



2008 ANNUAL REPORT

15 YEARS OF SERVICE TO THE WOOL INDUSTRY

The world's best practice just got better

Chairman's message



I consider it an honour to present my seventh annual report to Members, as Chairman of AWEX, at the conclusion of the company's fifteenth year of operation. The AWEX Board believes that we, and the management and staff can be proud of AWEX's performance over the past fifteen years.

It seems a cliché to say that 2007/2008 has been another challenging year for the wool industry. But it is undoubtedly true. As Chairman of the AWEX Board, I have been very impressed with the dedication demonstrated by the management and staff of the company during the year and I know this view is shared by my fellow directors. The difficulties being experienced by our members have a significant effect on the operating environment for everyone in the trade and our staff are certainly not excluded from this. AWEX management has accepted the need to deliver more, at less cost, in terms of the scope and effectiveness of AWEX services and our staff has achieved what has been asked of them. The current low levels of wool production are of extreme concern to all sections of the industry and to our members. Current wool prices offer only modest profitability for producers, subject to their particular seasonal conditions. At least the global demand for protein is resulting in very good prices for sheep meat and consequently for surplus sheep. There are very good reasons to retain confidence in the future of such an excellent product as Australian wool. The marketing initiatives of Australian Wool Innovation are tangible demonstrations of that confidence. The AWEX Board is resolute in its confidence in the future

of our great product and we are committed to do all we can to assure that future.

In demonstrating confidence in our product and commitment to its excellence, it is essential that we provide continuing assurance to processors of the quality of the preparation and presentation of Australian wool. It is also essential that we ensure the availability of reliable, accurate and independent market information. These are the roles which AWEX carries out today, and has carried out for fifteen years, in seeking to achieve its objective of 'an internationally competitive system for the fair, efficient and informed trading of Australian wool, for the benefit of all market participants'. The services which we deliver in carrying out our roles are broader in scope, more rigorous and, we believe more effective than they were when AWEX commenced operation in 1994. This progression is essential for the future of the industry. We know we have to adapt to change and look strategically ahead. Our CEO, Mark Grave has detailed the development of our services in his report.

We want to work with our members to establish a sound financial and operational basis for the ongoing achievement of the objectives for which AWEX was established. We believe it is important that we

15 YEARS OF SERVICE TO THE WOOL INDUSTRY

Chairman's **message** – *continued*

do everything we can to encourage all industry participants to support the organisation whose objectives are to impartially develop and maintain industry standards and to provide independent market information.

We believe it is essential that our quality compliance and market information services encompass, as far as is possible, all wool sold in Australia. AWEX will continue to work to achieve membership of all industry participants.

The financial performance of AWEX for 2007/2008 has been substantially better than our budget due largely to higher than anticipated income from woolpacks. The number of woolpacks imported exceeded our expectations and this was reflected in higher earnings from the sale of woolpack labels. As previously advised to members, we have now reduced the charge for AWEX labels and revenue from this source will be significantly lower in 2008/2009.

Financial management has been effective, with continuing diligent cost control. The financial result for the year was a surplus of \$312,021. At 30 June 2008, Members' funds were \$5,179,608. This outcome places the company in a sound position to continue the full range of our services to members and to the industry, while we resolve the issues relevant to establishing an equitable charging mechanism for the future.

On behalf of the Board I again thank AWEX staff and management for their dedication and their efforts

and achievements under testing circumstances. They have shown their determination to continue to enhance AWEX's performance and standing in the industry. I also wish to thank your Directors for their hard work, their commitment to the future of AWEX and their unstinting support during the year.

A handwritten signature in black ink, appearing to read 'R. Farrar', with a horizontal line underneath it.

Allan Farrar Chairman

September 2008



On the 31st August 1993, the AWEX Board held its first meeting. In 2008 AWEX passed another milestone – our fifteenth anniversary. To be able to recognise 15 years of service to the wool industry is an outstanding achievement and one of which we are, justifiably, very proud.

Change in the wool industry is often considered to occur at glacial pace, but on reflection over the last 15 years, there have been enormous strides in the development of technology, trading environments and the structure of commercial organisations which influence how the wool industry operates today.

AWEX too has adjusted its strategies and structure to remain efficient and effective. It is these two words that best reflect the objectives of AWEX: in today's wool industry. Our members and clients demand efficiency and as a service provider we must continue to be effective.

Since our inception, AWEX staff numbers peaked at 30 full time staff in the late 1990's and today AWEX operates on half that number, 15 full time staff. This is not only a reflection of lower production levels but also the influence of new technologies, which are helping AWEX to be more productive than ever before.

We have always had a community conscience. AWEX, through the Board and on behalf of members, has independently contributed back to the wool community, including initiating and donating to the Tsunami appeal in 2005 and a contribution of

\$USD200,000 to the Test Marketing Project in 2006. This year AWEX has made a donation of \$10,000 to Beyond Blue. Depression is an illness which has significantly affected the rural community and by donating to this worthy cause it is hoped that better support will be given to those in need.

In addition, AWEX, through the Australian Wool Education Trust, has committed to sponsorship via financial support for a student undertaking undergraduate studies in an agricultural based degree through the University of New England.

Renewed focus

In 2008/09 the focus of AWEX services are information, compliance and quality. It is these three areas which underpin the reputation of the Australian wool clip. In the competitive textiles industry, it is important for AWEX to continue to deliver services which meet the needs of our members and the industry in each of these areas.

15 YEARS OF SERVICE TO THE WOOL INDUSTRY

CEO's report – continued

Milestones

On reflection, there have been many significant events for AWEX during the past 15 years. Milestones have included:

1993	<ul style="list-style-type: none"> ▲ AWEX Board has first meeting on 31 August, ▲ Mr. Charles Curran AC is appointed first AWEX Chairman.
1994	<ul style="list-style-type: none"> ▲ AWEX commences responsibility for clip preparation, ▲ AWEX-ID introduced, ▲ Market Reporting working group established.
1995	<ul style="list-style-type: none"> ▲ AWEX assumes responsibility for EDI Network from National Wool Data Interchange, ▲ Quality Advisory Committee formed, ▲ AWEX Market Reporting commences, ▲ AWEX/SFE 21 micron contract is developed, ▲ AWEX takes over woolclasser registration from AWRAP, ▲ Brisbane Selling Centre closes, ▲ AWEX commences woolpack management.
1996	<ul style="list-style-type: none"> ▲ Mr. John O'Neill AO appointed as second AWEX Chairman, ▲ Sale by Description Trials announced, ▲ Regional Committees established, ▲ 1PP certificate introduced.
1997	<ul style="list-style-type: none"> ▲ Wool Clearing House working group established, ▲ AWEX commences phasing out of 1 HDPE woolpacks.
1998	<ul style="list-style-type: none"> ▲ Geelong Selling Centre closes, ▲ AWEX releases 1998-2000 Woolclassers Code of Practice.
1999	<ul style="list-style-type: none"> ▲ Guaranteed Appraisal project commences, ▲ South Africa adopts AWEX-ID, ▲ Electronic selling project commences (trial in Melbourne), ▲ Goulburn Selling Centre closes, ▲ Adelaide Selling Centre closes, ▲ Wool Clearing Houses integrated into one national clearing house.
2000	<ul style="list-style-type: none"> ▲ AWEX releases tender for electronic trading system, ▲ Nylon woolpacks become Australian standard.

2001	<ul style="list-style-type: none"> ▲ Woolclasser Development Program (2001/02) commences, ▲ Mr. Allan Farrar appointed as third AWEX Chairman, ▲ AWEX administers Wool Production Forecasting Committee, ▲ AWEX releases 2001-03 Woolclassers Code of Practice.
2002	<ul style="list-style-type: none"> ▲ AWEX relocates head office to Lane Cove from Sydney CBD, ▲ Industry Services Advisory Committee (ISAC) replaces Quality Advisory Committee (QAC).
2003	<ul style="list-style-type: none"> ▲ AWEX 10th Anniversary, ▲ Woolsearch website launched.
2004	<ul style="list-style-type: none"> ▲ AWEX releases 2004-06 Woolclassers Code of Practice.
2005	<ul style="list-style-type: none"> ▲ IWTO Ultimate Auction held in Hobart, Tasmania, ▲ “BoardTalk to the Bush” Woolclasser Seminars commence.
2006	<ul style="list-style-type: none"> ▲ AWEX donates \$USD200,000 to Test Marketing Project, ▲ AWEX and International Fibre Centre release national training resources for woolclassers, ▲ AWEX releases new website, ▲ Registration Review Committee for woolclassers established, ▲ National Auction Selling Committee established.
2007	<ul style="list-style-type: none"> ▲ AWEX releases 2007-09 Woolclassers Code of Practice with new description system, ▲ Sampling site audits by AWEX cease, ▲ Increased compliance monitoring on showfloor.
2008	<ul style="list-style-type: none"> ▲ Changes to IWTO Test Certificate definitions, AWEX COP recognised as Australian Standard, ▲ Masterclasser development classes commence for woolclassers, ▲ National Wool Declaration released, ▲ ‘Keep Your Clip Clean’ launched.

The year under review - highlights

During 2007/08 AWEX increased services at the showfloor, largely due to the introduction of the changes of definitions of Test Certificates, the prominence of the mulesing issue and the new National Wool Declaration.

At the IWTO Congress in Edinburgh during 2007, changes to the definitions of Test Certificates were approved. For the first time, all test certificate definitions became directly linked to the standard of preparation and, importantly, the Federation of Australian Wool Organisations recognised the AWEX Woolclasser Code of Practice for the Preparation of Australian Wool Clips as the Australian Standard. I'm pleased to report that this became effective on 1 January 2008.

In addition, a new Test Certificate category was introduced ('D' Certificate) for wool emanating from a single on-farm source which did not meet the Australian standard. This is an important step in differentiation to acknowledge wool that has been well prepared. Up until 2008, all wool from a single on-farm source was given a 'P' certificate regardless of the level and standard of preparation. Now buyers and processors can readily distinguish between clips that are well prepared and those that are not and, in turn, they are afforded greater confidence when purchasing 'P' certificate Australian wool.

For AWEX this move is significant as it means we can now demonstrate to our woolclassers and also woolgrowers the importance and value of good preparation. Our members have raised concerns about the perceived fall in preparation standards in

recent years and now we have the tools to substantiate any issues and educate woolclassers. In an industry where reputation is key, the importance of this new type of differentiation is vital.

In 2006 AWEX created a Registration Review Committee. The role of this committee is to review the performance of woolclassers and, where necessary, make recommendations to AWEX on whether woolclassers should be retrained, put on probation or de-registered. This committee has been very effective - its most recent recommendation has been to suspend 5 woolclassers from woolclassing. The process of review can be lengthy and we are now seeing the benefits of the committee and the effectiveness of sound rules and procedure.

National Wool Declaration implemented

In March of 2008 AWEX asked its Industry Services Advisory Committee (ISAC) to consider a new issue: the National Wool Declaration. The debate around mulesing first came to prominence in 2004 and on 1 January 2008 a "Mulesing Declaration" was developed for use by industry. This new declaration was simple in its application but it did not go any further than the showfloor sample box and was not useable in the information systems of the wool industry.

AWEX was also approached by wool buyers seeking information on how they could identify wool from non-mulesed sheep and whether there was a system which could deliver this information.

Clearly this had become an important international issue to address and, as a result, ISAC considered the development of a single wool declaration to include questions of mulesing, dark and medullated fibre and chemical usage.

The intention was to create a single document to be used by all woolbrokers and sellers rather than have variations of the declaration or multiple declarations. The project took some months to complete and AWEX released the National Wool Declaration (NWD) on 2 May 2008. A significant step in the development of the NWD was ensuring that the information could be placed on the Test Certificate so that downstream users could access the information readily. To ensure this, the mulesing status needed to be included in the sale catalogues and wool industry information systems.

The NWD information officially became available in the first sale after the July recess in the week commencing 4 August 2008.

There is strong interest from industry in general on the availability of wool from the various status groups and where the various price points for each type of wool will be. This will take time to develop as this is the initial step in introducing the new declaration and the practical adoption of this project is key.

Over the past 12 months AWEX staff has regularly presented to the industry on a wide range of issues, predominantly mulesing, to woolclassers, woolgrowers, woolbrokers and trainers. Extension is absolutely vital to the success of the introduction of the NWD. Between May and July, AWEX staff presented at 28 events and spoke to over 2,000 woolgrowers, woolclassers, brokers and interested industry people.

An important element behind the NWD is the commencement of the desk audit to validate the information on the NWD. Whilst the NWD is a voluntary declaration, the accuracy of the data is paramount to the confidence of buyers and processors.

AWEX has been contacted by several buyers seeking confirmation of the data and it is the audit framework which will support the NWD and deliver integrity to and confidence in the system.

Whilst the focus of the NWD has been largely on the issue of mulesing, it is our belief that the program marks a major step to increasing the professionalism of wool production.

AWEX continues to work effectively with buyers and sellers on a range of issues at showfloor level. This is the appropriate place for AWEX to interact with the trade.

The general concern of the industry regarding the quantity and quality of wool available for sale and the likely long term impact of low volumes cannot go unnoticed.

Increasing our service delivery is not just about stricter levels of compliance as each lot is offered, but also better communication with buyers and sellers. As requirements increase, our communication must improve. I'm pleased to say it has. If an issue has been raised about a particular lot for sale then it must be resolved and communicated to all parties before the sale takes place. This requires effective work procedures for this practice to happen consistently each and every sale day.

15 YEARS OF SERVICE TO THE WOOL INDUSTRY

CEO's report – continued

Looking ahead

AWEX will always strive to improve our service delivery and to ensure that our service and service delivery remains efficient and effective.

In recent years the structure of the industry has changed dramatically. Some companies with long and rich histories in wool have found it necessary to change. Some have merged and others have changed their strategic direction. Without doubt, the next 15 years will see more change and AWEX is prepared to change with it.

2007/08 was a sound financial year for AWEX resulting in a surplus of \$312,021. This better than expected result was due to a number of unforeseen factors including: higher than expected woolpack revenue due to the increase in bale label fees and also the highest number of woolpacks imported in 3 years in a lower wool production year. The result also included some termination payments of lease agreements and tighter cost control.

The 2008/09 financial year is clearly going to be tougher. AWEX expects to return a financial deficit for the full year. The budget and fee schedule for 2008/09 is based on fee for service principles and woolpack income will be greatly reduced due to the lower label charge and elimination of import charges. Our aim is to ensure that costs for all services are equitably distributed. Some services provided by AWEX, such as our quality and compliance services, do not naturally have a revenue stream and it is this issue which AWEX is seeking to address.

The short term direction for AWEX will be to continue to deliver improved services to members and industry. Containing the costs of services will always remain high on our agenda as I know they are also with members.

I would like to express my gratitude to AWEX staff for their diligence, skill and commitment to AWEX, members, woolclassers and the wool industry. I also appreciate the support that they have given me and each other in what has been a difficult year.

I would also like to thank the Directors of AWEX and in particular the Chairman, Mr. Allan Farrar. Their support and counsel benefits AWEX, members and is greatly appreciated by management and staff.



Mark Grave CEO

September 2008

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.

Principle 1: Lay solid foundations for Management and Oversight

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

Principle 2: Structure the Board to add value

The Board is comprised primarily of sectoral members, in accordance with the Company's constitution. There are two separate appointees to the positions of Chairman and CEO. 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 they may offer themselves for re-election. Through the Chairman, all Board members can take appropriate professional advice at AWEX's expense.

Principle 3: Promote ethical and responsible decision-making

A code of conduct for staff and Directors has been developed.

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

Principle 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.

Principle 5: Make timely and balanced disclosures

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

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

Principle 6: Respect the rights of shareholders

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

Principle 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 managements functionality. This includes the convening of the Audit and Compliance and Corporate Governance Committees, 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.

Principle 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.

Principle 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.

Principle 10: Recognise the legitimate interests of shareholders

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

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.

Woolclassing

The Australian Woolclasser's stencil and wool preparation remains the cornerstone of the reputation of the Australian wool clip. Over recent years, many woolclassers have raised issues with AWEX which can impede their work - a lack of assistance in the shearing shed, poor quality or unskilled shed staff, low staffing numbers and the increasing influence of drugs and alcohol in the workplace.

When considering these kinds of issues and the concerns raised by the trade about the quality of wool preparation, AWEX realised that many of our professional woolclassers needed support. In direct response, during 2007/08 AWEX commenced a pilot program for selected professional (AW) woolclassers called Masterclasser. Masterclasser is a 4 day skills development program for our most experienced and highly qualified woolclassers.

The initial program was held in NSW where trainers, brokers and industry representatives were asked to nominate and recommend woolclassers who they felt were of good standing and appropriate to attend this inaugural program.

Masterclasser 1 brought together 19 woolclassers who had classed a combined total of over 40,000 bales of wool during 2007. This highly influential group of woolclassers attended the program - many of them had not been in a classroom for some years.

The response to the program was very gratifying. Participants agreed that it added great value to them and their work. The contribution they made to the program was befitting of their reputations and professionalism and we were very pleased to have their involvement.

Together, they met with buyers and brokers, they spent time on the showfloor understanding

preparation issues from a buyer's perspective. They spent a day learning how to deal with conflict in the workplace and discussed some of the more technical aspects of woolclassing and wool.

The success of Masterclasser 1 was followed up with additional courses in Fremantle and Melbourne. A further Superfine Masterclasser program will take place in Newcastle late in 2008. To date, in the three sessions which have been held, 65 woolclassers have attended. Between them, they class over 113,000 bales of wool annually.

AWEX strongly believes that better qualified, better supported woolclassers are the future of the industry. Assistance in their important work should be encouraged at every opportunity.

Woolclasser Re-registration 2010-2012

Whilst the re-registration of woolclassers for the 2010-12 triennium is still some 12 months away, the work of reviewing the Code of Practice in preparation for re-registration has already commenced.

The review of the Code is very important to the adoption of re-registration and recognition that it is the Australian standard for wool preparation. The review will be conducted under the guidance of the Industry Services Advisory Committee (ISAC) and its recommendation will be presented to the AWEX Board.

The release of the current Code last year has received positive support but, as always, there are areas which need to be reviewed and improved.

In addition, AWEX has received some interest from former woolclassers wishing to re-register. Recognition of prior learning is acceptable, provided the applicant can demonstrate competent skills.

15 YEARS OF SERVICE TO THE WOOL INDUSTRY

Operational report – continued

Preparation Compliance Programs

Preparation compliance programs were again a high priority for AWEX in 2007/08.

AWEX remains committed to improving the standard of wool preparation and these standards are supported by sound, well considered guidelines. Woolclasser education is an important element in achieving better preparation standards and some of our woolclassers feel that they are working without the support they require.

Overall, our woolclassers perform very well but with the economic pressures being faced by woolgrowers, it is difficult for woolclassers to ensure that their shearing shed is adequately staffed or resourced.

AWEX is working hard to make sure that our approach is seen as constructive and collaborative - together we are developing a more professional industry.

Registration Review Committee				
No Further Action	Reprimand	Log Book	Suspension	Total Reviewed
2	22	51	3	78

Graduate Woolclasser of the Year Competition

This year AWEX took the Graduate Woolclasser of the Year Competition across the country and expanded the format to include all States.

The NSW/QLD Graduate Competition was again held at the Sydney Royal Easter Show and, for the first time this year, we had a contestant from Queensland. In addition, a new award was introduced called 'The Dennis Teasdale Perpetual Trophy'. This trophy is awarded to the training college/campus which trained the winning graduate woolclasser in the NSW/QLD competition. This year's recipient was Riverina TAFE.

Dennis Teasdale worked with AWEX from 1994 until his untimely death in 1999. Dennis was very much at the forefront of AWEX's profile and industry Quality Assurance programs. He was recognised around the world for his skills in metrology and quality assurance. Dennis was instrumental in AWEX being given the woolclasser registration scheme and was an avid and proud educationalist. Dennis remains a much admired and revered figure in the Australian wool industry and this trophy is a fitting tribute to him and his family.



Pictured: Mark Grave (AWEX), Malcolm Henman (Riverina Tafe) and John Mills (Tafe NSW).

At Wagin Woolorama this year the inaugural West Australian Graduate competition was held. In challenging conditions, each competitor displayed great skill and patience. The winner of the competition, Donna Cochrane, continued the strong showing of women woolclassers at these elite level competitions.

The VIC/TAS/SA Graduate competition was held at the Bendigo Sheep Show in July. This was the second time this program had been run. All contestants displayed the skills that earned them the honour of being considered for this high profile competition.

The program is now into its third year and there seems to be as much competition between the training organisations as there is for the individual competitors.

Winners of the NSW/QLD Graduate Woolclasser Competition held on the 29th March 2008 in conjunction with the Sydney 2008 Royal Easter Show

- 1st Place** Peter Willis, "Avondale", Marrar NSW
- 2nd Place** Ian Worley, "Willunga", Nundle NSW
- 3rd Place** Penny Mitchell, "The Hermitage", Canbelego NSW

Winners are pictured with Mr. R. A. Farrar, AWEX Chairman



Winners of the 2008 Woolorama Graduate Woolclasser of the Year Competition held on the 7th March 2008 as part of the 35th Wagin Woolorama

- 1st Place** Donna Cochrane, Pingelly WA
- 2nd Place** Megan Clements, Fremantle WA
- 3rd Place** Nerissa Smith, Darkan WA

Also pictured are Judges: Ivan Pritchard (Tafe WA), Steven Squire (Landmark Operations Ltd), David Aslett (AWEX Fremantle) and other contestants Chanelle Smith and Rebecca Thompson.



Winners of the VIC/TAS/SA Graduate Woolclasser of the Year Competition held on the 19th July 2008 as part of the Bendigo Sheep Show

- 1st Place** Danielle McCartney, Vic
- 2nd Place** Adrienne Taylor, Vic
- 3rd Place** Zena Allen (Vic) & Russell Troeth (Vic)

Also pictured are Judges: Rob Goddard (Tafe, Tasmania), David Williams (AWEX Melbourne) and Andrew Raeber, (New England Wool Pty Ltd).



The format for each competition was the same with an expert judging panel consisting of three judges: the Senior AWEX Auditor, a TAFE Trainer and a wool buyer or woolbroker.

The results were an outstanding competition with all

credit going to the competitors and their trainers. Rarely does a woolclasser have to perform in front of a crowd of onlookers and, this year the crowds were bigger than ever before. Each of the woolclassers who competed will have a proud and long future in the wool industry.

Australian Wool Market 2007/08

The wool market during 2007/08 season was notable for its challenges - it marked a 60 year historic low in wool production, continued decrease in volume of wool offered for sale, volatility in the Australian dollar against the U.S. dollar and an equally unpredictable AWEX Eastern Market Indicator (EMI) throughout the year.

The market opened on the 3rd July 2007 with the EMI at 932 c/kg clean coming off a previous year where the market was considered to be better than it had been in recent years. Early in 2007/08 the market continued to rise with the EMI passing 1,000 c/kg clean and reached a peak of 1,049 c/kg clean at the close of sale on 23rd January 2008. The rise in the market during the first half of 2007/08 had been steady with auction offerings down 11.7% when compared to the previous year.

In U.S. dollar terms the Australian dollar was valued at 85.7USc at commencement of the season in July and rose in value to 96.3USc during June 2008. An indication of the volatility of the currency is that the Australian dollar closed at 95.95USc on the last auction sale in June 2008 and in the first week of September had fallen to less than 82.0USc. A swing of 15% in currency exchange rates is very influential in any market, regardless of the quantity of wool available for sale.

Questions from overseas and domestic buyers and processors regarding forecast levels of wool remain difficult to answer, particularly, with the effects of long term drought, changes in the farming enterprise mix, strong meat markets and relatively low wool prices all impacting on the business decisions of the woolgrower. The 07 year generally offered clips of slightly lower strength values and also slightly shorter

which are effects of the long term drought.

The most recent Wool Production Forecasting Committee forecast is for wool production of 385mkg in 2008/09. This forecast is at a level not seen in Australia in 60 years.

Over the past 15 years the structure of the wool industry of both buyers and sellers has changed significantly. In 1994 there were 46 Wool Broker members of AWEX and as production has fallen, mergers and acquisitions taken place, the profile of the selling agent has broken away from the traditional wool brokerage mould. Currently there are 25 wool selling agents which operate at auction.

Similarly, wool buyers and buying companies have also seen many changes take place. Whilst the number of buyers remains relatively static, the once dominant buying houses have given way to the independent buyer and buying companies have made changes to their structures to be more cost effective. As a result, they have changed the way that they do business. In 1993 there were 4 major Japanese buying houses that between them purchased over 26% of the national clip. Today all 4 Japanese buying companies have left the industry and the dominance of China has emerged.

The industry is becoming more efficient yet continues to struggle to cope with the dramatic fall in wool production over the past 20 years. The profile of the national clip has also changed considerably mainly due to the effects of long term drought and the perceived price advantages of the lower microns. Newer sheep breeds which are predominantly bred for their meat value will continue to influence the Australian merino wool clip. The full effects of these breeds will be monitored over time but at the current production levels their influence is significant.

The quality of the 2008/09 wool clip will again be

affected by these factors but also, on a positive note, the increasing awareness of the role and expertise of the woolclasser.

Industry Services Advisory Committee - ISAC

The Industry Services Advisory Committee (ISAC) continues to be a prominent committee for AWEX and the industry. During 2007/08 ISAC was the driving force in developing and implementing the National Wool Declaration (NWD).

The voluntary NWD has been a topical issue within the industry due to mulesing but it is recognised as the only method of identifying mulesing status currently available. The strength of the NWD is the developing audit framework which supports it.

A declaration on subjective matters is as strong as the audit framework and it is this which AWEX is currently developing to ensure that the industry can have confidence in the NWD.

Equally, it is of little use developing a declaration if no-one knows about it or understands it. Extension is vital to the success of the NWD and AWEX has been working hard to ensure that it is well understood by woolgrowers and members by producing an initial brochure for woolgrowers, producing the NWD template and more recently a FAQ document.

AWEX has had the opportunity to present this topic in many forums and there have been many common questions which the FAQ document addresses. Now that the NWD has been implemented it is not the end of our work, it will take some time for the NWD to be considered a success.

ISAC Committee

Chairman Mr Russell Pattison

Members Dr Peter Morgan

Mr Brent Finlay

Mr Don MacDonald

Mr Stuart Clayton

AWEX Staff Mr Mark Grave

Dr Kerry Hansford

ISAC have a number of issues to consider in 2008/09.

In this term of ISAC the Committee will be considering and monitoring:

1. Bale Labels,
2. Woolpack Standards and the Woolpack Quality Assurance Program,
3. Woolclasser education programs including Masterclasser,
4. 2010-12 Woolclasser's Code of Practice, and
5. Grower registration schemes.

ISAC is a very important committee for the whole of the wool industry and input and interest from members is vital to ensure that all issues are well researched and are truly representative.

15 YEARS OF SERVICE TO THE WOOL INDUSTRY

Trading /Associate/Grower members

Trading Members

A C Pacific Trading Pty Ltd

A R Rhodes & Company

A S Gedge Australia Pty Ltd

ABB Wool Export (division of ABB Grain Ltd)

ACF Wool Traders Pty Ltd

Adelaide Wool Company (division of ABB Grain Ltd)

Associated Wool Exporters Pty Ltd

Attadale Wool Company Pty Ltd

Australia Beyond Investment Pty Ltd

Australian Wool & Pastoral Agency Limited

Australian Wool Network (WA) Pty Ltd

Australian Wool Network Pty Ltd

Australis Wool Pty Ltd

B & Z Enterprises Pty Ltd

B N Proud & Company

Barwon & Yarra Wool Brokers Pty Ltd

Beecher Wool Services

Brockmill Pty Ltd T/As Dyson Jones Wool Marketing

Bryton Wool

BWK Elders Australia Pty Ltd

Cable Wool Pty Ltd

Chargeurs Wool Australia Pty Ltd

Chinatex (Australia) Wool Company Pty Ltd

Cogtrust Pty Ltd T/As Coggan Wool

Conn Wool Pty Ltd

Dewavrin Australia Pty Ltd

Don Belgre Pty Ltd

Donghai Australia Pty Ltd

Dynon Wools (Aust) Pty Ltd

E P Robinson Pty Ltd

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

GrainCorp Operations Limited

H Dawson Sons & Company (Aust) Pty Ltd

Harvest Wool (Australia) Pty Limited

Hodge Wool Pty Ltd

J A Seager & N E Seager Partnership

James Stedman (Wool) Pty Ltd

Jemalong Wool Pty Ltd

Jenkyn Wool Exports Pty Ltd

John Boddice Wool Company Pty Ltd

John Marshall & Company Limited

Kathaytex Pty Limited

Landini Industries Pty Ltd

Lanoc Wool Pty Ltd

Laycock Speciality Fibres Pty Ltd

Lempriere (Australia) Pty Ltd

M & M Wools (Aust) Pty Ltd

M A Kiernan & Company Pty Ltd

Maggie International Trading Pty Ltd

McFeeters Wool

Melbourne International Wool Traders Pty Ltd

Michell Pty Ltd

Modiano Australia Pty Ltd



Montgomery Wools Pty Ltd

Morepen Pty Ltd

Moses and Son

New England Wool Pty Ltd

Ostini Wool Pty Ltd

P J Morris Wools Pty Ltd

Peter Scanlan Wools

Primaries of WA Pty Ltd

Quality Wool Pty Ltd

Quay Wool Services Pty Ltd

Reward Australia Pty Ltd

Riverina Wool (Aust) Pty Ltd

Riverton Wools

Roberts Limited

Rodwells & Company Pty Ltd

Saunders Wool Pty Ltd

Segard Masurel (Australia) Pty Ltd

Sky Wool Australia Pty Ltd

Southern Cross Wool Pty Ltd

Standard Wool Australia Pty Ltd

Stockwool Pty Ltd

Sunshine Fortex (Australia) Groups Pty Ltd

Swan Wool Processors Pty Limited

Techwool Trading Pty Ltd

The New Zealand Merino Company Ltd

Tradeswool Country Woolbuyers Pty Ltd

Tradeswool Pty Ltd

V & H Smythe Pty Ltd

Victoria Wool Processors Pty Ltd

Vicwool Pty Ltd

Watswool Pty Ltd

West Coast Wools Pty Ltd

Western Wool Marketing

Williams Wool Exports Pty Ltd

Williams Wool Pty Ltd

Wool Agency Company Pty Ltd

Woolgrowers Independent Selling Services Ltd

Yarra Wool

Yeoward & Company

Associate Members

Australian Superfine Woolgrowers' Association

The WoolMark Company

WA Department of Agriculture

Grower Members

A J Byrne & Company

Arthur M Bock

Australian Wool Growers Pty Ltd

Autumnvale Pastoral Company

Bloomfield Pastoral Company

Brett Campbell

Bukalong Enterprises

Byanga Pastoral Company

C M De Mestre

C W A & D W Prell

Cavanagh Partnership

Clyde Agriculture Limited

D D & A J Long

D W Taylor Pty Ltd

15 YEARS OF SERVICE TO THE WOOL INDUSTRY

Growers **members** – *continued*

Dingo Range

East Murandal

G A Amery Family Trust T/As Amberedge Pty Ltd

G W & C L Clothier & Sons

Garth England

Glenbuddah Pty Ltd

Glenelg Estate

Gordon Litchfield

Gorrinn Pastoral Company

GW & RT Bridgman

Ian Aubrey

Ian Burbury

Ian Mclean

Ian William Whiteley

J M Moore

J P & S M Ranken

J R L Hall & Company

John Edward Beveridge

K Q & J J Miller

Kentucky Pty Ltd

Kevin Gill

L J & W J Parkins

MA & AL Nicholls

Mance Pastoral Company Pty Ltd

Marong Pastoral Company Pty Ltd

Max Zell Family Settlement Trust

Mclvor Agricultural Consultants Pty Ltd

Michael Bliney

Paling Yards Trading Company

Pete Longley

Phil O'Brien Wool Pool

Robert Pietsch

Robert Richardson Dick

Roger Farquharson Mason

S S & W A Parkinson

Stonehouse Grazing

Sun Valley AG

T & M Spielvogel

Terinallum Partnership

Terry Carlton

The Mutooroo Pastoral Company Pty Ltd

Twynam Pastoral Company Pty Ltd

W S & M E McCann Pty Ltd

Woolaway Grazing

WoolProducers

Yarrabee Grazing Company



Directors' **report**

15 YEARS OF SERVICE TO THE WOOL INDUSTRY

Directors' report

Your Directors submit their report for the year ended 30 June 2008.

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

Director	Experience	Special Responsibilities
	R.A. Farrar Chairman Chairman, McGarvie Smith Institute; Hon. Councillor, Royal Agricultural Society of NSW.	Chairman; Chairman, Compliance and Corporate Governance Committee; Chairman, Remuneration Committee.
	R.W. Amos Director Business Unit Manager - Domestic, Adelaide Wool Division of ABB Grain Ltd; Federal Past President, Federal Council of Private Treaty Merchants of Australia; Managing Director, Robaine Pty Ltd.	Non Executive Director; Member, Organisational Review Committee.
	D.R. Belgre Director Managing Director, Don Belgre Pty Ltd; Managing Director, G. Schneider Australia Pty Ltd; Chairman, Australian Wool Network Pty Ltd; Chairman, AWN Property Pty Ltd.	Non Executive Director; Member, Audit Committee; Member, Compliance and Corporate Governance Committee; Member, Rules Committee; Member, Remuneration Committee; Member, Membership Admission Committee.
	D.R. Hamblin Director (Appointed 23/11/2007) Grazier; President, WoolProducers; Councillor, NSW Farmers Executive; Director, AWTA Ltd; Professional Woolclasser.	Non Executive Director
	M.J. Moses Director Managing Director, Moses and Son; Director, Pinefarm Pty Limited; Director, Yennora Wool Brokers; Director/Secretary, The Pinnacles (Temora) Pty Limited; Director, Inland Woolbrokers Association.	Non Executive Director; Member, Rules Committee; Member, Membership Admission Committee
	R.D. Pietsch Director (Resigned 23/11/2007) Grazier; Director, Terrica Holdings Ltd; Director, Australian Wool Testing Authority Ltd; Past President, WoolProducers.	Non Executive Director; Chairman, Rules Committee; Member, Organisational Review Committee.
	D.M. Watt Lawyer; Woolgrower; Chairman, Integrated Tree Cropping Limited.	Non Executive Director; Member, Audit Committee; Member, Compliance and Corporate Governance Committee; Member, Remuneration Committee;

Secretaries	Experience	Special Responsibilities
	<p>M.J. Grave Company Secretary (Appointed as Company Secretary 22/11/2007) Company Secretary (Resigned as Company Secretary 22/2/2008)</p> <p>Chief Executive Officer</p>	<p>Company Secretary; Chief Executive Officer</p>
	<p>M.F. Pritchard Company Secretary (Resigned 27/11/2007) Company Secretary (Appointed 22/02/2008)</p> <p>Chartered Accountant.</p>	<p>Company Secretary; Chief Financial and Administrative Officer; Secretary, Audit Committee; Secretary, Compliance and Corporate Governance Committee; Secretary, Membership Admission Committee; Secretary, Organisational Review Committee.</p>

Alternate Director	Experience	Special Responsibilities
<p>D.J. Nancarrow Alternate for D R Belgre</p>	<p>Managing Director, Dewavrin Australia Pty Ltd; President, Australian Council of Wool Exporters; Director, Australian Wool Testing Authority Ltd; Director, A Dewavrin Fils (NZ) Ltd.</p>	<p>Alternate Director</p>
<p>D.R. Hamblin Alternate for R D Pietsch until 23/11/2007</p>	<p>Grazier; Director, WoolProducers; Councillor, NSW Farmers Executive; Chairman, NSW Farmers Wool Committee; Professional Woolclasser.</p>	<p>Alternate Director</p>
<p>D.A. MacDonald Alternate for M J Moses</p>	<p>Managing Director, Lanoc Wool Pty Ltd; Managing Director, Yennora Wool Brokers Pty Ltd.</p>	<p>Alternate Director</p>

15 YEARS OF SERVICE TO THE WOOL INDUSTRY

Directors' report – continued

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 16 permanent and 8 casual employees as at 30 June 2008 Total Full Time Equivalent employees 16.1 (2007: 15 permanent and 12 casual employees Total Full Time Equivalent employees 17.7).

Results

An operating surplus of \$312,021 (2007: \$54,308) 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 \$4,535,210 (2007: \$4,265,995). Total revenue for the period was \$5,083,146 (2007: \$4,725,268).

Total operating expenses for the year were \$4,771,125 (2007: \$4,670,960) relating to the provision of project and 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 oversee specific aspects of management's functionality. These include:

- Audit Committee - which monitors and advises the Board on management, finance and oversees the external financial statement audit process;
- Compliance and Corporate Governance Committee – which monitors and advises the Board on corporate governance and expenditure policies;
- 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 6 Directors, including the Chairman. There are five 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.

Significant Changes in the State of Affairs

There have been no significant changes to the company's state of affairs during the year.

Matters Subsequent to the End of the Financial Year

As at the date of this report no matters or circumstances have arisen since 30 June 2008 that have significantly affected or may significantly affect:

1. the company's operations; or
2. the result of those operations; or
3. the company's state of affairs;

in the financial year subsequent to 30 June 2008.

Likely Developments and Expected Result of Operations

There are no other likely developments which will adversely impact on the results of the company.

Directors' Meetings

The following table sets out the number of meetings of the company's directors held during the year ended 30 June 2008, 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;
- Rules Committee; and
- Organisational Review Committee.

15 YEARS OF SERVICE TO THE WOOL INDUSTRY

Directors' report – continued

		Board		Committees											
		Board Meetings		Audit		Compliance & Corporate Governance		Membership		Remuneration		Rules		Organisation Review	
Directors:		A	E	A	E	A	E	A	E	A	E	A	E	A	E
R A Farrar		8	8	1	1	1	1			1	1				
R W Amos		8	8												
D R Belgre		8	8	1	1	1	1	4	4	1	1	2	2		
M J Moses		8	8					4	4			2	2		
R D Pietsch	Resigned 23/11/2007	5	5									2	2		
D R Hamblin	Appointed 23/11/2007	2	3												
D M Watt		8	8	1	1	1	1			1	1				
Alternate Directors:	For	A	E	A	E	A	E	A	E	A	E	A	E	A	E
D J Nancarrow	D R Belgre														
D R Hamblin	R D Pietsch														
D A MacDonald	M J Moses														

Directors' Indemnity

During the year the company has paid a premium of \$8,555 (2007: \$8,255) for professional indemnity insurance for Directors and Officers of the company, which provides cover for all past, present and future Directors and Officers.

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 2007 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 2008 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.

A handwritten signature in black ink, appearing to read 'R A Farrar', with a horizontal line drawn underneath it.

R A Farrar
Chairman

A handwritten signature in black ink, appearing to read 'D R Belgre'.

D R Belgre
Director

Sydney 27th August 2008

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 2008 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 2008

Liability limited by a scheme approved under Professional Standards Legislation



Financial **report**

15 YEARS OF SERVICE TO THE WOOL INDUSTRY

Income statement

for the year ended 30 June 2008		Notes	2008	2007
			\$	\$
Revenues from ordinary activities	2		5,083,146	4,725,268
Employee benefit expenses			(1,668,177)	(1,748,935)
Depreciation and Amortisation Expenses	3		(266,822)	(364,507)
Occupancy Costs			(567,374)	(355,877)
Other expenses from ordinary activities			(2,268,752)	(2,201,641)
Profit from ordinary activities before income tax expense			312,021	54,308
Income tax expense relating to ordinary activities	1(b)		-	-
Net profit from ordinary activities after related income tax expense	13		312,021	54,308

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

Statement of changes in **members' funds**



for the year ended 30 June 2008

	Notes	2008	2007
		\$	\$
Total members' funds at the beginning of the financial year		4,867,587	4,813,279
Net income recognised directly in members' funds		-	-
		4,867,587	4,813,279
Net Profit/(Loss) for the year		312,021	54,308
Total recognised income and expense for the year		312,021	54,308
Total members' funds at the end of the financial year		5,179,608	4,867,587

The above statement of changes in members' funds is to be read in conjunction with the accompanying notes.

15 YEARS OF SERVICE TO THE WOOL INDUSTRY

Balance sheet

as at 30 June 2008		Notes	2008	2007
			\$	\$
CURRENT ASSETS				
Cash and cash equivalents	4		6,432,605	6,458,934
Receivables	5		296,707	387,459
Other current assets	6		132,966	87,197
Total Current Assets			6,862,278	6,933,590
NON CURRENT ASSETS				
Property, Plant & Equipment	7, 20		183,338	427,503
Total Non Current Assets			183,338	427,503
TOTAL ASSETS			7,045,616	7,361,093
CURRENT LIABILITIES				
Payables	8		355,935	292,163
Provisions	9		173,982	162,328
Other current liabilities	10		1,189,972	1,923,211
Total Current Liabilities			1,719,889	2,377,702
NON CURRENT LIABILITIES				
Provisions	11		146,119	115,804
Total Non Current Liabilities			146,119	115,804
TOTAL LIABILITIES			1,866,008	2,493,506
NET ASSETS			5,179,608	4,867,587
MEMBERS' FUNDS				
Members' Reserves	12		640,000	640,000
Retained Surpluses	13		4,539,608	4,227,587
TOTAL MEMBERS' FUNDS			5,179,608	4,867,587

The above balance sheet is to be read in conjunction with the accompanying notes.

Cash flow statement



for the year ended 30 June 2008		Notes	2008	2007
			\$	\$
Cash flows from operating activities				
	Receipts from customers *		3,939,391	5,903,628
	Payments to suppliers		(4,398,124)	(4,500,423)
	Interest Received		455,454	364,119
	Net cash inflows / (outflows) from operating activities	19	(3,279)	1,767,324
Cash flows from investing activities				
	Payments for property, plant & equipment		(23,095)	(254,166)
	Proceeds from sale of plant and equipment		45	761
	Net cash inflows / (outflows) from investing activities		(23,050)	(253,405)
	Net increase (decrease) in cash held		(26,329)	1,513,919
	Cash and cash equivalents at the beginning of the financial year		6,458,934	4,945,015
	Cash and cash equivalents at the end of the financial year	4	6,432,605	6,458,934

* The 2007 receipts from customers includes collection of the triennium woolclasser registration fees.

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

for the year ended 30 June 2008

Notes	2008	2007

1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report has been prepared in accordance with the historical cost convention, and does 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 Report.

The company is a company limited by guarantee, incorporated and domiciled in Australia. Its registered office is Ground Floor, 318 Burns Bay Road, Lane Cove, NSW 2066. 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 Balance Sheet to Share Capital.

This Financial Report was authorised for issue by the Board of Directors on 27th August 2008.

A summary of significant accounting policies is set out overleaf:

for the year ended 30 June 2008	Notes	2008	2007
<p>(d) Receivables</p> <p>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.</p>			
<p>(e) Revenue Recognition</p> <p>Revenue is recognised to the extent that 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 Balance Sheet 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>			

for the year ended 30 June 2008

(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

	2008	2007
- Permanent staff	16	15
- Casual Staff	8	12
- Total full time equivalent Staff	16.1	17.7

(g) Good and Services Tax (GST)

Revenues, 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 balance sheet.

Notes	2008	2007

for the year ended 30 June 2008	Notes	2008	2007
		\$	\$
(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.			
2. Revenue from Ordinary Activities			
Operating activities			
Joining Fees		32,000	32,000
Subscription Fees		60,180	59,590
Fees for Service		4,535,210	4,265,995
Other Revenue		257	2,803
Interest Received		455,454	364,119
Non-operating activities			
Other Revenue		45	761
Total revenue from Ordinary Activities		5,083,146	4,725,268
3. Profit from Ordinary Activities			
Profit/(Loss) from Ordinary Activities has been determined after Charging as an expense:			
Depreciation and Amortisation of non-current assets			
- Depreciation of plant and equipment		266,822	364,507
Total Depreciation and Amortisation Expenses		266,822	364,507

for the year ended 30 June 2008

Notes	2008	2007
	\$	\$
3. Profit from Ordinary Activities contd.		
Operating lease rentals		
- Minimum lease payments	442,473	282,599
Total Operating Lease Rental	442,473	282,599
Transfer to/(from) provision for Holiday Pay	(16,169)	12,822
Transfer to/(from) provision for Long Service Leave	30,315	23,950
(Losses)/Gains on Disposal of Property, Plant & Equipment		
Gain/(loss) on disposal of Property, Plant & Equipment	(393)	761
Net gain/(loss) on disposal of Property, Plant & Equipment	(393)	761
4. Current Assets - Cash and Cash Equivalents		
Cash on Hand	800	800
Cash at Bank	3,226,896	2,732,569
Deposits at Call	3,204,909	3,725,565
Cash and Cash Equivalents	6,432,605	6,458,934
5. Current Assets - Receivables		
Trade Debtors *	176,408	264,055
less: Provision for Doubtful debts	(15,000)	(15,000)
Trade debtors after provision for doubtful debts	161,408	249,055
Accrued Revenue	135,299	138,404
Receivables	296,707	387,459

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

for the year ended 30 June 2008	Notes	2008	2007
		\$	\$
6. Current Assets - Other			
Prepayments		82,398	59,676
Other Debtors		50,568	27,521
Other		132,966	87,197
7. Non Current Assets - Property, Plant and Equipment			
Plant and equipment at cost		2,179,792	2,239,904
less: Accumulated depreciation		(1,996,454)	(1,812,401)
Property, Plant and Equipment	20	183,338	427,503
Refer also to note 1(h) for impairment of assets.			
8. Current Liabilities - Payables			
Creditors		224,656	120,034
Accrued Expenses		131,279	172,129
Payables		355,935	292,163
9. Current Liabilities - Provisions			
Employee entitlements (being provision for Annual Leave and Superannuation)		146,159	162,328
Other		27,823	-
Provisions		173,982	162,328
10. Current Liabilities - Other			
Unearned Income	1(e)	1,189,972	1,923,211
Other		1,189,972	1,923,211

for the year ended 30 June 2008

Notes	2008	2007
	\$	\$
11. Non-current Liabilities - Provisions		
Employee entitlements (being provision for Long Service Leave)	146,119	115,804
Provisions	146,119	115,804
12. Members' Funds - Reserves		
Members' Reserves		
Balance at 1 July	640,000	640,000
Transfer from Retained Surplus	-	-
Reserves	640,000	640,000
13. Members' Funds - Retained Surplus		
Retained Surplus		
Balance at 1 July	4,227,587	4,173,279
Net profit attributable to members of the company	312,021	54,308
Retained Surplus	4,539,608	4,227,587
Refer also to note 1(h) for impairment of assets.		
14. Remuneration of Directors and Key Management Personnel		
Income paid or otherwise made available to directors and key management by the company or related parties.		
Short-term benefits	552,475	594,515
Post-employment benefits	59,147	48,133
Other Long-term benefits	9,591	8,185
Remuneration of Directors and Key Management Personnel	621,213	650,833

for the year ended 30 June 2008	Notes	2008	2007
		\$	\$
15. Remuneration of Auditors			
Amounts received or due and receivable by Thomas Davis & Co for:			
- audit of the financial report of the company		14,520	14,080
- other services		-	-
Remuneration of Auditors		14,520	14,080
16. Expenditure Commitments			
Operating leases (non cancellable)			
Minimum lease payments			
- not later than one year		442,329	118,806
- later than one year and not later than five years		563,949	334,214
- later than five years		-	-
Expenditure Commitments		1,006,278	453,020
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	M.J.Moses		
R.W.Amos	R.D.Pietsch (Resigned 23/11/2007)		
D.R.Belgre	D.M.Watt		
D.R. Hamblin (Appointed 23/11/2007)			
Alternate directors were: D.R.Hamblin, D.A.MacDonald, D.J.Nancarrow.			

for the year ended 30 June 2008

Notes	2008	2007
	\$	\$
17. Related Party Disclosure contd.		
Director and Director-related entity Transactions		
A number of the directors are directors of entities which transact with the company. The directors involved are:		
R.W.Amos D.R.Belgre D.R. Hamblin		
M.J.Moses R.D.Pietsch D.M.Watt		
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.		
Aggregate amounts of these transactions are as follows:		
Income		
Joining, subscription and trading fees	36,364	180,815
Selling facility fees	170,446	127,860
EDI Network fees and Market Reports	48,355	92,641
Sample Site and Showfloor charges	-	-
Other	16,880	49,205
	272,045	450,521
18. Segment Information		
The company operated predominantly in one industry, being the Australian Wool Industry.		

for the year ended 30 June 2008	Notes	2008 June	2007 June
		\$	\$
19. Reconciliation of operating profit from ordinary activities after income tax to net cash from operating activities			
Profit from ordinary activities		312,021	54,308
Depreciation and amortisation		266,822	364,507
Increase/(Decrease) in Other Provisions		41,969	36,772
(Profit)/Loss on disposal of plant and equipment		393	(761)
Decrease/(Increase) in trade and other debtors		90,752	78,414
Decrease/(Increase) in other debtors and prepayments		(45,769)	30,304
Decrease/(Increase) in trade creditors, accruals and unearned income		(669,467)	1,203,780
Net cash Inflows/(Outflows) from operating activities		(3,279)	1,767,324
Financing arrangements			
Payroll facility		50,000	50,000
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 beginning of the period		427,503	537,844
Additions		23,095	254,166
Disposals (net)		(438)	-
Depreciation Expense	3	(266,822)	(364,507)
Carrying amount at end of the period	7	183,338	427,503

for the year ended 30 June 2008

21. Financial Instruments

Financial Assets

Cash and Cash Equivalents

Financial Assets at fair value

Financial Assets at fair value comprise cash on hand, cash at bank and cash at call.

The credit risk associated with these assets are considered minimal as they are with a major Australian Bank which has a Standard and Poor's rating of at least "A".

Held-to-maturity assets

Held-to-maturity assets comprise fixed interest term deposits and bank bills.

The credit risk associated with these assets are considered minimal as they are issued by major Australian Banks which has a Standard and Poor's rating of at least "A".

Total Cash and cash equivalents

Weighted Average Effective Interest Rate

Loans and Receivables

Includes trade debtors and accrued revenue.

The credit risk associated with these assets is considered minimal due (i) the majority of transactions are with AWEX Members and (ii) trading history shows that the likelihood of not being able to collect outstanding amounts is low.

Total Loans & Receivables

Weighted Average Effective Interest Rate

Other Assets

Includes prepayments and other amounts receivable.

There is no credit risk associated with these assets.

Total Other Assets

Weighted Average Effective Interest Rate

Total Financial Assets

Notes	2008 June	2007 June
	\$	\$
	291,323	838,118
	6,141,282	5,620,816
4	6,432,605	6,458,934
	7.01%	6.25%
	296,707	387,459
5	296,707	387,459
	N/A	N/A
	132,966	87,197
6	132,966	87,197
	N/A	N/A
	6,862,278	6,933,590,

for the year ended 30 June 2008

21. Financial Instruments cont.

Financial Liabilities

Financial liabilities at fair value

Financial Liabilities at fair value comprise Trade Creditors and other payables.

There is no credit risk associated with these assets.

Total Financial liabilities at fair value

Weighted Average Effective Interest Rate

Total Financial Liabilities

22. Contingent Liabilities

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

Notes	2008 June	2007 June
	\$	\$
	355,935	292,163
8	355,935	292,163
	N/A	N/A
	355,935	292,163
	71,880	89,218

23. Accounting Standards

The following Australian Accounting Standards issued or amended which are applicable to the Company but are not yet effective and have not been adopted in preparation of the financial statements at report date.

AASB Amendments	Standards Affected		Outline of Amendments	Application Date of the Standard	Application Date for the Company
AASB 2007-3 Amendments to Australian Accounting Standards	AASB 107 AASB 119 AASB 136	Cash Flow Statements Employee Benefits Impairment of Assets	The disclosure requirements of AASB 114: Segment Reporting have been replaced due to the issuing of AASB 8: Segment Reporting in February 2007. These amendments will involve changes to segment reporting disclosures within the financial report. However, it is anticipated there will be no direct impact on recognition and measurement criteria amounts included in the financial report, as the entity does not fall within the scope of AASB 8.	1/1/2009	1/7/2009
AASB 8 Operating Segments	AASB 114	Segment Reporting		1/1/2009	1/7/2009
AASB 2007-8 Amendments to Australian Accounting Standards	AASB 101	Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity.	1/1/2009	1/7/2009
AASB 101	AASB 101	Presentation of Financial Statements		1/1/2009	1/7/2009

Directors' declaration

The Directors' of the company declare that:

1. the financial statements set out on pages 27 to 45:
 - 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 2008 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

Melbourne 27th August 2008

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 balance sheet as at 30 June 2008, and the income statement, statement of changes in members' funds and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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. These Auditing 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 mis-statement.

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 judgment, including the assessment of the 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 and fair presentation of the financial report 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.

Auditor's Opinion

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

- (a) giving a true and fair view of the Company's financial position as at 30 June, 2008 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.


 A handwritten signature in cursive script, appearing to read 'Thomas Davis'.

THOMAS DAVIS & CO.


 A handwritten signature in cursive script, appearing to read 'P.L. Whiteman'.

P.L. WHITEMAN, Partner
Chartered Accountants

SYDNEY, 27th August, 2008

Liability limited by a scheme approved under Professional Standards Legislation



Australian Wool Exchange Limited ABN 35 061 495 565

Visit us at www.awex.com.au

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