

australian wool  
exchange limited



**ANNUAL  
REPORT**

**2012**

A wide-angle landscape photograph capturing a serene scene at dawn or dusk. The sky is a soft, pale yellow, transitioning into a hazy, light blue over the distant hills. The foreground and middle ground consist of rolling, grassy hills. A prominent feature is a long, dark line of trees that stretches across the middle ground, separating different fields. In the distance, a small, white building with a dark roof is visible on a slight rise. The overall atmosphere is calm and expansive, with a focus on natural beauty and rural life.

*we know wool*



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## Chairman's Message

*Uncertain economic environments in all major wool consuming nations, especially Europe, led to weakening demand for wool in fiscal 2012 compared with fiscal 2011. This reduced demand, together with continuing strength in the Australian dollar, put downward pressure on wool prices. The AWEX Eastern Market Indicator closed the year at 1,076 cents per kilogram clean, compared with 1,399 cents per kilogram clean at the end of fiscal 2011.*

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Prices for finer wools suffered proportionately greater falls than the medium and broader wools, with super- and ultra-fine wools now at quite marginal levels. For example, over the year, prices for 17 micron clean wool fell by 40%, from an Eastern average of 2,383 cents per kilogram to 1,423 cents per kilogram, compared with a National Average fall of 25% for 19 micron wool (1,702 cents to 1,285 cents), and 15% for 21 micron wool (1,447 cents to 1,235 cents). It is pleasing to see increased efforts by the Australian Superfine Woolgrowers Association and other marketing organisations towards promotion of finer wools in China and elsewhere.

Fiscal 2012 saw a modest turnaround in the size of the Australian sheep flock, which is estimated to have grown by about 3.2%, or some 2.3 million sheep over the year. Wool production is estimated to have decreased by just 0.8% over the same period. A major effort is underway in Western Australia to re-build sheep numbers and help stabilise farm incomes, following a major exodus from sheep by growers whose priorities moved towards cropping and who reduced stocking rates during the 2010/11 drought. Most commentators are projecting further modest growth in Australian flock numbers over the near term.

Fiscal 2012 saw the introduction of a revised funding model for AWEX. After extensive consultation with industry organisations, bale label fees were increased in August 2011, from \$0.25/label to \$0.65/label, with the intention that AWEX's Quality Assurance activities would be funded largely by the bale label fee, and other fees could be simplified and reduced. Introduction of this more stable and predictable funding arrangement has allowed AWEX management to focus more time and effort on adding value to the industry. Over the year, AWEX overall generated a modest surplus of \$329,643, compared with a surplus of \$29,685 in the previous year, with QA activities, including woolclasser activities, generating a surplus of \$147,930, and AWEX's commercial activities contributing a surplus of \$56,807.

Throughout the year, AWEX undertook, or initiated, a number of activities that will be of benefit to the industry generally, and to AWEX members. These included:

1. Participation with other industry organisations in representations to the NSW Government for temporary relief from prosecution of transport operators for over-width loads. The NSW Government announced in July 2012 that, as a welcome responsible measure until April 2017, a new exemption notice for Baled Agricultural Commodities would take effect. As an offshoot of this initiative, AWEX initiated an extensive trial program to evaluate alternative wool pack designs, which it is expected will lead to revised bale specifications and, potentially, elimination of problems with over-width loads.



2. Initiation of a number of programs aimed at promoting the profession of wool classing, and encouraging further training of wool classers. This culminated in the appointment in July of a wool classer registrar, whose principal function will be to promote high standards of classing, and to ensure the profession of wool classing gains appropriate recognition as a key contributor to quality assurance in the wool supply chain.
3. Initiation of a major up-grade of AWEX's computer systems which will significantly de-risk our operations and which should deliver benefits to members and industry generally. This project is estimated to take approximately two years to complete.
4. The NWD audit system was continued throughout fiscal 2012, fully funded by AWEX. It is pleasing to see continued uptake of the NWD, and increasing recognition by international buyers of the importance and relevance of the NWD.

At board level, we experienced several changes during the year. Bob Amos, Tim Doolan and Don Hamblin stood down at the AGM in November 2011. I would like to thank all three for their many years of dedicated service to AWEX and the industry generally. The retiring directors were replaced by John Colley, Ben Litchfield and Geoff Power, who are already making a significant contribution at board level, and I welcome them on behalf of all members.

Finally, I would like to thank, on behalf of the board and members, Mark Grave and his management team for their enthusiasm, dedication and hard work throughout the year. It is much appreciated.

As we enter another year, the industry faces uncertain times in terms of demand for wool and prices. In those circumstances, we must do the simple things right, keep our costs down, and get on with improving our business processes. AWEX is well placed at both board and management level to do those things.

John Keniry AM, Chairman  
September 2012



## CEO's Report

*2011/12 was a year where the wool market started with great optimism. Wool growers, brokers and buyers were buoyed by the market conditions which were positive and looked to have the potential of being sustained for some time. There was also renewed enthusiasm that the improved market conditions might also provide the necessary incentive for wool growers to increase their wool production.*

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The AWEX EMI opened the season at 1,399 cents kg clean, one of the strongest opening positions in recent memory. By the close of trading on 30 June 2012 the AWEX EMI had fallen to 1,076 cents kg clean, a fall of 23%. Significantly, the biggest falls were in the 16 to 18 micron ranges where falls of up to 40% were recorded. Of particular note was the small price differential between superfine and fine wool types.

Early in the 2012/13 season and the AWEX EMI has fallen below 950 c/kg clean for the first time since October 2010. Weak market signals in a low production cycle is not what wool growers are looking for but there is no doubt that the strength of competition in the wool market for superfine wool intensifies with the better bred and better prepared clips.

As an industry we need to work harder to differentiate the inherit and long held qualities of Australian wool and promote the benefits of a well prepared "quality" clip. Confidence in any market is a powerful motivator but the eventual erosion of the performance of the wool market over the past 12 months has left many disappointed.

2011/12 was a water shed year for AWEX. It has been a year where together we have been able to move forward, delivering the benefits of a sustainably funded independent organisation.

Last year I reported to members that AWEX had completed an extensive series of consultation meetings with stakeholders. The key questions that were addressed in these meetings were:

1. Are AWEX's quality assurance programs of value to the industry? and if so,
2. How should the AWEX QA programs be funded?

Stakeholders were provided with a clear platform detailing which QA programs required funding and options of how this funding might be achieved. The response from industry was clear and unified – the AWEX QA programs were valuable to the industry and QA program funding must be simple and transparent.

The AWEX Board had considered the feedback from stakeholders and with support across industry made a positive decision to change the funding of AWEX Quality Assurance (QA) programs through the sale of bale labels. The new fee on bale labels, paid by the wool pack manufacturer, was introduced on 1st September 2012.

The impact of this decision was almost immediate with a number of key QA programs, namely the National Wool Declaration – Integrity Program (NWD-IP) and wool pack trials, now able to proceed under a sustainable funding model.

The delivery of QA programs is for the benefit of the Australian wool industry and would not be possible without broad support of industry, in particular from wool growers. Credible quality assurance programs are at the heart of AWEX's role in today's wool industry and we believe they are essential to the future direction of wool growers and the industry.

In July 2012 AWEX moved Head Office from Lane Cove to the new address of Unit 12A, 2 Eden Park Drive, Macquarie Park, NSW 2113. AWEX has maintained the same telephone numbers to minimise any potential disruption.

After 12 years at the Lane Cove address it was time to move to a premises that better suited our needs. Like most companies over the last decade AWEX too had made a number of structural changes, reducing staff numbers from 25 to 12. Importantly AWEX has maintained its level of service, relying on technology to improve delivery and increase productivity.

The new AWEX Head Office is smaller, with increased capacity for communication services, whilst providing better access to public transport for staff and visitors alike. The logistic challenge of the move was to ensure that the timing of the move had minimal impact on services to members and industry. The planning involved in the move ensured that it was successfully carried out over the July recess with minimal impact on AWEX services. On behalf of AWEX I would like to express our thanks to members and customers during this period.



## Review of Wool Packs

In 2011 AWEX reported that information was being gathered in response to the problem of over-width loads of wool bales which was raised by the NSW Roads & Maritime Services (RMS; formerly RTA). At that time the RMS had put in place a 12 month exemption on the road regulations to provide some relief to transport operators and industry while this issue was being addressed.

During 2011/2012 AWEX commenced a review of the AWEX Wool Pack Standard, one that included trialling new wool pack designs. The objectives of the trials are to provide greater structural integrity to a bale of wool, provided the best opportunity for a transport load of wool to comply with road regulations, minimising the cost of production of a wool pack and maintain the pressing weight of a bale of wool.

The trials included AWEX commissioning the production of 3 different wool pack designs. Bales of wool were measured on farm, in warehouse and at dump to gather as much information as possible to allow proper analysis of the trial results.

AWEX is confident that the outcome will be an improved wool pack for the wool industry.

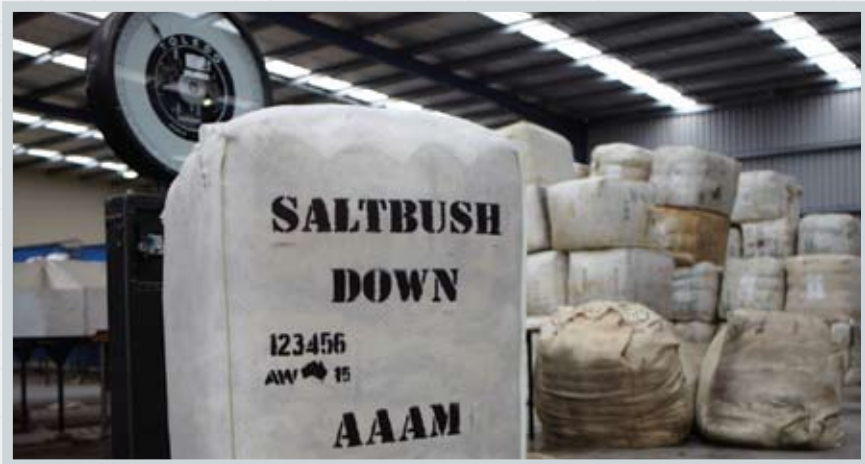
## CEO's Report *cont...*

AWEX also issued 80,000 wool press stickers to woolclassers creating awareness about the issues of over length and over weight bales.

An equally important outcome of these trials has been the working relationship between the NSW State Government, RMS and the wool industry. The work being carried out by AWEX has been met with strong support from all and is being used as an example of how governments and industry can work together.

In July 2012 a new exemption was put in place for baled agricultural commodities. The exemption is for 5 years – another example of the confidence the industry has gained from a positive working relationship with Government.

The RMS continues to be briefed on the progress of the trial and their support in this work is important for the industry.



### Wool Pack Quality

Of greater concern during 2011/12 was the number of reports regarding the poor quality of wool packs. The feedback and support AWEX has received from wool growers on this issue is critical to the success of the wool pack quality program.

One particular complaint reported to AWEX resulted in the entire batch being recalled from sale. This meant 36,000 wool packs were taken off the market due to poor quality issues. Issues related to loose fibres, other contaminants, poor sewing and poor fabric quality are being reported to AWEX and action is being taken immediately.

### “WoolClip” Launch

AWEX launched “WoolClip”, an electronic woolclassers specification on July 25, at the Bendigo Woolclassers Forum. WoolClip, will be made available to all woolclassers through this year’s woolclasser registration which will commence on October 1.

Woolclip will allow woolclassers to print, email and ultimately transmit woolclasser specification information to Brokers. This will, in the fullness of time, reduce data and data entry errors – a long held complaint and problem for the wool industry.



### **Woolclasser Registrar**

AWEX has appointed Peter Sudholz as Woolclasser Registrar in July 2012. Peter is well known and regarded in the wool industry from his previous career as an educator in agriculture. Peter's appointment is pivotal in the development and growth of AWEX services to the wool industry.

### **National Graduate Woolclasser Competition**

In April 2012, AWEX in conjunction with Tafe, held the inaugural National Graduate Woolclasser of the Year Competition held at the Sydney Royal Easter Show. 11 woolclassers from Western Australia, Tasmania, Victoria and New South Wales competed for the "Golden Stencil". The aim of the competition is to lift the profile of woolclassing on one of the most recognised agricultural stages in Australia.

The inaugural winner was Holly Byrne, Victoria trained at Bendigo Tafe. The Dennis Teasdale Perpetual Trophy, awarded to the trainer of the winner of the Golden Stencil was Mr Jim Field, Bendigo Tafe.

### **National Skills Week**

This year AWEX commissioned the production of a program promoting the skills and career opportunities for woolclassers. The program was shown on digital television channel TV4ME and was part of the rural skills promotion in National Skills Week.

The other commissioned program was the National Graduate Woolclasser Competition which was also shown on TV4ME and made available on the AWEX website. Both programs were shown nationally and highlighted the diversity of opportunity in the wool industry through education.

### **Woolclasser Registration**

AWEX will again conduct woolclasser registration which commenced on 1st October 2012. AWEX currently has 20,573 registered woolclassers and the demographic profile of woolclassers is changing. Along with most other agricultural industries the woolclasser community is ageing but equally the gender mix is changing with 60-70% of students training to be woolclassers today being female. Compare this with 5-10% of only 20-30 years ago and it is not hard to see how significant the shift is.

Woolclasser Registration is for a three year period (2013-2015) and this event provides a valuable insight into the available resources to the wool industry.



## CEO's Report *cont...*

### China

Promoting and supporting Australian wool quality in China is an objective of AWEX. AWEX now receives broad recognition in China as being the independent Australian organisation that is responsible for wool preparation standards and our link to woolclassers is crucial. AWEX will continue to promote the benefits of well prepared wool clips, the role of the woolclasser and quality standards.

The Nanjing Wool Conference has now become the premiere wool conference for our biggest trading partner.



### Financial Performance

AWEX's financial result in 2011/2012 was a surplus of \$329,643 compared to the 2010/2011 result of \$29,685. This result was largely due to greater than expected sales of bale labels which were up by 13% when compared with 2010/11. This was unprecedented given the modest decline in wool production.

AWEX remains focussed on maintaining tight control of budgets and operational costs and is committed to delivering benefits to members and the greater wool industry.

As AWEX commences its 19th year, I am grateful for this sustained level of support AWEX receives from members. The work AWEX does and the standing which AWEX has within industry would not be possible without this support.

I commend the Chairman and Directors for their diligence in carrying out their duties and for the confidence that they have in the direction of AWEX, its management and staff. To AWEX staff; AWEX is indeed fortunate to have the calibre and quality of people that it has. Their tireless efforts in maintaining the confidence of members and continually delivering services, often under difficult circumstances, is truly appreciated.

AWEX looks forward to delivering increased value to the wool industry in 2012/2013.

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

Mark Grave, CEO  
September 2012



## Company Principles

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

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### 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.

### 2. Structure the Board to add value

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

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

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

### 3. Promote ethical and responsible decision-making

A code of conduct for staff and Directors has been developed. The Company is limited by guarantee and as such there is no trading in company securities.

### 4. Safeguard the integrity in Financial Reporting

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

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

### 5. Make timely and balanced disclosures

The company is not a listed entity and is not subject to ASX Listing Rule disclosure requirements. AWEX does disclose significant information to Members through Members' Updates and Media Releases.

### 6. Respect the rights of shareholders

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

## Company Principles *cont...*

### 7. Recognise and manage risk

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

### 8. Encourage enhanced performance

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

### 9. Remunerate fairly and responsibly.

Details of Directors and Key Management Personnel are set out in note 15 to the accounts. In addition to Directors' remuneration, Directors are entitled to be reimbursed for all travel and other expenses incurred in connection with attendance at Board and Committee meetings or otherwise in connection with AWEX's business.

Details of the Remuneration Committee members and the number of meetings and attendees are set out in the Directors' report. The committee makes recommendations to the Board which determines the remuneration of the CEO and senior management. The committee also considers reviews and approves annual salaries for all staff.

### 10. Recognise the legitimate interests of shareholders

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

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



ANNUAL  
REPORT

# operations **report**

## Operations Report

### Review of Wool Pack Standards

*In 2011 AWEX reported that a review of the AWEX wool pack standard would take place in response to the concern raised with over-width loads of wool bales which was raised by the NSW Roads & Maritime Services (RMS formerly RTA). The review was a proactive response from AWEX to the safety concerns of over width wool bale transport loads as they relate to the road regulations which had been in place for many years.*

The action taken by AWEX was responsible and an opportunity to develop an active working relationship between the industry, the NSW State Government and Road Authorities. The wool industry had given assurances to the NSW Government, over 20 years ago, that this matter would be resolved but little had changed.

The RMS had put in place a 12 month exemption on the road regulations to provide some relief to transport operators and industry while this issue was being addressed. In reviewing the wool pack standard it is important for AWEX to have clear objectives and that the progress of the review and results are transparent. The objective of the review was to ensure that proper consultation was undertaken and a review of the specification of the wool pack be considered.



In considering the review, AWEX conducted a survey of warehouses to understand the extent of the problem and gain some much needed insight into the industry. Information on the length of wool packs was gathered from stores in Victoria and New South Wales. The information showed that 65% of all wool bales measured exceeded the maximum recommended length of 1.25m. 61% fell between 1.25m – 1.35m.

In the past 18 months a number of meetings have been held between the RMS, AWEX and wool industry representatives including the transport industry. These meetings were held to ensure that there was an open working relationship between RMS, the NSW State Government and the wool industry. The meetings provided all stakeholders with the opportunity to share information and progressively provide updates on progress and any developments.

The results of this survey showed that while some wool packs complied and were within the maximum length of 1.25m but most failed. Further investigation also took place with other industries to examine how they coped with packaging their products and to see what lessons could be learnt from their experience.



The observations made and surveys conducted within the industry showed that whilst there are only 6 wool pack manufacturers producing wool packs to a single standard there were many different brands of wool press, numerous wool types and countless individuals pressing wool which needed to be considered.

In consideration of all the information, AWEX began to design a wool pack trial that would test specific new design variants under normal working conditions. The intention of the new wool pack designs being trialled is to provide greater structural integrity to a bale of wool, provide the best opportunity for a transport load of wool to comply with road regulations, minimise the cost of production of a wool pack and maintain the pressing weight of a bale of wool.

The new wool pack designs were aimed at testing which factors might improve the performance of wool packs. The first trial was of three different wool pack designs and the second trial series of the preferred design.

Wool Pack Design:

1. Control – current standard dimensions, manufacture,
2. Trial Design 1 - standard dimensions, with two reinforced strips on each panel
3. Trial Design 2 - standard dimensions but with four sewn seams on the base,
4. Trial Design 3 - standard dimensions with four sewn seams on the base and reinforced strips in each panel,

Each of the designs introduced a new and common feature, the Bale Fastening Guide (BFG). The BFG is a stitched line which appears on each flap. This is a best practice guide on where the bale fasteners should be placed when closing each flap on a bale, regardless of the wool press or wool type. The positioning BFG is so that the head of the bale can best replicate the dimensions, integrity and strength of the 4 seamed base of the wool pack

### Four Seams on Base

The concept of having a wool pack with a fully seamed base (4 seams - above) was observed as an effective method in other bulk handling packaging. The intention was to see whether the introduction of four seams in the base would reduce the 'bulge' observed in many wool bales. The additional feature of the 4 seams was that it added strength to the wool pack and gave the bale a square base.

The early trial work showed that the wool pack design 3 was the most effective in reducing the "bulge" of the base of a wool bale and it is this design which has been used in the second trial. It is expected that the third trial will be completed by the end of September and recommendations will be presented to ISAC for consideration.

The RMS continue to be briefed on the progress of the trial and their support in this work is important for the industry.



## Operations Report cont...

Clearly, the biggest variation in the length of the bale is the person pressing the bale. AWEX is working to introduce better wool pressing education and extension. Better practice and awareness in this area is critical to enable wool bales to comply with the maximum 1.25m length required for a 2.5m transport load.

AWEX has printed and distributed 80,000 stickers to be used on wool presses to raise awareness of two important issues, namely the MAXIMUM bale length of 1.25m and MAXIMUM bale weight of 204kg. Both of these issues can be costly to wool growers.



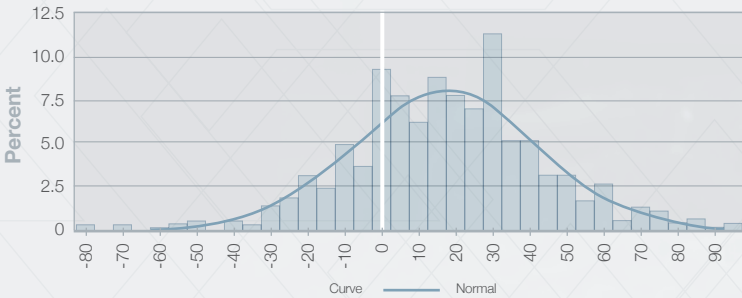
The open communication and cooperation between the wool industry and NSW RMS has resulted in the recent announcement regarding a new exemption notice which has been introduced for wool bales, hay, straw and cotton. The exemption, which replaces the previous notice, is in place until 30th April, 2017.

In addition AWEX will update the Australian Bale Preparation Standard poster to highlight the changes and recommendations from the trials. This will be distributed with woolclasser registration material from 1st October.

Trial work to date shows significant improvement in bale length where the BFG (Bale Fastening Guide) and the 4 seamed base wool pack is used.

## Trial 2 - Bale Length Results

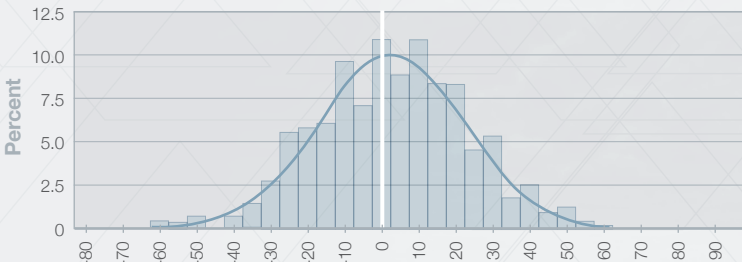
FLC wool only, Total Bale Length minus 1250mm



### Trial 1 (2/4 seams)

**No BFG**  
 33% <1250mm  
 Mean = 1267mm

N	449.00
Median	15,000
Mean	17,225
Std Deviation	24,854



### Trial 2 (2/4 seams)

**With BFG**  
 47% <1250mm  
 Mean = 1253mm

N	459.00
Median	5,000
Mean	2,593
Std Deviation	18,630





Whilst there is still plenty of ongoing work to be done this is a good example of the industry and Governments working together. Full details of the exemption notice can be found on the AWEX website [www.awexcom.au](http://www.awexcom.au)

At completion for this review the AWEX wool pack standard will be updated and changes will be introduced immediately. Australian wool growers and industry stakeholders will start to see these changes come through the system very quickly.

## Wool Pack Quality

During 2011/12, AWEX received a number of complaints regarding the poor quality of wool packs. All wool packs imported into Australia are tested to ensure that they meet the AWEX standard. From time to time some woolpacks do not meet the quality standard and it is the feedback regarding these non-compliant wool packs which is critical to Australia maintaining its quality standard in the global wool community.

Wool packs are a functional piece of the logistic pipeline. Critically, if wool packs do not meet quality standards this can affect the presentation and delivery of wool. The contact received from wool growers reporting poor quality packs has been important in maintaining vigilance in support of the Australian standard. Reporting of any incident occurs immediately with responses from manufacturers often within 24 hrs.

When reporting faulty or poor quality wool packs please take note of the following:

- Clearly state what the problem is e.g. sewing problem etc,
- Take a photo if possible of the problem and the manufacturers tag on the side seam,
- Note the tag on the side seam. It contains the company name and the batch numbers – this allows for traceability through the system,
- If possible email or post the information addressed to Mark Grave, CEO, AWEX, PO Box 651, North Ryde BC, NSW 2113 or [mgrave@awex.com.au](mailto:mgrave@awex.com.au)

AWEX acts immediately on all issues and takes action against the manufacturers.

AWEX has also commissioned a desk-top review into the current status of RFID technologies which might be applicable to wool bales through the wool supply chain. The last review of RFID technology in wool by AWEX was in 2006. The review will consider the current status and any advances which may have occurred in this field since 2006 and whether there is any potential for its practical application in the wool industry.

The review is timely given the current review of the wool pack standard and will be completed in January 2013.

## National Wool Declaration – Integrity Program (NWD-IP)

The NWD has been in circulation since 2008 and the NWD-IP, including on farm inspections, has now completed its second full year. AWEX Inspectors have visited over 400 properties around Australia. The adoption rate of the NWD has slowed but remains on the rise with the adoption rate now above 44% nationally.

The information generated from the NWD is sought by exporters and customers further down the supply chain. In addition, AWEX supplies information and certification services to companies seeking specific information on declared information.

Awareness of the NWD and the integrity program continues to spread and whilst the NWD itself is less of a sensitive issue today with woolgrowers, AWEX is always mindful that this is a voluntary program and will only succeed with the support of industry.

AWEX is thankful for the cooperation of wool growers and brokers in conducting this program.

## Operations Report *cont...*

### NWD - Rates of Declaration

	2008/09	2009/10	2010/11	2011/12
% Wool Clip Declared	38	37	42.1	44.3
Declared NM,CM, PR	8.8	11	16.6	20.3
Total NM Bales	44,607	56,414	81,265	88,929
Total CM Bales	37,065	36,883	49,102	32,831
Total PR Bales	43,590	76,723	131,493	173,615

### NWD-IP Inspection Summary 2010-2012

	Number	Compliant	Non-compliant
Advised Mulesed Sheep in Mob (No Inspection)	30	2 (7%)	28 (93%)
On-Farm Inspections	418	365 (87%)	53 (13%)
Total	448	367 (82%)	81 (18%)

### Extension and Education Activities

- AWEX is committed to ongoing extension and education with selling agents (brokers), industry organisations and wool growers.
- AWEX updated researchers and other interested parties at the AWI R & D Technical Update for Flystrike Prevention held on 1st August 2012.
- AWEX continues to make presentations to buyers and brokers across Australia.
- AWEX updates woolclassers on the progress of the NWD at industry seminars and through its Boardtalk publication.
- The implementation of the NWD and NWD-IP has garnered broad support from Australian wool industry organisations and the Australian Department of Agriculture Fisheries and Forestry.

### “WoolClip” Launch

AWEX launched “WoolClip”, the electronic woolclassers specification on July 25, at the Bendigo Woolclassers Forum. WoolClip is a software program specifically designed and developed for woolclassers to enhance the quality of the information they provide to woolgrowers, wool brokers and private treaty merchants.

A key feature of WoolClip is that it is intuitive – that is to say that it has been developed with the woolclasser in mind. WoolClip uses the same language, in the same logic order as a woolclasser would operate in a wool shed. Other features of WoolClip are that there cannot be any duplication of bale numbers and that it is error free.

WoolClip provides the woolclasser with the ability to produce professionally presented specifications and clip analysis reports for wool growers and brokers. Equally these reports can be produced electronically so they can be emailed to ensure prompt delivery and processing of each clip.





AWEX will release “WoolClip” with the registration of woolclassers in October and workshops will be conducted around the country for those interested in learning more about “WoolClip” providing an opportunity for training in using the program. AWEX will also provide software support and help and assistance to woolclassers.

### Woolclasser Registration/Profile

2012 marks the end of the current woolclasser registration period. Every three years AWEX re-registers woolclassers a process where all currently registered woolclassers are invited to register for the 2013-2015 period.

The process of re-registration commences some 12 months earlier with a survey sent to all woolclassers inviting their input and opinions on the issues which they believe need to be addressed. Woolclassers are also asked for their opinion on the current Code of Practice, about what needs to be improved and what has worked well. Further to this industry stakeholders are also invited to make submissions with respect to the Code of Practice and the preparation standard. All the feedback is collated and used as the basis for the review of the Code of Practice, the Australian wool preparation standard, which is then considered by ISAC.

The review by ISAC took 8 months to complete.

The woolclasser survey results indicated that there was a high degree of approval for the 2010-2012 Code of Practice and that minimal changes were required.

Through the survey woolclassers also had the opportunity to raise other issues that are of concern to them and which impact on their performance in the working environment. The key issues of concern raised were the prevalence of drugs and alcohol in the work place, the lack of skilled wool handlers and the deterioration of working conditions.

AWEX has 20,573 registered woolclassers this was down 1,997 or 8.85% on the previous registration period. The largest declines were in states which had experienced the largest decline in wool production in recent years, West Australia and Queensland.

The profile of woolclassers represents very closely the general aging demographic of people in agriculture. The concern to the Australian wool industry is that we need to promote the value and career opportunities for woolclassers to ensure that we will have woolclassers in the future.

Demographically, 75% of all woolclassers are aged between 36 – 65 years of age. Only 13% of all AW woolclassers are between the ages of 16-35. Whilst Masterclassers only account for 0.9% of all woolclassers, they account for over 9% of all wool classed. Between 6 to 7 of all woolclassers currently undertaking



## Operations Report *cont...*

training in Certificate IV in woolclassing or who have been registered as new woolclassers over the past 3 years are women. This is up from 1 - 2 out of 10 training to be woolclassers 20 years ago.

The demographic profile of woolclassers has made a seismic shift and it is one that as an industry we must capitalise on to ensure the future of Australia's wool industry.

AWEX continues to drive home the message of "quality" preparation to the 20,000+ woolclassers. An important part of that message is encouraging a more open dialogue with woolgrowers so that together they can plan the shearing and highlight any issues. It is important that woolclassers focus on maximising the returns to the woolgrower while ensuring an accurately described product with clear and distinct lines of wool.

Differentiation of the Australian wool clip is important to woolgrowers. AWEX continues to promote the value of woolclassers and woolclassing standards to exporters, woolgrowers and processors by raising awareness that only wool prepared on farm by a registered woolclasser can receive a 'P' certificate. This message needs the support of the entire wool industry to give confidence to our wool customers and to provide incentive to woolgrowers. This has been a traditional and highly valued aspect of the Australian wool industry.

Woolclasser re-registration this year will include the new 2013-2015 Code of Practice, the 2013-2015 Sheep Breed Compendium, larger and improved stencils, larger and improved woolclasser stamps and this year an AWEX approved permanent marker to be used on bale labels. Registration opens on 1st October with the current registration period closing on 31st December 2012.



### AWEX Registered Training Organisation National Workshop

In June AWEX held a RTO national workshop for all woolclassing trainers/educators. This was the first workshop for trainers since 2005 and brought together trainers from every state. The education and training industry has changed markedly in the last 10 years with each state operating under different structures but with a common problem – funding.



Of concern is the Tasmanian situation where this year that woolclassing is not offered as a course in the state. AWEX has been working closely with Polytechnic, Roberts Limited and the industry to work towards a solution for training delivery in Tasmania.

The national workshop was initiated to provide opportunities for trainers to calibrate assessments ensuring that the same standard of delivery and assessment is delivered across Australia. Trainers also were put to the test with AWEX staff walking them through the process of clip inspection and AWEX-ID appraisal.

Trainers also discussed at length the issues they are facing in delivering agricultural courses and what resource tools they need to enhance their delivery. Other issues included how together we might promote woolclassing as a valuable course to younger students.

The two-day workshop was well attended and the eager participation of trainers was infectious. The national workshop will now be an annual event so that together we can address issues as they arise and better plan for the future of education in wool.

### National Graduate Woolclasser Competition

In 2012 the AWEX Board approved the inaugural National Graduate Woolclasser Competition which was held at the Sydney Royal Easter Show in April. The competition brought together graduate woolclassers from West Australia, Victoria, New South Wales and Tasmania. The competition showcased the emerging talents of the wool industry with the coveted first place “Golden Stencil” awarded to Ms Holly Byrne, Bagshot, VIC.



Second place (Silver Stencil) was awarded to Carmen-Lee Campbell, Dubbo, NSW and Third place (Bronze Stencil) was awarded to Thornall Burey, Guyra, NSW

The Dennis Teasdale Perpetual Trophy recognises the outstanding achievement of the trainer and training organisation which trained the winner of the Golden Stencil. This year's trophy was awarded to Mr Jim Field, Bendigo Tafe, VIC.

In addition AWEX commissioned the production of three television programs on woolclassing: one program profiled the woolclassing competition and the other two were developed to promote the value of woolclassers and future career opportunities in wool and woolclassing. The programs were produced by SkillOne and shown on digital television station TV4ME and on the AWEX web site. This type of investment and support for woolclassing is vital for the future of wool and will continue.

## Operations Report cont...

### China Australia Joint Working Group

AWEX is a member of the China Australia Joint Working Group which was formed in 2008. The aim of the working group has been to create a better understanding and working relationship between the two countries in wool.

At the Nanjing Wool Conference held in Sanya, Hainan in September the signing ceremony signalled the completion of a review on wool contracts. Another key aspect of the working group is understanding and upholding the values of wool quality and addressing issues of concern in this area.

In addition to the Nanjing Wool Conference there is now an annual training seminar where greater detail of the Australian wool industry including the skills and work of woolclassers, the identification of well prepared clips using available test data and opportunities for staff to ask issues that affect their businesses takes place. The seminars are very successful in creating confidence and trust in Australian wool and the Australian wool industry.



### Market Trends/Auction

The 2011-2012 wool market could best be described as difficult, tending to tough, particularly for superfine merino wool. On one-hand a record price for the season of 200,000 c/kg greasy was achieved for a single bale of ultrafine wool from "PYRENEES PARK" measuring 11.4 micron but this was single moment of reprieve when compared to the average price for 18.5 micron wool of 1,499 c/kg which was down from 1,581 c/kg in 2010/2012.

Auction offerings in 2011/2012 generally ranged between 30,000 – 55,000 bales per week. Early in 2012/2013 offerings were within 30,000 – 35,000 bales per week. These offerings are at historically low levels.

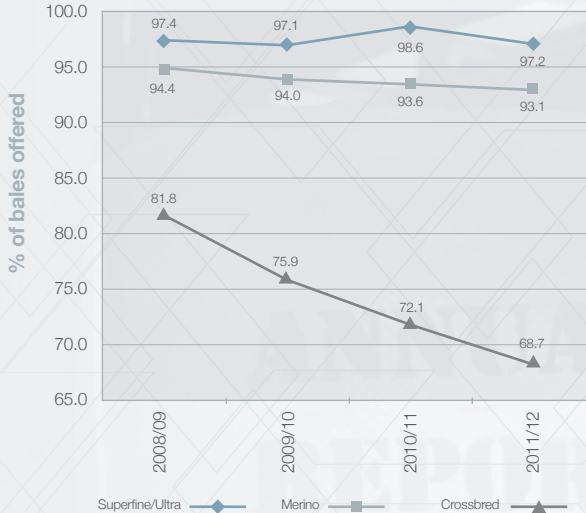
Woolgrowers are increasingly responsive to the current market conditions. Wool offerings tend to increase when the market conditions are positive and equally pass-in rates remain low as woolgrowers accept the market of the day. When the market falls quickly woolgrowers tend to protect their income stream by passing-in wool or withdrawing their wool from market until they have greater confidence in the direction of the market. The strength of the Australian dollar has also had an impact on the market as during 2011/12 it remained generally between \$USD1.01-\$1.05 and as exporters trade in USD this inflates the purchase price of wool.

The volume of wool 22 – 25 micron today is less than half of that produced in the late 1990's and wool less than 18.6 micron, when expressed in percentage terms, is just below 20% of the total offering which is more than double than that of a decade ago. Conversely, the market price for 23 & 28 micron wool was on average higher in 2011/2012 than it was in 2010/2011.



## The Market in Review

% of Wool Classed within each sector since 2008



The following table highlights market movement in 2011/12  
Micron Price Guide's - seasonal high/low/averages

Nat		High
EMI	06 July 2011	1,367
165	06 July 2011	2,680
17	06 July 2011	2,364
175	06 July 2011	2,192
18	06 July 2011	1,997
185	06 July 2011	1,798
19	06 July 2011	1,665
195	13 July 2011	1,570
20	07 July 2011	1,486
21	13 July 2011	1,437
22	07 July 2011	1,386
23	14 Feb 2012	1,344
24	07 Mar 2012	1,213
25	27 Jun 2012	1,043
26	27 Jun 2012	928
28	17 Aug 2011	699
30	20 Sep 2011	639
32	15 Sep 2011	587
MC	06 July 2011	816

		Low
EMI	14 Jun 2012	1,054
165	14 Jun 2012	1,567
17	14 Jun 2012	1,390
175	14 Jun 2012	1,349
18	14 Jun 2012	1,309
185	14 Jun 2012	1,278
19	14 Jun 2012	1,255
195	14 Jun 2012	1,231
20	14 Jun 2012	1,224
21	20 Jun 2012	1,225
22	18 Oct 2011	1,128
23	19 Oct 2011	995
24	19 Oct 2011	982
25	31 Aug 2011	870
26	18 Jan 2012	737
28	18 Jan 2012	594
30	01 Feb 2012	525
32	07 Feb 2012	478
MC	14 Jun 2012	599

	Ave
EMI	1,201
165	2,006
17	1,755
175	1,657
18	1,553
185	1,487
19	1,443
195	1,400
20	1,354
21	1,319
22	1,267
23	1,200
24	1,087
25	947
26	816
28	643
30	588
32	532
MC	716

# annual report 2012

## Micron Price Guide's - seasonal high/low/averages 2011-2012

Nat		High
EMI	06 July 2011	1,367

North		High
Ind.	06 July 2011	1,415
16.5	06 July 2011	2,680
17	07 July 2011	2,400
17.5	6 July 2011	2,205
18	6 July 2011	2,017
18.5	6 July 2011	1,814
19	13 July 2011	1,668
19.5	13 July 2011	1,570
20	13 July 2011	1,493
21	13 July 2011	1,439
22	13 July 2011	1,390
23	14 Feb 2012	1,347
24	22 Mar 2012	1,173
25	03 May 2012	1,003
26	07 July 2011	885
28	11 Aug 2011	698
30	11 Aug 2011	635
32	21 Sep 2011	586
MC	13 July 2011	801

North		High
Ind.	06 July 2011	1,332
16.5	13 July 2011	2,591
17	06 July 2011	2,333
17.5	07 July 2011	2,181
18	06 July 2011	1,977
18.5	13 July 2011	1,800
19	13 July 2011	1,665
19.5	13 July 2011	1,579
20	13 July 2011	1,498
21	13 July 2011	1,449
22	13 July 2011	1,403
23	09 Feb 2012	1,341
24	07 Mar 2012	1,213
25	27 Jun 2012	1,043
26	27 Jun 2012	928
28	17 Aug 2011	703
30	15 Sep 2011	644
32	29 Sep 2011	589
MC	07 July 2011	835

West		High
Ind.	13 Jul 2011	1,349
18	10 Aug 2011	1,853
18.5	13 Jul 2011	1,766
19	13 Jul 2011	1,646
19.5	13 Jul 2011	1,562
20	13 Jul 2011	1,461
21	13 Jul 2011	1,423
22	14 Mar 2012	1,351
23	13 Jul 2011	1,261
MC	13 Jul 2011	791

		Low
EMI	14 Jun 2012	1,054

		Low
Ind.	14 Jun 2012	1,070
16.5	30 May 2012	1,793
17	14 Jun 2012	1,399
17.5	20 Jun 2012	1,357
18	14 Jun 2012	1,311
18.5	14 Jun 2012	1,281
19	14 Jun 2012	1,259
19.5	14 Jun 2012	1,234
20	14 Jun 2012	1,222
21	20 Jun 2012	1,226
22	13 Oct 2011	1,161
23	05 Oct 2011	1,056
24	26 Oct 2011	1,004
25	11 Jan 2012	889
26	18 Jan 2012	739
28	18 Jan 2012	596
30	02 Feb 2012	524
32	23 May 2012	480
MC	13 Jun 2012	599

		Low
Ind.	14 Jun 2012	1,043
16.5	14 Jun 2012	1,567
17	14 Jun 2012	1,381
17.5	14 Jun 2012	1,340
18	14 Jun 2012	1,306
18.5	14 Jun 2012	1,274
19	14 Jun 2012	1,250
19.5	14 Jun 2012	1,228
20	14 Jun 2012	1,225
21	14 Jun 2012	1,223
22	18 Oct 2011	1,128
23	19 Oct 2011	995
24	19 Oct 2011	982
25	31 Aug 2011	870
26	18 Jan 2012	734
28	18 Jan 2012	592
30	18 Jan 2012	522
32	19 Jan 2012	477
MC	14 Jun 2012	598

		Low
Ind.	13 Jun 2012	1,082
18	13 Jun 2012	1,298
18.5	13 Jun 2012	1,267
19	13 Jun 2012	1,256
19.5	13 Jun 2012	1,242
20	13 Jun 2012	1,232
21	13 Jun 2012	1,218
22	19 Oct 2011	1,128
23	21 Sep 2011	1,147
MC	13 Jun 2012	620

		Ave
EMI		1,201

		Ave
Ind.		1,236
16.5		2,059
17		1,769
17.5		1,670
18		1,571
18.5		1,499
19		1,448
19.5		1,402
20		1,356
21		1,321
22		1,275
23		1,202
24		1,046
25		938
26		809
28		646
30		590
32		534
MC		710

		Ave
Ind.		1,174
16.5		1,957
17		1,741
17.5		1,645
18		1,551
18.5		1,484
19		1,439
19.5		1,397
20		1,351
21		1,317
22		1,264
23		1,197
24		1,092
25		947
26		821
28		641
30		586
32		531
MC		713

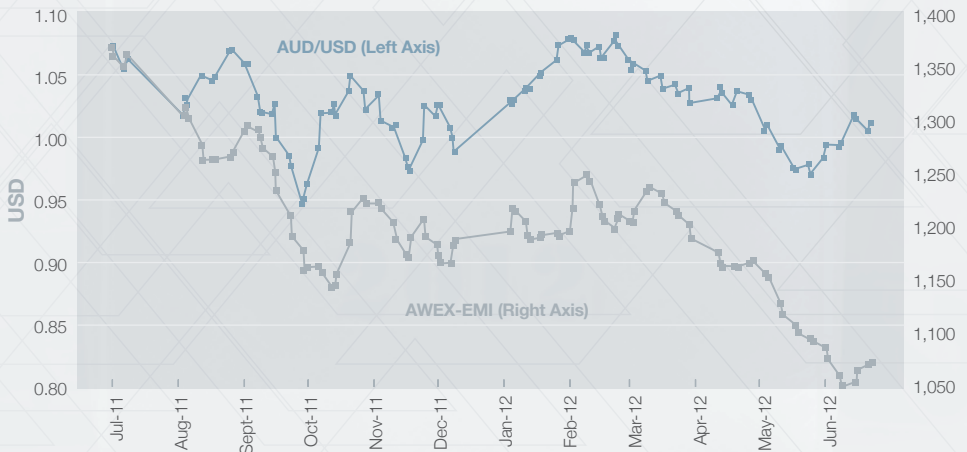
		Ave
Ind.		1,212
18		1,529
18.5		1,476
19		1,441
19.5		1,401
20		1,357
21		1,318
22		1,262
23		1,223
MC		730





Destination	Greasy Equivalent Kg	% Change	% of Total	Value AUD\$	% Change
1. China	248.8 Mkg	-9 %	73.0 %	\$ 1,949.5 m.	3 %
2. India	24.1 Mkg	-17 %	7.1 %	\$ 197.1 m.	-6 %
3. Italy	16.7 Mkg	-20 %	4.9 %	\$ 178.9 m.	1 %
4. Slovakia	12.8 Mkg	-13 %	3.8 %	\$ 90.7 m.	4 %
5. Korea, Republic Of	8.3 Mkg	6 %	2.4 %	\$ 43.2 m.	19 %
6. Taiwan	7.5 Mkg	-19 %	2.2 %	\$ 62.6 m.	0 %
7. Malaysia	4.9 Mkg	22 %	1.4 %	\$ 32.7 m.	38 %
8. Japan	4.5 Mkg	-7 %	1.3 %	\$ 37.7 m.	17 %
9. United Kingdom	2.3 Mkg	16 %	0.7 %	\$ 16.0 m.	71 %
10. Egypt	1.8 Mkg	-	0.5 %	\$ 19.2 m.	-
11. USA	1.7 Mkg	-25 %	0.5 %	\$ 10.7 m.	-23 %
12. Germany	1.7 Mkg	31 %	0.5 %	\$ 11.4 m.	83 %
13. Iran	1.3 Mkg	-18 %	0.4 %	\$ 11.8 m.	18 %
14. Turkey	1.1 Mkg	-23 %	0.3 %	\$ 6.4 m.	-16 %
15. Thailand	1.0 Mkg	-82 %	0.3 %	\$ 10.2 m.	-75 %
16. Others	2.4 Mkg	-37 %	0.7 %	\$ 13.4 m.	-25 %
	<b>340.9 Mkg</b>			<b>\$ 2,691.5 m.</b>	

### AWEX-Eastern Market Indicator 2011-2012



The Market in Review *cont...*

Micron Price Guides: 2011/12 season performance

**17 micron**



2011/12 open	2,363
2011/12 close	1,423
	-940 (-39.8%)

	2011/12	2010/11	2009/10
Season maximum	2,400	2,525	1,302
Season average	1,755	1,915	1,239
Season minimum	1,381	1,226	1,171

**20 micron**



2011/12 open	1,482
2011/12 close	1,241
	-241 (-16.3%)

	2011/12	2010/11	2009/10
Season maximum	1,498	1,590	1,023
Season average	1,353	1,165	924
Season minimum	1,222	899	789

**23 micron**



2011/12 open	1,285
2011/12 close	1,195
	-90 (-7.0%)

	2011/12	2010/11	2009/10
Season maximum	1,347	1,339	940
Season average	1,199	1,040	858
Season minimum	995	826	748



## 28 micron



2011/12 open	680
2011/12 close	632
	-48 (-7.1%)

	2011/12	2010/11	2009/10
Season maximum	703	736	506
Season average	643	560	459
Season minimum	592	442	430

## Mer. Card. Ind.



2011/12 open	816
2011/12 close	606
	-210 (-25.8%)

	2011/12	2010/11	2009/10
Season maximum	835	851	682
Season average	712	690	598
Season minimum	598	546	491

## Members

### Trading Members

ACF Wool Traders Pty Ltd	Gordon Litchfield Wool Pty Ltd
A R Rhodes & Company	Hodge Wool Pty Ltd
A S Gedge Australia Pty Ltd	Jemalong Wool Pty Ltd
Attadale Wool Company Pty Ltd	John Marshall & Company Limited
Australia Beyond Investment Pty Ltd	Kathaytex Trading Pty Limited
Australian Wool & Pastoral Agency Limited	Landini Industries Pty Ltd
Australian Wool Network Pty Ltd	Laycock Speciality Fibres Pty Ltd
Australis Wool Pty Ltd	Lempriere (Australia) Pty Ltd
Aztech Investments P/L	M & M Wools (Aust) Pty Ltd
Barwon & Yarra Valley Wool Brokers Pty Ltd	McFeeters Wool & Company
Beecher Wool Services	Michell Pty Ltd
B & Z Enterprises Pty Ltd	Modiano Australia Pty Ltd
B N Proud & Company	Montgomery Wools Pty Ltd
Bo Rui Pty Ltd	Morepen Pty Ltd
Bryton Wool	Moses and Son
BWK Elders Australia Pty Ltd	New England Wool Pty Ltd
Cable Wool Pty Ltd	Ostini Wool Pty Ltd
Chargeurs Wool Australia Pty Ltd	Peter Scanlan Wools
Chinatex (Australia) Wool Company Pty Ltd	P J Morris Wools Pty Ltd
Cogtrust Pty Ltd T/As Coggan Wool	Quality Wool Pty Ltd
Conn Wool Pty Ltd	Queensland Cotton Corporation Pty Ltd
Dalgety Wool Exports	Reward Australia Pty Ltd
Don Belgre Pty Ltd	Riverina Wool (Aust) Pty Ltd
Donghai Australia Pty Ltd	Riverton Wools Pty Ltd
Dyson Jones Wool Marketing Services	Ruralco Holdings Limited
E P Robinson Pty Ltd	Saunders Wool Pty Ltd
Fibres (Australia) Pty Ltd	S & G Cotton Australia Pty Ltd
Fletcher International Exports Pty Ltd	Segard Masurel (Australia) Pty Ltd
Fox & Lillie Australia Pty Ltd	Sky Wool Australia Pty Ltd
Fremantle Wool Trading Company Pty Ltd	Stockwool Pty Ltd
Goldex Corporation Pty Ltd	Sunshine Fortex (Australia) Groups Pty Ltd



Swan Wool Processors Pty Limited  
Taiyuan Trade (Australia) Pty Ltd  
Techwool Trading Pty Ltd  
The New Zealand Merino Company Ltd  
Tradeswool Country Woolbuyers Pty Ltd  
Tradeswool Pty Ltd  
Viterra Wool  
Watswool Pty Ltd  
Weddin Wool Services  
West Coast Wools Pty Ltd  
Western Wool Marketing  
Williams Wool Export Pty Ltd  
Williams Wool Pty Ltd  
Wool Agency Company Pty Ltd  
Woolmills Holdings Pty Ltd  
Yarra Wool  
Yeoward & Company  
Victoria Wool Processors Pty Ltd

### **Associate Members**

Australian Superfine Wool Growers Association Inc  
Australian Wool Innovation Limited  
WA Department of Agriculture

### **Grower Members**

Autumnvale Pastoral Company  
Bickleigh Hillburn Pty Ltd  
Bloomfield Pastoral Company  
Cambrae (Harden) Pastoral Company  
Cavanagh Partnership  
D D & A J Long  
Dingo Range

ER & RL Amery  
Glenbuddah Pty Ltd  
Geneleg Estate  
Gorrinn Pastoral Company  
GW & RT Bridgman  
Hamblin & Co  
IK, MJ & CLK MCIVOR  
Kentucky Pty Ltd  
Kildara Pastoral Company  
KM & YC Gill  
Max Zell Family Settlement Trust  
Mr Garth England  
Mr Ian Aubrey  
Mr Ian Burbury  
Mr Ian McLean  
Mr Robert Pietsch  
Mr Robert Richardson Dick  
Paling Yards Trading Company  
Phil O'Brien Wool Pool  
Stonehouse Grazing  
T & J Spielvogel  
The Mutooroo Pastoral Company Pty Ltd  
Twynam Pastoral Company Pty Ltd  
W J & S Parkins  
Woolaway Grazing  
WoolProducers  
Yarrabee Grazing Company

## Directors' Report

*Your Directors submit their report for the year ended 30 June 2012. The names of the company's directors in office during the financial year and until the date of this report are as follows.*

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Dr John S. Keniry AM		
Donald M. Watt		
Robert W. Amos	Resigned	25/11/2011
Michael D. Avery		
John H. Colley	Appointed	25/11/2011
Timothy J. Doolan	Resigned	25/11/2011
Donald R. Hamblin	Resigned	27/02/2012
Ben A. Litchfield	Appointed	25/11/2011
Martin J. Moses		
Geoffrey M. Power	Appointed	27/02/2012

Directors were in office for the entire period unless otherwise stated.

### Principal Activities

The Australian Wool Exchange Limited is a member services organisation. Members include Australian and international wool brokers, processors, exporters, private treaty merchants, wool producers and industry associations.

The principal activities of the entity are to support the Australian Wool Industry by achieving the following short and long term objectives.

### Short-term and Long-term Objectives

The Short-term and Long-term objectives for which the Australian Wool Exchange Limited was established are set out in its Constitution and are to:

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

for the benefit of all wool market participants.

### Strategies

The Australian Wool Exchange achieves these objectives by offering:

- Market Information,
- Appraisal,
- Clip Inspection,
- Wool Clearing and
- other services to all wool industry participants.



In addition, AWEX engages with members and industry through various committees and working groups to:

- Establish and review wool preparation standards which encourages competition in a self-regulated market.
- Develop and Administer Quality Assurance Programs;
- Administration of quality management programs;
- Wool pack quality management;
- Administering the conduct of wool selling; and
- Registration of woolclassers.

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

### Key Performance Indicators

AWEX measures its own performance through the use of both qualitative and quantitative benchmarks. The benchmarks are used by the directors to assess the financial sustainability of the company and whether the company's short-term and long-term objectives are being achieved.

	2012		2011	
	Actual	Benchmark	Actual	Benchmark
<b>Percentage of revenue provided by</b>				
Quality Activities	65%	63%	55%	51%
Commercial Activities	25%	27%	31%	31%
Project Activities	0%	0%	3%	4%
Investing Activities	10%	10%	12%	14%
<b>Percentage of expenditure spent on</b>				
Quality Activities	67%	72%	70%	68%
Commercial Activities	25%	26%	19%	19%
Project Activities	8%	2%	11%	13%
Investing Activities	0%	0%	0%	0%
<b>Work Health &amp; Safety</b>				
Number of lost time injuries	0	0	0	0

## Directors' Report *cont...*

### Information on Directors



#### **Dr John S. Keniry AM**

Chairman, Director (non-executive)

#### **Qualifications**

- BSc (Hons 1), Physical Chemistry – University of NSW;
- PhD, Chemical Engineering – University of Cambridge;
- Fellow, Royal Australian Chemical Institute;
- Fellow, Australian Academy of Technological Sciences & Engineering;
- Fellow, Australian Institute of Company Directors.

#### **Experience**

- Appointed Director and Chairman on 26th November 2010;
- Chairman, Sheep Cooperative Research Centre;
- Chairman, Pork Cooperative Research Centre;
- Chairman, Sydney Institute of Marine Science;
- Chairman, Australian Farm Institute (retired 7/6/2012);
- Chairman, Burra Foods Ltd;
- Commissioner, Natural Resource Commission of NSW;
- Director, Lakelands Investments Pty Ltd;
- Woolgrower.

#### **Special Responsibilities**

- Chairman;
- Chairman, Compliance and Corporate Governance Committee;
- Chairman, Remuneration Committee.



#### **Donald M. Watt**

Deputy Chairman, Director (non-executive)

#### **Qualifications**

- LL.B – University of Western Australia.

#### **Experience**

- Appointed Deputy Chairman on 25th January 2007, Previous Director from 24th January 1996 to 17th November 2006;
- Director, Sharus Pty Ltd;
- Director, Sanur Pty Ltd;
- Director, Netherhill Pty Ltd.

#### **Special Responsibilities**

- Chairman, Audit Committee;
- Member, Compliance and Corporate Governance Committee;
- Member, Remuneration Committee.



#### **Michael D. Avery**

Director (non-executive)

#### **Qualifications**

- BAppSc (Wool and Pastoral Sciences) University of NSW

#### **Experience**

- Appointed Director on 4th December 2009;
- General Manager, Wool, Queensland Cotton Ltd;
- Director, Australian Wool Testing Authority Ltd;
- Director, MA Consulting.

#### **Special Responsibilities**

- Member, Audit Committee;
- Member, Compliance and Corporate Governance Committee;
- Member, Membership Admission Committee.





**John H. Colley**

Director (non-executive)

**Qualifications**

- Registered Real Estate Agent;
- Stock and Station Agent;
- MAICD (Member Australian Institute of Company Directors).

**Experience**

- Appointed Director on 25th November 2011;
- Chairman, Inland Woolbrokers Association;
- Director, Australian Pastoral Investments Pty Ltd;
- Director, Australian Wool Network Pty Ltd;
- Director, National Council of Woolbrokers Association;
- Director, Arlia Pty Ltd;
- Director, AWN Property Pty Ltd;
- Director, AWN Pastoral Pty Ltd;
- Director, Dyson Jones (WA) Pty Ltd;
- Director, Colley Pty Ltd;
- Director, Jemina Pty Ltd.

**Special Responsibilities**

- Member, Remuneration Committee..



**Ben A. Litchfield**

Director (non-executive)

**Qualifications**

- Auctioneer;
- Australian College of Professionals:  
Real Estate;  
Agency Operations;  
Property Management;  
Stock and Station Agent;
- Australian Woolclasser.

**Experience**

- Appointed Director on 25th November 2011;
- Alternate Director from 22nd June 2011 to 25th November 2011;
- Executive Committee, Private Treaty Wool Merchants  
of Australia Inc;
- Councillor, Royal National Capital Agricultural Society  
(Audit/Finance Committee);
- Manager, Monaro Wool Services.

**Special Responsibilities**

- Member, Membership Admission  
Committee.



**Martin J. Moses**

Director (non-executive)

**Qualifications**

-

**Experience**

- Appointed Director on 1st December 2000;
- Managing Director – Moses and Son Pty Ltd;
- Director, Pinefarn Pty Ltd;
- Director, Bluechip Livestock;
- Director, Yennora Wool Brokers;
- Director/Secretary, The Pinnacles (Temora) Pty Ltd;
- Director, Inland Woolbrokers Association;
- Woolgrower.

**Special Responsibilities**

- Member, Membership Admission  
Committee.

Directors' Report *cont...*

Information on Directors



**Geoffrey M. Power**

Director (non-executive)

**Qualifications**

-

**Experience**

- Appointed Director on 27th February 2012;
- Alternate Director from 24th November 2011 to 27th February 2012;
- Director, Australian Wool Testing Authority Ltd;
- Director, Sheep Industry Health & Welfare Pty Ltd;
- Director, WoolProducers Australia Ltd;
- Woolgrower.

**Special Responsibilities**

- Member, Audit Committee.



**Robert W. Amos**

Director (non-executive)

**Resigned**

25th November 2011

**Qualifications**

-

**Experience**

- Director from 31st August 1993 to 25th October 1996 and from 18th November 2005 to 25th November 2011;
- Alternate Director from 25th October 1996 to 18th November 2005;
- Member, Private Treaty Merchants of Australia Inc;
- Managing Director, Robaine Pty Ltd.

**Special Responsibilities**

- Member, Membership Admission Committee.



**Timothy J. Doolan**

Director (non-executive)

**Resigned**

25th November 2011

**Qualifications**

- MM – Macquarie University 2004;
- MBA – Macquarie University 2006.

**Experience**

- Director from 27th November 2008 to 25th November 2011;
- National Manager, Water & Environment, Ruralco Holdings Ltd (from 1/10/09);
- Business Development Manager, Wool, Livestock, Environment – Ruralco Holdings Ltd (up to 30/09/09);
- Director, Archards Irrigation Pty Ltd;
- Director, Irrigation Australia Ltd;
- Director, Ruralco Water Brokers Pty Ltd;
- Director, Sneydes Pastoral Co Pty Ltd.

**Special Responsibilities**

-

## Information on Directors



### **Donald R. Hamblin**

Director (non-executive)

#### **Resigned**

27th February 2012

#### **Qualifications**

- Australian Woolclasser.

#### **Experience**

- Director from 23rd November 2007 to 27th February 2012;
- Alternate Director from 10th February 2004 to 23rd November 2007;
- Past President, WoolProducers Australia Ltd;
- Past Director, Australian Wool Testing Authority Ltd;
- Past Councillor, NSW Farmers Association Executive;
- Grazier.

#### **Special Responsibilities**

## Information on Alternate Directors

### **Geoffrey C. Fiskin**

Alternate Director for D. R. Hamblin to 24th November 2011.  
Alternate Director for G. M. Power from 30th April 2012.

#### **Qualifications**

- Diploma of Business and Communications SMB Ballarat

#### **Experience**

- Alternate Director from 1st October 2008 to 24th November 2011 and from 30th April 2012;
- Director, Woolproducers Australia Ltd;
- Director, Black Creek Farming Pty Ltd;
- Woolgrower.

#### **Special Responsibilities**

-

### **Michael J. de Kleuver**

Alternate Director for T. J. Doolan

#### **Resigned**

25th November 2011

#### **Qualifications**

- BAppSc – Agriculture;
- Licensed Stock & Station Agent;
- Licensed Real Estate Agent;
- Australian Woolclasser.

#### **Experience**

- Alternate Director from 26th June 2009 to 25th November 2011;
- Operations Manager, RuralCo Wool

#### **Special Responsibilities**

-

### **Donald A. Macdonald**

Alternate Director for M. J. Moses

#### **Qualifications**

-

#### **Experience**

- Director from 24th October 1994 to 25th October 1996;
- Alternate Director from 25th October 1996;
- Director, Don Macdonald Wool Brokers Pty Ltd;
- Director, Marra Holdings Pty Ltd;
- Director, Yennora Wool Brokers Pty Ltd.

#### **Special Responsibilities**

-

### **Andrew Blanch**

Alternate Director for M. D. Avery

#### **Qualifications**

-

#### **Experience**

- Alternate Director from 3rd September 2010,
- Managing Director, New England Wool Pty Ltd.

#### **Special Responsibilities**

-

## Directors' Report *cont...*

### Information on Alternate Directors

#### **Geoffrey M. Power**

Alternate Director for D. H. Hamblin

#### **Appointed**

24th November 2011

#### **Resigned**

27th February 2012

#### **Qualifications**

-

#### **Experience**

- Appointed Director on 28th February 2012;
- Alternate Director from 24th November 2011 to 27th February 2012;
- Director, Australian Wool Testing Authority Ltd;
- Director, Sheep Industry Health & Welfare Pty Ltd;
- Director, WoolProducers Australia Ltd.

#### **Special Responsibilities**

-

#### **Gary Turner**

Alternate Director for B. A. Litchfield

#### **Qualifications**

-

#### **Experience**

- Director from 14th October 2005 to 22nd February 2007;
- Alternate Director 8th April 2005 to 17th November 2005, 7th October 2010 to 24th May 2011 and from 30th April 2012;

#### **Special Responsibilities**

-

#### **Ben A. Litchfield**

Alternate Director for R. W. Amos

#### **Resigned**

25th November 2011

#### **Qualifications**

- Auctioneer;
- Australian College of Professionals:
  - Real Estate;
  - Agency Operations;
  - Property Management;
  - Stock and Station Agent;
- Australian Woolclasser.

#### **Experience**

- Appointed Director on 25th November 2011;
- Alternate Director from 22nd June 2011 to 25th November 2011;
- Executive Committee, Private Treaty Wool Merchants Australia Inc;
- Councillor, Royal National Capital Agricultural Society (Audit/Finance Committee);
- Manager, Monaro Wool Services.

#### **Special Responsibilities**

-

### **Directors' Meetings**

The following table sets out the number of meetings of the company's directors held during the year ended 30 June 2012, and the number of meetings attended by each director.

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

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



Board	Committees			
Board Meetings	Audit	Compliance & Corporate Governance	Membership	Remuneration

Directors	A/E	A/E	A/E	A/E	A/E
J. S. Keniry AM, Chairman	8/8	-	1/1	-	1/2
R. Amos Resigned 25/11/2011	3 / 4	-	-	2 / 2	-
M. D. Avery	6 / 8	1 / 1	1 / 1	1 / 1	1 / 1
J. H. Colley Appointed 25/11/2011	2 / 4	-	-	-	1 / 1
T. J. Doolan Resigned 25/11/2011	1 / 4	-	-	-	-
D. R. Hamblin Resigned 27/2/2012	4 / 4	-	-	-	-
B. A. Litchfield Appointed 25/11/2011	3 / 4	-	-	1 / 1	-
M. Moses	8 / 8	-	-	3 / 3	-
G. M. Power Appointed 27/2/2012	4 / 4	-	-	-	-
D. M. Watt	7 / 8	1 / 1	1 / 1	-	2 / 2

Alternate Directors	A/E	A/E	A/E	A/E	A/E
D. A. Macdonald M. Moses	-	-	-	-	-
G. C. Fisker D. R. Hamblin	-	-	-	-	-
M. J. de Kleuver T. J. Doolan	1 / 1	-	-	-	-
A. Blanch M. D. Avery	-	-	-	-	-
G. M. Power D. R. Hamblin	-	-	-	-	-
B. Litchfield R. W. Amos	1 / 1	-	-	-	-

**A = Attended. E = Eligible to Attend.**

## Directors' Report *cont...*

### **Company limited by Guarantee**

The Australian Wool Exchange Ltd is incorporated under the Corporations Act 2001 and is an entity limited by guarantee. If the company is wound up, the constitution states that each member undertakes to contribute to the property of the company a maximum of \$5.00 towards meeting any outstanding obligations of the company. Whilst the Directors do not believe that any contribution will be required in the event of the company being wound up, the maximum collective liability of members at 30 June 2012, is \$595.00 (2011: \$625.00).

### **Auditors' Independence Declaration**

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

Signed in accordance with a resolution of the directors.



J S Keniry AM

Chairman



D M Watt

Director

Sydney 27th August 2012



## Auditor's Declaration

### **Australian Wool Exchange Limited**

A.B.N. 35 061 495 565

### **Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012 there have been:

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

Thomas Davis & Co

P.L. Whiteman

Date 27th August 2012

Liability limited by a scheme approved under Professional Standards Legislation







ANNUAL  
REPORT

financial  
**report**

## Statement of Comprehensive Income

for the year ended 30 June 2012

	Notes	2012	2011
		\$	\$
Revenues from ordinary activities	2	3,931,797	3,470,617
Employee benefit expenses		(1,621,874)	(1,593,219)
Depreciation and Amortisation Expenses	3	(83,837)	(71,590)
Occupancy Costs		(342,584)	(293,759)
Other expenses from ordinary activities		(1,554,029)	(1,482,364)
<b>Profit/(Loss) for the year before income tax expense</b>	<b>3</b>	<b>329,473</b>	<b>29,685</b>
Income tax expense	1(b)	-	-
<b>Profit/(loss) from ordinary activities after related income tax expense</b>	<b>14</b>	<b>329,473</b>	<b>29,685</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>329,473</b>	<b>29,685</b>
Profit/(Loss) attributable to members of the entity		329,473	29,685
<b>Total comprehensive income/(loss) attributable to members of the entity</b>		<b>329,473</b>	<b>29,685</b>

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



## Statement of changes in Members' Funds

for the year ended 30 June 2012	Members Reserves	Retained Surpluses	Total
	\$	\$	\$
<b>Balance at 1 July 2010</b>	<b>640,000</b>	<b>4,287,742</b>	<b>4,927,742</b>
Profit attributable to the entity	-	29,685	29,685
Total other comprehensive income for the year	-	-	-
<b>Balance as at 30 June 2011</b>	<b>640,000</b>	<b>4,317,427</b>	<b>4,957,427</b>
Profit attributable to the entity	-	329,473	329,473
Total other comprehensive income for the year	-	-	-
<b>Balance as at 30 June 2012</b>	<b>640,000</b>	<b>4,646,900</b>	<b>5,286,900</b>

The above statement of changes in Members Funds is to be read in conjunction with the accompanying notes.

# Statement of Financial Position

as at 30 June 2012

	Notes	2012	2011
		\$	\$
<b>Current Assets</b>			
Cash and cash equivalents	4	2,564,600	3,316,609
Receivables	5	218,480	384,042
Other current assets	6	162,129	122,194
<b>Total Current Assets</b>		<b>2,945,209</b>	<b>3,822,845</b>
<b>Non Current Assets</b>			
Investments	7	3,249,578	2,770,474
Property, Plant & Equipment	8, 21	124,404	143,537
<b>Total Non Current Assets</b>		<b>3,373,982</b>	<b>2,914,011</b>
<b>Total Assets</b>		<b>6,319,191</b>	<b>6,736,856</b>
<b>Current Liabilities</b>			
Payables	9	289,868	182,469
Provisions	10	297,481	302,117
Other current liabilities	11	402,010	1,270,112
<b>Total Current Liabilities</b>		<b>989,359</b>	<b>1,754,698</b>
<b>Non Current Liabilities</b>			
Provisions	12	42,932	24,731
<b>Total Non Current Liabilities</b>		<b>42,932</b>	<b>24,731</b>
<b>Total Liabilities</b>		<b>1,032,291</b>	<b>1,779,429</b>
<b>Net Assets</b>		<b>5,286,900</b>	<b>4,957,427</b>
<b>Members' Funds</b>			
Members Reserves	13	640,000	640,000
Retained Surpluses	14	4,646,900	4,317,427
<b>Total Members' Funds</b>		<b>5,286,900</b>	<b>4,957,427</b>

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



## Statement of Cash Flows

for the year ended 30 June 2012

Notes

2012

2011

### Cash flows from operating activities

Receipts from customers

\$ 2,787,862 \$ 2,293,027

Payments to suppliers and employees

(3,397,523) (3,444,026)

Interest Received

401,460 427,958

### Net cash inflows / (outflows) from operating activities

20 (208,201) (723,041)

### Cash flows from investing activities

Payments for property, plant & equipment

(64,704) (113,989)

Proceeds from sale of plant and equipment

- 258

### Net cash inflows / (outflows) from investing activities

(64,704) (113,731)

### Net increase (decrease) in cash held

(272,905) (836,772)

Cash and cash equivalents at the beginning of the financial year

6,087,083 6,923,855

### Cash and cash equivalents at the end of the financial year

5,814,178 6,087,083

Current

4 2,564,600 3,316,609

Non Current

7 3,249,578 2,770,474

### Cash and cash equivalents at the end of the financial year

5,814,178 6,087,083

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

# Notes to the Financial Statements

as at 30 June 2012	Notes	2012	2011
		\$	\$
<p><b>1. Summary of significant accounting policies</b></p> <p>These general purpose financial statements have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001. Australian Accounting Standards set out accounting policies that AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions.</p> <p>The financial statements have been prepared in accordance with the historical cost convention, and do not take into account changes in money values or except where stated, current valuations of non-current assets. The accounting policies have been consistently applied except where stated in the Financial Statements.</p> <p>The company is a company limited by guarantee, incorporated and domiciled in Australia. Its registered office is Unit 12A, 2 Eden Park Drive, Macquarie Park NSW 2113. In accordance with the Constitution of Australian Wool Exchange Limited, the liability of the members in the event of the company being wound up would not exceed \$5 per member. As the company is limited by guarantee, there is no reference in the Statement of Financial Position to Share Capital.</p> <p>The financial statements were authorised for issue by the Board on 27th August 2012.</p> <p>A summary of significant accounting policies is set out below:</p>			

# Notes to the Financial Statements

as at 30 June 2012

Notes

2012

2011

## Statement of Compliance

The financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). A statement of compliance with International Financial Reporting Standards cannot be made due to the Company applying the not for profit sector specific requirements contained in AIFRS.

## (a) Property, Plant and Equipment

AASB1 allows for the current carrying values to be the deemed cost under AIFRS. Each class of property plant and equipment is carried at cost or deemed cost, where applicable, less any accumulated depreciation and any impairment in value. Assets are depreciated on a straight line basis to write off the net cost of each item over its expected useful life to the company. Estimates of remaining useful life are made on a regular basis for all assets, with annual reassessments for major items.

The expected useful lives are as follows:

- Plant and Equipment
- Software

3-8 Years  
3-4 Years

3-8 Years  
3-4 Years

## (b) Income Tax

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

## (c) Recoverable Amount of Non-Current Assets

Where the carrying amount of an individual non-current asset is greater than its recoverable amount the asset is revalued to its recoverable amount.

The expected net cash flows included in determining recoverable amounts of non-current assets have not been discounted to their present values.

## (d) Receivables

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

\$

\$

# Notes to the Financial Statements

as at 30 June 2012	Notes	2012	2011
<p><b>(e) Revenue Recognition</b></p> <p>Revenue is recognised to the extent that it is probable that the economic benefits will flow to Australian Wool Exchange Limited and that it can be reliably measured.</p> <p>Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.</p> <p>Revenue from the rendering of a service is recognised upon delivery of the service to the customers. Triennium Wool Classer registration income is recognised based on the pattern of services rendered. Income not recognised as earned is carried forward as unearned, and shown in the Statement of Financial Position as Unearned Income under the heading Current Liabilities - Other.</p> <p>The net gain/(loss) of non-current asset sales is included as revenue/(expense) at the date control passes to the buyer, usually when an unconditional contract of sale is signed. The net gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.</p> <p>Government grants for any purpose other than for research and development, are recognised as revenue when the right to receive the grant exists, or when control over the grant is obtained. Where government grants are received or receivable in relation to research and development costs which have been deferred, the grant is deducted from the cost of research and development costs deferred. Where grants are received or receivable in relation to research and development costs which have been charged as an expense to the operating statement, those grants are credited as revenue in the operating statement.</p> <p>All revenue is stated net of the amount of goods and services tax (GST).</p>		\$	\$





## Notes to the Financial Statements

as at 30 June 2012

Notes

2012

2011

### (f) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be paid within one year together with benefits arising from wages and salaries, superannuation and long service leave which will be settled after one year, have been measured at the amount expected to be paid plus related on-costs.

#### (i) Superannuation

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

#### (ii) Number of employees at year end

- Permanent staff

13

13

- Casual Staff

8

8

- Total full time equivalent Staff

13.1

13

### (g) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on purchase of goods and services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense items as applicable.
- receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the statement of financial position.

### (h) Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If such an indication exists and where carrying values exceed the recoverable amount, the asset is written down to the recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use.

### (i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits held at call with banks and bank bills.

# Notes to the Financial Statements

as at 30 June 2012	Notes	2012	2011
--------------------	-------	------	------

**(j) New Accounting Standards for Application in Future Periods**

The Australian Accounting Standards Board has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future periods and which the company has decided not to early adopt. A discussion of those future requirements and their impact on the company is as follows:

AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classification of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of those investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The company has not yet determined any potential impact on the financial statements.

Notes	2012	2011
	\$	\$



## Notes to the Financial Statements

as at 30 June 2012

Notes

2012

2011

### (j) New Accounting Standards for Application in Future Periods cont...

AASB 1053: Application of Tiers of Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

Tier 1: Australian Accounting Standards; and

Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

Since the company is a not-for-profit private sector entity, it qualifies for the reduced disclosure requirements for Tier 2 entities. It is anticipated that the company will take advantage of Tier 2 reporting at a later date.

AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 (applicable for annual reporting commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and required disclosures about fair value measurement.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosure regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) measured at fair value.

The Standards are not expected to significantly impact the company.

\$

\$

# Notes to the Financial Statements

as at 30 June 2012	Notes	2012	2011
<p><b>(j) New Accounting Standards for Application in Future Periods cont...</b></p> <p>AASB 2011-9: Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income (applicable for annual reporting periods commencing on or after 1 July 2012).</p> <p>The main change arising from the Standard is the requirement for entities to group items presented in other comprehensive (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.</p> <p>This Standard affects presentation only and is therefore not expected to significantly impact the company.</p> <p>AASB 119: Employee Benefits [September 2011] and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (applicable for annual reporting periods commencing on or after 1 January 2013).</p> <p>These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The company does not have any defined benefit plans and so is not impacted by the amendment.</p> <p>AASB 119 [September 2011] also includes changes to:</p> <p>(a) require only those benefits that are expected to be settled wholly before 12 months after the end of the the annual reporting period in which the employees render the related service to be classified as short-term employee benefits. All other employee benefits are to be classified as either other long-term employee benefits, post-employment benefits or termination benefits, as appropriate; and</p> <p>(b) the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:</p> <p style="margin-left: 20px;">(i) where for an offer that may be withdrawn - when the employee accepts;</p> <p style="margin-left: 20px;">(ii) where for an offer that cannot be withdrawn - when the offer is communicated to affected employees; and</p> <p style="margin-left: 20px;">(iii) where the termination is associated with a restructuring of activities under AASB 137 and if earlier than the first two conditions - when the related restructuring costs are recognised.</p> <p>The company has not yet been able to reasonably estimate the impact of these changes to AASB 119.</p>		\$	\$

## Notes to the Financial Statements

as at 30 June 2012	Notes	2012	2011
		\$	\$
<b>2. Revenue from Ordinary Activities</b>			
<i>Operating activities</i>			
Joining Fees		16,100	32,100
Subscription Fees		61,210	62,330
Fees for Service		3,454,111	2,937,097
Other Revenue		(1,084)	10,874
Interest Received		401,460	427,958
<i>Non-operating activities</i>			
Other Revenue		-	258
<b>Total revenue from Ordinary Activities</b>		<b>3,931,797</b>	<b>3,470,617</b>
<b>3. Profit/(Loss) from Ordinary Activities</b>			
<i>Profit/(Loss) from Ordinary Activities has been determined after Charging as an expense:</i>			
Depreciation and Amortisation of non-current assets			
- Depreciation of plant and equipment		83,837	71,590
<b>Total Depreciation and Amortisation Expenses</b>		<b>83,837</b>	<b>71,590</b>
<b>Operating lease rentals</b>			
- Minimum lease payments		225,211	224,164
<b>Total Operating Lease Rental</b>		<b>225,211</b>	<b>224,164</b>
Transfer to/(from) provision for Holiday Pay		(5,710)	14,262
Transfer to/(from) provision for Long Service Leave		18,201	11,032
<b>(Losses)/Gains on Disposal of Property, Plant and Equipment</b>			
Gain/(loss) on disposal of property, plant and equipment		-	258
Loss on Disposal		-	(458)
<b>Net gain/(loss) on disposal of property, plant and equipment</b>		<b>-</b>	<b>(200)</b>
<b>4. Current Assets - Cash and Cash Equivalents</b>			
Cash on Hand		800	800
Cash at Bank		1,576,095	1,740,837
Deposits at Call		987,705	1,574,972
<b>Cash and Cash Equivalents</b>		<b>2,564,600</b>	<b>3,316,609</b>

# Notes to the Financial Statements

as at 30 June 2012	Notes	2012	2011
		\$	\$
<b>5. Current Assets - Receivables</b>			
Trade Debtors*		29,992	141,393
less: Provision for Doubtful debts		(15,000)	(15,000)
Trade debtors after provision for doubtful debts		14,992	126,393
Accrued Revenue		203,488	257,649
<b>Receivables</b>		<b>218,480</b>	<b>384,042</b>
*Terms: Trade debtors are non-interest bearing and generally on 30 day terms.			
<b>6. Current Assets - Other</b>			
Prepayments		110,537	82,860
Other Debtors		51,592	39,334
<b>Other</b>		<b>162,129</b>	<b>122,194</b>
<b>7. Investments - Non Current</b>			
Investments due beyond 30 June 2013		3,249,578	2,770,474
		<b>3,249,578</b>	<b>2,770,474</b>
<b>8. Non Current Assets - Property, Plant and Equipment</b>			
Plant and equipment at cost		2,005,746	1,986,325
less: Accumulated depreciation		(1,881,342)	(1,842,788)
<b>Property, Plant and Equipment</b>	21	<b>124,404</b>	<b>143,537</b>
Refer also to note 1(h) for impairment of assets.			
<b>9. Current Liabilities - Payables</b>			
Creditors		52,226	56,473
Accrued Expenses		237,642	125,996
<b>Payables</b>		<b>289,868</b>	<b>182,469</b>
<b>10. Current Liabilities - Provisions</b>			
Employee entitlements (being provision for Annual Leave, Long Service Leave due and superannuation)		296,490	301,887
Other		991	230
<b>Provisions</b>		<b>297,481</b>	<b>302,117</b>

## Notes to the Financial Statements

as at 30 June 2012

Notes

2012

2011

### 11. Current Liabilities - Other

Unearned Income

Other

Unearned income represents Woolclasser registration fees received for the period 1/1/2010 to 31/12/2012

### 12. Non-current Liabilities - Provisions

Employee entitlements (being provision for Long Service Leave)

Provisions

### 13. Members' Funds - Reserves

Members' Reserves

Balance at 1 July

Transfer from Retained Surplus

Reserves

### 14. Members' Funds - Retained Surplus

Retained Surplus

Balance at 1 July

Net profit attributable to members of the company

Retained Surplus

### 15. Remuneration of Directors & Key Management Personnel

Income paid or otherwise made available to directors and key management by the company or related parties.

Short-term benefits

Post-employment benefits

Other Long-term benefits

No retirement benefits were paid to directors during the year.

		\$	\$
1(e)	402,010	1,270,112	
	<b>402,010</b>	<b>1,270,112</b>	
	42,932	24,731	
	<b>42,932</b>	<b>24,731</b>	
	640,000	640,000	
	-	-	
	<b>640,000</b>	<b>640,000</b>	
	4,317,427	4,287,742	
	329,473	29,685	
	<b>4,646,900</b>	<b>4,317,427</b>	
	551,389	532,059	
	60,313	82,432	
	9,762	9,878	
	<b>621,464</b>	<b>624,369</b>	

# Notes to the Financial Statements

as at 30 June 2012	Notes	2012	2011
		\$	\$
<b>16. Remuneration of Auditors</b>			
<i>Amounts received or due and receivable by Thomas Davis &amp; Co for:</i>			
- audit of the financial report of the company		16,280	17,490
- other services		-	-
<b>Remuneration of Auditors</b>		<b>17,490</b>	<b>15,400</b>
Note: The 2011 audit fee includes the amount of \$1,650 applicable to auditing a grant received from the Department of Agriculture, Forestry and Fisheries used to co-fund AWEX's on-farm National Wool Declaration Inspection Program.			
<b>17. Expenditure Commitments</b>			
Operating leases (non cancellable)			
Minimum lease payments			
- not later than one year		21,919	112,569
- later than one year and not later than five years		463,029	7,639
- later than five years		-	-
<b>Expenditure Commitments</b>		<b>484,948</b>	<b>120,208</b>
These commitments represent payments due under non-cancellable operating leases that have not been recognised as liabilities in the current financial year.			
<b>18. Related Party Disclosure</b>			
<i>The directors of the Australian Wool Exchange Limited during the financial year were:</i>			
J S Keniry, R A Amos (Resigned 25th November 2011), M D Avery, J H Colley (Appointed 25th November 2011), T J Doolan (Resigned 25th November 2011), D R Hamblin (Resigned 27th February 2012), B A Litchfield (Appointed 25th November 2011), M J Moses, G M Power (Appointed 27th February 2012) and D M Watt.			
<i>Alternate directors were:</i>			
D A Macdonald, G C Fiske (Resigned 24th November 2011 reappointed on 30th April 2012), M J de Kleuver (Resigned 25th November 2011), G M Power (Appointed 24th November 2011, Resigned 27th February 2012), A Blanch and B Litchfield (Resigned 25th November 2011).			
<b>Director and Director-related entity Transactions</b>			
A number of the directors are directors of entities which transact with the company.			
<i>The directors involved are:</i>			
M D Avery, J H Colley, T J Doolan, D R Hamblin, J S Keniry, B A Litchfield and M J Moses.			





## Notes to the Financial Statements

as at 30 June 2011

Notes

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2011

### 18. Related Party Disclosure cont...

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:

Income

Joining, subscription and trading fees

Selling facility fees

EDI Network fees and Market Reports

Other

	\$	\$
	2,240	100
	27,159	2,891
	32,011	13,468
	19,021	62,941
	<b>80,431</b>	<b>79,400</b>

### 19. Segment Information

The company operated predominantly in one industry, being the Australian Wool Industry.

### 20. Reconciliation of operating profit/(loss) from ordinary activities after income tax to net cash from operating activities

Profit/(Loss) from ordinary activities

Depreciation and amortisation

Increase/(Decrease) in Other Provisions

(Profit)/Loss on disposal of plant and equipment

Decrease/(Increase) in trade and other debtors

Decrease/(Increase) in other debtors and prepayments

Decrease/(Increase) in trade creditors, accruals and unearned income

**Net cash Inflows/(Outflows) from operating activities**

329,473	29,685
83,837	71,590
13,565	(32,752)
-	200
165,562	(101,257)
(39,935)	1,877
(760,703)	(692,384)
<b>(208,201)</b>	<b>(723,041)</b>

### 21. Property, Plant and Equipment - Reconciliation

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

Plant and Equipment

Carrying amount at beginning of the period

Additions

Disposals (net)

Depreciation Expense

**Carrying amount at end of the period**

143,537	101,596
64,704	113,989
-	(458)
83,837	71,590
<b>124,404</b>	<b>143,537</b>

# Notes to the Financial Statements

as at 30 June 2011	Notes	2012	2011
		\$	\$
<b>22. Financial Instruments</b>			
<b>(a) Interest Rate Risk</b>			
The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and liabilities is as follows:			
<b>Financial Assets</b>			
Cash, cash equivalents and investments - Current	4	2,564,600	3,316,609
Cash, cash equivalents and investments - Non Current	7	3,249,578	2,770,474
<b>Total Cash, cash equivalents and investments</b>		<b>5,814,178</b>	<b>6,087,083</b>
Weighted Average Effective Interest Rate		6.57%	6.53%
Trade Debtors & Other Receivables	5	218,480	384,042
Weighted Average Effective Interest Rate		N/A	N/A
Other Assets	6	162,129	122,194
Weighted Average Effective Interest Rate		N/A	N/A
<b>Total Financial Assets</b>		<b>6,194,787</b>	<b>6,593,319</b>
<b>Financial Liabilities</b>			
Trade Creditors and other payables	9	289,868	182,469
Weighted Average Effective Interest Rate		N/A	N/A
<b>Total Financial Liabilities</b>		<b>289,868</b>	<b>182,469</b>
<b>(b) Net Fair Value</b>			
All financial assets and liabilities have been recognised at the balance date at their net fair values as their carrying amount approximates fair value.			
<b>(c) Credit Risk Exposure</b>			
The company's maximum exposure to credit risk at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets in the statement of financial position, net of provision for doubtful debts.			



## Notes to the Financial Statements

as at 30 June 2011

Notes

2012

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### 23. Contingent Liabilities

The company has provided a bank guarantee in respect of payroll obligations to the value of:

Payroll Facilities

Lease obligations

### Financing arrangements

Bank Guarantees

Used at balance date

Unused at balance date

	\$	\$
	50,000	50,000
	67,737	-
	<b>117,737</b>	<b>50,000</b>
	117,737	50,000
	-	-
	<b>117,737</b>	<b>50,000</b>

## Directors' Declaration

**The Directors' of the company declare that:**

1. The financial statements set out on pages 42 to 59:
  - (a) Comply with Accounting Standards and the Corporations Act 2001; and
  - (b) Give a true and fair view of the Company's financial position as at 30 June 2012 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.



J S Keniry AM  
Chairman



D M Watt  
Director

Sydney 27th August 2012



# Auditor's Report

## Independent Auditor's Report to the Members of Australian Wool Exchange Limited

*We have audited the accompanying financial report of the Australian Wool Exchange Limited, which comprises the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in members' funds and statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.*

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### Directors' Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### Independence

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

### Opinion

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

- (1) Giving a true and fair view of the Company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- (2) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Thomas Davis & Co

P. L. WHITEMAN Partner  
Chartered Accountants



*we know wool*

## Contact

### **Head Office**

PO Box 651, North Ryde BC, NSW 2113  
Tel +61 2 9428 6100 Fax +61 2 9420 9633  
Email [info@awex.com.au](mailto:info@awex.com.au)

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### **Northern Region**

Yennora Distribution Park, Room 35,  
Dennistoun Avenue, Guildford, NSW 2161  
Tel +61 2 9632 6166  
Email [northernregion@awex.com.au](mailto:northernregion@awex.com.au)

### **Southern Region**

Gate 4, Frederick St,  
Tottenham, VIC 3012  
Tel +61 3 9318 0277  
Email [southernregion@awex.com.au](mailto:southernregion@awex.com.au)

### **Western Region**

Western Wool Centre,  
PO Box 1280, Fremantle, WA 6959  
Tel +61 8 9434 6999  
Email [westernregion@awex.com.au](mailto:westernregion@awex.com.au)



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