main differences revolve around preparation and breed. The flexibility inherent with the AWEX-ID structure has allowed these variations to be incorporated with ease. In regards to preparation, a cheap labour force enables a very high degree of clip preparation to be attained. Skirting lines are usually picked (regardless of micron) giving the best pieces lines an appearance similar to fleece. These are typically described as MP4 or MF5 (including E and C1 qualifiers). The secondary pieces are therefore heavy in sweat and usually appraised as an MP6.
USA

Following several visits to Australia by a number of USA wool industry executives, the American Sheep Industry Association (ASI) decided to introduce the AWEX-ID wool description system into the USA wool industry. The ASI have been keen observers of the progress and developments of AWEX-ID over the last five years both extensively here in Australia and also more recently in South Africa. The general understanding and acceptance of AWEX-ID as a language for wool, not only with Growers and Brokers but also with Buyers and Processors of wool, was key to the ASI’s interest in adopting this language.

As part of this ASI initiative, AWEX was approached to travel to the USA to train a number of leading wool industry personnel in the use of AWEX-ID. A key to the successful introduction of AWEX-ID is the training and accreditation of appraisers. Stage one in this project was to trial AWEX-ID to gauge the effectiveness of the language as a descriptive tool for the diverse range of USA wool, as well the acceptance of the language by USA wool industry personnel.

AWEX prepared reference samples to be used to help deliver the training in the USA. AWEX Northern Region Manager, Chris Miley, travelled to the USA in May to deliver training workshops. Training workshops in Denver, Colorado and Roswell, New Mexico. The Roswell course was held in conjunction with the largest wool auction sale ever conducted in the USA.

Whilst there are common elements in the descriptive language for wool there are variations including breed. The wool industry in the USA is different to that experienced in Australia:

- Currently there is no formalised typing system in the USA.
- There is no effective or transparent price discovery or reporting mechanism.
- Approximately 38 million lbs of greasy wool is produced annually in the USA, equal to about 100,000 bales.
- There are approximately 4.6 million breeding ewes but few wethers.
- There are 64,000 producers and 45 different sheep breeds.

grower pools and private treaty

Many sales are through grower-pools or sold on private treaty basis via domestic buyers. With so many growers with very small flock numbers, pools are a necessary way of aggregating small parcels into saleable lots.

Much of the wool is still sold with little or no test information and is offered/sold based on history and reputation. USA domestic processing is now significantly less than past years, and USA wool must now compete on the world market with Australia, South Africa, New Zealand and others for the Chinese and other markets with –

- No common language typing system.
- No universally understood market reporting system.
- Inadequate grower price discovery mechanisms.
- Wool poorly prepared, being poorly skirted or not skirted.

initial intentions of the AWEX-ID project

- To learn about the AWEX-ID system and determine how the appraisal system can be used in the USA.

The Roswell sale is the largest in the USA with nearly 2,000,000 lbs of wool, and was the first USA sale to have AWEX-ID on all lots in a sale catalogue. A USA market reporting facility was set up in Sydney, Australia using AWEX Online providing the Roswell Wool and other observers with a suite of basic market reports. This was the first online market report ever seen in the USA. It was also an opportunity to show the powerful functions of AWEX Online. AWEX Online users can visit this new USA site in the menu functions.

next steps in the project

AWEX-ID is intended to be an integral part of the wool industry in the USA as in Australia by:

- Adequately and independently describing the non-measured characteristics of greasy wool.
- Providing pricing functions such as market reports, pre- and post-sale information, statistical data, and transparent price discovery.
- Guaranteeing the integrity of the system by the use of accredited appraisers whose performance is transparent, audited, monitored and recorded on a regular basis.

Focus will now centre on the major warehouse operations to ensure that more than one person from each operation is accredited, to ensure that all warehouses have the resource capacity to apply AWEX-ID to all lots that enter their system.

market reporting

Market reporting in the USA is conducted by the USDA Dept of Agriculture. While not a major part of USDA operations its wool marketing operators are keen to look at more effective ways to report the USA wool sale market.

While the project still has some way to go, indications are that AWEX-ID will begin to form an important part of the USA wool industry as it moves its focus into the global wool industry.
WOOLSEARCH – connecting the wool industry through the Internet

WOOLSEARCH, a unique Internet based service, was launched in October 2003 by the Australian Wool Exchange Ltd (AWEX) to provide Woolclassers, Shearers and Wool Handlers with an innovative way to promote their services to potential clients as well as provide access to up-to-date and relevant wool industry information. The launch of the Internet service coincided with the commencement of the current Woolclasser Registration period.

The WOOLSEARCH website is user friendly and wool producers, classing houses, shearing contractors or anyone seeking the services of a wool industry professional can go online and search for a list of currently available individuals or contractors within a particular area. This service saves valuable time when organising shearing or looking for an emergency replacement.

All currently registered Australian Woolclassers have been contacted by AWEX with details of the opportunities and benefits provided by WOOLSEARCH. As a result, WOOLSEARCH has over 6,500 Woolclassers listed on the website and searches can be done by selecting a town or postcode.

The Shearer and Wool Handler component of WOOLSEARCH has been made available with the support and contribution of Australian Wool Innovation (AWI) as part of the AWI Shearer and Wool Handler Training Initiative Pilot. Shearers and Wool Handlers who would like their contact details listed on WOOLSEARCH should register today.

By using WOOLSEARCH, Woolclassers, Shearers and Wool Handlers access hundreds of new or prospective clients without the outlay of expensive advertising or relying on word of mouth to grow their business.

WOOLSEARCH also offers wool industry professionals the option of having their own personal website. A WOOLSEARCH personal website is available to anyone wishing to advertise detail information such as areas of expertise, experience, availability and other personalised information which is linked directly to the contact details listed on WOOLSEARCH. Personal websites are fully designed and maintained, on a fee for service basis and represent an exciting opportunity to further promote the services of Australian Woolclassers.
our members

trading members

A S Gedge Australia Pty Ltd
ACF Wool Traders Pty Ltd
Adelaide Wool Company Pty Ltd
AES & Co Pty Ltd
AR Rhodes & Company
Arcadian Wool Brokers Ltd
Associated Wool Exporters Pty Ltd
Attadale Wool Company Pty Ltd
Australia Wool Pty Ltd
Australian Wool & Pastoral Agency Pty 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 Elders Australia Pty Ltd
Cable Wool Pty Ltd
Chadron Pty Ltd
Chargers Wool Australia Pty Ltd
Cogtrust Pty Ltd T/as Coggan Wool
Compagnie d’Importation de Laines
Conn Wool Pty Ltd
CTRC Australia Pty Ltd
Davis Wool
Dewavrin Australia Pty Ltd
Diamond T & Bar Pastoral Company Pty Ltd
Dixson Wool Pty Ltd
Don Belgire Pty Ltd
Dubbo Wool Brokers Pty Ltd
Dyon Wools (Australia) Pty Ltd
E.P. Robinson Pty Ltd
Elders Ltd
F. Whitbread & Company (Rocklea)
Fibres (Australia) Pty Ltd
Fletcher International Exports Pty Ltd (Dubbo)
Fox and Lillie Pty Ltd
Fremantle Wool Trading Company Pty Ltd
Fry Wool Services
Gemind Wool Pty Ltd
Goddard Wool Marketing Pty Ltd
Goldex Wool T/as Mascot Wool Pty Ltd
Gordon Litchfield Wool Pty Ltd
H Dawson Sons & Company (Aust) Pty Ltd
Harvest Wool (Australia) Pty Ltd
Hodge Wool Pty Ltd
I H Yeoward & Co Pty Ltd
Itochu Wool Ltd
James Stedman (Wool) Pty Ltd
JA Seager & NE Seager Partnership
Jemalong Wool Pty Ltd
Jenkyn Wool Exports Pty Ltd
John Boddice Wool Company Pty Ltd
Kathytex Australia Pty Ltd
Kreglinger (Australia) Pty Ltd
Landini Industries Pty Ltd
Landmark Ltd
Laycock Speciality Fibres Pty Ltd
Lempiere (Australia) Pty Ltd
Lochville Pty Ltd
Louis Dreyfus Australia Pty Ltd
M & M Wools (Australia) Pty Ltd
MA Kiernan & Company Pty Ltd
Masurel Fils (Australia) Limited
McFeeters Wool
Melbourne International Wool Traders Pty Ltd
Melbourne Wool Exporters Pty Ltd
Meredith Wool Company Pty Ltd
Michell Pty Ltd
Ming Shan Company (Australia) Pty Ltd
Modiano Australia Pty Ltd
Montgomery Wools Pty Ltd
Morepen Pty Ltd
Moses and Son
Murrumbidgee Wool Brokers Pty Ltd
New England Wool Pty Ltd
NGS Wool (Queensland) Pty Ltd
Norfolk Wool Traders Pty Ltd
Ostini Wool Pty Ltd
P J Morris Wools Pty Ltd
P Lyons & Company Pty Ltd
Peter Scanlan Wools
Primac Elders Wool Department
Primaries of WA Pty Ltd
Quality Wool Pty Ltd
Quay Wool Services Pty Ltd
Reward Australia Wool Pty Ltd
Riverina Wool Brokers
Riverton Wools
Roberts Ltd
Rodwells & Company Pty Ltd
Sandy Creek Wool Company Pty Ltd
Saunders Wool Pty Ltd
Sim International Pty Ltd

associate members

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

grower members

A & A H Burgess
Abfarm Nominees Pty Ltd
A J Byrne & Company
Alister Cameron
Andrew Wall

Southern Cross Wool Pty Ltd
Standard Wool Australia Pty Ltd
Startoy Pty Ltd
Stirling Sorting Company Pty Ltd
Stockwool Pty Ltd
T L Tourrier & Company Pty Ltd
Techwool Trading Pty Ltd
The New Zealand Merino Company Ltd
Tradeswool Country Woolbuyers Pty Ltd
Tradeswool Pty Ltd
United Farmers Co-Operative Company Pty Ltd
United Wool Brokers Pty Ltd
V & H Smythe Pty Ltd
Victoria Wool Processors Pty Ltd
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<td>Winthorpe Bavarian Agricultural Consult</td>
</tr>
<tr>
<td>Michael Emery</td>
<td>Terry Carlson</td>
</tr>
<tr>
<td>Michael Bilney</td>
<td>Bloomfield Pastoral Company</td>
</tr>
<tr>
<td>Brett Campbell</td>
<td>Byanga Pastoral Company</td>
</tr>
<tr>
<td>Bryn Williams</td>
<td>Coomba Grazing Company Pty Ltd</td>
</tr>
<tr>
<td>Castle Carrock Merinos</td>
<td>C W A &amp; D W Prell</td>
</tr>
<tr>
<td>Cavanagh Partnership</td>
<td>D &amp; A J Long</td>
</tr>
<tr>
<td>C E Hyde &amp; Co</td>
<td>Dingo Range</td>
</tr>
<tr>
<td>Anthony Chenery</td>
<td>Donglemom Grazing Company</td>
</tr>
<tr>
<td>Clyde Agriculture Limited</td>
<td>East Murandal</td>
</tr>
<tr>
<td>C M De Mestre</td>
<td>G W &amp; C L Clothier &amp; Sons</td>
</tr>
<tr>
<td>Coomba Grazing Company Pty Ltd</td>
<td>G A Amery Family Trust</td>
</tr>
<tr>
<td>John Edward Beveridge</td>
<td>John Mayes</td>
</tr>
<tr>
<td>John L Hall &amp; Co</td>
<td>Jungaburra Pty Ltd</td>
</tr>
<tr>
<td>J M Moore</td>
<td>Kentucky Pty Ltd</td>
</tr>
<tr>
<td>J C Irwin</td>
<td>Kevin Gill</td>
</tr>
<tr>
<td>J R &amp; D M D Mills</td>
<td>Lachlan Campbell</td>
</tr>
<tr>
<td>J R L Hall &amp; Co</td>
<td>Lindsay &amp; Bridgman</td>
</tr>
<tr>
<td>J P &amp; S M Ranken</td>
<td>Gordon Litchfield</td>
</tr>
<tr>
<td>J R &amp; C McCracken</td>
<td>M K &amp; A Bartholomaeus</td>
</tr>
<tr>
<td>J R &amp; D M D Mills</td>
<td>Macquarie Hills Partnership</td>
</tr>
<tr>
<td>John Mayes</td>
<td>Mance Pastoral Co Pty Ltd</td>
</tr>
<tr>
<td>Mulluna Partnership</td>
<td>Marong Pastoral Co Pty Ltd</td>
</tr>
<tr>
<td>Mulluna Pastoral Company</td>
<td>McVor Agricultural Consultants Pty Ltd</td>
</tr>
<tr>
<td>N P O'Shannessy</td>
<td>Mark McLean</td>
</tr>
<tr>
<td>Neville Parker</td>
<td>Michael Emery</td>
</tr>
<tr>
<td>M A &amp; A L Nicholls</td>
<td>Terry Carlson</td>
</tr>
<tr>
<td>P T &amp; K C Walker (Partnership)</td>
<td>Parling Yards Trading Company</td>
</tr>
<tr>
<td>Pete Longley</td>
<td>Phil O'Brien Wool Pool</td>
</tr>
<tr>
<td>Phil O'Brien Wool Pool</td>
<td>Robert Pietsch</td>
</tr>
<tr>
<td>Roger Farquharson Mason</td>
<td>Quambaloo Pastoral Company</td>
</tr>
<tr>
<td>S G Groves &amp; Company</td>
<td>Redbank Pastoral Company</td>
</tr>
<tr>
<td>Karalta Spielvogel</td>
<td>Robert Richardson Dick</td>
</tr>
<tr>
<td>S S &amp; W A Parkinson</td>
<td>Roger Farquharson Mason</td>
</tr>
<tr>
<td>Stonehouse Grazing</td>
<td>S G Groves &amp; Company</td>
</tr>
<tr>
<td>Strathbogie Pastoral Company</td>
<td>Karalta Spielvogel</td>
</tr>
<tr>
<td>Sun Valley AG</td>
<td>T &amp; A Silcock</td>
</tr>
<tr>
<td>Terinallum Partnership</td>
<td>The Mutooroo Pastoral Co Pty Ltd</td>
</tr>
<tr>
<td>T &amp; A Silcock</td>
<td>Twynam Pastoral Company Pty Ltd</td>
</tr>
<tr>
<td>The Mutooroo Pastoral Co Pty Ltd</td>
<td>W S &amp; M E McCann Pty Ltd</td>
</tr>
<tr>
<td>W C &amp; M E McCann Pty Ltd</td>
<td>Wandella Pastoral Partnership</td>
</tr>
<tr>
<td>Windaroo Pastoral Company</td>
<td>WoolProducers</td>
</tr>
<tr>
<td>Woolaway Grazing</td>
<td>Yarrabee Grazing Company</td>
</tr>
<tr>
<td>Yarrabee Grazing Company</td>
<td>Windaroo Pastoral Company</td>
</tr>
</tbody>
</table>


Your Director's submit their report for the year ended 30 June 2004.

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

** Allan Farrar  
Chairman, McGarrigle Smith Institute, Director; Maya Pty Ltd; HON Councillor Royal Agricultural Society of NSW  
Chairman, Chairman of Audit, Compliance and Corporate Governance Committee; Chairman of Remuneration Committee.

** M.J. Moses  
Appointed Director 1 December 2000  
Managing Director, Moses and Sons; Director, Prudham Pty Ltd; Vice Chair, Inland Woolbrokers Association  
Non Executive Director; Member of Rules Committee; Board Representative, DAC; Member of Membership Admission Committee.

** L. Harris  
Appointed Director 1 December 2000  
National Wool Representative - Wool, Elders Limited; President, National Council of Wool Selling Brokers; Author of Australian Wool Testing Authority;  
Non Executive Director; Member of Organisational Review Committee.

** L.K. Coogans  
Appointed Director 21 November 1997  
International Trade Consultant and Woolgrower, Company Secretary, The Wool Company Limited;  
Non Executive Director; Member of Remuneration Committee; Member of Rules Committee; Chairman of Organisational Review Committee.

** S. Campbell  
Appointed Director 22 November 2001, Resigned 28 November 2003  
Grazier; Director, Terrica Holdings; President, Wool Producers Australia; Australian Wool Testing Authority  
Non Executive Director; Chair of Rules Committee; Member of Organisational Review Committee.

** R. W. Amos  
Appointed Alternate Director for D.R. Belgre 22 October 1996  
Managing Director, Adelaide Wool Company; Federal President of the Federal Council of Private Treaty Wool Merchants of Australia; Managing Director, Robinsone Pty Ltd.

** D. R. Pietsch  
Appointed Alternate Director for R.D. Belgre 10 February 2004  
Managing Director, Chargeurs Wool, Wagga; Director, Chargeurs Wool New Zealand; Director, Old Mill Way; Director, Old Mill Way Super Fund.

** W. Lempriere  
Appointed Alternate Director for R.L. Harris 24 April 2001  
Director, Lempriere Australia Pty Ltd; Managing Director, Lempriere Fox and Lillie Pty Ltd.

** A.L. Harris  
Appointed Alternate Director for R.D. Pietsch, R.W. Amos and D.A. MacDonald 23 November 2001  
Managing Director, Adelaidewool Company; Federal President of the Federal Council of Private Treaty Wool Merchants of Australia; Managing Director, Robinsone Pty Ltd.

** L.E. Baronet  
Appointed Alternate Director for D.M. Stooke 23 July 2002  
Managing Director, Chairmee's Wool Wagga; Director, Chargue Wool Australia Pty Ltd; Director, Old Mill Way; Director, Old Mill Way Super Fund.

** M.J. McEes  
Appointed Director 1 December 2000  
Managing Director, Moses and Sons; Director, Prudham Pty Ltd; Vice Chair, Inland Woolbrokers Association  
Non Executive Director; Member of Rules Committee; Board Representative, DAC; Member of Membership Admission Committee.

** R. Cable  
Appointed Alternate Director for A.L. Harris 24 April 2001  
Director of Cable Wool Pty Ltd.

** R. Pasternak  
Appointed Alternate Director for R.D. Pietsch 10 February 2004  
Managing Director, Robaine Pty Ltd.

** S. Nancarrow  
Appointed Director 1 December 2000  
Managing Director, Dewarwinn Australia Pty Ltd; Director, Independent Woolmakers Pty Ltd  
Non Executive Director; Member of Organisational Review Committee.

** D.M. Stooke OAM  
Appointed 23 November 2001  
Secretary to the Board; Secretary to the Audit, Compliance and Corporate Governance Committee; Secretary to the Membership Admission Committee; Secretary to the Organisational Review Committee; Chief Financial and Administrative Officer.

** I.K. McIvor  
Appointed Director 23 November 2001  
Chairman, Admission Committee; Member of Organisational Review Committee; Member of Rules Committee; Non Executive Director;  
Non Executive Director; Member of Remuneration Committee; Member of Rules Committee; Chairman of Organisational Review Committee.

** D.M. Watt  
Appointed Alternate Director for R.D. Belgre 22 October 1996  
Managing Director, Standard Wool Australia Pty Ltd. Managing Director, SH Allen & Sons Pty Ltd Director, Independent Woolmakers Pty Ltd; Director, Jindalak Wool Wangling Pty Ltd; Member; Chairman, Australian Wool Exporters' Council; Chairman, Australian Wool Testing Authority;  
Non Executive Director; Member of Remuneration Committee; Member of Rules Committee; Chairman of Organisational Review Committee.

** S. Robinson  
Appointed Alternate Director for R.D. Pietsch 10 February 2004  
Managing Director, Robaine Pty Ltd.

** L. Bawden  
Appointed Alternate Director for A.L. Harris 24 April 2001  
National Wool Manager, Landmark Director, Woolpackers Australia Pty Ltd.

** D.A. MacDonald  
Appointed Alternate Director for R.L. Harris 24 April 2001  
Managing Director, Dubbo Wool Brokers Pty Ltd; Managing Director, Yennora Wool Brokers Pty Ltd.

** R.W. Amos  
Appointed Alternate Director for D.R. Belgre 22 October 1996  
Managing Director, Adelaide Wool Company; Federal President of the Federal Council of Private Treaty Wool Merchants of Australia; Managing Director, Robinsone Pty Ltd.

** M.J. Moses  
Appointed 1 December 2000  
Managing Director, Moses and Sons; Director, Prudham Pty Ltd; Vice Chair, Inland Woolbrokers Association  
Non Executive Director; Member of Rules Committee; Board Representative, DAC; Member of Membership Admission Committee.

** R. Bawden  
Appointed Alternate Director for A.L. Harris 24 April 2001  
Director of Cable Wool Pty Ltd.

** R. Pasternak  
Appointed Alternate Director for R.D. Pietsch 10 February 2004  
Managing Director, Robaine Pty Ltd.
Corporate Information
The Australian Wool Exchange Limited is a member services organisation. Members include Australian and international wool brokers, processors 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: supply of market information on behalf of members; administration of quality management programs; wool pack quality management; administering the conduct of wool selling; and the registration of wool classers.

Employees
The company employed 18 full time permanent staff and 10 casual employees as at 30 June 2004 (2003: 22 full time permanent and 8 casual employees).

Results
An operating surplus of $622,260 (2003: operating surplus $852,489) 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 $5,155,461 (2003: $5,090,830) and common fees received from members of $773,210 (2003: $804,385). Total revenue for the period was $6,573,918 (2003: $6,569,046).

Total Operating expenses for the year were $5,951,658 (2003: $5,716,557) 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.

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

The Board has mechanisms in place to oversight specific aspects of management functionality. These include the convening of the Audit, Compliance and Corporate Governance Committee, which monitors and advises the Board on management finance, corporate governance and expenditure policies and oversees the external financial statement audit process; and the Remuneration Committee, which monitors and advises the Board on issues relating to personnel policies as well as remuneration for AWEX staff.

Corporate Governance
The business and affairs of AWEX are vested in the Board which has responsibility for the management and control of the Company. The Chair is elected by the Board.

At present there are 10 Directors, including the Chair. The Board is committed to reducing Board costs and, in principle, is in favour of achieving a reduction in size. The Board will continue to obtain Member views with respect to a reduced Board and plans to put a proposal to Members at General Meeting.

The Board have agreed to reduce the number of face to face Board meetings held each year to four and will increase the use of alternative communications methods such as teleconferencing and email communications to address issues as they arise between Board meetings.

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

The Audit, Compliance and Corporate Governance Committee has responsibility to deal with matters arising with respect to the company’s corporate governance requirements. The Committee assists the Board to fulfill its corporate governance duties and advises the Board on matters relating to Board composition and procedures, Board sub-committees, corporate governance policies and board evaluations. The Committee is responsible for ensuring compliance with good Corporate Governance practices and is ensuring relevant processes are in place so that the company complies with the Principles of Good Corporate Governance and Best Practice Recommendations as drafted by the ASX Corporate Governance Council. Although AWEX is not a listed company and is not obliged to report on these principles, it is prepared to report against them where possible.

Principle 1: Lay Solid Foundations for Management and Oversight

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

Mr M Grave was appointed CEO in September 2003 and he has a detailed position definition which details his duties and responsibilities.

Principle 2: Structure the Board to Add Value

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

The Board has in principle committed to reduce its current size and will continue to receive Member feedback with a view to putting a proposal to Members at General Meeting.

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

Through the Chair, all Directors can take appropriate professional advice at AWEX’s expense.

Principle 3: Promote Ethical and Responsible Decision Making

A Code of Conduct for staff and Directors is being developed by the Company, through the Audit, Compliance and Corporate Governance Committee.

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

Principle 4: Safeguard Integrity in Financial Reporting

The Board has an Audit, Compliance and Corporate Governance Committee, with formal Terms of Reference. Details of Committee Members and the number of meetings attended is set out on the following pages. The Audit Committee meets at least once a year independently of management.

Principle 5: Make Timely and Balanced Disclosures

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

AWEX discloses significant information to Members through Members’ Updates and Media Releases.
 directors’ report continued

Principle 6: Respect the Rights of Shareholders
The Company has Members rather than shareholders. The Company complies with all relevant legislation, as well as the Constitution and provides detailed explanatory notices of general meetings to Members. AWEX’s external auditor, Thomas Davis and Co attends the AGM and is available to answer members’ questions.

Principle 7: Recognise & Manage Risk
As noted above, the Board is responsible for identifying risks and opportunities on a timely basis and has mechanisms in place to oversight specific aspects of management functionality. These include the convening of the Audit, Compliance and Corporate Governance Committee, which monitors and advises the Board on management finance, corporate governance and expenditure policies and oversees the external financial statement audit process; and the Remuneration Committee, which monitors and advises the Board on issues relating to personnel policies as well as remuneration for AWEX staff.

Principle 8: Encourage Enhanced Performance
The Audit, Compliance and Corporate Governance Committee annually review the performance of Directors. The Chair reviews the performance of the CEO annually and annual reviews for all staff, including senior management are also required.

Principle 9: Remunerate Fairly and Responsibly
Details of Directors’ remuneration is detailed in the following pages. In addition to Directors’ remuneration, Directors are entitled to be paid for all travel and other expenses incurred in connection with attendance at Board and Committee meetings or otherwise in connection with AWEX’s business.

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

Principle 10: Recognise the Legitimate Interest of Shareholders
AWEX is a member based company and does not have shareholders. A Code of Conduct for staff and Directors is being developed by the Company, through the Audit, Compliance and Corporate Governance Committee. The Code will give all staff and Directors a best practice guide to conduct.

Significant Changes in the State of Affairs
On August 11, 2003 the Chairman announced the departure of the Chief Executive Officer, Mr David White, from AWEX effective 12 September 2003 at which time the AWEX Board agreed to appoint Mr Mark Grave as Chief Executive Officer. The Board undertook a review of AWEX’s structure which resulted in a reduced operating structure.

In March 2004 the Board were advised of the plan by Australian Wool Handlers to introduce a competing saleroom facility and data network. Subsequent to this announcement, a further review of AWEX’s structure was undertaken. The review, undertaken by the Board’s Organisational Review Committee, looked at the company’s operational structure, fee structure, Board structure and Board costs. In June 2004 the Board adopted the Committee’s recommendations to reduce permanent staff by 2 and to reduce a number of regional positions to become part-time roles.

Matters Subsequent to the End of the Financial Year
At the date of this report no matters or circumstances have arisen since 30 June 2004 that have significantly affected or may significantly affect:

(a) the company’s operations; or
(b) the result of those operations; or
(c) the company’s state of affairs;

in the financial years subsequent to 30 June 2004.

Likely Developments and Expected Results of Operations
The Board foresees the introduction of competing saleroom services will impact upon revenues, however this impact may be offset by improved wool production, with a slight improvement expected in the coming year.

Directors’ Meetings
The following table sets out the number of meetings of the company’s directors held during the year ended 30 June 2004 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, an Organisational Review Committee, a Membership Admission Committee and a Selection Committee.

There were fifteen meetings of the Board of Directors (this includes a number of teleconference meetings), three meetings of the Audit, Compliance and Corporate Governance Committee and the Rules Committee. The Remuneration Committee held two meetings during the year ended 30 June 2004 and six meetings of the Organisational Review Committee were held. The Membership Admission Committee met only via Circular Resolution during the year. The Selection Committee did not meet during the year ended 30 June 2004.

<table>
<thead>
<tr>
<th>Committee Meetings</th>
<th>Board Meetings</th>
<th>Audit &amp; Compliance</th>
<th>Remuneration</th>
<th>Rules</th>
<th>Organisational Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>E = Eligible, A = Attended</td>
<td>Number of meetings attended by:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R.A. Farrar</td>
<td>15 15</td>
<td>3 3</td>
<td>2 2</td>
<td>10 7</td>
<td></td>
</tr>
<tr>
<td>D.R. Belgre</td>
<td>15 12</td>
<td>- -</td>
<td>- 2</td>
<td>10 7</td>
<td></td>
</tr>
<tr>
<td>S. Campbell (Resigned 28 November 2003)</td>
<td>9 5</td>
<td>- -</td>
<td>- 3 2</td>
<td>3 1</td>
<td></td>
</tr>
<tr>
<td>A.L. Harris</td>
<td>15 15</td>
<td>- -</td>
<td>- 1</td>
<td></td>
<td></td>
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<tr>
<td>J.K. McRae</td>
<td>15 14</td>
<td>3 3</td>
<td>2 1</td>
<td></td>
<td></td>
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<tr>
<td>D.R. Michell</td>
<td>15 6</td>
<td>- -</td>
<td>- -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M. Moses</td>
<td>15 15</td>
<td>- -</td>
<td>- -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D. Nancarrow</td>
<td>15 10</td>
<td>- -</td>
<td>- -</td>
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<tr>
<td>R.D. Pietsch (Appointed 28 November 2003)</td>
<td>6 6</td>
<td>- -</td>
<td>- 7 7</td>
<td>3 3</td>
<td></td>
</tr>
<tr>
<td>G.M. Stooke OAM</td>
<td>15 15</td>
<td>- -</td>
<td>- -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D.M. Watt</td>
<td>15 13</td>
<td>3 3</td>
<td>2 2</td>
<td></td>
<td></td>
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<tr>
<td>Alternate Directors</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>R.W. Amos (Alternate for G. Stooke)</td>
<td>- -</td>
<td>- -</td>
<td>- -</td>
<td>- -</td>
<td></td>
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<tr>
<td>E.A. Baronet (Alternate for D. Michell)</td>
<td>1 1</td>
<td>- -</td>
<td>- -</td>
<td>- -</td>
<td></td>
</tr>
<tr>
<td>R. Bawden (Alternate for A. Harris)</td>
<td>- -</td>
<td>- -</td>
<td>- -</td>
<td>- -</td>
<td></td>
</tr>
<tr>
<td>R. Cable (Alternate for D. Belgre)</td>
<td>2 2</td>
<td>- -</td>
<td>- -</td>
<td>- -</td>
<td></td>
</tr>
<tr>
<td>D.R. Hamblin (Alternate for R. Pietsch)</td>
<td>- -</td>
<td>- -</td>
<td>- -</td>
<td>- -</td>
<td></td>
</tr>
<tr>
<td>W. Lemoviere (Alternate for D. Nancarrow)</td>
<td>2 0</td>
<td>- -</td>
<td>- -</td>
<td>- -</td>
<td></td>
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<tr>
<td>D.A. MacDonald (Alternate for M. Moses)</td>
<td>- -</td>
<td>- -</td>
<td>- -</td>
<td>- -</td>
<td></td>
</tr>
<tr>
<td>R.D. Pietsch (Alternate for S. Campbell)</td>
<td>2 2</td>
<td>- -</td>
<td>- -</td>
<td>- -</td>
<td></td>
</tr>
</tbody>
</table>
Directors Indemnity

During the year the Company has paid a premium of $64,490.58 (2003:$54,116) 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 utilised the services of the company in the ordinary course of business. These services were provided under the company's standard terms and conditions.

With these exceptions, since 30 June 2003 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 2004 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, 10 September 2004

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**Statement of Financial Performance**

*Year ended 30 June 2004*

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2004</th>
<th>30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Revenues from ordinary activities</td>
<td>2</td>
<td>6,573,918</td>
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<tr>
<td>Employee benefits expense</td>
<td></td>
<td>(1,951,650) (1,887,415)</td>
</tr>
<tr>
<td>Depreciation and Amortisation Expense</td>
<td>3</td>
<td>(359,162) (404,306)</td>
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<tr>
<td>Occupancy Costs*</td>
<td></td>
<td>(571,471) (678,394)</td>
</tr>
<tr>
<td>Other expenses from ordinary activities</td>
<td></td>
<td>(3,069,375) (2,746,442)</td>
</tr>
<tr>
<td>Profit from ordinary activities before income tax expense</td>
<td>3</td>
<td>622,260</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>622,260</td>
</tr>
</tbody>
</table>

*Includes cost of head lease at 691 Geelong Road, Brooklyn for which $275,364 (2003: $309,169) sublease income was received for the period.*
### Statement of Financial Position

at 30 June 2004

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2004</th>
<th>30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Assets (Note A)</td>
<td>4</td>
<td>6,187,492</td>
</tr>
<tr>
<td>Receivables</td>
<td>5</td>
<td>508,603</td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
<td>130,209</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td></td>
<td>6,826,304</td>
</tr>
<tr>
<td><strong>NON-CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Plant and Equipment</td>
<td>7, 20</td>
<td>673,012</td>
</tr>
<tr>
<td><strong>TOTAL NON-CURRENT ASSETS</strong></td>
<td></td>
<td>673,012</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td></td>
<td>7,499,316</td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables (Note A)</td>
<td>8</td>
<td>625,957</td>
</tr>
<tr>
<td>Provisions</td>
<td>9</td>
<td>113,413</td>
</tr>
<tr>
<td>Other</td>
<td>10</td>
<td>2,350,333</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td></td>
<td>3,089,703</td>
</tr>
<tr>
<td><strong>NON-CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions</td>
<td>11</td>
<td>84,833</td>
</tr>
<tr>
<td><strong>TOTAL NON-CURRENT LIABILITIES</strong></td>
<td></td>
<td>84,833</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td></td>
<td>3,174,536</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td>4,324,780</td>
</tr>
<tr>
<td><strong>EQUITY</strong></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>3,684,780</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td></td>
<td>4,324,780</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 position to be read in conjunction with the accompanying notes.

### Statement of Cash Flows

for the year ended 30 June 2004

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2004</th>
<th>30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from customers</td>
<td></td>
<td>8,226,612</td>
</tr>
<tr>
<td>Payments to suppliers and employees</td>
<td></td>
<td>(5,877,276)</td>
</tr>
<tr>
<td>Interest Received</td>
<td></td>
<td>255,248</td>
</tr>
<tr>
<td>Net cash (outflows)/inflows from operating activities</td>
<td>19</td>
<td>2,604,584</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for property, plant and equipment</td>
<td></td>
<td>(502,116)</td>
</tr>
<tr>
<td>Proceeds from sale of plant and equipment</td>
<td></td>
<td>182</td>
</tr>
<tr>
<td>Net cash outflows from investing activities</td>
<td></td>
<td>(501,934)</td>
</tr>
<tr>
<td>Net increase/(decrease) in cash held</td>
<td></td>
<td>2,102,650</td>
</tr>
<tr>
<td>Cash at the beginning of the financial year</td>
<td></td>
<td>4,084,842</td>
</tr>
<tr>
<td>Cash at the end of the financial year</td>
<td>4</td>
<td>6,187,492</td>
</tr>
</tbody>
</table>

The above statement of cashflows should be read in conjunction with the accompanying notes.
notes to the financial statements

for the year ended 30 June 2004

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:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant &amp; Equipment</td>
<td>3-8 years</td>
</tr>
<tr>
<td>Software</td>
<td>3 years</td>
</tr>
</tbody>
</table>

(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 Recognitions
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
The company employed 18 full time permanent staff and 10 casual employees as at 30 June 2004 (2003: 22 full time permanent and 8 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
Triennium Woolclasser registration income (refer Note 10 of this annual report) is recognised based on the pattern of services rendered. The income not recognised as earned is carried forwards as unearned. Woolclasser re-registration set up costs have been expensed during the year.

(l) Adoption of Australian Equivalent to International Financial Reporting Standards
Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The company's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation.

The directors are of the opinion that the key differences in the entity’s accounting policies which will arise from the adoption of IFRS are:

Impairment of Assets
The company currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of pending AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

Financial Instruments
Under pending AASB 139: Financial Instruments: Recognition and Measurement, financial assets must be carried at fair value and financial liabilities at amortised cost except for those financial liabilities carried at fair value through the profit and loss. Unrealised gains or losses may be recognised either in income or directly to equity.

Current accounting policy is to measure financial instruments based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.
### 2. REVENUES FROM ORDINARY ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>30 June 2004</th>
<th>30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joining fees</td>
<td>18,000</td>
<td>13,228</td>
</tr>
<tr>
<td>Subscription fees</td>
<td>70,625</td>
<td>74,895</td>
</tr>
<tr>
<td>Common fees</td>
<td>773,210</td>
<td>804,385</td>
</tr>
<tr>
<td>Fees for services</td>
<td>5,155,461</td>
<td>5,090,830</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>284,195</td>
<td>362,964</td>
</tr>
<tr>
<td>Interest received/receivable</td>
<td>272,245</td>
<td>221,844</td>
</tr>
<tr>
<td>Proceeds from sale of Plant and Equipment</td>
<td>182</td>
<td>900</td>
</tr>
<tr>
<td><strong>Total Revenues from Ordinary activities</strong></td>
<td><strong>6,573,918</strong></td>
<td><strong>6,569,046</strong></td>
</tr>
</tbody>
</table>

### 3. EXPENSES AND LOSSES/GAINS

#### (a) Expenses

- Depreciation and Amortisation of non-current assets:
  - Depreciation of plant and equipment: 359,162, 404,306
- Total Depreciation and Amortisation Expense: 359,162, 404,306

- Operating lease rental:
  - Minimum lease payments: 319,979, 373,075
  - Contingent Rentals: - , -
  - Rental Expense arising from sub-leases: 118,404, 113,850
- Total Operating Lease Rental: 438,383, 486,925

- Provision for doubtful trade debtors: 15,000, 15,000
- Transfer to provisions for holiday pay: 63,058, 76,447
- Transfer to/(from) provisions for long service leave: 118,404, 113,850

#### (b) Losses/(gains)

- Net gain/(loss) on disposal of property, plant and equipment: 182, (9,137)

### 4. CURRENT ASSETS - CASH ASSETS

<table>
<thead>
<tr>
<th></th>
<th>30 June 2004</th>
<th>30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on Hand</td>
<td>800</td>
<td>800</td>
</tr>
<tr>
<td>Cash at Bank</td>
<td>344,844</td>
<td>252,589</td>
</tr>
<tr>
<td>Deposits at Call</td>
<td>5,841,848</td>
<td>3,831,453</td>
</tr>
<tr>
<td><strong>Cash Assets</strong></td>
<td><strong>6,187,492</strong></td>
<td><strong>4,084,842</strong></td>
</tr>
</tbody>
</table>

### 5. CURRENT ASSETS - RECEIVABLES

- **Trade Debtors** 5(a) 401,274, 347,783
- less: Provision for Doubtful Debts (15,000), (15,000)
- **Trade Debtors after provision for doubtful debts** 386,274, 332,783
- **Accrued Revenue** 122,329, 75,175
- **Receivables** 508,603, 407,958

#### (a) Terms and conditions

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

### 6. CURRENT ASSETS - OTHER

- Prepayments: 99,634, 65,198
- Other Debtors: 30,575, 26,711
- **Other** 130,209, 91,909

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

<table>
<thead>
<tr>
<th></th>
<th>30 June 2004</th>
<th>30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant and equipment at cost: 20(a) 2,391,062, 1,891,017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>less: Accumulated Depreciation (1,718,050), (1,360,959)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Property Plant and Equipment</strong></td>
<td><strong>673,012</strong></td>
<td><strong>530,058</strong></td>
</tr>
</tbody>
</table>
## notes to the financial statements

for the year ended 30 June 2004 (continued)

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2004</th>
<th>30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

### 8. CURRENT LIABILITIES - PAYABLES

- Creditors: $138,739, $235,385
- Accrued Expenses: $462,964, $274,777
- Unearned Rentals: $24,254, $-
- Training - Classer Registration: $301,872, $-
- Payables: $625,957, $812,034

### 9. CURRENT LIABILITIES - PROVISIONS

- Employee Entitlements (being provision for annual leave and superannuation): $113,413, $138,110
- Provisions: $113,413, $138,110

### 10. CURRENT LIABILITIES - OTHER

- Unearned Income (k): $2,350,333, $362,136
- Other: $2,350,333, $362,136

### 11. NON-CURRENT LIABILITIES - PROVISIONS

- Employee Entitlements (being provision for long service leave): $84,833, $99,967
- Provisions: $84,833, $99,967

### 12. EQUITY - RESERVES

- Members’ Reserves
  - Balance at 1 July: $640,000, $640,000
  - Transfer from retained surplus: $-, $-
  - Reserves at 30 June: $640,000, $640,000

### 13. EQUITY - RETAINED SURPLUS

- Retained surplus at 1 July: $3,062,520, $2,210,031
- Net profit attributable to members of the company: $622,260, $852,489
- Retained surplus at 30 June: $3,684,780, $3,062,520

---

## notes to the financial statements

for the year ended 30 June 2004 (continued)

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2004</th>
<th>30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

### 14. REMUNERATION OF DIRECTORS

Income paid or otherwise made available to directors by the company or related parties: $237,954, $226,223

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

<table>
<thead>
<tr>
<th>Band</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $9,999</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>$10,000 - $19,999</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>$20,000 - $29,999</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>$30,000 - $39,999</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>$40,000 - $49,999</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>$50,000 - $59,999</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>$60,000 - $69,999</td>
<td>1</td>
<td>-</td>
</tr>
</tbody>
</table>

No retirement benefits were paid to directors during the year.

### 15. REMUNERATION OF AUDITORS

Amounts received or due and receivable by Thomas Davis and Co for:

- Audit of the financial report of the company: $15,950, $12,100
- Other services: $-, $-

Remuneration of Auditors: $15,950, $12,100

### 16. EXPENDITURE COMMITMENTS

Operating leases (non-cancellable)

<table>
<thead>
<tr>
<th>Category</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum lease payments</td>
<td>$171,052</td>
<td>$427,925</td>
</tr>
<tr>
<td>- not later than one year</td>
<td>$110,747</td>
<td>$278,843</td>
</tr>
<tr>
<td>- later than one year and not later than five years</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- later than five years</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Aggregate lease expenditure contracted for at balance date: $281,799, $706,768

(a) These commitments represent payments due under non-cancellable operating leases that have not been recognised as liabilities in the current financial year.
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. Nancarrow  D.R. Michell  M. Moses
R. Pietsch  G.M Stooke  D.M. Watt

Alternate Directors

R.W. Amos  L. Baronet  R. Bawden  R. Cable
D.R. Hamblin  W. Lempriere  D.A. Macdonald  R. Pietsch

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  R. Pietsch  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 2004</th>
<th>30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joining, subscription and trading fees</td>
<td>1,022,418</td>
<td>960,231</td>
</tr>
<tr>
<td>Selling facility fees</td>
<td>460,400</td>
<td>420,128</td>
</tr>
<tr>
<td>EDI Network fees and Market Reports</td>
<td>255,136</td>
<td>292,048</td>
</tr>
<tr>
<td>Sample site and showfloor charges</td>
<td>16,400</td>
<td>6,741</td>
</tr>
<tr>
<td>Other</td>
<td>246,381</td>
<td>365,200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,000,735</strong></td>
<td><strong>2,044,348</strong></td>
</tr>
</tbody>
</table>

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 2004</th>
<th>30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit from ordinary activities</td>
<td>622,260</td>
<td>852,489</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>359,162</td>
<td>404,306</td>
</tr>
<tr>
<td>Increase/(Decrease) in Other Provisions</td>
<td>(39,831)</td>
<td>(30,150)</td>
</tr>
<tr>
<td>(Profit)/Loss on disposal of plant and equipment</td>
<td>(182)</td>
<td>9,137</td>
</tr>
<tr>
<td>Decrease/(increase) in trade and other debtors</td>
<td>(53,491)</td>
<td>175,982</td>
</tr>
<tr>
<td>Decrease/(increase) in other debtors and prepayments</td>
<td>(85,454)</td>
<td>15,740</td>
</tr>
<tr>
<td>(Decrease)/Increase in trade creditors, accruals and unearned income</td>
<td>1,802,120</td>
<td>(2,517,700)</td>
</tr>
<tr>
<td>(Decrease)/Increase in other provisions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net cash (outflows)/flows from operating activities</td>
<td>2,604,584</td>
<td>(1,090,196)</td>
</tr>
</tbody>
</table>

19 (A). NOTES TO STATEMENT OF CASH FLOWS (CONTINUED)

Financing arrangements

Payroll Facility

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2004</th>
<th>30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total payroll facility</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Used at balance date</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unused at balance date</td>
<td>50,000</td>
<td>50,000</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 2004</th>
<th>30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at 1 July</td>
<td>530,058</td>
<td>748,985</td>
</tr>
<tr>
<td>Additions</td>
<td>502,116</td>
<td>195,298</td>
</tr>
<tr>
<td>Disposals (net)</td>
<td>-</td>
<td>(9,919)</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>(359,162)</td>
<td>(404,306)</td>
</tr>
<tr>
<td>Carrying amount at 30 June</td>
<td>673,012</td>
<td>530,058</td>
</tr>
</tbody>
</table>
21. FINANCIAL INSTRUMENTS

a) Interest rate risk

<table>
<thead>
<tr>
<th></th>
<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 2003</td>
<td>6,187,492</td>
<td>4,084,842</td>
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<td>30 June 2004</td>
<td>6,187,492</td>
<td>-</td>
<td>6,187,492</td>
<td>5.01%</td>
</tr>
<tr>
<td>30 June 2003</td>
<td></td>
<td></td>
<td></td>
<td>4.74%</td>
</tr>
</tbody>
</table>

i) Financial assets

- Cash: 6,187,492, 4,084,842
- Trade Debtors and other receivables: 508,603, 407,958
- Other assets: 130,209, 91,909

Total Financial assets: 6,187,492, 4,084,842

ii) Financial liabilities

- Trade Creditors and other payables: 601,703, 510,162

Total Financial liabilities: 601,703, 510,162

(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 recognized 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 $89,218 (2003: $71,880) in respect of rental obligations to that value.
Scope

We have audited the financial report of Australian Wool Exchange Limited for the financial year ended 30th June, 2004 as set out on pages twenty-five to forty-four. 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 2004 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

PL Whitman
Partner

Sydney, 10 September 2004
‘Liability limited by the Accountants’ Scheme approved under the Professional Standards Act 1994 (NSW)’.