

we know wool



Annual Report 2005

Australian Wool Exchange

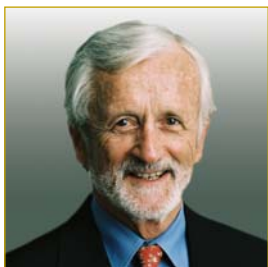


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- Board approves AWEX fees to remain unchanged in 2005/06.
- National Auction Selling Committee replaces Regional Committee structure for auction related issues. Independent Chairman appointed.
- The IWTO 'Ultimate' Auction was held on April 22 as part of the successful 74th IWTO Hobart Congress. The showcase event featured some of the best clips from around Australia to an international audience of Buyers and guests.
- e2 the new web-based electronic trading system is launched.
- AWEX restructure implemented in a new and competitive environment for AWEX.
- A new national extension program of seminars tailored to the woolclasser commences. "Boardtalk to the Bush" is reaching an important community in regional locations.
- AWEX licenses the use of AWEX-ID into the United States of America.
- Woolclasser Training Resources Development project commenced to update and standardise training resources for woolclassers.
- Review of the use and future direction of bale labels underway including a survey of all stages of the wool pipeline.
- A new project 'e-bale' commences to identify the potential benefits of electronic bale identification.
- Board approve AWEX to sponsor student scholarships in wool.
- Woolclassers receive first activity summaries of classing performance.
- AWEX introduces new audit programs in support of its goal of continuing to improve the integrity of the Australian wool clip and woolclasser stencils.
- Tsunami Auction: An auction to raise much needed funds for the victims of the December 26 Asian tsunamis tragedy was held on March 8, 9, 10, raising in excess of \$30,000 towards relief for victims. Contributions were donated through Oxfam Community Aid Abroad.
- AWEX contracted to support new Australian Wool Innovation service to woolgrowers: Woolcheque.

Chairman's statement



Allan Farrer
AWEX Chairman

The 2004/05 financial year again held many challenges both for the wool industry at large and for AWEX. The period under review was characterised by very difficult trading conditions, rationalisation across all sections of the industry, the introduction of some parallel services in competition with AWEX, market levels which continued to trend down, and anticipation of lower production levels with continuing drought.

As foreshadowed in our last report, the 2004/05 season marked the beginning of a new era for AWEX, one which the Board and Management entered with determination to succeed. We took decisive and sensible action. We reaffirmed AWEX's commitment as an independent industry organisation whose charter is to provide excellent services to the wool industry. We focused clearly on delivering transparent and accurate market information systems and maintaining uncompromising standards, while continuing to provide facilities for auction sales for all Members who required them. We established the National Auction Selling Committee which has made a positive contribution to the operation of the Australian auction system.

In the light of the major changes occurring within the industry, the AWEX Board considered that it was important to maintain a Board structure which has the involvement of all sectors of its Membership. The Board has reduced costs by modifying its face-to-face meeting schedule. The Board and Management have carried out on-going reviews of the operating structure in order to achieve further operational and cost efficiencies in the context of the new competitive environment. We also resolved to revisit the issue of the AWEX Board structure early in 2006.

AWEX throughput and income for the 2004/05 financial year has been better than budgeted. Costs have been contained well under budget. I am pleased to report that the 2004/05 financial result, after providing for a contribution to the IWTO Test Marketing Program, is a surplus of \$449,053. This has subsequently resulted in an increase of Members' Equity to \$4,773,833. The result reflects the diligence of AWEX Management and Staff in ensuring that costs have been minimised while handling better than expected wool volume.

A key feature in AWEX's 2004/05 financial result has been the increase in commercial project work which we won during the year. The revenue from such projects represents 13% of total revenue, up from 3% in 2003/04. AWEX will continue to pursue opportunities to use our professional skills to supplement core income streams and defray costs to Members.

AWEX continued to invest heavily in technology during 2004/05 and will do so

again in 2005/06. Technological systems are integral to AWEX's business and a key element in maintaining our high standard of service and delivery to Members and clients. The AWEX Board is conscious of cost control and strives to ensure that, wherever possible, AWEX Management meets or exceeds Members' expectations in this area.

A feature of the 2005 IWTO Hobart Congress, of which AWEX was a major sponsor, was the presentation of the findings of the IWTO Apparel Task Force. The Task Force recommended implementation of a Test Marketing Program, targeting women's knitwear in Europe. Initial estimates proposed funding of \$US 15 M but this figure was scaled back to \$US 10 M. Australian Wool Innovation offered to provide \$US 5 M, on condition that the IWTO members were able to find the balance. The Woolmark Company committed \$US 1 M leaving \$US 4 M to be found by all of the participants in the global wool textile industry. The Australian contribution target was set by IWTO at \$US 0.5M.

The AWEX Board, after in-depth consideration of, and debate on, the issues involved, agreed to contribute \$US 200,000 towards the proposed program subject to the following conditions being met:

1. That the contribution is treated as part of the total Australian contribution of \$US 0.5M and that the full Australian contribution is achieved.
2. That the International total of \$US 10 M is achieved.
3. That a detailed Test Marketing Plan is submitted for consideration and is

subsequently accepted and approved by the AWEX Board.

4. That the contribution is to be used exclusively for the proposed Test Marketing Program and that it is not to be construed as an ongoing commitment to further funding.

The continuing rationalisation of the wool industry and its impact on our Members is of major concern to AWEX. Whilst the need for change is understood, it is dramatic and presents new challenges for us all. We recognise the need to be ready to confront them. The year ahead will be one of consolidation of the new AWEX structure but also one of growth in steadily improving the delivery of services to Members and clients. AWEX has budgeted for a modest surplus in 2005/06 and will maintain the necessary capital investment in services to our Members.

As Chairman, I thank my fellow Directors for their contribution and support during the year. On behalf of the Board, I thank and compliment the Management and staff of AWEX for their energy and commitment to providing excellent service to our Members and the Australian wool industry. ■



R A Farrar
Chairman, AWEX Limited
2 September 2005.



Mark Grave
AWEX CEO

The year under review was a difficult one for many participants in the wool industry. AWEX was not immune. The climate was overshadowed by continued low levels of production, further rationalisation along the pipeline and lower than desirable market levels.

AWEX faced real challenges in terms of new competitive services and a greater demand on current services. From an AWEX perspective, our expectations for the year ahead were met with a renewed focus and structure, laid out in the blueprint of June 2004.

I am pleased to report that within this challenging environment, AWEX management and staff have worked hard to ensure that Members' funds are preserved and levels of service have not diminished but, in fact, have increased. Our drive and passion for the wool industry, coupled with an established and recognised skill base, has enabled AWEX to not only expand service areas to Members and clients, but also to develop supplementary income streams to assist in defraying costs to Members.

The sound financial result achieved in 2004/05, will help to ensure that AWEX's level

of investment in technology and in services to members can be sustained. AWEX is a service organisation and the backbone of that service delivery is technological systems, often unique to the wool industry and the investment in our staff.

Wool Services

The implementation of the new corporate structure has been an important step in delivering the refreshed vision for AWEX. As a truly independent organisation, we have been able to focus on those service areas which not only benefit Members but also meet industry expectations in relation to standards and their evolution.

The key service areas for AWEX are information and standards, including: registration and accreditation programs, standards development and maintenance, and compliance programs. These are the core activities of AWEX and underline the integrity of wool trading in Australia.

The ongoing success of AWEX Online as the leading information tool for domestic and international wool traders continues to grow. There would be very few comparable industries around the world which could demonstrate the breadth and depth of information about their product as can the Australian wool industry. AWEX Online manages to collect and disseminate this most valuable data via the web – the recognition of this tool's importance is gaining widespread momentum.

Compliance

An important issue to the wool industry has been the compliance with standards and rules and the integrity of wool trading. Compliance programs are an integral part of maintaining standards and rules. They are fundamental to the wool industry and a core activity of AWEX. Compliance ensures confidence with which traders conduct their business and support the prestigious reputation of the Australian wool industry. It is our belief that compliance demands will only increase in the coming years. AWEX is preparing for this and we are planning to take advantage of and invest in technology to ensure the best and most efficient systems are provided. Ultimately, our aim is to ensure that anyone intending to buy Australian wool can do so with complete confidence, relying on its reputation as the best wool in the world.

IWTO Auction

During 2004/05 AWEX was proud to be a major sponsor of the 74th IWTO Congress held in Hobart in April. A feature of the Congress was the first ever IWTO 'Ultimate' Auction conducted by AWEX. The auction was a showcase event which provided an opportunity for many of our overseas guests to witness an offering of some of the best wool Australia, indeed the world, has to offer. The generous support from Woolgrowers, Brokers and Buyers made this a spectacular event. Thanks must also go to my staff for their inspired and creative efforts in making the 'Ultimate' auction such a successful feature of the Congress.

New Business

As part of our ongoing strategic focus, management and the Board have reviewed a range of opportunities to best capitalise on the skill base of AWEX staff and our technology investments. The aim is to create new revenue streams which assist in defraying costs to Members. We have been successful in achieving this objective through a substantial increase in "third-party" projects won during 2004/05. The common theme of the projects has been their direct linkage to wool and the wool industry.

Some of the projects include-

Woolclasser Training Resources Development:

Funded through the International Fibre Centre (Geelong), this 12 month project is aimed at providing for the first time a national standardised set of training resources for woolclassing. AWEX will ensure that registered trainers across Australia have access to the latest training resources for woolclassers. The woolclasser is the first and an important step in the wool processing chain and represents a vital skill in Australia maintaining its reputation for high quality wool.

Woolcheque: This project is a new Australian Wool Innovation (AWI) service to woolgrowers. AWEX was contracted to develop and maintain this new wool pricing service to the woolgrower including the underlying pricing tools used in this important and informative service.

AWEX has gained a solid reputation through the information-based projects and systems

we provide. This status is widespread and crosses a range of industries. We regularly receive expressions of interest to supply services to many industries but only proceed with projects which meet Board approval and offer a return to AWEX.

On-going Business

AWEX is confident of its core business knowledge and delivery, and the need to ensure that it remains both our focus and the basis of future strategic direction.

Industry Services Advisory Committee (ISAC)

During 2004 AWEX has reinvigorated ISAC as the pre-eminent industry Committee assembled to address the industry issues related to standards and associated programs. ISAC is an advisory Committee to the AWEX Board consisting of recognised industry specialists and has the ability to second experts related to specific industry issues. The group is a driving force in providing direction to the AWEX Board and Management on the basis that all issues considered by ISAC carry the considered weight and endorsement of Members and industry. ISAC is strategically important to the future direction of AWEX in wool related matters.

Bale Label Review: This issue has raised many views within industry. The review is being conducted through ISAC, under the auspices of an issue-specific Committee of experts, applied to ensuring the review achieves the considered opinion of all. The survey of industry participants conducted in

November 2004 was significant in providing an opportunity for all parties to put forward their views. The results of the survey were an important catalyst for the current review and raised a series of specific issues which require attention.

e-bale Project: As a result of the Bale Label Review, AWEX has, jointly with Australian Wool Innovation, embarked on a review of electronic identification of bales. This project will investigate and consolidate all previous projects conducted in this area to ensure there is no duplication of purpose or costs, and will deliver specific outcomes including: a recommendation of the appropriate technology to use and a cost benefit analysis which will articulate where the costs and benefits are realised throughout the wool pipeline. This is an important project and ties in closely with the bale label review. At the conclusion of this project, the wool industry will be presented with a recommendation detailing the potential opportunities and costs of electronic bale identification. At this point the industry will be able to make a considered decision on whether we, as an industry, should proceed with this identification system.

e2

e2 is more than an electronic offer board, it is an integrated database which is the foundation of AWEX's market information service. e2 subscribers have the ability to access auction, electronic and historical data. In January 2005, AWEX launched "e2" the

new web-based electronic offer board service to the wool industry. The e2 offer board was developed with increased functionality and ease of access in mind. Electronic trading platforms represent a strategic opportunity for the wool industry. There is much to be excited about e2.

AWEX-ID

The strength of AWEX-ID continues to grow domestically and also globally with the United States, through American Sheep Industries, newly licensed to use AWEX-ID. AWEX-ID is also formally used in South Africa. The confidence and knowledge in AWEX-ID continues to gain wide acceptance through the wool pipeline as the wool industry comes closer together. AWEX has built up considerable Intellectual Property over the last 10 years in the AWEX-ID system and it is an asset of value to AWEX and the wool industry. A key to the success and acceptance of AWEX-ID is the program of training and the accreditation of qualified appraisers.

Looking ahead, the next financial year will again be a challenge for AWEX and the wool industry. We are all too aware of the industry environment, from the concerns over trading conditions, production levels, competing industries at producer level and the need to maintain viable businesses for all. AWEX will again be working hard to improve our service delivery to ensure that the unique systems we have in place add value to the Australian wool industry. Our focus remains clear - AWEX will continue on a path of inexorable progress.

I would like to thank my team of staff for their professionalism during the year. They have shown nothing but commitment and energy for the work of AWEX.

I look forward to facing the challenges of the future with you all. ■



Mark Grave
Chief Executive Officer
2 September 2005



Woolclasser Training Resources Development

The Woolclasser Training Resources Development (WTRD) project recognises the vital role played by woolclassers in protecting the integrity of the Australian wool clip.

Woolclasser training resources used around Australia vary considerably between States and also between training providers. Funded through the International Fibre Centre (Geelong), the Woolclasser Training Resources Development (WTRD) project will provide, for the first time, a national set of standardised, high quality, interactive training materials.

During 2004/05, AWEX commenced management of the WTRD project.

In its initial assessment and consolidation phase, the process drew together all of the teaching resources from woolclasser courses around the country. With curriculum development guidance from the South West College of TAFE, Warnambool, these resources are being upgraded, re-written and reproduced in a form which combines text with CD Roms and DVDs.

The WTRD project's updated materials will be used by all 16 Registered Training Organisations commencing in 2006. AWEX will continue to manage this project in order to ensure that Australian woolclasser training delivers high quality woolclassers into sheds around Australia, helping to protect our reputation for producing the best wool in the world. ■





Bringing Boardtalk to the Bush

Planning began early during 2004/05 to lay the foundation for commencing the new and exciting initiative of holding a series of seminars for woolclassers, "Bringing Boardtalk to the Bush". It is the first time that a national forum of information seminars aimed at the woolclasser has been undertaken.

AWEX has over 25,000 registered woolclassers, half of which are Owner Woolclassers. This large group of professionals is spread right throughout Australia and, therefore, this series of seminars will reach out to woolclassers in rural locations.

The seminars commenced in July 2005 with the initial pilot series being held in West Australia, New South Wales and South Australia. The strength of the attendances was such that an extension of a further five seminars was scheduled for Queensland, Tasmania, Victoria and New South Wales.

The "Bringing Boardtalk to the Bush" seminars have now been held in each State

of Australia and the response has been enthusiastic. Woolclassers have shown they are eager to learn more about their industry and interacting with their colleagues.

This is an important platform for AWEX and a dynamic communication tool for woolclassers.

The potential use of this forum has the capability of raising the Australian wool preparation standard and creating closer communication between woolclasser and trader/processor.

Woolclassing is the first and an important part of the processing pipeline. ■



Viewer Catalogue

Filter Catalogue

Sale: F46 /04 OC AUST WEST 19/05/2005

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Displaying 10 of 10 records -- Page 1 of 1

Seller	Lot	Bls	Brand	AWEX-ID	C	Ls	YMB	SL	SS	POB	M	HT	SDRY1	Bid	Bidder	Rt	Area
	2885	5	B	MZ5S.	P	18.2	2.6	0	0	0	0	0	57.3	424	MCHA	S	W09
	2887	3	P	MZ5S.	P	20.2	1.1	0	0	0	0	0	52.3	413	MCHA	S	W12
	2908	2	B	MZ5S.	P	19.1	6.0	0	0	0	0	0	46.3	419	MCHA	S	W12
	2926	5	B	MZ5S.	P	17.6	4.8	0	0	0	0	0	57.0	433	MCHA	S	W10
	1810	4	T	MZ5S.	P	17.4	5.2	0	0	0	0	0	49.5	438	MCHA	S	W09
	1834	8	W	MZ5S.K1	P	17.5	8.0	0	0	0	0	0	47.2	436	DAWM	S	W09
	1846	7	G	MZ5S.	P	22.8	1.4	0	0	0	0	0	49.2	429	MCHA	S	W08
	1876	7	V	MZ5S.	I	18.2	4.3	0	0	0	0	0	47.9	434	MCHA	S	W99
	1877	6	V	MZ5S.	I	19.2	7.9	0	0	0	0	0	45.7	446	MCHA	S	W99
	1895	20	PI	MZ5S.	B	19.6	2.9	0	0	0	0	0	51.9	428	MCHA	S	W15
Totals and Averages Summary:																	
	Lots		Bls				Av	Av	Av	Av				Av	Av		
				Mic	YMB	SL	SS	SS	SS	SS	SS	SS	SDRY1	Yld	SDRY1	Bid	
Sold	18	119		19.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	49.1	434.9			
All	18	119		19.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	49.1				

Displaying 10 of 10 records -- Page 1 of 1

e2 – the next generation web based trading system was launched in January 2005. e2 is more than just a trading system, it is an interactive trading tool which allows subscribers to work between both the open-cry auction and electronic trading systems.

The development of e2 was 18 months in the making. The basis of e2 involved a total re-write of the 10 years of separate information data bases AWEX has amassed since commencing operations in 1994. The extent and power of e2 is such that it was designed to be the information platform for AWEX with enough capability for the next 10 years.

Electronic trading is certainly the flagship of the system and as the industry becomes more accustomed to this style of trading and accepting of the use of this type of trading tool, the need and dependency on this system will grow.

Subscribers to e2 can access and view auction sales from around Australia and with the “click of a mouse” access electronic offerboards. It is an exciting opportunity for wool traders to have a system which enhances their buying and selling operations, works with open-cry auctions and gives them the flexibility to access wool 24 hours a day, 7 days a week.

In March 2005, the Australian Wool Industry united to raise funds for people whose lives and livelihoods were ruined by the devastating Boxing Day 2004 tsunamis.

The Tsunami Relief Charity Wool Auctions were held across Australia to maximise the opportunity for everyone within the wool industry to unite in the name of charity.

The Australian wool industry has long and strong business and personal links with people in many of those countries affected by the tsunamis. For its part, AWEX made a donation of \$10,000 to the appeal, and all proceeds from the auction were donated to OXFAM Community Aid Abroad.

Contributions were made by either donating wool for auction or by way of a direct financial contribution.

The charity auctions were held on March 8, 9 and 10, during sale week 36.

A total of \$31,888.87 was raised and donated to a very appreciative OXFAM Community Aid Abroad.

Our sincere thanks go to the many Brokers, Buyers and Woolgrowers who participated and generously contributed to the Tsunami Auction. ■



The Industry Services Advisory Committee (ISAC) has been working diligently during 2004/05 with a number of specific issues being addressed.

ISAC is an advisory Committee to the AWEX Board and has the ability to second experts to advise on specific issues. It is an important Committee to the wool industry and provides clear direction and access to industry views through its structure.

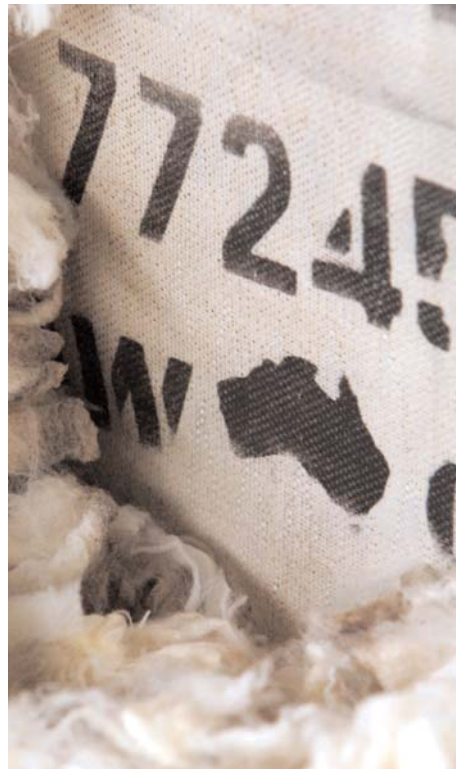
The major issue addressed in 2004/05 has been the Bale Label Review. ISAC has been reviewing the current bale label with the aim of providing to the AWEX Board recommendations on its future direction. Recognised wool logistic experts who add value, depth, knowledge and experience are seconded by ISAC.

Under the direction of ISAC and AWEX Management, a survey was conducted involving all sectors of the wool logistic pipeline including: woolgrowers, woolclassers, transport operators, wool dumps, wool brokers, exporters, traders and processors.

Views were sought on their perception of and experience with the current label and also their expectations for bale identification in the future. These issues are currently under consideration by ISAC. An issue identified early in the review was the need to bring to a conclusion the myriad projects which had previously been completed with respect to electronic identification of bales. The project 'e-bale' is being run concurrently with the bale label review.

As this review draws to a conclusion, ISAC will focus on the review of the Code of Practice for the preparation of Australian Wool Clips. This review is fundamental to the high standard and reputation of the preparation of Australian wool. The review will commence in August/September 2005 and conclude in October 2006 in preparation for the 2007 woolclasser re-registration.

ISAC reports to the AWEX Board and is used as an advisory group to the direction of AWEX Services and Standards. ■



OFFM-QA

On Farm Fibre Measurement – Quality Assurance (OFFM-QA) is a third party project managed by AWEX and funded by Australian Wool Innovation.

The project will provide accredited operators of fibre testing equipment for the benefit of Australian wool producers. On farm measurement of wool had received increasing prominence during recent years. The service, when used properly, can be an effective breeding tool and enhance the productivity and performance of wool producers.

The project involves proficiency testing, operator audits and instruction, where necessary, to ensure that all accredited operators are fully aware of their responsibilities and duties with respect to this service.

Wool market conditions have not worked in favour of this important service, however, the importance of this service will grow as the growers focus on maximising their productivity. The aim is to ensure that woolgrowers have access to trained and industry recognised providers. ■

e-bale

The AWEX Board approved the commencement of the project 'e-bale' to bring to finality the various previous projects investigating electronic bale identification. The proposal of this project was a result of the deliberations of the Industry Services Advisory Committee (ISAC) with respect to the review of Bale Labels. The Bale Label review and the e-bale project logically are potentially related but not dependent on each other.

The e-bale project is jointly funded by Australian Wool Innovation.

'e-bale' will review the current available technology and make a recommendation on the preferred technology: one that will stand up to the rigours of the logistic pipeline journey of a wool bale. A review of technology has not been undertaken by AWEX since the Intrawool Project of 1999.

Another equally important outcome of this report will be the production of a detailed Cost Benefit Analysis (CBA). The CBA will identify where the costs are incurred throughout the pipeline and who the beneficiaries of an e-bale system will be. A critical part of the CBA is the consultation undertaken to ensure endorsement and ownership of the program. This is a critical outcome of the project.

The e-bale project is a short term project and will benefit from not re-inventing the wheel rather drawing together all previous research projects before it. ■

Woolcheque

During 2004/05 AWEX also commenced a new contract through Australian Wool Innovation (AWI) to provide a new information service to Australian wool producers. AWI launched "Woolcheque" in July 2005, a new pricing and information tool for the use of wool producers.

Woolcheque is a new web-based service and utilises the investment in developing e2, the information trading data base used by AWEX as the foundation to its market information suite.

The development of the Woolcheque site was considerable with outstanding results. ■

IWTO ultimate auction



On 22 April 2005 the Australian Wool Industry hosted one of the most spectacular wool events held in Australia with the IWTO "Ultimate" Auction.

Against a backdrop of the IWTO 74th Annual Congress in Hobart, AWEX through its unique position, was able to draw together some of the best examples of wool produced in Australia and indeed the world. The venue of this special event was the historical Royal Theatre, Hobart. In attendance was an international audience of nearly 600 people consisting of Woolgrowers, Brokers, Buyers and spectators.

Wool offered for sale was drawn from every State across Australia.

The criteria for entry into this event was strict with panels formed to assess the eligibility of each nominated lot. Wool offered had to meet the following:

- Mean Fibre Diameter of less than 18.0 microns;

- Mean Staple Strength of 38 N/kt or above; and
- AWEX-ID Type Classification of ASF 1, ASF 2 or ASF 3.

The auction displayed the high calibre of Superfine Merino wool produced in Australia.

In total 37 lots were offered with 36 lots being sold. The spirit of the evening and the event turned quickly to business once the sale commenced.

A feature of the evening was the presentation of 1PP certificates for two lots being offered. In addition, and for the first time, 1PP certificates were also awarded to the woolclassers who prepared the 1PP certified lots. This is the first time woolclassers along with Producers and Buyers have been recognised in this prestigious achievement.

The following people were awarded and presented with 1PP Certificates:

- Roderic and Kate O'Connor, Connorville Station, Cressy, Tasmania – classed by Garry Westwood.

- James and Tricia Pilcher, Myrtle Park, Sutton Grange, Victoria – classed by Michael Morwood.

A list of the results of the sale is included.

On behalf of AWEX, I would like to extend a vote of sincere gratitude to all who participated in the event. The staging of the event would not have been possible without the considerable assistance of the Management and Staff of Roberts Limited.



In addition, our thanks also go to the numerous Wool Brokers who assisted in gathering wool and raising interest in support of this special feature sale: Australian Wool Network Pty Ltd, Elders Premier Wool Services, Landmark Limited, Lempriere Fox & Lillie Pty Ltd, Monaro Wool Services Pty Ltd, Roberts Limited, Schute Bell Badgery Lumby, T. L. Tourrier & Company Pty Ltd, Woolgrowers Independent Selling Services Ltd.



Finally, I would like to thank the dedication, creativity and commitment of my staff who made this event possible and a great success for AWEX and the Australian wool industry. The concepts developed in this special sale may serve as a blue print for future events. ■

Mark Grave
Chief Executive Officer
2 September 2005



IWTO ultimate auction (continued)



IWTO ULTIMATE AUCTION – SUMMARY OF RESULTS (H42/04-22nd April 2005)

Lot No.	Property Brand / Offered By	Bales	Bale Description	S Dry		VMR	SL	SS	POB		AUC/KG (Grsy)	Last Bidder / Agent for
				Micron	Yld				Mid	56		
1	MARSHALL/PAST CO ELDERS PREMIER WOOL	3	EXSUPAAA	17.8	78.5%	0.8	83	56	56	SOLD	1,650	BWK ELDERS
2	A&H FERRIER/TRAPROCK ELDERS PREMIER WOOL	1	QAXXXSUPAAAAAM	16.3	76.3%	0.6	74	40	5	SOLD	2,020	G SCHNEIDER GERRUTT
3	PINT POT/NEW ENGLAND AUSTRALIAN WOOL NETWORK	1	EXSUPAAAA	17.3	75.8%	0.9	79	49	29	SOLD	1,710	CHARGEURS
4	JFF MONARO WOOL SERVICES	1	EX SUP AAAA M	16.2	75.9%	0.3	78	44	10	SOLD	2,260	NEW ENGLAND WO
5	R&MCKIRRALIN/ASWGA 344 TOURWOOL	1	XXSUPAAAA	15.4	80.8%	0.2	78	45	18	SOLD	2,950	NEW ENGLAND WO
6	GDBNEW ENG ELDERS PREMIER WOOL	1	EXSUPAAAA	16.8	76.9%	0.5	74	43	23	SOLD	2,050	BWK ELDERS
7	CSSMULGOONAN/TRAPROCK AUSTRALIAN WOOL NETWORK	1	AUSFINECHOICE	16.3	82.6%	0.1	83	45	32	SOLD	2,500	NEW ENGLAND WO
8	MIRANI AUSTRALIAN WOOL NETWORK	1	EXSUPAAAA	15.2	75.3%	1.1	88	40	19	SOLD	1,650	G SCHNEIDER
9	GALL/WILSONSCREEK/ASWGA-NE-134 AUSTRALIAN WOOL NETWORK	1	EXSF AAAA	17.3	74.5%	1.2	79	43	24	SOLD	1,590	MODIANO AUST
10	TAMGAREE ELDERS PREMIER WOOL	1	EXSUPAAAA	15.6	76.4%	0.3	73	44	15	SOLD	2,650	BWK ELDERS
11	LJROC ROBERTS LTD	1	EXSUPAAAFN	16.7	80.0%	0.1	80	46	5	PASSED	2,900	ITOCHU WOOL
12	LEGEND/ASWGA/NE/124 AUSTRALIAN WOOL NETWORK	1	AUS FINE CHOICE	17.4	79.0%	0.1	81	48	42	SOLD	1,760	NEW ENGLAND WO
13	OAK HILLS/PYRAMUL AUSTRALIAN WOOL NETWORK	1	AUSFINEULTRA	14.9	71.9%	0.6	72	41	11	SOLD	7,500	ITOCHU WOOL DAIDOH
14	EAC IN DIA/KELVIN GROVE ROBERTS LTD	1	EXSUPAAAFN	16.1	79.2%	0.1	71	50	1	SOLD	3,600	FOX & LILLIE JOHNSTONS OF E
15	GLENARA/M AUSTRALIAN WOOL NETWORK	1	EX SF SAXON	15.9	77.2%	0.1	85	51	48	SOLD	2,810	NEW ENGLAND WO
16	PRIMERINO ELDERS PREMIER WOOL	1	SUP ULTRA SOFT	13.4	74.3%	0.1	74	42	73	SOLD	28,000	MA KIERNAN
17	HILLCRESTON/BIGGA AUSTRALIAN WOOL NETWORK	1	AUSFINEULTRA	13.9	80.7%	0.1	72	44	86	SOLD	14,100	G SCHNEIDER FONTANELLA
18	BURRABLISS/FARMS WISS WOOL	1	ULTRAFINESAXON	13.9	79.5%	0.1	68	49	66	SOLD	17,000	MA KIERNAN
19	GRATHLYN/HR/HARGRAVES AUSTRALIAN WOOL NETWORK	1	XXXXXSUPFINE	16.4	71.6%	0.1	81	45	49	SOLD	2,140	NEW ENGLAND WO
20	WOOL FACTORY/HORSHAM LANDMARK LTD	1	ULTIMATEFIBRE	13.3	81.3%	0.1	68	51	54	SOLD	30,100	MA KIERNAN
21	HILLCRESTON/PINEHILL AUSTRALIAN WOOL NETWORK	1	AUSFINEULTRA	13.4	80.6%	0.1	71	46	53	SOLD	29,900	G SCHNEIDER ERMENEGILDO ZE
22	INTERLAKEN ESTATE ROBERTS LTD	1	AUSFNULTRA	15.9	76.6%	0.1	78	43	22	SOLD	2,810	NEW ENGLAND WO
23	MACQUARIEHILLS/ASWGAT372 ROBERTS LTD	1	XSPAAAFNCOM	14.9	80.9%	0.1	82	46	46	SOLD	4,350	NEW ENGLAND WO
24	LANDMERE WISS WOOL	1	EXSUPFSAX	13.0	76.0%	0.1	67	53	27	SOLD	44,000	MA KIERNAN
25	JAPMYRTLE PARK WISS WOOL	1	ULTRAFINESAXON	13.2	78.3%	0.1	72	57	71	SOLD	35,200	G SCHNEIDER LORD PIANA
26	MT STURGEON LEMPRIERE FOX & LILLIE	1	EXULTRAFINE	14.8	76.9%	0.3	70	45	45	SOLD	5,550	NEW ENGLAND WO
27	BURRABLISS/FARMS WISS WOOL	1	ULTRASUPFINE	13.4	79.0%	0.1	69	42	43	SOLD	23,100	G SCHNEIDER
28	TREFUSIS ROBERTS LTD	1	XSPAAAFNCOM	16.4	79.4%	0.2	79	47	2	SOLD	3,300	ITOCHU WOOL TOYOBO-SAVYO E
29	CROMARTY/NEW ENG ELDERS PREMIER WOOL	1	EXSUPAAAA	16.7	78.6%	0.5	90	51	56	SOLD	2,300	CHARGEURS
30	AKCINE AUSTRALIAN WOOL NETWORK	1	AFCHOICE	17.4	76.0%	0.6	78	49	29	SOLD	1,860	G SCHNEIDER
31	TA/BROOKSIDE/ARMIDALE AUSTRALIAN WOOL NETWORK	1	EX SUP AAAA	16.9	78.2%	0.8	79	49	26	SOLD	2,060	NEW ENGLAND WO
32	JEMINDA/PAST/NEW ENG ELDERS PREMIER WOOL	1	EXSUPFINEAAAA	16.3	76.7%	0.6	75	39	23	SOLD	2,200	BWK ELDERS
33	GOWRIE/NEW ENG ELDERS PREMIER WOOL	1	EXSUPAAAA	17.1	76.1%	0.6	78	44	11	SOLD	2,210	NEW ENGLAND WO
34	EMSTOCKBRIDGE/NE ELDERS PREMIER WOOL	2	EXSUPAAA	17.8	77.4%	0.7	77	56	52	SOLD	1,670	G SCHNEIDER
35	DRGOSTWYCK LANDMARK LTD	1	EXSUPFINE	17.1	77.2%	0.5	77	48	19	SOLD	2,040	LEMPRIERE AUST
36	A&H FERRIER/TRAPROCK ELDERS PREMIER WOOL	1	QAXXXSUPAAAAAM	16.8	75.2%	0.5	75	46	1	SOLD	2,600	BWK ELDERS
37	G IN DIANE SCHUTE BELL BADGERY	1	EXSUPAAAA	17.0	80.7%	0.1	74	63	35	SOLD	2,390	LEMPRIERE AUST

Lots offered: 37
Bales offered: 40
Value offered (AUD): \$306,934

Highest Bid: 44,000 AUC/KG Grsy

The new positioning line, “we know wool”, adopted by AWEX this year sums up the core functions and values of AWEX and identifies what AWEX has achieved over the last 11 years.

It is a fundamental statement about the success of AWEX and represents our investment in our Members and clients.

Wool is a passionate business and AWEX is passionate about wool.

For AWEX there is value in proudly naming the industry of which we are an important part and the industry which we service.

AWEX has built a solid reputation over the years by delivering services to a wide audience of wool industry participants. The delivery of projects to industry and exceeding expectations is something AWEX and our Members should be proud of.

We know wool, and we know who our customers are. ■



Our members

Trading Members

A S Gedge Australia Pty Ltd
ACF Wool Traders Pty Ltd
Adelaide Wool Company Pty Ltd
AES Scott & Company Pty Ltd
AR Rhodes & Company
Arcadian Wool Brokers Limited
Associated Wool Exporters Pty Ltd
Attadale Wool Company Pty Ltd
Australian Wool & Pastoral Agency Ltd
Australian Wool Network Pty Ltd
Australis Wool Pty Ltd
Barwon & Yarra Wool Brokers Pty Ltd
Beecher Wool Services
Bloomfield Pty Ltd T/as Acacia Wool
Bowden Wool Auctions Pty Ltd
Brockmill Pty Ltd T/as Dyson Jones Wool Marketing
Bryton Wool
BWK Elders Australia Pty Ltd
Cable Wool Pty Ltd
Chadron Pty Ltd
Chargeurs Wool Australia Pty Ltd
Cogtrust Pty Ltd T/as Coggan Wool
Compagnie d'Importation de Laines
Conn Wool Pty Ltd
CTRC Australia Pty Ltd
Davis Wool
Dewavrin Australia Pty Ltd
Diamond T & Bar Pastoral Company Pty Ltd
Don Belgre Pty Ltd
Dynon Wools (Australia) Pty Ltd
EP Robinson Pty Ltd
Elders Limited
F Whitbread & Company (Rocklea)
Fibres (Australia) Pty Ltd
Fletcher International Exports Pty Ltd
Fox and Lillie Pty Ltd
Fremantle Wool Trading Company Pty Ltd
Goddard Wool Marketing Pty Ltd
Goldex Corporation Pty Ltd T/as Mascot Wool
Gordon Litchfield Wool Pty Ltd
H Dawson Sons & Company (Australia) Pty Ltd
Harvest Wool (Australia) Pty Limited
Hodge Wool Pty Ltd
Itochu Wool Limited
JA Seager & NE Seager Partnership
James Stedman (Wool) Pty Ltd
Jemalong Wool Pty Ltd
Jenkyn Wool Exports Pty Ltd
John Boddice Wool Company Pty Ltd
Kathaytex Australia Pty Ltd
Kreglinger (Australia) Pty Ltd
Landini Industries Pty Ltd
Landmark Limited
Lanoc Wool Pty Ltd
Laycock Speciality Fibres Pty Ltd
Lempriere (Australia) Pty Ltd

Lochville Pty Ltd
Louis Dreyfus Australia Pty Ltd
M & M Wools (Australia) Pty Ltd
MA Kiernan & Company Pty Ltd
Masarel Fils (Australia) Limited
McFeeters Wool
Melbourne International Wool Traders Pty Ltd
Melbourne Wool Exporters Pty Ltd
Meredith Wool Company Pty Ltd
Michell Pty Ltd
Ming Shan Company (Australia) Pty Ltd
Modiano Australia Pty Ltd
Montgomery Wools Pty Ltd
Morepen Pty Ltd
Moses and Son
Murrumbidgee Wool Brokers Pty Ltd
New England Wool Pty Ltd
NGS Wool (Queensland) Pty Ltd
Norfolk Wool Traders Pty Ltd
Ostini Wool Pty Ltd
P J Morris Wools Pty Ltd
P Lyons & Company Pty Ltd
Peter Scanlan Wools
Primac Elders Wool Department
Primaries of WA Pty Ltd
Quality Wool Pty Ltd
Quay Wool Services Pty Ltd
Reward Australia Pty Ltd
Riverina Wool (Australia) Pty Ltd
Riverton Wools
Roberts Limited
Rodwells & Company Pty Ltd
Saunders Wool Pty Ltd
Sim International Pty Ltd
Sky Wool Australia Pty Ltd
Southern Cross Wool Pty Ltd
Standard Wool Australia Pty Ltd
Startoy Pty Ltd
Stirling Sorting Company Pty Ltd
Stockwool Pty Ltd
T L Tourrier & Company Pty Ltd
Techwool Trading Pty Ltd
The New Zealand Merino Company Ltd
Tradeswool Country Woolbuyers Pty Ltd
Tradeswool Pty Ltd
United Farmers Co-Operative Company Ltd
United Wool Brokers Pty Ltd
V & H Smythe Pty Ltd
Victoria Wool Processors Pty Ltd
Vicwool Pty Ltd
West Coast Wools Pty Ltd
Western Wool Marketing
Williams Wool Pty Ltd
Wool Agency Company Pty Ltd
Woolgrowers Independent Selling Services Ltd
Yarra Wool
Yeoward & Company

Associate Members

Australian Superfine Woolgrowers' Association Inc.

The WoolMark Company

WA Department of Agriculture

Grower Members

A & A H Burgess

Abfam Nominees Pty Ltd

A J Byrne & Company

Andrew Wall

Arthur M Bock

Australian Wool Growers Pty Ltd

Autumnvale Pastoral Company

R D & K L Avery

Balquhidder Pty Ltd

Banks Brothers

Michael Bilney

Bloomfield Pastoral Company

Brett Campbell

Bukalong Enterprises

Byanga Pastoral Company

Callubri Pty Ltd

Cavanagh Partnership

C E Hyde & Company

Anthony Chenery

Clyde Agriculture Limited

C M De Mestre

Coomba Grazing Company Pty Ltd

C W A & D W Prell

D D & A J Long

Dingo Range

Dr Robert N Baulch

Duncan Fraser

D W Taylor Pty Limited

East Murandal

G W & C L Clothier & Sons

GAAmery Family Trust T/as Amberedge Pty Ltd

Garth England

Gary William Lovering

George Terrant Walker

Glenbuddah Pty Ltd

Glenelg Estate

Golding Farms

Gorrinn Pastoral Company

Holmwool Pastoral Company

I & P Meek Pty Ltd

Ian Aubrey

Ian Burbury

Ian Mclean

Ian William Whiteley

J A & J A McCracken

J R L Hall & Co

J M Moore

J P & S M Ranken

J R & D M D Mills

John Edward Beveridge

Kentucky Pty Ltd

Kevin Gill

K Q & J J Miller
Lindsay & Bridgman
Gordon Litchfield
Mance Pastoral Company Pty Ltd
Marong Pastoral Company Pty Ltd
Max Zell Family Settlement Trust
McIvor Agricultural Consultants Pty Ltd
Michael Emery
Terry Carlon
Neville Parker
M A & A L Nicholls
P T & K C Walker (Partnership)
Parling Yards Trading Company
Pete Longley
Phil O'Brien Wool Pool
Robert Pietsch
Quambaloo Pastoral Company
R J & L J Parkins
Robert Richardson Dick
Roger Farquharson Mason
Karalta Spielvogel
S S & W A Parkinson
Stonehouse Grazing
Strathbogie Pastoral Company
Sun Valley AG
T & A Silcock
Terinallum Partnership
The Mutooroo Pastoral Company Pty Ltd
Jonathan Tischler
Twynam Pastoral Company Pty Ltd
W S & M E McCann Pty Ltd
Wandella Pastoral Partnership
Windaroo Pastoral Company
Woolaway Grazing
WoolProducers
Yarrabee Grazing Company
Yarrum Valley Pty Ltd

Directors' report

Your Directors submit their report for the year ended 30 June 2005.

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

	<p>R.A. Farrar <i>Chairman</i></p> <p>Chairman, McGarvie Smith Institute; Hon. Councillor Royal Agricultural Society of NSW.</p>	<p>Chairman; Chairman of Audit, Compliance and Corporate Governance Committee; Chairman of Remuneration Committee.</p>
	<p>D.R. Belgre <i>Director</i></p> <p>Managing Director, Don Belgre Pty Ltd; Managing Director, G. Schneider Australia Pty Ltd; Italian Region Representative, Australian Superfine Woolgrowers' Association; Chairman, Australian Wool Network Pty Ltd.</p>	<p>Non Executive Director; Member of Rules Committee; Member of Remuneration Committee; Member of Membership Admission Committee.</p>
	<p>A.L. Harris <i>Director</i></p> <p>National Wool Representative – Elders Ltd; President, National Council of Wool Selling Brokers; Director, Australian Wool Testing Authority.</p>	<p>Non Executive Director; Member of Organisational Review Committee.</p>
	<p>I.K. Mclvor <i>Director</i></p> <p>International Trade Consultant and Woolgrower; Director, Livecorp Ltd; Chairman, Australian Livestock Exporters Council Ltd. Director, Red Meat Advisory Council</p>	<p>Non Executive Director; Member of Remuneration Committee; Member of Audit, Compliance and Corporate Governance Committee</p>
	<p>D.R. Michell <i>Director</i></p> <p>Managing Director, Michell Pty Ltd; Chairman and Director, Wirra Wirra Vineyards Pty Ltd; Director, Australian Wool Testing Authority Ltd; Past President, Australian WoolProducers Council</p>	<p>Non Executive Director; Member of Organisational Review Committee.</p>
	<p>M.J. Moses <i>Director</i></p> <p>Managing Director, Moses and Son; Director, Pinefarm Pty Ltd; Director, Yennora Wool Brokers</p>	<p>Non Executive Director; Member of Rules Committee; Board Representative ISAC; Member, Membership Admission Committee.</p>
	<p>D.J. Nancarrow <i>Director</i></p> <p>Managing Director, Dewavrin Australia Pty Ltd; Director, Independent Wooldumpers Pty Ltd; President, Australian Council of Wool Exporters</p>	<p>Non Executive Director; Member of Organisational Review Committee.</p>

	<p>R.D. Pietsch <i>Director</i></p> <p>Grazier; Director, Terrica Holdings; Director, Australian Wool Testing Authority; President, WoolProducers.</p>	<p>Non Executive Director; Chairman of Rules Committee; Member of Organisational Review Committee.</p>
	<p>G.M. Stooke OAM <i>Director</i></p> <p>Managing Director, Standard Wool Australia Pty Ltd; Managing Director, SH Allen & Sons Pty Ltd; Director, Independent Wooldumpers Pty Ltd; Director, Jandakot Wool Washing Pty Ltd; Chairman of WA Rugby Union Inc</p>	<p>Non Executive Director; Chairman of Organisational Review Committee; Member of Rules Committee.</p>
	<p>D.M. Watt <i>Director</i></p> <p>Lawyer; Woolgrower; Associate Member of the Australian Competition & Consumer Commission; Chairman of Integrated Tree Cropping Limited; Chairman, Titan Resources Limited</p>	<p>Non Executive Director; Member of Audit, Compliance and Corporate Governance Committee; Member Remuneration Committee.</p>
	<p>M.F. Pritchard <i>Appointed Company Secretary 1 June 2005</i></p> <p>Chartered Accountant.</p>	<p>Company Secretary; Chief Financial and Administrative Officer; Secretary to Audit, Compliance and Corporate Governance Committee; Secretary to Membership Admission Committee; Secretary to Organisational Review Committee; Secretary to Rules Committee</p>
	<p>L.K. Coogans <i>Company Secretary resigned 8 April 2005.</i></p>	

Alternate Directors

<p>R.W. Amos <i>Alternate for G.M. Stooke OAM</i></p>	<p>Managing Director, Adelaide Wool Company; Federal President of the Federal Council of Private Treaty Wool Merchants of Australia; Managing Director, Robaine Pty Ltd.</p>	<p>Alternate Director.</p>
<p>L.E. Baronet <i>Alternate for D.R. Michell Resigned 1 August 2005</i></p>	<p>Managing Director, Chargeurs Wool, Wagga; Director, Old Mill Way; Director, Old Mill Way Super Fund.</p>	<p>Alternate Director.</p>
<p>R. Bowden <i>Alternate for A.L. Harris Resigned 18 March 2005</i></p>	<p>National Wool Manager, Landmark; Director, Wooldumpers Australia Pty Ltd.</p>	<p>Alternate Director;</p>
<p>R. Cable <i>Alternate for D.R. Belgre</i></p>	<p>Director of Cable Wool Pty Ltd.</p>	<p>Alternate Director.</p>
<p>D. R. Hamblin <i>Alternate for R. D. Pietsch</i></p>	<p>Grazier; Director, WoolProducers; Councillor, NSW Farmers Wool Committee; Professional Woolclasser</p>	<p>Alternate Director.</p>
<p>W. Lempriere <i>Alternate for D.J. Nancarrow</i></p>	<p>Managing Director, Lempriere Australia Pty Ltd; Director, Lempriere Fox and Lillie Pty Ltd.</p>	<p>Alternate Director.</p>
<p>D.A. Macdonald <i>Appointed Alternate Director for M.J. Moses 01 December 2000</i></p>	<p>Managing Director, Lanoc Wool Pty Ltd; Managing Director, Yennora Wool Brokers Pty Ltd.</p>	<p>Alternate Director.</p>
<p>C. Turner <i>Alternate for A. L. Harris Appointed 18 March 2005</i></p>	<p>Victorian State Wool Manager, Landmark; Immediate Past President, Australian Corriedale Association; Member, Dark and Medullated Fibre Risk Committee, Federation of Australian Wool Organisations and Australian Wool Innovation.</p>	<p>Alternate Director.</p>

Corporate Information

The Australian Wool Exchange Limited is a member services organisation. Members include Australian and International wool brokers, processors, exporters, private treaty merchants, wool producers and industry associations. The liability of the company's Members is limited.

Principal Activities

The company's principal continuing activities during the year consisted of:

- Supply of market information on behalf of members;
- Administration of quality management programs;
- Wool pack quality management;
- Administering the conduct of wool selling; and
- Registration of wool classers.

Employees

The company employed 17 full time and 12 casual employees as at 30 June 2005 (2004: 18 full time and 10 casual employees).

Results

An operating surplus of \$449,053 (2004: \$622,260) was achieved for the year.

Dividends

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

Review of Operations

Revenue for the year was primarily derived from service fees received of \$5,291,108 (2004: \$5,928,671). Total revenue for the period was \$5,741,588 (2004: \$6,573,918).

Total operating expenses for the year were \$5,292,535 (2004: \$5,951,658) relating to the provision of ongoing services.

Performance Management

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

Risk Management

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

The Board has mechanisms in place to oversight specific aspects of management's functionality. These include:

- Audit, Compliance and Corporate Governance Committee – which monitors and advises the Board on management finance, corporate governance and

expenditure policies and oversees the external financial statement audit process;

- Remuneration Committee – which monitors and advises the Board on issues relating to personnel policies as well as remuneration for AWEX staff.

Corporate Governance

The business and affairs of AWEX are vested in the Board, which has responsibility for the management and control of the Company. The Board elects the Chairman.

At present there are 10 Directors, including the Chairman. There are four face-to-face Board meetings each year. In addition, the Board holds a number of teleconferencing meetings.

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

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

Principal 1: Lay solid foundations for Management and Oversight.

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

Principal 2: Structure the Board to add value.

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

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

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

Principal 3: Promote ethical and responsible decision-making.

A code of conduct for staff and Directors has been developed through the Audit, Compliance and Corporate Governance Committee.

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

Principal 4: Safeguard the integrity in Financial Reporting.

The Board has an Audit, Compliance and Corporate Governance Committee, with 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.

Directors' report

Principal 5: Make timely and balanced disclosures.

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

AWEX does disclose significant information to Members through Members' Updates and Media Releases.

Principal 6: Respect the rights of shareholders.

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

Principal 7: Recognise and manage risk.

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

Principal 8: Encourage enhanced performance.

The Audit, Compliance and Corporate Governance Committee annually reviews the performance of Directors. The Chairman

overviews the performance of the CEO annually and reviews for all staff, including senior management are also required.

Principal 9: Remunerate fairly and responsibly.

Details of Directors remuneration are detailed in the following pages. In addition to Directors' remuneration, Directors are entitled to be reimbursed for all travel and other expenses incurred in connection with attendance at Board and Committee meetings or otherwise in connection with AWEX's business.

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

Principal 10: Recognise the legitimate interests of shareholders.

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

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

Significant Changes in the State of Affairs

The introduction of Australian Wool Handlers into the provision of saleroom facilities and data networking has impacted on the revenue and expenses of AWEX.

Directors' Indemnity

During the year the company has paid premiums of \$80,359.63 (2004: \$74,070.94) for professional indemnity insurance & directors & officers liability insurance for officers and employees of the company, which provides cover for all past, present and future officers, and employees.

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

Directors' Benefits

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

With these exceptions, since 30 June 2004 no director of the company has received or become entitled to receive a benefit (other than remuneration included in note 14 to the accounts) because of a contract that the director, a firm of which the director is a member, or an entity in which the director has a substantial financial interest, has made (during the year ended 30 June 2005 or at any other time) with either the company or an entity that the company controlled, or a body corporate that was related to the company, when the contract was made or when the director received or became entitled to receive the benefit.

Auditor

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

Auditor's Independence Declaration – a copy of the Auditor's independence declaration as required under Section 307c of the Corporations Act 2001 is attached to this Directors Report.

Signed in accordance with a resolution of the directors.



R A Farrar
Chairman



D R Belgre
Director

Sydney, 2 September 2005

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 2005 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 1 September 2005

Liability limited by a scheme approved under Professional Standards Legislation

Statement of financial performance

<i>for the year ended 30 June 2005</i>	Notes	30 June 2005	30 June 2004
		\$	\$
Revenues from ordinary activities	2	5,741,588	6,573,918
Employee benefit expenses		(1,542,722)	(1,951,650)
Depreciation and Amortisation Expenses	3	(408,060)	(359,162)
Occupancy Costs		(381,322)	(571,471)*
Other expenses from ordinary activities		(2,960,431)	(3,069,375)
Profit from ordinary activities before income tax expense	3	449,053	622,260
Income tax expense relating to ordinary activities	1(c)		
Net profit from ordinary activities after related income tax expense	13	449,053	622,260

* The 2004 result includes costs of a head lease at 691 Geelong Road, Brooklyn for which \$275,364 sublease income was received during that period.

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

Statement of financial position

<i>as at 30 June 2005</i>	Notes	30 June 2005	30 June 2004
		\$	\$
Current Assets			
Cash Assets	4	6,045,164	6,187,492
Receivables	5	360,985	508,603
Other	6	91,917	130,209
Total Current Assets		6,498,066	6,826,304
Non-Current Assets			
Property, Plant & Equipment	7, 20	723,338	673,012
Total Non Current Assets		723,338	673,012
TOTAL ASSETS		7,221,404	7,499,316
Current Liabilities			
Payables	8	515,629	625,957
Provisions	9	396,929	113,413
Other	10	1,447,948	2,350,333
Total Current Liabilities		2,360,506	3,089,703
Non-Current Liabilities			
Provisions	11	87,065	84,833
Total Non Current Liabilities		87,065	84,833
TOTAL LIABILITIES		2,447,571	3,174,536
NET ASSETS		4,773,833	4,324,780
Equity			
Reserves	12	640,000	640,000
Retained Surplus	13	4,133,833	3,684,780
Total Equity		4,773,833	4,324,780

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

Statement of cash flows

<i>for the year ended 30 June 2005</i>	Notes	30 June 2005	30 June 2004
		\$	\$
Cash flows from operating activities			
Receipts from customers*		4,686,245	8,226,612
Payments to suppliers		(4,708,930)	(5,877,276)
Interest Received		328,868	255,248
Net cash inflows / (outflows) from operating activities	19	306,183	2,604,584
Cash flows from investing activities			
Payments for property, plant & equipment		(458,511)	(502,116)
Proceeds from sale of plant and equipment		10,000	182
Net cash inflows / (outflows) from investing activities		(448,511)	(501,934)
Net increase (decrease) in cash held		(142,328)	2,102,650
Cash at the beginning of the year		6,187,492	4,084,842
Cash at the end of the year	4	6,045,164	6,187,492

* The 2004 receipts from customers includes collection of the triennium woolclasser registration fees. The 2005 receipts reflect the impact of the introduction of alternative selling system.

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

Notes to the financial statements

<i>for the year ended 30 June 2005</i>	Notes	30 June 2005	30 June 2004
1. Summary of significant accounting policies			
(a) Basis of Accounting			
<p>This general purpose financial report has been prepared in accordance with Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and the Corporations Act 2001.</p> <p>The financial statements are prepared in accordance with the historical cost convention, and do not take into account changes in money values.</p> <p>The company is a company limited by guarantee, incorporated and domiciled in Australia. In accordance with the Memorandum of Association 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>			
(b) Changes in Accounting Policies			
<p>The accounting policies adopted are consistent with those of the previous year.</p>			
(c) Income Tax			
<p>The company has been granted an exemption from income tax under Section 23(h) of the Income Tax Assessment Act 1936.</p>			
(d) Depreciation			
<p>Depreciation is calculated on a straight line basis to write off the net cost of each item of property, plant and equipment over the expected useful life to the company. Estimates of remaining useful life are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:</p>			
Plant and Equipment		3-8 Years	3-8 Years
Software		3 Years	3 Years
(e) Recoverable Amount of Non-Current Assets			
<p>Where the carrying amount of an individual non-current asset is greater than its recoverable amount the asset is revalued to its recoverable amount.</p> <p>The expected net cash flows included in determining recoverable amounts of non-current assets have not been discounted to their present values.</p>			

Notes to the financial statements (cont.)

<i>for the year ended 30 June 2005</i>	Notes	30 June 2005	30 June 2004
1. Summary of significant accounting policies (cont.)			
(f) Receivables and Revenue recognition			
All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of invoicing. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised where some doubt as to the collection exists.			
(g) Government Grants			
Government grants for any purpose other than for research and development, are recognised as revenue when the right to receive the grant exists, or when control over the grant is obtained. Where government grants are received or receivable in relation to research and development costs which have been deferred, the grant is deducted from the cost of research and development costs deferred. Where grants are received or receivable in relation to research and development costs which have been charged as an expense to the operating statement, those grants are credited as revenue in the operating statement.			
(h) Employee Entitlements			
<i>(i) Wages and Salaries</i>			
A liability for wages and salaries is recognised, and is measured as the amount unpaid at balance date at current pay rates in respect of employee's services up to that date.			
<i>(ii) Superannuation</i>			
The company contributes to an employee accumulation superannuation fund. Contributions are charged against income.			
<i>(iii) Annual and Long Service Leave</i>			
A liability for annual and long service is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to balance date. In assessing expected future payments, regard is had to assess expected future wage and salary levels.			
<i>(iv) Number of employees at year end</i>			
– Full time staff		17	18
– Casual Staff		12	10

Notes to the financial statements (cont.)

<i>for the year ended 30 June 2005</i>	Notes	30 June 2005	30 June 2004
1. Summary of significant accounting policies (cont.)			
(i) Cash Flows			
For the purpose of the statement of cash flows, cash includes cash on hand, deposits at call with banks and investments in money market instruments, net of bank overdrafts.			
(j) Trade and other creditors			
These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition.			
(k) Unearned Income			
Triennium Woolclasser registration income (refer note 10 to this annual report) is recognised based on the pattern of services rendered. The income not recognised as earned is carried forward as unearned. Woolclasser re-registration set up costs have been expensed during the year.			
(l) Adoption of Australian Equivalent to International Financial Reporting Standards			
The Company is preparing and managing the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the company's financial statements for the year ended 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.			
The company's management, along with its auditors, have assessed the significance of the expected changes and are preparing for their implementation. The impact of the alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards, has been considered where applicable.			
The directors are of the opinion that there are no material differences in the company's accounting policies on conversion to AIFRS.			
(m) Comparative figures			
For purposes of clarity, a number of the comparative figures have been reclassified.			

Notes to the financial statements (cont.)

<i>for the year ended 30 June 2005</i>	Notes	30 June 2005	30 June 2004
		\$	\$
2. Revenue from Ordinary Activities			
Joining Fees		20,000	18,000
Subscription Fees		65,970	70,625
Fees for Service		5,291,108	5,928,671
Other Revenue		25,642	284,195
Interest received/receivable		328,868	272,245
Proceeds from sale of Plant and Equipment		10,000	182
Total revenue from Ordinary Activities		5,741,588	6,573,918
3. Expenses and Loss / Gains			
(a) Expenses			
Depreciation and Amortisation of non-current assets			
– Depreciation of plant and equipment		408,060	359,162
Total Depreciation and Amortisation Expenses		408,060	359,162
Operating lease rentals			
– Minimum lease payments		265,154	319,979
– Rental expense arising from sub-leases		–	118,404
Total Operating Lease Rental		265,154	438,383
Provision for doubtful trade debtors			
Transfer to provision for Holiday Pay		79,185	63,058
Transfer to/(from) provision for Long Service Leave		2,232	15,134
(b) Losses/(gains)			
Net gain/(loss) on disposal of property, plant and equipment		9,875	182
4. Current Assets – Cash Assets			
Cash on Hand		800	800
Cash at Bank		144,014	344,844
Deposits at Call		5,900,350	5,841,848
Cash Assets		6,045,164	6,187,492

Notes to the financial statements (cont.)

<i>for the year ended 30 June 2005</i>	Notes	30 June 2005	30 June 2004
		\$	\$
5. Current Assets – Receivables			
Trade Debtors *		230,526	401,274
less: Provision for Doubtful debts		(15,000)	(15,000)
Trade debtors after provision for doubtful debts		215,526	386,274
Accrued Revenue		145,459	122,329
Receivables		360,985	508,603
* Terms: Trade debtors are non-interest bearing and generally on 30 day terms.			
6. Current Assets – Other			
Prepayments		61,544	99,634
Other Debtors		30,373	30,575
Other		91,917	130,209
7. Non Current Assets – Property, Plant and Equipment			
Plant and equipment at cost	20	2,294,311	2,391,062
less: Accumulated depreciation		(1,570,973)	(1,718,050)
Property, Plant and Equipment		723,338	673,012
Refer also to note 1(f) for impairment of assets.			
8. Current Liabilities – Payables			
Creditors		271,489	138,739
Accrued Expenses		244,140	462,964
Unearned Rentals		–	24,254
Payables		515,629	625,957
9. Current Liabilities – Provisions			
Employee entitlements (being provision for Annual Leave and superannuation)		135,149	113,413
Other *		261,780	–
Provisions		396,929	113,413
* On the 3rd June 2005, the Directors approved a contribution of \$US200,000 to the IWTO for a Wool Test Marketing program. There are conditions attached to this contribution which are still to be met by IWTO. The amount of the contribution has been converted to Australian dollars at the exchange rate ruling at 30 June.			

Notes to the financial statements (cont.)

<i>for the year ended 30 June 2005</i>	Notes	30 June 2005	30 June 2004
		\$	\$
10. Current Liabilities – Other			
Unearned Income	1(k)	1,447,948	2,350,333
Other		1,447,948	2,350,333
11. Non Current Liabilities – Provisions			
Employee entitlements (being provision for Long Service Leave)		87,065	84,833
Provisions		87,065	84,833
12. Equity – Reserves			
Members' Reserves			
Balance at 1 July		640,000	640,000
Transfer from Retained Surplus		–	–
Reserves		640,000	640,000
13. Equity – Retained Surplus			
Retained Surplus			
Balance at 1 July		3,684,780	3,062,520
Net profit attributable to members of the company		449,053	622,260
Retained Surplus		4,133,833	3,684,780
Refer also to note 1(i) for impairment of assets.			
14. Remuneration of Directors			
Income paid or otherwise made available to directors by the company or related parties.		234,113	237,954
The number of directors of the company whose income from the company or related parties was within the specified bands are as follows:			
\$10,000 – \$19,999		9	9
\$50,000 – \$59,999		1	–
\$60,000 – \$69,999		–	1
No retirement benefits were paid to directors during the year.			

Notes to the financial statements (cont.)

<i>for the year ended 30 June 2005</i>	Notes	30 June 2005	30 June 2004
		\$	\$
15. Remuneration of Auditors			
Amounts received or due and receivable by Thomas Davis & Co for:			
– audit of the financial report of the company		13,200	15,950
– other services		–	–
Remuneration of Auditors		13,200	15,950
16. Expenditure Commitments			
Operating leases (non cancellable)			
Minimum lease payments			
– not later than one year		98,878	171,062
– later than one year and not later than five years		11,868	110,747
Expenditure Commitments		110,746	281,809
These commitments represent payments due under non-cancellable operating leases that have not been recognised as liabilities in the current financial year.			
17. Related Party Disclosure			
The directors of the Australian Wool Exchange Limited during the financial year were:			
R A Farrar			
D R Belgre			
A L Harris			
I K McIvor			
D J Nancarrow			
D R Michell			
M J Moses			
R D Pietsch			
G M Stooke OAM			
D M Watt			
Alternate directors were:			
R W Amos			
L Baronet (Resigned 1 August 2005)			
R Bawden (Resigned 18 March 2005)			
R Cable			
D R Hamblin			
W Lempriere			
D A Macdonald			
C Turner (Appointed 18 March 2005)			

Notes to the financial statements (cont.)

<i>for the year ended 30 June 2005</i>	Notes	30 June 2005	30 June 2004
		\$	\$
Director and Director-related entity Transactions			
<p>A number of the directors are directors of entities which transact with the company. The directors involved are:</p> <ul style="list-style-type: none"> R W Amos R Bawden D R Belgre R Cable D Hamblin A L Harris W Lempriere D A Macdonald I K McIvor D R Michell M Moses D Nancarrow R Pietsch G M Stooke OAM <p>The company receives joining fees, subscriptions, trading fees and service fees for the use of wool selling facilities from the director-related entities during the financial year. All services were provided under the company's standard terms and conditions.</p> <p>Aggregate amounts of these transactions are as follows:</p>			
Income			
Joining, subscription and trading fees		511,764	1,022,418
Selling facility fees		93,062	460,400
EDI Network fees and Market Reports		113,996	255,136
Sample site and showfloor charges		18,025	16,400
Other		343,840	246,381
Total		1,080,687	2,000,735
18. Segment Information			
<p>The company operated predominantly in one industry, being the Australian Wool Industry.</p>			

Notes to the financial statements (cont.)

<i>for the year ended 30 June 2005</i>	Notes	30 June 2005	30 June 2004
		\$	\$
19. Reconciliation of profit from ordinary activities to net cash from operating activities			
Profit from ordinary activities		449,053	622,260
Depreciation and amortisation		408,060	359,162
Increase/(Decrease) in Other Provisions		285,748	(39,831)
(Profit)/Loss on disposal of plant and equipment		(9,875)	(182)
Decrease/(Increase) in trade and other debtors		147,618	(53,491)
Decrease/(Increase) in other debtors and prepayments		38,292	(85,454)
Decrease/(Increase) in trade creditors, accruals and unearned income		(1,012,713)	1,802,120
Net cash Inflows/(Outflows) from operating activities		306,183	2,604,584
Financing arrangements			
Payroll facility		50,000	50,000
Used at balance date		–	–
Unused at balance date		50,000	50,000
20 Property, Plant and Equipment – Reconciliation			
Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.			
Plant and Equipment			
Carrying amount at 1 July		673,012	530,058
Additions		458,511	502,116
Disposals (net)		(125)	–
Depreciation Expense		(408,060)	(359,162)
Carrying amount at 30 June		723,338	673,012

	Floating Interest Rate		Non-Interest Bearing		Total carrying amount as per statement of financial position		Weighted average effective interest rate	
	30 Jun 05	30 Jun 04	30 Jun 05	30 Jun 04	30 Jun 05	30 Jun 04	30 Jun 05	30 Jun 04
21. Financial Instruments								
(a) Interest rate risk								
Financial Assets								
Cash	6,045,164	6,187,492			6,045,164	6,187,492	5.77%	5.01%
Trade debtors and other receivables			360,985	508,603	360,985	508,603	N/A	N/A
Other assets			91,917	130,209	91,917	130,209	N/A	N/A
Total Financial Assets	6,045,164	6,187,492	452,902	638,812	6,498,066	6,826,304		
Financial Liabilities								
Trade creditors and other payables			515,629	601,703	515,629	601,703	N/A	N/A
Total Financial Liabilities	-	-	515,629	601,703	515,629	601,703		
(b) Net Fair Values								
All financial assets and liabilities have been recognised at the balance date at their net fair values as their carrying amount approximates fair value.								
(c) Credit Risk Exposure								
The company's maximum exposure to credit risk at reporting date in relation to each class off recognised financial assets is the carrying amount of those assets in the statement off financial position, net of any provision for doubtful debts.								
22. Contingent Liabilities								
The company has provided a bank guarantee in respect of rental obligations to the value of \$89,218 (2004: \$89,218).								

Directors Declaration

The Directors of the company declare that:

1. the financial statements set out on pages 30 to 42:
 - 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 2005 and performance for the year ended on that date.
2. in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



R A Farrar
Chairman



D R Belgre
Director

Sydney, 2nd September 2005

AUSTRALIAN WOOL EXCHANGE LIMITED

INDEPENDENT Auditor's REPORT TO THE MEMBERS OF THE AUSTRALIAN WOOL EXCHANGE LIMITED

Scope

We have audited the financial report of the Australian Wool Exchange limited for the financial year ended 30 June 2005 as set out on pages 30 to 43. The Company's Directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

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

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

Independence

The auditor's independence declaration made in accordance with Section 307C of the Corporations Act 2001, 1 September 2005 which is attached to the Directors report, would be in the same terms if it had been given to the relevant Directors at the time this Audit Report was made.

Audit Opinion

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

- a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2005 and its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.



Thomas Davis & Co
Chartered Accountants



P.L. Whitman
Partner

Sydney, 2 September 2005

Head Office

Ground Floor
318 Burns Bay Road
Lane Cove NSW 2066

PO Box 649
Lane Cove NSW 1595

Telephone: (02) 9428 6100
Facsimile: (02) 9420 9633
Email: info@awex.com.au

Northern Region

Yennora Wool Centre (Room 35)
Dennistoun Avenue
Guildford NSW 2161

PO Box 193
Guildford NSW 2161

Telephone: (02) 9632 6166
Facsimile: (02) 9632 6333
Email: northernregion@awex.com.au

Southern Region

Victorian Wool Centre
691 Geelong Road
Brooklyn VIC 3025

Telephone: (03) 9318 0277
Facsimile: (03) 9314 5392
Email: southernregion@awex.com.au

Western Region

Western Wool Centre
Gate 3, South Store, Sudlow Road,
Spearwood WA 6163

PO Box 1280
Fremantle WA 6959

Telephone: (08) 9434 6999
Facsimile: (08) 9434 6988
Email: westernregion@awex.com.au



Australian Wool Exchange Limited
ABN 35 061 495 565

visit us at

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