



About the cover: Back to Back

This eye catching image was one of the images of a Merino wool jersey tank top displayed at the exciting Australian Merino photographic exhibition, *Back to Back*, presented by AWI in April 2006.

The *Back to Back* photographic exhibition featured images created by twenty-three of the world's most influential fashion photographers – 10 local and 13 international – featuring a super-sexy Merino wool jersey tank top designed by Australia's hottest new designer and AWI partner, Josh Goot. The AWI exhibition attracted a line up of some of the most influential guests from the Australian and international fashion industries.

Held at Sydney's Museum of Contemporary Art, the AWI exhibition coincided with Mercedes Australian Fashion Week, which last year generated \$240 million in fashion exports. Mercedes Australian Fashion Week is the major trade event for the Australian fashion industry, a week-long gathering for the who's who of designers, retailers, buyers and media, and the Australian Merino industry is a major player.



The fashion designer: Josh Goot

AWI partner Josh Goot designs clothes for a modern lifestyle. His collections are focused on the concept of 'tailored comfort'. His clothes are new and clean with a minimalist, 'future smart' appeal.

After three seasons, Goot's work made a significant impact locally and he was awarded the Tiffany & Co. young designer of the year for his debut collection and received much critical acclaim.

Since then he has showcased at New York Fashion Week and is now stocked in the world's top boutiques including Henri Bendel in New York, Browns Focus in London and Colette in Paris.

The photographer: Max Doyle

Highly regarded internationally for his commercial and editorial fashion photography, Doyle's work has appeared in I-D, The Face and Ray Gun. Doyle was selected for the 2005 Archibald Photography Portrait Prize.

Australian Wool Innovation Limited gratefully acknowledges the funds provided by the Australian Government to support the research, development, innovation and marketing detailed in this publication.

Australian Wool Innovation Limited
ABN 12 095 165 558

AWI does business directly with leading fashion designers, global textile manufacturers and retailers to get new Australian Merino wool products and innovations into the global marketplace.

AWI's mission is to drive research, development, innovation and marketing that will increase the long-term profitability of Australian woolgrowers.

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Who we are

Australian Wool Innovation Limited (AWI) invests funds in wool research, development and innovation (RDI) and marketing activities aimed at increasing the long-term profitability, productivity and sustainability of Australian woolgrowers.

Established in 2001, AWI is a not-for-profit company owned by 32,000 Australian farmers. The company invests in global RDI and marketing through the wool pipeline – from the fibre to fashion – in the areas of textile product development and marketing, wool production and industry affairs.

AWI does not own businesses – rather, we look to fund and commercialise global projects with science providers through to retailers. AWI aims to get the outcomes of the projects in which it invests rapidly and widely adopted or commercialised.

AWI investments are funded through an R&D levy paid by woolgrowers (currently two per cent of the sale price received for their shorn greasy wool) and a matching contribution from the Australian Government, capped at 0.5 per cent of the value of gross national value of wool production.

Woolgrowers vote every three years on the percentage of wool proceeds they would like to invest in wool R&D. There is currently a vote – WoolPoll 2006 – underway. The result of the vote will be announced at the AWI Annual General Meeting on 14 November 2006.

Where we invest

Textile product development

AWI funds the development of innovative products made from Australian Merino wool, based on proposals developed collaboratively in business-to-business relationships with textile manufacturers and retail partners. AWI also works to develop new fundamental knowledge about the properties of wool fibre, and develop processes that may lead to new Merino fibre yarns and fabrics.

Textile product marketing

AWI provides a vital link between the research and development chain and the retail market by forming direct business relationships to commercialise wool innovations and build the demand for Australian Merino wool. AWI also plays a key role in working with industry and government to increase market access into Australian wool/textile importing countries, and providing shareholders and industry with the latest market information.

Wool production

AWI works with woolgrowers to help them compete profitably in the international markets for wool through the adoption of on-farm innovations. AWI aims to help woolgrowers reduce the cost of production on their farms through innovation in areas such as pastures and grazing, sheep health, genetic technologies to breed more productive sheep, and shearing.

Corporate affairs

Through the use of publications such as *Beyond the Bale*, the AWI website, events and forums, and the rural and metropolitan media, AWI seeks to inform woolgrowers, the government, and users of Australian Merino wool (such as textile manufacturers, fashion designers and retailers) about the value of the Australian Merino wool industry.

The company directors of Australian Wool Innovation Limited during 2005/06, their experience and their special responsibilities as at the end of the 2005/06 financial year are listed below.

All the directors were in office during the whole of the financial year.



I M McLachlan AO

Mr McLachlan is a woolgrower with pastoral interests in South Australia and New South Wales. He was the Chairman of the Australian Wool Industry Future Directions Task Force in 1999. He was a Federal Member of Parliament from 1990 to 1998 and was the Minister for Defence and a Cabinet Member of the Federal Coalition Government from 1996 to 1998. Previously he was the President of the National Farmers Federation from 1984 to 1988. He is currently the President of the South Australian Cricket Association, a Board Member of Cricket Australia and is a Director of Clean Seas Tuna Limited, a publicly listed company.

Special responsibilities as at 30 June 2006

Chairman of AWI
Remuneration & Appointments Committee member
Intellectual Property & Commercialisation Committee member
Integration Committee chairman



B P van Rooyen

Mr van Rooyen is currently Chairman of Visionglow Global Ltd and Australian Country Spinners Pty Ltd. He is a Director of the Australian Wool Testing Authority Ltd, New Zealand Wool Testing Authority Ltd, and Power Farming New Zealand Ltd. Mr van Rooyen is a former Director of Norwellan Textiles Ltd, Woolstock Australia Ltd and Bruck Textiles Pty Ltd. He is a past President of the Australian Wool Processors Council and a past member of the CSIRO Textiles, Clothing and Footwear Sector Advisory Committee.

Special responsibilities as at 30 June 2006

Deputy Chairman of AWI
Finance & Audit Committee chairman
Remuneration & Appointments Committee chairman
Integration Committee member
China Free Trade Committee chairman



C J Abell Dipl Mech Eng, BE (Hons), PhD

Dr Abell is a South Australian woolgrower and is currently a non-executive Director of Saab Systems Pty Ltd and Pacific Marine Batteries Pty Ltd. Dr Abell is a former Director of Vision Systems Ltd (1986 to 2001) and a former Chairman of LADS Corporation Ltd (1992 to 2001). He is also a former Director of Woolstock Australia Ltd (1999 to 2002).

Special responsibilities as at 30 June 2006

Finance & Audit Committee member
Intellectual Property & Commercialisation Committee member
Falkiner Memorial Field Station Committee chairman
Integration Committee member



K J Bell BVSc (Hons), PhD, AAAC (WA)

Dr Bell has been a self-employed consultant to sheep growers in south-western Australia since 1983. Prior to this, Dr Bell spent five years completing postgraduate research fieldwork and study involving sheep enterprises and has five years experience in international development projects. He was a sheep-cereal zone consultant representative on the zone farmer advisory committees of the former Australian Wool Research and Promotion Organisation (AWRAP). Dr Bell has recently been appointed Professor of Animal Production Systems at Murdoch University, overseeing the progression of a new degree program in Animal Science.

Special responsibilities as at 30 June 2006

Falkiner Memorial Field Station Committee member



W B Merriman

Mr Merriman is Managing Director of the Merryville Stud. He oversees extensive commercial pastoral interests giving him broad farming and grazing experience. Mr Merriman has served on several industry boards, including National Woolgrower Forum, Major Woolgrowers Group and is past-president of both NSW and Australian Stud Merino Breeders associations.

Special responsibilities as at 30 June 2006

Remuneration & Appointments Committee member



H P Nivison BVSc

Mr Nivison is currently the Executive Chairman of Mirani Pty Ltd, a fine wool stud and commercial wool production business in northern NSW. Mr Nivison is also a Director of Australasian Rural Investments Pty Ltd, a company focused on sourcing and managing high quality rural businesses for non-traditional investors. Mr Nivison is a graduate of the Australian Rural Leadership Program and a registered veterinary surgeon.

Special responsibilities as at 30 June 2006

Finance & Audit Committee member

Intellectual Property & Commercialisation Committee chairman

Falkiner Memorial Field Station Committee member



P S Sykes

Mr Sykes is currently the Managing Director of Woolaby Australia Investments Pty Ltd, a business focusing on research, product development, marketing and retail within the wool industry. He is a consultant for Mariner Rural and Agricultural Solutions and a Director of Rylands (Humula) Pty Ltd. He is an AWI shareholder running 7,000 Merino sheep and 700 beef cattle in southern NSW. Mr Sykes has nine years experience in financial markets with Westpac Banking Corporation in money market trading, risk management and distribution.

Special responsibilities as at 30 June 2006

Intellectual Property & Commercialisation Committee member

Integration Committee member

Company secretaries

Leslie Mark Targ and Christopher Maitland Chapman Dip Law, MBA, FAICD, FCIS

chairman's report



Over the past year, AWI has made excellent progress with its on-farm research portfolio and taken a number of decisive steps to improve the marketing of Australian Merino into the global apparel trade.

AWI has a balanced research, development and marketing strategy that ensures gains through efficiency and productivity on the farm are supported by innovation and product marketing of Australian Merino wool. Our core business is to then take textile and garment innovations to our global business partners, who will in turn take Australian Merino wool to their global customers.

Who better to take textile and garment innovations to global manufacturers, retailers and designers, than AWI - the people who have developed them?

It has also been a year of intense scrutiny for AWI, with an independent review of our performance as part of our Statutory Funding Agreement with the Australian Government, and levy payers having their say on our future funding through WoolPoll 2006.

The review of performance conducted by economics consultancy ACIL Tasman found

that for the \$97 million we have invested on behalf of growers into on-farm research over the past three years, we have already delivered at least \$417 million in benefits.

The company's success in managing our on-farm research portfolio has come from concentrating on fewer, critically important projects that deliver direct cost savings or improved production potential to woolgrowers.

The Board's focus is to ensure our major on-farm research projects are delivering products woolgrowers can use.

Priority areas for on-farm research will continue to be sheep genetics, wool harvesting, pasture productivity and sustainable production systems.

Over the past year we have refined our off-farm marketing strategy and now have a more defined approach to influence demand for Australian Merino wool.

Over the past two years we have evolved from the traditional R&D model, where we would fund innovation in Merino textiles and offer the results to end-users, to a more targeted business partnership model.

Our strategy is now about direct business relationships.

We work with the leaders in each segment to develop innovations that give them a competitive advantage in their particular market.

We do business with companies that cause a ripple effect right through the supply chain when they launch a new product or adopt new technology.

We have also shifted our thinking about the scale of projects we will be involved in. That means saying no to some smaller potential partners.

Australia produces about 460 million kilograms of wool. To move the demand curve (sell more wool at better prices) we need to be creating now, new demand for several tens of millions of kilograms of clean wool.

A product development and marketing program that sells 100,000 garment pieces is a good start. But a project of this scale will move only an additional 30,000 kilograms of wool.

The Board has asked management to move its thinking from 100,000 piece projects to one million piece projects.

China will continue to be a major part of our business to business strategy because China and the rest of Asia is the new manufacturing hub for global textiles, and we need to make sure Chinese companies make premium Australian Merino apparel.

European firms are central in supporting this direction through their leadership in fashion, design and technology.

So while China is important, we are renewing our efforts in the six major markets for consumer apparel: USA, Japan, Germany, Italy, UK and India.

Through direct business relationships with the right brands, we can successfully communicate to consumers, via quality finished garments, the unique values of the world's most beautiful and versatile natural fibre.

Our retail business partners are now asking us to co-brand with them; they want consumers to understand the peerless natural qualities of Australian Merino wool and that the garment contains unique fabric technology from AWI.

In July 2006, AWI and Australian Wool Services (AWS) signed a Memorandum of Understanding, outlining the process of integration for the two companies.

The merging of the two companies, in my view, will resolve a flaw in the way product marketing and on-farm R&D institutions had been established in the wool industry.

While AWS and The Woolmark Company will bring new people, networks and experience into the team marketing Australian Merino wool, I am convinced the direct business relationship model will continue to be the right strategy to build demand for Australian Merino.

AWI and the Australian Wool and Sheep industry Taskforce's strategy of standing firm against animal rights extremists PETA has

proved to be the right call. The live sheep trade is still operating and we anticipate having an alternative to surgical mulesing commercially available before the end of 2007.

We are not aware of any global retailer of significance who is not using Australian Merino wool because of PETA's campaign.

While the wool market has staged a slow recovery, prices are still disappointing. In this price environment, it is critically important AWI continues to deliver on-farm technology to reduce costs and increase production, while at the same time, investing to build demand for Australian Merino wool.

With so many passionate and committed people within the wool industry, and the right business plan, we can create the opportunities to see this great Australian industry stride ahead.



Ian McLachlan AO

Chairman

Australian Wool Innovation Limited
21 September 2006



The profitability of the wool industry is on everyone's mind and drives every decision made by AWI.

While most growers are looking for better returns, a study conducted for AWI by three agricultural consulting firms showed that over the past five years the top performing Merino flocks were just as profitable as prime lamb flocks or beef cattle. This same study showed that dual purpose sheep enterprises (based on Merino ewes) were the most profitable livestock enterprise in many parts of Australia over that same period, and that in these dual purpose sheep enterprises, wool still accounted for up to 60 percent of income.

Your research and development levies invested in the on-farm research portfolio address some of the key factors that influence the profitability of wool growing and

have delivered real benefits to shareholders over the past 12 months.

Some examples include:

- The launch of Sheep Genetics Australia (in partnership with Meat and Livestock Australia).
- Land Water and Wool (LWW) has been a major investment by AWI and Land and Water Australia, involving thousands of wool producers around Australia. The program has provided practical guidelines on grazing management, biodiversity, native vegetation and water quality. In addition techniques to remediate over one million hectares of saline affected land were developed.
- Over 1,753 individual shearers and 575 wool handlers have been trained, a total of over 2,328 for 2005/06, and 4,500 copies of new, interactive shearer and wool handler training resources have been distributed.
- AWI's online wool-pricing tool Woolcheque was given a new look and feel in May this year, making it even easier for woolgrowers to independently price their wool clip. Since its launch, visits to the site have increased by 40 per cent; with over 21,000 visitors to Woolcheque from July 2005 to June 2006.

In the coming year the enormous effort that has been put into the development of alternatives to mulesing will begin to pay off. At the time of writing, the new breech clips and injectables have been evaluated on more than 4,000 sheep on 15 farms.

Twenty six companies have expressed interested in commercialising these products.

The Peak Hill Industries' *ShearEzy* upright posture shearing platform has been through several modifications on the first prototype and will now be available for delivery in late 2006. Good progress is also being made with two other new shearing platforms, with shearing rates approaching traditional methods and further developments to increase shearing rates and reduce costs underway.

As an investment for the future of the industry, the \$30 million Sheep Genomics project (in partnership with MLA) is progressing well and will complete its first stage in 2008. This project aims to identify DNA markers for sheep production traits including parasite resistance, better wool quality and improved lambing performance. Sheep Genomics is a complex, international project involving nearly 100 scientists and 179 separate research contracts. We expect the first DNA markers for sheep production traits to be delivered over the next two years.

Australian Merino textile product development and innovation marketing

Our off-farm investments have changed significantly throughout the year as a result of greatly improved understanding of apparel retailers' needs. We have summarised these needs in a revised offering called "Knowledge-Innovation-Market Support (KIM)".

The Knowledge retailers look for includes information on sourcing, selling, designing and quality of garments made from Australian Merino wool. Innovation is needed in design, functionality and

manufacturing efficiency. Market Support includes point of sale materials, swing tags, consumer research, product launches and the optional use of an AWI brand.

Our KIM service is delivered through direct business relationships and during the year we have steadily increased the number of these relationships in place all over the world. Work delivered over the past year will be showcased as products in the coming year. For example this years AWI "Innovation Collection" is currently being shown to our partners and retailers all over the world. The collection has three themes: Merino Care, Merino Soft and Merino Visual.

Due to the length of the wool supply chain and the workings of the global fashion calendar, most of the products resulting from these relationships will not appear on the shelves until 2007/08. However, there have been some early successes this year with launches in China of the washable suit by Heilan, the Merino Active fleece by Haitian and the Red Island range by Purely Merino in Australia.

During the year AWI participated in a number of other industry initiatives that will produce benefits in future years, including the establishment of the Australian Wool Textile Training Centre, participation in the Australia-China Free Trade talks and the IWTO/AWI/Woolmark Test Marketing Project.

Corporate affairs

It is important for us to keep the industry and shareholders informed of the company's activities and the past year has been a busy one in this regard. The corporate affairs team has put together some remarkable events, including:

- Five industry forums attended by more than 800 woolgrowers.
- Principal sponsorship of The World Merino Conference in Perth, with more than 1,000 people attending the Innovation Day.
- Twenty young stud Merino breeders from across the country attended an Australian Association of Stud Merino Breeders leadership course.
- The AWI-Nino Cerruti Fashion Design Competition in partnership with Hong Kong Polytechnic University gave fashion students the chance to discover first-hand the remarkable qualities of Australian Merino wool.
- The creative 'Back to Back' photographic exhibition showing work by 23 of the world's most influential fashion photographers featuring an Australian Merino wool garment was attended by 250 fashion retailers, international buyers and media during the Mercedes Australian Fashion week in May.

Finances and staff

Reflecting reduced wool sales, the total revenue for the year was \$57,035,000, compared to \$64,999,000 last year. This was comprised of \$38,359,000 levies, \$11,048,000 government contributions, \$5,437,000 investment income and \$2,191,000 other income.

Total expenditure for the year was \$82,678,000, of which research, development and marketing

expenditure was \$70,421,000. This total is composed of \$29,303,000 for Wool Production, \$21,749,000 for Product Development, \$11,841,000 for Product Marketing, and \$7,528,000 for Corporate Affairs (including information and education activities).

Consistent with our strategic plan, we have invested more into new off-farm demand building programs than on-farm production projects over the past 12 months. The balance between off-farm and on-farm for the past 12 months was 55% off-farm and 45% on-farm.

We finished the year with funds under investment and cash in hand of \$77,114,000 and forward liabilities committed and planned for research contracts of \$54,022,000. The past year has been the culmination of a three year journey, to transform AWI from a predominantly on-farm R&D company with an interest in textile technology to a robust, international organisation that can simultaneously manage a large Wool Production R&D program in Australia and Product Development and Product Marketing programs in Australia and throughout Asia, Europe and the US.

The on-farm R&D portfolio will continue to deliver in 2006-2007 and we now have the right marketing strategy and the right people in place to meet our goals to build the demand for Australian Merino wool.



Dr Len Stephens

Chief Executive Officer

Australian Wool Innovation Limited
21 September 2006

wool production

AWI's Wool Production Department works with and for Australian woolgrowers to help them compete profitably in international markets for wool through the research, development and adoption of on-farm innovations.







Key outcomes and achievements

Animal health and welfare

Mulesing alternatives – clips

The clips evolved from early test models to pre-commercial prototypes. Several designs were tested in commercial flocks on 1,400 sheep. Modified gas knives were also developed to treat the end of the tail, which until this time has not been satisfactorily addressed by clips. Prototype applicators, dispensers and loading jigs are now available and clip placement on the sheep has been optimised. Several manufacturing materials are being evaluated for strength, stiffness and degradability. A screening study of the welfare implications has shown the clips to offer significantly better welfare outcomes than mulesing. Several potential commercial partners have been identified.

Mulesing alternatives – injectables

The focus of development of the injectables shifted from collagenase to cetrimide for cost, stability, and availability reasons. A needleless injector sourced from Canada is working consistently well, although work continued on two back-up devices. The preferred formulation and pattern of application are almost finalised after several trials. Trials established in five commercial flocks continue to provide extensive data on performance. More than 20 companies have expressed interest in commercialising the injectable alternatives to mulesing. A welfare screening study has shown the injectable product to offer significantly better welfare outcomes than mulesing.

Highlights

- Sheep Genetics Australia, a new national genetic evaluation system for wool and sheep meat breeds, was launched in October 2005 in partnership with Meat and Livestock Australia. Since the launch, 87,729 new Merino animals have been added to the database. There are currently over 750 ram breeders, with records on over two million animals in the system.
- Two alternatives to surgical mulesing show promise and progressed to field evaluation on commercial properties during spring 2005 and autumn 2006 with the expectation that one or more alternatives will be available by the industry's target date of 2010 to phase out mulesing.
- Practical guidelines on management of riparian areas and native vegetation on wool producing properties were published as part of the Land, Water & Wool program.
- The Sheep Genomics Program, which jointly with Meat and Livestock Australia aims to map the sheep genome and find gene markers that are commercially useful for Australian sheep breeders, underwent a successful, independent mid-term review in early 2006 and progressed successfully with the second lambing of the gene mapping flock at Falkiner Memorial Field Station in May 2006.
- The Selection Demonstration Flock project in South Australia and the QPlu\$ project in NSW successfully concluded in mid 2006 and results clearly demonstrated the potential to increase profitability of Merino sheep by \$8-\$10 per ewe per year at current market prices through simultaneous improvement of wool out and quality.
- Two Upright Posture Shearing Platforms have been developed to the stage of commercial field testing with shearer contracting teams. Throughput rates that are competitive with conventional shearing techniques were achieved in mid-May.
- An Improver/Professional shearing DVD and a Wool Handler DVD were produced and distributed to help raise the standard of training.
- At the end of 2005/06, there were 2,227 woolgrowers involved in AWI funded grower groups across Australia.
- A comprehensive national analysis of the profitability of different farm enterprises over the past 5 years was published in April 2006 – showing that specialist wool producing and dual purpose (wool/sheep meat) enterprises are highly competitive with alternative enterprises at current market prices.

Mulesing accreditation

The National Mulesing Assurance Program (NMAP) Management Committee was established and is overseeing the implementation of the program. Kondinin, building on work previously funded by AWI, has been delivering training and accreditation. It expects to accredit about 850 people by the critical deadline of December 2006 (after which time all contractors must be accredited). An NMAP secretariat was appointed and a 1800 'hotline' number for the NMAP put in place. A manual and self-assessment tool for mulesing owner/operators was finalised for use with growers next year.

Integrated Parasite Management – sheep

Regional integrated parasite management for sheep (IPM-s) strategies, developed on 22 collaborating farms around Australia, were consolidated and have been published at www.wool.com.au/ipm. During 2005/06, 25 field days involving 788 participants were held as part of the project. In addition there were six workshops (regional gatherings of collaborators) with 174 attending, six presentations to conferences and 34 media releases associated with the project. The IPM-s survey of parasite management beliefs and practices was completed and published and a trial to evaluate 'no-mules' management systems in a pastoral environment was established. The WormBoss website wormboss.com.au, a comprehensive information package for sheep worm management, continued to be heavily used with over 70,000 users visiting the site, an increase of 143 per cent from 2004/05.

Sheep Productivity

Sheep Genetics Australia

The national genetic information and evaluation service for the meat and wool industries, Sheep Genetics Australia (SGA), was successfully launched by AWI and MLA in October 2005 with MerinoSelect developed to service Merino breeders and Lambplan to service maternal and terminal breeders. Since October, Australian Sheep Breeding Values for over 50 traits have been updated fortnightly. Currently there are over one million Merinos in the MerinoSelect database and it continues to grow at approximately 100,000 new animals per annum. There are now 163 Merino flocks participating in SGA, a 33 per cent increase in the past 12 months.



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- 1 Simple clips could provide Australian sheep producers with an alternative to mulesing as early as 2007.
- 2 Federal Agriculture Minister McGauran examining sheep at the launch of Sheep Genetics Australia.
- 3 The launch of an injectable replacement to mulesing is targeted for 2008 after the registration process is completed.

CASE STUDY



Integrated parasite management

As part of a nationally funded program, veterinarian Dr Greg Johnsson is evaluating integrated parasite management strategies for sheep (IPM-s), aimed at providing adequate parasite control and slowing down the build-up of resistance to drenches by small brown stomach worm and black scour worm.

His strategies have been developed specifically for the Mediterranean, dry summer/wet winter conditions experienced in South Australia. This work is being carried out in the sheep flock on John and Jo Symons' Kangaroo Island property.

Traditionally all sheep received between two and three drenches a year; in early and late summer, pre-lambing or one in the winter. Now a single drench in late February has been found to control worm numbers adequately.

Another part of the strategy is regular faecal worm egg counts, together with tactical drenching should it be required. Hoggets are the most susceptible hosts, so their egg counts are taken monthly, while adult dry sheep are monitored every eight weeks.

To monitor sheep mobs, faecal samples are collected randomly from 15 to 20 sheep per mob of 300 to 400 head and submitted to a commercial counting laboratory.

"This combination of tactical drenching and faecal egg counts appears to be slowing drench resistance and is more cost-effective than the traditional approach."

Dr Greg Johnsson

Top: Veterinarian Dr Greg Johnsson (left) has worked with Kangaroo Island woolgrower John Symons (right) to slow down the build up of resistance to drenches by parasites.

SheepGenomics

The virtual sheep genome map has been constructed and bioinformatics platform implemented, with both now available to SheepGenomics researchers for gene mapping work. The 2006 lambing of the world's largest sheep gene mapping flock at Falkiner Memorial Field Station, Deniliquin, NSW was completed with the addition of a bare breach sire and an extreme muscling sire. Approximately half a million independent measurements will be taken for the genomics database. Phenotyping on the 2005 drop approaches completion with around 100 traits collected on each animal. The first gene marker tests for muscling and meat yield are being validated in industry flocks.

SARDI Selection Demonstration Flock

The Selection Demonstration Flock trial has concluded. The project generated significant interest from all areas of the sheep industry and has provided valuable information for woolgrowers to use in making informed decisions regarding selection practices. Significant improvements in profitability were demonstrated across the selection methods and comprehensive results will be transferred in a targeted communication strategy during 2006/07.

Merino Superior Sires and Merino Bloodline

Merino Superior Sires 11 was generated using SGA analysis procedures and published in February 2006 with over 3,400 copies distributed. Currently eight active sites in Central Test Sire Evaluation (CTSE), with extreme sires for worm resistance entered into selected sites and additional traits collected at all sites. The Merino Bloodline Performance Package was published in September 2005 with over 2000 copies distributed and a website developed. Additional trait funding was used by 12 bloodline evaluations to collect traits such as staple strength, faecal egg count, wool processing ability and meat traits.

Sustainable Production Systems

Land, Water and Wool

Land, Water and Wool (LWW) is in its final year of operation and the program and its projects are developing final reports, products and launches. New management options for up to half of the 2.5 million hectares of salt-affected agricultural land in Australia are among the key achievements of LWW. During 2005/06, 11 new products were released and 7,904 copies of products were distributed to woolgrowers and advisors. 1,380 woolgrowers were directly involved in LWW through networks and research projects. Over 6,500 woolgrowers have received information and participated in project organised events. Since October 2005, over 4,000 individuals have visited the LWW website. AWI is currently reviewing proposals for the next phase of natural resource management investment.



- 1 AWI investments in genetics should assist woolgrowers to make informed decisions on buying rams and selecting ewes to improve quality and productivity.
- 2 Mt Mercer woolgrower Bluey Smith explaining some of the beneficial results coming from the Land, Water and Wool natural resource management program.
- 3 Farming women from Kangaroo Island who are using the AWI-funded SheepPlus grower network program to learn how to manage their businesses better.
- 4 Farmers examining the rams at a QPLUS open day at Trangie Agricultural Research Centre.

NAPLIP

The National Annual Pasture Legume Improvement Program (NAPLIP) concluded in 2006. Future investment in annual legume development will be through Pastures Australia. During 2006, NAPLIP released five new cultivars for commercialisation; Mintaro (sub clover), Mooni and Wilpena (Hedysarum), Jota (Melilotus) and Lusa (Persian Clover). These new cultivars are suited to a range of climatic and soil conditions across the sheep/wheat and high rainfall zones. The wool industry’s long term commitment (30 years) to breeding and development of annual legumes has resulted in more than 50 cultivars being available in the market through a range of commercial partners. Techniques to better integrate new highly productive varieties into farming systems will be a priority for new investment in annual legumes.

Pastures Australia

Pastures Australia was established during 2006 as an unincorporated joint venture between AWI, GRDC, MLA, Dairy Australia and Rural Industries Research and Development Corporation. The partners will co-invest in breeding, selection, agronomy, management and extension to increase the profitability of pasture systems and the adoption of new pasture technologies. Pastures Australia will also invest to increase the genetic gain from pasture breeding and selection. During 2006, Pastures Australia undertook comprehensive market research and consultation to determine investment strategies that will meet the needs of the livestock industries.

Harvesting

Upright posture shearing platforms (UPSPs)

Achieving desired shearing performance on a low cost platform has been more difficult than expected, and this has led to both increased development costs and time slippage. However, good progress is now being made, with the Peak Hill UPSP commercial prototype completing field trials in May 2006. A smaller, lower cost and faster version of this UPSP has now been built and commenced field trials in July. Of the six UPSPs originally funded, three have been terminated as they have not met performance targets. The remaining two (SLAMP, WAUPSP) are currently undergoing field trials and are showing very good potential performance.

Industry feedback on the Peak Hill UPSP as well as the overall UPSP program has been positive, with interest being shown by woolgrowers intending to shear their own sheep, woolgrowers intending to share UPSPs amongst several properties as well as from small and large contractors providing a mobile shearing service. Cost and productivity will continue to be addressed to facilitate commercial success.

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wool production

Shearer training

AWI has committed \$3.9 million for the period 2004-07 to implement a national shearer and wool handler training program. In 2005/06, over 2,000 shearers and wool handlers received training under a range of programs in six states. An evaluation of the \$1.79 million spent in 2005/06 highlighted the significant achievement in areas such as regional coaching for shearers and the benefits of national consistency workshops, of which there were five nationally, with over 100 trainers attending. Wool handler training is one area that has been signaled as a challenge and to address this AWI is putting in place new initiatives such as one-day industry workshops which involve whole contractor teams. To help raise the standard of training, an Improver/ Professional shearing DVD and a Wool Handler DVD were produced and distributed.

Shearing shed guidelines

Shearing shed guidelines are now available through the AWI website. Information that was not readily available to the wool industry has been gathered together in an easy to use format to allow woolgrowers or shed builders to assess a range of ideas for improving OH&S and productivity in new or existing shearing sheds. Information is also available on how new technologies such as UPSPs will affect shed design. For those growers that don't have good web access a CD version is also available from AWI. It is planned to update the information throughout the coming year.

Education and adoption

Grower groups

The national network of state woolgrower groups has been progressively revamped. The new approach places a greater emphasis on the projects acting as a conduit for AWI projects as well as participants contributing part payment for the services they receive. AWI has successfully trialed a process to engage woolgrowers who have not otherwise been involved in group activity. The process is called "Facilitated Recruitment" and will be added to the suite of techniques that groups will use to engage woolgrowers. At the end of 2005/06, there were 2,227 woolgrowers involved in AWI funded groups across Australia.



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Scholarships

AWI again supported industry leadership programs including Nuffield Farming Scholarships, The Australian Rural Leadership Program, the DAFF Science and Innovation Awards, the DAFF Corporate Governance for Rural Women and the Leadership Opportunities for Rural Women Workshop. AWI continues to support the development of young researchers and skilled participants into the wool industry through awarding 15 new academic scholarships for commencement in 2006. These awards included five undergraduate, four Honours, four PhDs and two Post Doctoral Fellowships.

Sheep CRC undergraduate units

AWI has continued its support of the development of undergraduate units for students enrolled in livestock production and related courses across Australia. The units have been delivered through the University of New England, for their own students and also students from other universities across the country. AWI undergraduate scholarship recipients are also required to undertake two of the units during their degree. To date, the following subjects have been created with 214 students enrolling in the units since 2005: Sheep production; Applied animal nutrition; Sustainable agriculture; Meat technology; Wool biology and metrology; Wool marketing; Wool processing; Sheep meat production and marketing, and Genetic evaluation.

- 1 AWI's Shearing Shed Guidelines includes information about design elements, dimensions, technology, productivity and OH&S.
- 2 The Peak Hill Upright Posture Shearing Platform commercial prototype, which completed field trials in May 2006.
- 3 Recipients of AWI scholarships who aim to make a significant contribution to the future of the wool industry.

CASE STUDY



Shearer training

In response to woolgrower and wool industry concerns about shortages of appropriately skilled labour in the shearing industry, AWI has invested funds in a national shearer and wool handler training program.

Under the instruction of some of Australia's best shearers, the on-the-job training program is designed to refine techniques and skills, improving efficiency, work quality and occupational health and safety. In addition to shearer training, experienced wool classers and handlers are coaching wool handlers.

Shearing expert Karl Goodman is one of a number of the industry's best who have been enlisted by AWI to provide personal, on-the-job coaching to other shearers. Mr Goodman is passionate about his career and believes the shearer and wool handler training program is crucial for the industry's future.

"There is a chronic lack of new shearers entering the industry and through this training program we are trying to reverse that by showing young people considering a rural career that shearers are well-trained professionals and that there is a career path for them," Mr Goodman said.

"We are providing in-shed training where we go through their shearing gear, their technique, fitness, diet, even advice with taxation and superannuation."

"We want to support existing shearers with ongoing in-shed training to ensure the wool industry has a future of well-trained, professional shearers."

Karl Goodman, shearing expert

Top: Shearing trainer Karl Goodman (centre) demonstrating at a training day in Charleville, Queensland.



corporate affairs

The aim of AWI's Corporate Affairs portfolio is to deliver effective communication and reputation management between AWI and its key stakeholders. The group seeks to inform and influence:

- woolgrowers, so they better understand the value of what AWI does and are aware of R&D outcomes;
- Government, so it recognises the value of R&D for the Australian Merino wool industry; and
- users of Australian Merino wool (such as manufacturers and retailers), so they understand the benefits of Australian Merino wool and the value of new technologies and innovations.





Highlights

- Australian Merino wool was showcased by AWI supported designers in front of an audience of key influencers and decision makers at Mercedes Australian Fashion Week in Sydney.
- AWI was given a tick of approval for being accountable and transparent in addressing shareholder interests by receiving a Bronze Award at the prestigious Australasian Reporting Awards.
- More than 800 woolgrowers and industry representatives from across Australia participated in AWI forums during the year.
- AWI projects and initiatives gained widespread coverage in the rural, regional and metropolitan media, as well as the international textile and trade media.
- Visitor numbers to the AWI website increased by 45 per cent during the year to an average of over 1,500 visits per day.
- The 'Next Generation' group of leading young wool industry stakeholders was established to help build industry capability into the future.

Key outcomes and achievements

Communicating face to face to woolgrowers

Research shows that woolgrowers are receptive to and benefit from face to face meetings. Forums provide woolgrowers with information and outcomes from AWI-funded activities and practical information on improving the productivity and sustainability of their wool business. AWI hosted five major forums in 2005/06 that were attended by more than 800 woolgrowers and industry representatives:

- Information forum at the AWI Falkiner Memorial Field Station, Deniliquin, NSW.
- 'Pathways to Profit' forums at Goulburn, NSW and Hamilton, VIC.
- Joint AWI/MLA 'Making more from Merinos' forums in Broken Hill, NSW.
- Woolgrower forum and showcase prior to the AGM in Adelaide, SA.

AWI staff or Board members also presented at nearly 80 other industry forums and events internationally and around Australia during 2005/06. Product suitcases showcasing new AWI product developments and/or AWI display stands were on show at over 50 industry events.

Getting the message out through the media

Media is an important communication tool for AWI, and media releases, advertisements and television were used to gain widespread coverage for AWI projects and initiatives.

There was wide coverage in the rural and regional media, as well as in the metropolitan media, and international textile and trade media.



Research outcomes and publications

Publications provide woolgrowers with information on new products and practices to improve their on-farm productivity and profitability, and ensure that woolgrowers are made aware of initiatives and activities to increase the demand for Australian Merino wool. AWI's flagship publication *Beyond the Bale* was published five times during 2005/06 and distributed to over 27,000 shareholders and 1,000 other stakeholders. The publication was revamped during the year to give it a sharper focus, full colour and a new size.

The 2004/05 AWI Annual Report received a Bronze Award at the Australasian Reporting Awards (ARA) in June – the ARA Awards are the prime indicator of the quality of reporting by Australian organisations to their stakeholders.

A Product Catalogue of all AWI products and publications was published and distributed to shareholders in August 2005. Over 500 shareholders made requests for publications from the catalogue up until June 2006. Publications were also available on request from the AWI helpline on 1800 070 099, distributed at industry events and most are available electronically on the AWI website wool.com.au.



Communicating online with stakeholders

Woolgrowers are increasingly using the internet to access information and resources in their business. During the year, a new AWI website 'homepage' (wool.com.au) was implemented to provide a single point of entry to AWI websites and direct target audiences to relevant information. Visitor numbers to wool.com.au increased by 45 per cent during the year to an average of over 1,500 visits per day.

New online products have been produced, such as Shearing Shed Guidelines, and other online products have been revamped, such as the online wool pricing tool woolcheque.com.au.

Marketing of AWI websites has included a Google keywords campaign to increase search ranking, national advertising in rural publications, the production of a guide for woolgrowers and provision of online information and demonstrations at AWI events and forums.



- 1 AWI's flagship publication *Beyond the Bale* which was revamped this year.
- 2 An AWI product catalogue provided woolgrowers with information on and easy access to AWI's publications and reports.
- 3 Forums and events provide woolgrowers with an opportunity to ask questions of researchers and senior staff working in the wool industry.

AWI helpline – easy access to information

The tollfree AWI helpline – 1800 070 099 – provides woolgrowers and other stakeholders with easy access to information from AWI. The average number of calls to the AWI helpline during the year was 223 calls per month.

During 2005/06, the helpline was used for general information about AWI, company projects and programs (especially shearer training) and event registration.



Communication to the fashion and textile world

To help increase the demand for Australian Merino wool, AWI this year established commitments with some of Australia's leading fashion designers to help them get access to some of the newer, easy-care, next-to-skin Australian Merino wool fabrics. In return they are showcasing Australian Merino wool innovations to the decision makers in world apparel.

AWI supported four influential Australian fashion designers, Josh Goot, Jayson Brunsdon, Tina Kalivas and woolliwoolli at Mercedes Australia Fashion Week (MAFW) in Sydney – see case study on page 33. AWI held a fashion industry trade event during MAFW, designed to position AWI alongside local and international VIP fashion industry representatives. Over 250 key representatives attended the event, putting AWI in contact with potential future business partners.

The Australian Wool Fashion Awards were held in Armidale in March. The Awards, now in their 25th year, have become one of the most recognised fashion events in rural Australia, this year attracting nearly 400 applicants.

AWI Corporate Affairs also provided support to the AWI Product Marketing team at trade events such as the ISPO international trade fair for sports apparel, and product launches such as Red Island and MerinoActive.

Liaising with industry and Government

To help guide AWI's investment of the wool levy, it is important that AWI receives input on industry issues from industry organisation representatives and Government. State farmer bodies and industry representatives provided their input directly to key AWI staff and senior management at seven information exchanges held during the year at AWI Sydney offices and in presentations at their respective meetings. A group of leading young wool industry stakeholders – the 'Next Generation' – was established to help build industry capability into the future. This group met for the first time in October 2005 and consisted of woolgrowers, brokers, scientists, manufacturers and designers.

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AWI continued to take a leading role in the Wool and Sheep Industry Taskforce, which was formed to respond to the campaign by extremist animal rights groups against the Australian wool industry. During 2005/06, the Taskforce's global strategy to minimise the campaign continued to be vigorously applied to ensure a positive outcome for the Australian industry.

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- 1 The Merino Innovation website enables fashion designers and retailers to learn about the benefits of Australian Merino wool.
- 2 Fashion designer Josephine Nathan attended an AWI forum at Falkiner Memorial Field Station this year to explain to woolgrowers the role of fashion in the wool pipeline.

CASE STUDY



Merino at Mercedes Australia Fashion Week

AWI supported four influential Australian fashion designers, Josh Goot, Jayson Brunsdon, Tina Kalivas and woolliwoolli at Mercedes Australia Fashion Week spring/summer collections in Sydney.

Each collection showcased Australian Merino wool innovations, from Josh Goot's Merino wool viscose coated dresses to woolliwoolli's Merino wool/lycra blended bikinis, shifting Merino wool from its traditional boundaries in front of Australia's fashion and apparel industry leaders.

Mercedes Australian Fashion Week is an opportunity for buyers around the world to see the depth and diversity of the Australian fashion industry. Each of the four AWI supported designers picked up new local and international retail accounts as a result of MAFW.

For Josephine Nathan of woolliwoolli, Mercedes Australian Fashion Week was a confidence building exercise giving her the motivation to see a manufacturer to help take her garments to a wider audience.

"AWI has helped me make connections in the industry, so I'm talking to a manufacturer in Melbourne about helping me move to the next stage. To take on large contracts you have to be able to guarantee supply," she says.

"AWI has given me lots of opportunities to promote my product I may not have had and I'm just glad to be helping in showing just what Australian Merino wool can do."

Josephine Nathan, fashion designer, woolliwoolli

Top Fashion leaders such as woolliwoolli showcased stunning designs using Australian Merino wool at April's Mercedes Australian fashion Week in Sydney.

product development

The aim of the Product Development portfolio is to develop innovative products made from Australian Merino wool, based on proposals developed collaboratively in business-to-business relationships with textile manufacturers and retail partners.

The group works with research organisations in targeted science to develop new and improved products for the fashion apparel, sportswear and other markets. The group also works to develop new fundamental knowledge about the properties of wool fibre, and develop processes that may lead to new Merino fibre yarns and fabrics.







Key outcomes and achievements

Fine ends wool launched at Pitti Filati

Fine ends yarns and knitwear were launched by high profile spinner Zegna Baruffa at the Pitti Filati fashion and trade show. The spinner is a driver of fashion in knitwear and has worked closely with AWI and the Department of Agriculture Western Australia to launch yarns that are naturally softer due to careful wool selection. A major feature of Pitti Filati was the media event surrounding the launch which is being heavily sampled and styled by retailers to be on shelves in the northern 2007 winter.

Designed for use in underwear, t-shirts and next-to-skin evening wear, fine ends wool will help re-define the use of wool in the textile industry. The response from consumers during testing was extremely positive, with 8 out of 10 females and 9 out of 10 males finding it more comfortable against the skin than comparable wool fabrics.

Whitening wool and wool blends

Through research funded by AWI during 2005/06, CSIRO Textile and Fibre Technology and US specialty materials company Rohm and Haas adapted a paper-bleaching method to whiten wool and wool-blends. The new process delivers 10 to 20 per cent better results than existing bleaching processes with no additional fibre quality damage. The work has been a two-pronged approach: pure wool work was undertaken first, followed by wool-blend research. The pure wool process has been tested commercially by DPK in Sydney and Australian Country Spinners in Wangaratta. Wool-blend testing is also underway.

Softwool to hit retail shelves

The development of a special 'Softwool' yarn is set to have sweaters on the shelves of major international retailers in time for the upcoming 2006 northern hemisphere winter. AWI's commercial partners in the project are Chinese companies South Ocean Knitting, which is the world's largest knitwear manufacturer, Novetex, which is one of the world's major spinners and Reward Ningbo, China's largest top maker. The softwool yarn has been developed by treating post scoured/carbonised wool with a softening agent called Basolan that was traditionally only available for worsted knitwear yarns.

Highlights

- The use of Australian Merino-based fabrics in sports and activewear was highlighted at ISPO, the world's leading international sportswear tradeshow, with the objective of building Australian Merino wool's share of the US\$50 billion per year sportswear market.
- A new blended fabric 'MerinoActive' containing 35 per cent Australian Merino wool blended with polyester was launched by AWI and Chinese manufacturer Haitian Textile Group.
- Long drying times for Merino wool knitwear are a feature of the past due to 'Quick Dry Merino' developed by AWI and CSIRO – the product is being taken up by sports brands for release in stores in the winter of 2007.
- High-twist 100 per cent Australian Merino suits, which are cooler than traditional wool suits and have better 'breathability' and stretch, were developed and launched in Japan.
- Researchers have adapted a paper-bleaching method to whiten wool and wool-blends with 10 to 20 per cent better results than existing bleaching processes.
- AWI's 'Wool on the Web' website – www.woolontheweb.com.au – has proved valuable to the global apparel textile and garment industry during 2005/06.



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Merino 'cool' suits launched

High-twist 100 per cent Merino suits, which are cooler than traditional wool suits and have better 'breathability' and stretch, were developed by AWI and commercial partner Nippon Keori Kaisha – one of Japan's biggest spinner and weavers – and launched by Japanese retailer Aoyama. The suits have been made using high-twist yarn, manufactured with a relatively high number of turns per inch. The high-twist suits are the first stage in a project, started in September 2005, to develop cooler suits. Using a ceramic filament in the yarn structure, AWI, Nippon Keori Kaisha and Aoyama are working together to create a yarn structure to make wool even cooler and able to 'breathe' even better.

Keeping garments fresh for longer

A new technology 'Nano-Tech AB' offers a unique solution to bacterial growth and keeping garments fresh for longer. Fine silver dust, in the form of nano size particles, is applied to sliver, yarn or finished garments. The silver particles bond strongly to Merino fibres without the need for binders. The end result is a permanent anti bacterial finish that lasts for the life of the garment. Scientific tests have demonstrated that Nano-Tech AB is associated with a 99.9 per cent reduction in the growth of *Staphylococcus aureus* and *Klebsiella pneumoniae*, two of the most common harmful bacteria for humans. The technology is ideal for next to your skin garments such as socks, sports underwear, men's polo shirts and women's knitwear.



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Washed out effect for the young fashion market

While natural fading may be something that has traditionally been avoided, the 'washed out' effect is increasingly sought after by apparel brands aimed at the young fashion market. Testing has shown that washed out effects are possible in dyed knitted wool fabrics. A range of different procedures using enzyme treatments on dyed fabrics are now in progress to perfect that naturally faded look. The end result will be a fabric that will wash out and resist rubbing while at the same time delivering the softness and touch of Australian Merino wool.

- 1 Resources are being provided to wool processors to help them use Australian Merino wool.
- 2 AWI is funding the development of whiter, brighter and more colour-stable wools.
- 3 An example of 100 per cent Australian Merino sportswear developed and marketed by AWI.

CASE STUDY



MerinoActive, a new light wool-blend fabric

AWI and Chinese manufacturer Haitian Textile Group launched in March 2006 a new blended fabric 'MerinoActive' containing up to 35 per cent Australian Merino wool content (21 to 22 micron) blended with polyester.

Haitian president Qiming Wang is enthusiastic about the opportunities Australian Merino wool offers his business.

"The Chinese synthetic fleece market is very crowded and competitive. MerinoActive, with the wool content, will give us a point of difference, improve quality and provide a new marketing point for us," Mr Wang said.

"The same polyester garment needs to be a lot thicker to provide the same warmth as the Merino wool-blend garment."

He said MerinoActive will initially be targeted at the outdoor clothing market, with further opportunities in accessories, linings and bedding for the hospitality sector.

The Chinese manufacturer, which produces about 18 million kilograms of synthetic fabric and four million garments a year, hopes to ultimately incorporate Australian Merino wool into 10 per cent of its products.

Product developers, designers, fabric buyers and key trade media were among the guests who attended the MerinoActive fabric launch in March 2006 at the Intertextile international trade show in Beijing.

"We hope to have an opportunity to work with AWI on many projects in the future"

Mr Qiming Wang, President of Haitian Textile Group

Top: The launch of Haitian's new MerinoActive range in Beijing, China.



Modern Merino with the vintage look

By using a range of 'neps' (small knots of tangled fibres) and 'slubs' (uneven yarn), we can now change the way Merino fabric looks and feels, from small spots of colour and texture through to larger bolder spots of colour and even more irregular texture, giving the fabric a 'vintage' look and feel. To make this new fabric we randomly incorporate long-tail neps to shrink and melt bond fibre and then subject this yarn to heat treatment. This has the effect of contracting the yarn to incorporate the nep area, providing a unique aesthetic and textural effect.

Quick-drying Merino wool

A new quick-drying Merino wool fabric is about to remove another perceived advantage of synthetics over wool and give clothing manufacturers further incentive to include Merino wool in their products. Quick Dry Merino (QDM) repels water and dries at the same rate as, or faster than, polyester and acrylic knitwear. It holds only one third as much water after washing, and drip-dries in a third of the time. QDM was developed and commercialised in under six months by researchers at CSIRO Textile and Fibre Technology with funding from AWI. The fabric gets its hydrophobic properties from a polymer application originally used as a stain blocker.

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Non-wovens weave their way into China

AWI is developing non-woven, wool-blend skincare cosmetic pads and garment interlining in partnership with China's leading non-woven manufacturer, Xinlong. Man-made fibres such as viscose are normally used in a blend with cotton to make cosmetic pads, but the new product uses 18.5-micron wool blended with viscose. Natural products often have appeal compared with man-made fibres, while wool-blend products can be gentler on sensitive skin. After commercialisation of the cosmetic pads, AWI will continue working with Xinlong on non-woven, wool-blend interlining for apparel.

Technical support for wool processors

AWI's 'Wool on the Web' website (www.woolontheweb.com.au) has proved valuable to the global apparel textile and garment industry during 2005/06. With a doubling of visitors from January 2006, a global audience and ever increasing information for wool processors, 'Wool on the Web' is the resource many key players in this vital area have been demanding. The website recorded over 35,000 hits during 2005/06. 'Wool on the Web' provides professional technical information on processing Australian Merino wool, how to purchase Australian Merino wool and has links to key vendors plus a free limited technical support service. A Chinese language version of the site (www.woolontheweb.com.cn) is also available.

Arresting technical skills shortage

AWI joined forces with the International Fibre Centre, the Australian Wool Education Trust and CSIRO to design a unique wool industry training program. The program will be piloted at the Australian Wool Textile Training Centre – to be established at CSIRO's textile division in Geelong – in September 2006 and 2007. Courses offered will include: buying and exporting Australian wool, advanced quality management systems – from fleece to fabric, contemporary wool dyeing and finishing, mill management practices – managing a modern wool textile enterprise, and Australian wool – knowledge for designers and retailers. For further information on the courses, visit www.awttc.com.au or www.awttc.com.cn (Chinese language).



- 1 2 3 AWI is putting a lot of effort into getting Australian Merino a slice of the US\$50 billion a year sportswear market.
- 4 AWI attends international trade shows to showcase the versatile properties of modern fabrics made from Australian Merino wool.

CASE STUDY



Merino hits the sportswear market

AWI's goal of re-entering the synthetics-dominated sportswear market moved a step closer with the exhibiting of its new Merino-based sportswear innovations at ISPO, the world's leading international sportswear tradeshow.

Major sportswear and manufacturing brands – such as Adidas, Nike, Helly Hansen, North Face and Gortex – attended the exhibition in Munich, Germany, making it the ideal location to launch the new fabric range.

The sportswear exhibited by AWI was made from blends of 55 to 100 per cent Merino wool. With the help of Australian industry partners, AWI showcased a concept range for women and men, including next-to-skin base layers, medium layers plus outerwear hooded tops.

The Merino range meets key demands for temperature and moisture management, while retaining specific key elements in sportswear products such as lightweight feel, stretch and compression.

Merino also has good UV protection, anti-odour properties, the ability to act as a thermal buffer and a natural feel that other fibres can find difficult to match – all important qualities for outdoor pursuits.

Wool is traditionally associated with dark, winter colours but we now have the opportunity to challenge those traditions and offer Merino products in brighter shades, ones which are able to compete with other fibres and allow us to enter spring and summer sports markets.

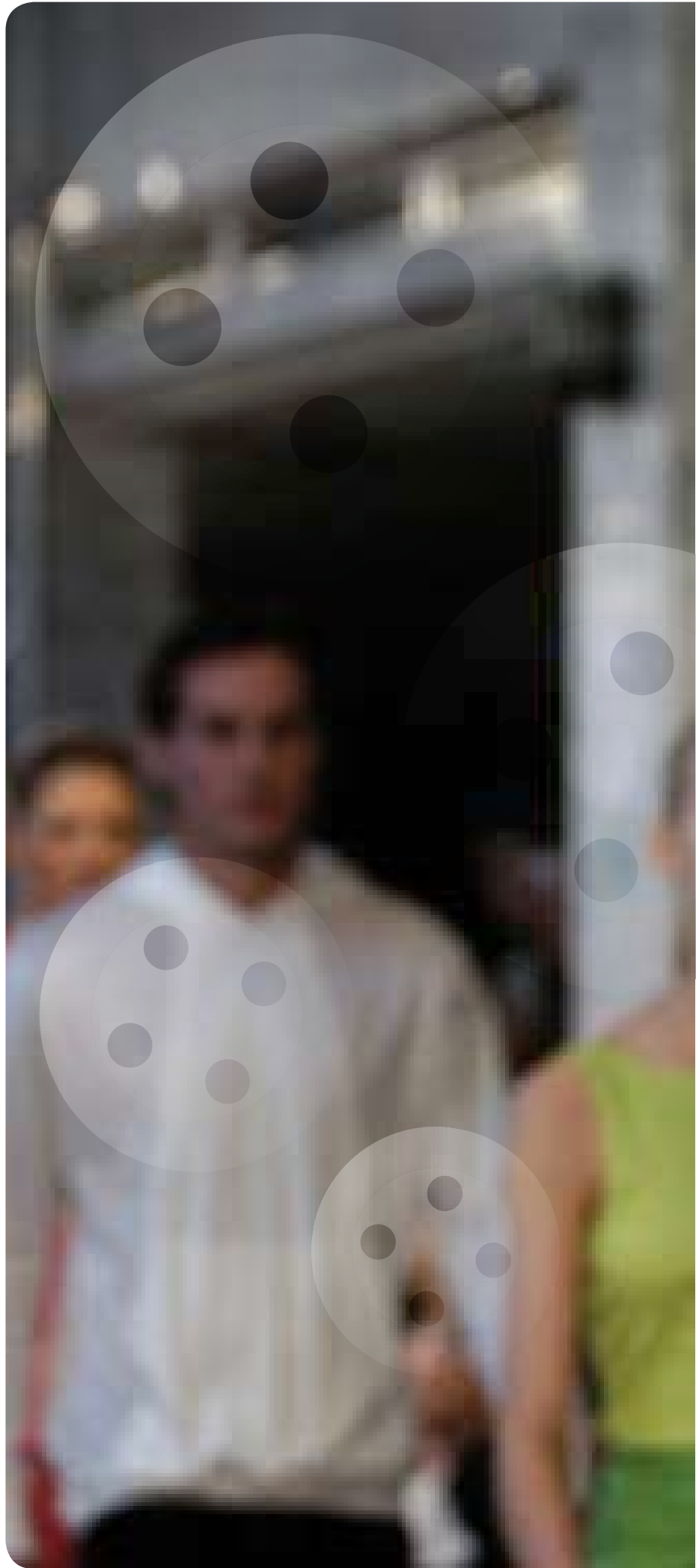
"The market for sportswear is huge; about US\$50 billion a year, and what is 'cool' for sports heroes eventually filters down to mass-market fashion."

Top: Plenty of interest was shown in AWI's new Merino-based sportswear innovations exhibited at ISPO, the world's leading international sportswear tradeshow.

product marketing

The Product Marketing portfolio provides a vital link between the research and development chain and the market by forming direct business relationships to commercialise wool innovations and build the demand for Australian Merino wool. This group manages AWI's global network which provides the in-country presence required to deliver on the above objective.

AWI also plays a key role in working with industry and Government to increase market access into Australian wool/textile importing countries, and providing shareholders and industry with the latest market information.





Highlights

- The machine washable wool-blend suit was launched in China by AWI and the Heilan Group, with a sales target of 100,000 per year after two years.
- A range of new fabrics was showcased by AWI at one of China's largest textile trade fairs 'Spin Expo', including new super soft and lightweight fabrics, together with a polyester/wool blend fabric.
- AWI opened new overseas offices to help it develop direct business relationships with manufacturers, retailers and designers operating in key markets.
- AWI's merinoinnovation.com website was launched to help the global apparel industry to use Australian Merino wool and AWI innovations.
- In collaboration with retailer Purely Merino, AWI launched a new range of Australian Merino wool clothing designed to cater to the needs of travelers.
- A new AWI China Free Trade Committee was established and met with China's key government and wool industry representatives to elevate the importance of wool in the negotiations between the two countries.

Key outcomes and achievements

New strategically located AWI offices

AWI opened new offices in Shanghai and Hong Kong in China and in New Delhi, India to help it develop direct business relationships with manufacturers, retailers and designers operating in the key markets. Shanghai is the hub of China's textile and apparel manufacturing industry, while India is a major emerging market. The establishment of these offices is part of AWI's strategy to put an increased focus on the commercialisation and marketing of Australian Merino wool products with global business partners. The aim of this strategy is primarily to increase the global demand for Australian Merino wool.

Purely Merino range launched

AWI in collaboration with retailer Purely Merino launched a new range of Australian Merino wool clothing – labelled 'Red Island' – designed to cater to the needs of travellers. Made from Australian Merino wool, Red Island capitalises on the quick dry, lightweight nature of the fibre. The range includes men's and women's t-shirts, polo shirts and zip front heavyweight tops and will join the existing range of Merino wool items available in Purely Merino stores. The Red Island range is the result of a direct business relationship, which coupled with product development delivers results for the consumer and, ultimately, the Australian woolgrower.



India emerges as a significant new market

AWI worked with Indian manufacturers on a range of new products, such as easy-care shawls and suits and linen-blended suits, to appeal to the rapidly changing demographics and economic growth in India. Through its partner in India, AWI released the first easy-care shawls – about half of India's existing shawl production is expected to convert to easy-care production. Working with Jayashree Textiles, one of India's leading linen clothing manufacturers, AWI created a 50:50 wool/linen fabric, ideal for men's and women's clothing. A machine-washable suit, being developed with Indian manufacturer Madura Garments, will be targeted at the sub-continent's growing middle class.



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Total easy care knitwear into northern hemisphere

Two major retailers in the United States began selling a new easy care women's woollen knitwear range, and it is anticipated another five US retailers will be doing the same by the 2006/07 US autumn/winter. AWI also targeted Japan, working directly with retailers such as Ito Yokado – the second largest of Japan's superstore chains with annual apparel turnover of more than US\$1.5 billion – as well as the knitter Mabuchi Sen'I and spinner Toa Boshuoku Co, to get easy-care knitwear into stores for their 2006/07 autumn/winter, and targeting the very lucrative school uniform market.

Showcasing Australian Merino online

AWI's merinoinnovation.com website was launched to help the global apparel industry use Australian Merino wool and AWI innovations. The website was designed to educate the industry about the attributes of Australian Merino wool and to show how it could be used to develop new and exciting products. The response to the website from retailers and manufacturers has been positive. The site features AWI's innovations and projects, technical and scientific information about Australian Merino wool, the latest fashion news and a trade directory. There are also testimonials from designers and manufacturers who AWI is working with to introduce Australian Merino wool into their range.

- ① Australian Merino garments are available from Purely Merino stores at international airports.
- ② An AWI-supported Wool 2006 fashion show in New Delhi, India.

CASE STUDY



Washable wool-blend suits launched

China's fashion-smart young professionals will be enticed into wearing more Australian Merino wool through the adoption by one of China's largest clothing manufacturers – the Heilan Group – of new Australian machine-washable technology for wool-blend suits.

The technology behind the suits was funded by AWI and taken to China in 2005 as part of AWI's business-to-business strategy aimed at building demand for Australian Merino wool. Chinese movie star Yin Xiaotian launched the suit at Heilan Home stores in December 2005.

Heilan has now started selling a 50:50 wool:polyester machine-washable suit with a sales target of 100,000 per year after two years.

For Heilan Home president Chen Furong, the AWI technology transfer enables the group to "open up a new page in garment-making history".

Mr Furong said the suits are a significant step for the retail market and collaboration with AWI provided Heilan with a technological edge. "By selecting special accessories, and improving the fabric and processing techniques, the problem of suit deformation and wrinkle after washing has been solved."

AWI has provided market support for the Heilan suits, including point of sale material such as swing tags and in-store posters.

Heilan has decided to also produce a lighter-weight wool blend range of suits for the spring season.

"Through technical co-operation with AWI, the dream of easily washing suits in a washing machine has now become a reality."

Mr Chen Furong, President of Heilan Home

Top: The launch of the Heilan Group's machine-washable wool-blend suits in China.



Chinese woven fair a hit for AWI

AWI made its and Australian Merino wool's presence felt in the international textile world by exhibiting for the first time at China's largest woven trade fair 'Intertextile' in October 2005. This follows the company's first exhibition at China's largest spinning trade fair 'Spin Expo' in September 2005 (see Case Study on page 19). The Intertextile trade fair, with 1,530 exhibitors from 25 countries, gave AWI and Australian Merino wool incredible exposure to the world's leading textiles companies. Hundreds of delegates visited the AWI stand; as a result new contacts were made and new business generated.

Test marketing campaign

AWI joined forces with the International Wool Textile Organisation (IWTO) and committed to a major test marketing campaign for Merino wool, developed by Australian Wool Services (AWS). AWI will fund up to US\$3.4 million, matched by the IWTO through commitments from processors and other producer countries. This will be an important test case as to the benefits that can be captured for Australian woolgrowers from targeted international marketing. The program is targeting the large and significant United States market.

IWTO and AWI – as the two cash sponsors of the test marketing campaign – retain full management control of the project and determine the allocation of all resources for the campaign. AWS, who helped IWTO develop the concept proposal, was contracted to provide services for the test marketing campaign.

Seminars lift profile of Australian Merino in key Asian markets

In a bid to improve demand for Australian Merino wool in China, AWI conducted a series of education and training seminars for Chinese textile manufacturers. This followed the success of the company's first ever seminar and training workshop held in Hong Kong in October 2005 that was attended by 130 delegates from major knitting companies, US, European and Japanese buying houses and yarn suppliers.

Liaison between overseas buyers and Australian industry

AWI made itself available to smooth the progress of meetings between visitors from overseas textile manufacturers and the Australian Merino wool industry. For example, AWI was on hand in February 2006 to facilitate meetings between a team from the Chinese Zhejiang Xiniao Group and Australian knitters, allowing the Chinese to gain a better understanding of the Australian market. The Group consumes 10 million kilograms of Australian greasy wool a year, with top-making production at 8 million kilograms and spinning 5 million kilograms.



3



China free trade negotiations

Freeing up trade between Australia and China would result in significant benefits for the wool industries in both countries, according to a report released by AWI in 2005. AWI commissioned the report to investigate the impact of an Australia-China Free Trade Agreement (FTA) on the industries. The report by ITS Global found both countries would benefit because the industries were complementary and there was little competition between the wool types produced. The report found that freeing up trade to China could increase Australia's wool exports by 20 per cent above expected increases in trade without an FTA, lifting farm income by up to seven per cent and employment in the wool industry by as much as 13 per cent.

FTA negotiations between Australia and China have not formally begun, but AWI worked closely with the Australian Government to ensure the industries in both countries understand the benefits of an FTA. The report's findings were released at the official launch of AWI's China Free Trade Committee that was formed to elevate the importance of wool in the negotiations. The independent committee represents all interests across the Australian wool industry and is headed by AWI Deputy Chair Brian van Rooyen. The Committee met regularly with China's key government and wool industry representatives.

Global design students educated about Merino

Fashion and design students from Europe, China and Australia converged in Victoria and NSW in August 2005 to get a first hand experience of the Australian Merino wool industry. The students from renowned design schools in both Australia and abroad were invited on the tour to experience every aspect of the wool pipeline from woolgrowing to product commercialisation. This Global Pipeline Tour represented a great opportunity for AWI to develop long-standing relationships with the next generation of fashion designers.

Online wool pricing tool

AWI's online wool-pricing tool Woolcheque (www.woolcheque.com.au) was given a facelift, making it even easier for woolgrowers to independently price their wool clip. The new look and feel resulted in an online resource that is intuitive, simple to use and effectively delivers auction market data based on the latest daily or historical wool prices. Download times are faster – an important consideration for those with a slow internet connection. The refreshed look is proving to be popular among woolgrowers. After its launch in May 2006, visits to the site increased by 40 per cent.

- 1 AWI-Cerruti Fashion Design Competition winner Rhee Hye-Rah (left) from Korea, with her winning design and world renowned fashion designer Nino Cerruti (right).
- 2 The washable wool suit was widely marketed in China during and following its launch there by the Heilan Group.
- 3 Total easy care knitwear is putting Australian Merino wool back onto the shelves of retailers around the world.

CASE STUDY



AWI fabrics and yarns debut at Spin Expo

AWI joined some of the most influential players in the global wool industry in September 2005 at one of China's largest textile trade fairs 'Spin Expo'. Spin Expo 2005 was the first time AWI had participated in a trade exhibition and was part of the company's push to build alliances with key manufacturers and retailers in China.

With more than 135 local and international exhibitors on show, Spin Expo drew more than 6,000 trade visitors over the three days in Shanghai.

This was a great chance to talk to a range of companies about getting AWI's innovations to the marketplace.

A range of new fabrics was showcased by AWI at Spin Expo, including new super soft and lightweight fabrics, together with a polyester/wool blend fabric.

The samples were there to give potential business partners an idea of what AWI could do for them. Our message was that we can work with manufacturers and retailers to help them develop new, improved yarns and fabrics.

China is Australia's largest customer for wool, but more importantly it is the world's powerhouse for apparel manufacturing.

"Spin Expo was about creating new business opportunities for AWI to build demand for Australian Merino wool."

Top: AWI Product Marketing General Manager Pascal Senkoff explaining Australian Merino wool innovations to the Chinese media at Spin Expo – one of China's largest textile trade fairs.

good business

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Managing our R&D strategically

Accelerating the delivery of products and services

AWI refocused its business during the year to accelerate the delivery of products and services to the Australian woolgrower and global apparel business.

The most significant changes were to the former AWI portfolios of *Textile Technology* and *Trade Development* as AWI moves to an apparel product delivery model. The two portfolios were refocused and renamed under the titles of *Product Development* and *Product Marketing*.

We have been progressively changing the business/commercial culture of the off-farm part of the company from "R&D" to "Australian Merino apparel development and marketing". This has been done by working closely with the retail industry, recruiting experienced staff from that sector and aligning our activity with the apparel development calendar. This change is being driven through our global network in China, United States, Italy, Hong Kong and India.

A brief description of the new business model is as follows:

- We work with the apparel industry to develop innovative Merino wool products that they would not otherwise easily obtain.
- The products we develop add value to the apparel industry because they capitalise on the unique characteristics of Australian Merino wool.

- We provide support for product development and product marketing.
- We will establish a business-to-business brand that conveys AWI's value proposition and the value of Australian Merino to the apparel industry.

The *Wool Production* portfolio is the most mature of the portfolios and has largely been unchanged. It has continued to drive innovation into the woolgrower business through genetic improvements, business tools, management programs such as Land Water and Wool and the ever important mulesing and wool harvesting alternatives.

Revised set of programs:

The following programs will guide AWI investment into the future:

Product Development:

Knitwear

Wovens

Non-apparel

Wool Science, Processing and Education

Product Marketing:

B2B Product Marketing

Supply Chain and Trade Development

Wool Production:

Sustainable Production Systems

Animal Health and Welfare

Sheep Productivity

Special Project: Wool Harvesting

Corporate Affairs:

Stakeholder Communications

Marketing Communications

Fashion Communications

Industry and Government Relations

Collaboration with other R&D organisations

On-farm

Forming relationships and collaborating (financially and intellectually) with other R&D organisations on projects continued this year to ensure we deliver the best return for Australian woolgrowers.

During 2005/06, AWI was involved in collaborations with research bodies including rural research and development corporations (RDCs), government departments of agriculture, CSIRO, universities and commercial partners.

AWI partnered with MLA during the year to conduct a 'Making more from Merinos' forums in Broken Hill – attended by over 60 sheep producers and woolgrowers.

Collaborations in which AWI made a significant co-investment during the year included:

- the Sheep Genomics program, with MLA and nine other partners aiming to discover sheep genes and their functions, and to provide new tools to producers;
- Sheep Genetics Australia with MLA which will allow breeders to achieve higher rates of genetic gain in their flocks;
- the Land, Water & Wool natural resource management program with LWA;
- the Invasive Animal CRC to continue R&D on a new toxin for the control of feral dogs and foxes, and to keep the number of rabbits low with MLA;

- the Meat and Wool New Zealand financial contribution towards Australia's push to make shearing and wool handling easier, safer and more efficient;
- Pasture Australia, a new investment in pastures with MLA, Dairy Australia, GRDC and the Rural Industries Research and Development Corporation;
- the EverGraze project to help producers in the high rainfall zone develop new farming systems, with MLA;
- the development of new pasture legumes through National Annual Pasture Legume Improvement Program (NAPLIP), with the GRDC, CSIRO, five state departments of agriculture (Qld, NSW, Vic, SA and WA), and the Universities of Adelaide and WA; and
- Grain & Graze, a research and extension program for mixed farms in southern Australia with MLA, GRDC and LWA.

AWI is collaborating with numerous organisations on projects to combat flystrike, such as the injectable replacement to mulesing project with organisations including Medical International Technologies (Canada) and the University of Adelaide. Other projects include the blowfly genome project with the University of Melbourne and Massey University (NZ), biocontrol methods for blowfly control with the Department of Primary Industries and Fisheries Queensland, and integrated parasite management with the University of New England, Department of Agriculture and Food Western Australia, the

University of Melbourne and the Department of Primary Industries and Fisheries Queensland. For further details, see AWI's *Battling the blowfly* Insight factsheet.

Off-farm

As has been outlined throughout this annual report, a key strategy of AWI has been to work directly with key apparel companies around the world to increase the demand for Australian Merino wool. AWI has the textile technology and market know-how to help apparel companies get an edge in the marketplace with Australian Merino wool.

We are targeting leading and influential companies in the key markets – in the processing and manufacturing powerhouse of China, in the influential trend setting centres of Europe, in the global retail brand and sportswear hub of the US, in emerging markets such as India, and in the world knitwear centre of Hong Kong.

We are building partnerships with these companies, the decision-makers in world apparel, and encouraging them to take-up new Australian Merino fabrics, yarns and products that will give their business an edge, which can only be good for Australian Merino producers.

The Woolmark Company (TWC) is often a key participant in AWI projects and received funding from AWI during 2005/06 on a range of projects to help get wool to the world. TWC also provided market intelligence services to AWI such as the Review and Outlook for Fine Wool and Mid-Micron and Broader Wool, which are available free to AWI shareholders.

AWI also collaborated in 2005/06 with scientists, researchers and companies in fundamental wool science and new wool processing technologies to improve efficiency and the quality of the end product. These organisations included CSIRO, Canesis in New Zealand and the German wool research institute Deutsches Wollforschungsinstitut (DWI). Research in fundamental wool science underpins a whole range of technical developments in wool processing and textile design.

The China Australian Wool Innovation Network (CAWIN) initiative established by AWI and Deakin University to build wool textile technical expertise in China continued. The annual enrolment on wool programs at the five CAWIN universities by undergraduate students increased from 50 in 2003 to 128 in 2006, and masters students from 18 in 2003 to 52 in 2006.

Intellectual property

Intellectual Property (IP) as generated through AWI-funded research and development is an important company asset, and AWI's primary objective is to apply its IP for the maximum benefit of Australian woolgrowers, which requires its rapid and widespread adoption and/or commercialisation.

Revenue from IP is not a priority for AWI, but when projects do generate revenue, AWI expects to receive royalties in proportion to its investment. Royalty income contributed \$585,450 to AWI in 2005/06.

During 2005/06, AWI acting solely or jointly with various research partners, lodged or acquired five patents, seven trademarks and abandoned two patents. A table of registered IP which is owned by AWI or in which AWI has an interest is included as Appendix C on page 108.

It is at the point where AWI's IP is delivered to the market that Australian woolgrowers' get the most benefit. AWI signed during 2005/06 the following 10 commercial contracts relating to industry partnership/licensing of research outcomes:

- Chlorine-free continuous shrink-resist treatment for wool loose stock and tops
- Novel self twist yarns using modified false twist spinning techniques to develop a range of knitted and woven apparel products
- Performance-plus protective clothing made from mid-micron Australian Merino fibre
- Commercial application for transfer of easy care oven bake technology for wool blend trousers
- Light weight, low pilling woollen knitwear by using PVA (polyvinyl alcohol) and compact yarn
- Australian Merino range of products that caters for the leisure/travel market in conjunction with Purely Merino
- A software package for an integrated web based wool supply chain management system that links all segments from woolgrower to brand managers
- The exploitation of rota-shear for the production of spare parts and consumables
- Novel knit fabric development and commercialisation – the development and commercialisation of a range of novel, low cost, wool-rich fabrics based on patented technology
- Performance-plus introducing new finished, fibre blends and chemical applications to wool to add value and exceed the requirements of the military, corporate, institutional and industrial sectors.

Responding to Australian Government priorities

Addressing Government challenges

The Australian Government is a major investor in the wool industry by providing statutory levy collection power plus taxpayer funds. The Australian Government has put the following six challenges to all R&D Corporations (RDCs) including AWI:

Is the RDC maximising R&D benefits to the industry?

Despite AWI being a relatively young RDC, during the past year we have delivered significant R&D results to woolgrowers by providing them with new products and practices to improve their on-farm productivity and profitability. Equally, we have been working with over 50 leading global apparel manufacturers, retailers and fashion designers to get more wool products into global markets to increase the demand for wool.

Is the RDC maximising adoption of R&D by the industry?

During the past year, as R&D projects started two to three years ago increasingly began to reach commercialisation stage, AWI refocused its business to accelerate the delivery of products and services to the Australian woolgrower and global apparel business. We continued to facilitate the adoption of R&D outcomes by woolgrowers through initiatives such as the national network of state grower extension programs.

Is the RDC working closely with other RDCs?

We continued our relationships and collaboration, financially and intellectually, with other R&D organisations during the year, including other RDCs such as Meat and Livestock Australia, Land and Water Australia and the Grains Research & Development Corporation – see the *Collaboration with other R&D organisations* section on page 36.

Is the RDC improving its current practices?

A major focus of the year for AWI was the continued refocusing of our programs to help ensure that the products and outputs from our textile related R&D projects get to market and increase the demand for wool. In the wool production area, we continually sought ways to create new on-farm solutions for woolgrowers to use on their enterprises. We also put in place a range of measures to improve our internal practices during the year such as improved project management.

Is the RDC communicating effectively with Government and industry?

We continued our positive relationships with those in Government and industry that influence wool industry policy, by meeting face-to-face, attendance at events and timely distribution of newsletters and other communications – see the report on the Corporate Affairs program on page 28.

Is the RDC the best model for Government and industry investment?

AWI is delivering significant outcomes for the wool industry. This is recognised by Australian woolgrowers who delivered a clear mandate for the continuance of wool R&D at WoolPoll 2003 in November 2003. Woolgrowers voted by a strong majority for continuation of the two per cent wool levy. This result has provided for a solid investment in the future of the Australian wool industry and we are confident that woolgrowers will continue to provide a firm endorsement of wool R&D at this year's WoolPoll.

Programs undertaken by AWI during 2005/06 aligned to the NRPs and RRDPs

National Research Priorities (NRP)	An Environmentally Sustainable Australia	Promoting and Maintaining Good Health (strengthening Australia's social & economic fabric)		
Rural Research & Development Priorities (RRDP)	Sustainable Natural Resource Management	Improving Competitiveness through a Whole of Industry Approach	Maintaining & Improving Confidence in the Integrity of Australian Agricultural, Food, Fish and Forestry Products	Improved Trade and Market Access
Textile Technology portfolio (now known as Product Development portfolio)				
Fundamental Wool Science				
Processing of Merino Fibre				
Merino Fibre in Fashion Markets				√
Merino as a Performance Fibre				√
Trade Development portfolio (now known as Product Marketing portfolio)				
Market Information		√		√
Market Development		√		√
Trade Access		√		√
Wool Production portfolio				
Profitable Grazing for Wool Sheep	√	√	√	
Natural Resource Management	√			
Animal Health and Welfare			√	
Molecular Genetics				
Applied Genetics and Wool Quality		√		
Wool Harvesting				
Education and Adoption		√		
Corporate Affairs portfolio				
Communications – Corporate		√	√	
Communications – Fashion/Retail/Trade		√	√	√
Industry Affairs		√	√	

Frontier Technologies for Building and Transforming Australian Industries		Safeguarding Australia
Use of Frontier Technologies	Creating an Innovative Culture	Protecting Australia from Invasive Diseases and Pests
√		
√		
√		
√		
	√	
		√
√		√
√		
√		
√		
	√	
	√	
	√	

Alignment to research priorities

The Rural R&D priorities (RRDPs) assist Research and Development Corporations to achieve the objectives of the *Primary Industries and Energy Research and Development Act 1989*.

These priorities provide specific guidance on issues of strategic significance to rural industries.

These priorities are consistent with and reflect the Government's National Research Priorities (NRPs) that were announced by the Prime Minister on 5 December 2002.

This table summarises how the programs undertaken by AWI during 2005/06 align to the RRDPs and the NRPs. Some AWI programs are aligned to more than one NRP and RRDP.

Corporate review

Corporate governance

The AWI Board believes that a strong corporate governance culture throughout AWI enhances performance and maximises the Company's ability to achieve its primary mission of increasing the long-term profitability of Australian woolgrowers.

Where appropriate, the Board has adopted the Australian Stock Exchange (ASX) Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations. While these ASX Corporate Governance Principles are not binding on AWI as an un-listed public company, the AWI Board is committed to adopting them in broad terms as befitting a not-for-profit company.

The Board approved 30 June 2005 a Corporate Governance Statement which details AWI's, position in relation to the following 10 core principles contained within the ASX Corporate Governance Principles:

- **Principle 1:** Lay solid foundations for management of oversight
- **Principle 2:** Structure – The Board to add value
- **Principle 3:** Promote ethical and responsible decision making
- **Principle 4:** Safeguard integrity in financial reporting
- **Principle 5:** Make timely and balanced disclosure
- **Principle 6:** Respect the rights of shareholders
- **Principle 7:** Recognise and manage risk
- **Principle 8:** Encourage enhanced performance
- **Principle 9:** Remunerate fairly and responsibly
- **Principle 10:** Recognise the legitimate interests of stakeholders

AWI's Corporate Governance Statement is available on the Company's website www.wool.com.au.

AWI's corporate governance obligations are found in:

- AWI's Constitution, approved by shareholders, 21 November 2003
- Statutory Funding Agreement, 31 August 2004
- Corporate Governance Policy, approved by the Board, 17 June 2004
- Code of Conduct – Obligations to Stakeholders, approved by the Board 17 June 2004, amended 24 May 2006
- Board Charter, approved by the Board, 17 March 2005
- Code of Conduct – Directors and Officers, approved by the Board, 17 March 2005
- Charters of the Committees of the Board, approved by the Board, 17 March 2005
- Communications Strategy, approved by the Board, 16 February 2006
- Rules and Procedures governing election of Directors, approved by the Board 17 February 2005, amended 24 May 2006
- Financial Authorities, approved by the Board, April 2005.

Corporate governance documents are available on the AWI website at www.wool.com.au/CorporatePublications

The Company has not provided any director with an indemnity in the past 12 months. As approved by the shareholders, Directors and Officers insurance has been arranged and the premium paid.

The Board

The Board continued to meet regularly during 2005/06, concentrating on core functions including:

- enhancing corporate governance systems, managing risk and threats to the industry and providing transparent, balanced reporting of Company operations to shareholders; and
- building a portfolio of research, development, innovation and marketing programs and projects aimed at enhancing the long-term profitability of woolgrowers.

A number of AWI Board committees continue to monitor and guide specific activities. These committees assist the Board to effectively implement, monitor and enforce the Corporate Governance Principles throughout the Company.

Board Committees

At 30 June 2006, there were five Board committees:

Finance and Audit Committee *chaired by Brian van Rooyen*

The Committee's main role is to:

- assist the Board in managing its responsibilities relating to all financial and legal matters;
- ensure the Company's financial controls are working effectively; and
- monitor and guide the Company's approach to corporate governance and risk management.

Remuneration and Appointments Committee *chaired by Brian van Rooyen*

The Committee sets executive remuneration, terms of employment and conditions, staffing policies and staffing levels as well as reviewing Board and management performance.

Intellectual Property and Commercialisation Committee *chaired by Hugh Nivison*

The Committee's major role is to provide policy direction for the management of AWI's Intellectual Property (IP) portfolio; see the schedule of IP in Appendix C.

Falkiner Memorial Field Station Committee *chaired by Chris Abell*

The Committee's role is to provide oversight and guidance of the major capital redevelopment at the Falkiner Memorial Field Station. This Committee was disbanded as at 30 June 2006, its objectives satisfactorily completed.

Integration Committee *chaired by Ian McLachlan*

This Committee, has been appointed for a limited purpose and time to advise the Board on possible options to form an alliance between AWI and Australian Wool Services Limited.

Statutory Funding Agreement

AWI is obliged to contract with the Federal Government on the use of levy monies. This contract is called the Statutory Funding Agreement (SFA). The current SFA is operative 2004 to 2007 and requires AWI to allocate funds to authorised research, development, innovation and marketing activities to ensure that projects AWI invests in are to the benefit of Australian woolgrowers, and that projects are efficient, effective and ethical.

The SFA is available on the AWI website.

Audit and risk

AWI has continued to strengthen its internal controls and level of accountability, and engages the services of three of Australia's leading professional services firms. **PricewaterhouseCoopers** is engaged to conduct the external audit and report to shareholders. **Deloitte Touche Tohmatsu** conducts internal audits on a regular basis, reporting on internal controls and processes and the day-to-day management of AWI to the Finance and Audit Committee. **Ernst & Young** provides advice on taxation and other related matters to AWI management.

AWI has also conducted a number of risk assessments in conjunction with the internal auditors and its insurance broker, Jardine Lloyd Thompson. Appropriate insurances have been effected and AWI has developed a risk management plan.

AWI staff

During 2005/06, the Company continued with the development and implementation of an integrated human resources strategy. The purpose of the strategy is to ensure that the Company has the right people with the skill sets required for AWI to meet its Strategic Plan. With the pool of skilled people contracting into the future, AWI is expanding its staff training programs. As a result, several new policies were implemented, including:

Training Courses

- Project management training
- Negotiation skills training
- Time management training
- Occupational health and safety (OHS) committee training
- Presentation skills training.

Policies

- Internet & email policy
- Workplace surveillance policy
- Overseas travel and vaccination policy.

During 2005/06, AWI also continued with various established human resource initiatives including:

- OHS, with the OHS Committee conducting OHS audits and discussing relevant OHS topics. This is to ensure the health and safety of all employees in AWI designated workplaces, which is particularly relevant for AWI's Falkiner Memorial Field Station; employees, contractors and visitors;
- regular performance reviews and the establishment of a new performance management system, including new performance appraisal forms and employee development plan form used to gather information on the training and development needs of employees;
- new induction program which includes a comprehensive introduction to employees, company policies, OHS and IT systems; and
- recruitment and selection of the best available staff.

AWI staff statistics

- At 30 June 2006 AWI had a total of 85 staff members.
- Eighty five per cent have tertiary qualifications of various disciplines.
- Fifty seven per cent of AWI staff are female.
- AWI employees are located in AWI offices in Sydney, Melbourne, Geelong, Deniliquin, Gosford and overseas in Shanghai, Hong Kong, New York, New Delhi and Italy.

Chief Executive Officer:

DR LEN STEPHENS

Dip Agr Sci, BVSc, MSc, PhD

Len Stephens was appointed as CEO in April 2003, with the responsibility to lead the Company in the delivery and commercialisation of its research, development, innovation and marketing on behalf of Australian woolgrowers. Len has an extensive background in rural research and development and came to AWI after five years as General Manager for Livestock Production Innovation at Meat and Livestock Australia. Previously he held senior positions with the then Meat Research Corporation and Agriculture Victoria, including as foundation Director of the Victorian Institute of Animal Science. Len holds Australian tertiary qualifications in both Agricultural and Veterinary Sciences and was awarded Master of Science and Doctorate of Philosophy degrees from the University of Guelph, Canada.

Deputy Chief Executive Officer and Company Secretary:

LES TARG

Les Targ is responsible for developing and implementing the AWI corporate services of legal, contracting, IP management, company secretarial and human resources. Les is also responsible for the wool harvesting program and crisis management. Les has 25 years of senior management experience as a company director, CEO and senior executive. Prior to joining AWI, Les held senior executive positions in the Australian defence and aerospace industries,

including ten years with ADI Limited, a high technology defence systems and engineering company. He is currently a Director of Recoiless Technologies International Limited.

**General Manager
Corporate Affairs:**

MATTHEW FLUGGE

BBus, Grad Cert Sust Ag

Matthew Flugge manages the Corporate Affairs portfolio, responsible for communications and industry and government relations. Prior to his appointment in February 2005, Matthew was with AWI for two years undertaking the role of Industry and Government Relations Manager. Before joining AWI, Matthew was Executive Director of the Victorian Farmers Federation (VFF) Pastoral Group, with responsibility for industry and government matters relating to the wool, cattle, sheepmeat and goat industries across Victoria and Australia. Matthew has also had extensive experience in agricultural policy and industry initiatives and has held senior positions with the WA Minister for Agriculture and the WA Department of Agriculture.

**General Manager Wool
Production:**

IAN ROGAN

B Rural Science (Hons)

Ian Rogan oversees the Wool Production portfolio which includes the Falkiner Memorial Field Station, managing AWI's investments in the key on-farm areas of genetic improvement technologies, pasture development, fibre specification, animal health and natural resource management. Ian has significant experience in both agricultural research and commercial agriculture.

He was previously a director and senior consultant of agricultural consultancy Hassall and Associates for 12 years. Prior to this, Ian was a regional director of research with NSW Agriculture and also principal research scientist with the South Australian Department of Agriculture where he headed the state's centre of excellence for sheep and wool research.

**General Manager
Product Marketing:**

PASCAL SENKOFF

Pascal Senkoff is responsible for AWI's Product Marketing portfolio, which aims to commercialise wool innovations and work with Government and industry to help reduce trade barriers. Pascal has 16 years experience in the wool textile trade and prior to joining AWI was Greater China General Manager for Chargeurs wool. He was responsible for industrial and trading activities for a region that included Greater China, Japan, Korea, Indonesia, India and Australia. Prior to working in China, Pascal was based at Chargeurs in Japan, where he was responsible for starting up the Chargeurs Interlining business.

General Manager Finance:

DAVID SMULLEN

BA, CA, ACA

David Smullen manages the company's Finance division and is also responsible for developing and implementing the AWI corporate services of audit, risk management, IT systems and office services. David has extensive experience in financial management, having worked in senior financial roles over the past 15 years in a number of industries including publishing,

property, telecommunications and medical research. Prior to joining AWI, David was Chief Financial Officer of Ventracor Limited, a listed research company.

**General Manager
Product Development:**

GRAHAM STEWART

(Until August 2006)

Graham Stewart has responsibility for managing the operations of the Product Development team, including the development of new wool products and processes, fundamental wool science and the marketing of wool innovations to designers, manufacturers and retailers. Prior to joining AWI in June 2005, Graham had his own consultancy company working with a number of leading international textile businesses. He previously worked for Michell Australia, managing operations in Europe before heading up the company's marketing from Adelaide. Graham began his career in the UK with the Brook Group, Europe's largest dyer, and as a divisional director for the textile consumer brand house Dawson International PLC in the UK, Europe and United States.

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Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Australian Wool Innovation Limited and the entities it controlled at the end of, or during, the year ended 30 June 2006.

Directors

The following persons were directors of Australian Wool Innovation Limited during the whole of the financial year and continue to hold office at the date of this report.

The Hon I M McLachlan AO

Mr B P van Rooyen

Dr C J Abell

Dr K J Bell

Mr W B Merriman

Mr H P Nivison

Mr P S Sykes

Information on directors and their experience can be found on page 2.

Principal activities

The principal activity of Australian Wool Innovation Limited as recorded in its adopted strategic plan is to drive research, development, innovation and marketing that will increase the long term profitability of Australian wool growers. To achieve that mission, the Group receives funding from the Commonwealth Government of Australia by way of both a statutory levy imposed upon Australian wool growers and a capped matching contribution from the Government on behalf of Australian taxpayers.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the financial year.

Review of operations and results

	2006	2005
	\$'000	\$'000
Revenue	57,035	64,999
(Deficit)/Surplus from ordinary activities	(25,643)	(13,498)

Matters subsequent to the end of the financial year

Australian Wool Innovation Limited and Australian Wool Services Limited have signed a Memorandum of Understanding on 27 July 2006, outlining their resolve to integrate the two companies. Both Boards will work to get shareholder and Federal Government approval to integrate by the end of 2006.

Likely developments and expected results of operations

Information on likely developments in the Group's operations and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Company secretary

The company secretaries are Mr L Targ (former CEO and senior executive in the defence and aerospace industries with particular experience in strategic business development, finance and audit) and Mr C Chapman (Barrister and Solicitor, Dip Law, Dip CM, Dip CD, FCIS, FICD, MBA).

Meetings of directors

The number of meetings of the company's board of directors and each board committee held during the year ended 30 June 2006, and the number of meetings attended by each director were:

Director	Committees											
	Full meeting of directors		Finance & Audit		Remuneration & Appointments		Intellectual Property & Commercialisation		Falkiner Memorial Field Station		Integration	
	A	B	A	B	A	B	A	B	A	B	A	B
I M McLachlan	12	11 ^{1*}	–	–	5	4 ¹	2	1 ¹	–	–	3	3*
B P van Rooyen	12	12	12	12*	5	5*	–	–	–	–	3	3
C J Abell	12	11 ¹	12	11 ¹	–	–	2	1 ¹	2	2*	3	3
K J Bell	12	12	–	–	–	–	–	–	2	2	–	–
W B Merriman	12	12	–	–	5	5	–	–	–	–	–	–
H P Nivison	12	12	12	12	–	–	2	2*	2	2	–	–
P S Sykes	12	12	–	–	–	–	2	2	–	–	3	3

A = Number of meetings held

B = Number of meetings attended

¹ = leave of absence granted

* = indicates chairman

Remuneration report

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the innovation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency.

In consultation with external remuneration consultants, the Group has structured an executive remuneration framework that is market competitive, attracts and retains high calibre executives and is complimentary to the reward strategy of the organisation.

Directors' fees

All directors are non-executive, and fees and payments to directors reflect the demands which are made on, and the responsibilities of, the directors. All directors' fee payments are reviewed annually by the Board. The Board also has agreed to the advice of independent remuneration consultants to ensure directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of directors based on comparative roles in the external market. The Chairman and other non-executive directors receive additional fees for their membership on committees.

Superannuation payments are made in accordance with the Superannuation Guarantee legislation to the director's choice of superannuation fund.

The Board undertakes an annual review of its performance and the performance of the Board committees against goals set at the start of the year. Bonuses are not payable to non-executive directors.

Details of the nature and amount of each element of the emoluments of each director of Australian Wool Innovation Limited are set out in the following table.

Directors' report (continued)

Non-executive directors of Australian Wool Innovation Limited

Name	Primary		Post-employment		Total
	Directors' base fee	Committee fees	Superannuation	Separation	
	\$	\$	\$	\$	\$
I M McLachlan, Chairman	103,000	15,450	10,661	–	129,111
B P van Rooyen	51,500	15,450	6,025	–	72,975
C J Abell	51,500	20,600	6,489	–	78,589
K J Bell	51,500	5,150	5,099 ⁽¹⁾	–	61,749
W B Merriman	51,500	5,150	5,099	–	61,749
H P Nivison	51,500	15,450	6,025	–	72,975
P S Sykes	51,500	10,300	5,562	–	67,362
Total	412,000	87,550	44,960	–	544,510

⁽¹⁾ Payment made to a related body corporate of the director as provision for superannuation benefits.

Executive pay

The executive pay consists of base pay, benefits and superannuation. These are structured at the executives' discretion as a total employment cost package, which may be delivered as a mix of cash and prescribed non-financial benefits. The value of non-financial benefits is calculated on the basis of the "total cost to the Group", so that the total expense to the Group is no more than it would have been had the Group paid cash salary plus statutory superannuation contributions.

Superannuation payments are made in accordance with the Superannuation Guarantee legislation to the executive's choice of superannuation fund. Australian Wool Innovation Limited does not offer a defined benefits retirement plan.

There are no guaranteed pay increases in any senior executive contracts.

Key management personnel compensation for the years ended 30 June 2006 and 2005 for executives is set out below. The key management personnel of Australian Wool Innovation Limited includes those executives who have the authority and responsibility for planning, directing and controlling the activities of the company, either directly or indirectly.

Director are also classed as key management personnel. However the total remuneration of directors is separately disclosed above in greater detail and according excluded from the table below.

	2006	2005
	\$	\$
Short-term employee benefits	1,810,093	1,671,527
Post-employee benefits	138,138	143,552
	<u>1,948,231</u>	<u>1,815,079</u>

Executive Service Agreements

Remuneration and other terms of employment for the Executive Management Team are formalised in service agreements. These service agreements state a salary package (which is calculated on a total cost to the Group basis). None of these service agreements include bonus, share options or termination conditions in excess of six months.

Insurance of officers

During the year, Australian Wool Innovation Limited paid an insurance premium of \$32,753 to insure the directors and officers of the entity against liability and professional indemnity.

Non-audit services

The Group may decide to appoint the auditor on assignments additional to their statutory audit duties where the auditor's experience with the Group and/or the consolidated entity are important.

Details of the amounts paid to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in Note 19 to the Financial Statements.

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 52.

Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Dividends Paid

There have been no dividends paid or recommended for the 2006 financial year (2005: Nil)

Share options

There have been no share options granted to any directors or executives of the Group.

Environmental regulation

The entity's operations are not subject to any particular or significant environmental regulations under either Commonwealth or State legislation.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Statutory funding agreement obligations

In addition to usual annual reporting requirements, there are additional reporting requirements imposed upon the company under Schedule 3 of the Statutory Funding Agreement between Australian Wool Innovation Limited and the Commonwealth of Australia. These are all dealt with in this annual report with the exception of a listing of the projects for which Commonwealth Matching Funds have been claimed. This will be provided separately to the Government.

A number of the matters identified in this report contain commercial in confidence information and the company has elected to exercise its prerogative to provide that report separately to the Commonwealth on an 'in confidence' basis.

This report is made in accordance with a resolution of directors.



I M McLachlan
Chairman

Sydney
21 September 2006

Auditors' Independence Declaration

As lead auditor for the audit of Australian Wool Innovation Limited for the year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Australian Wool Innovation Limited and the entities it controlled during the period.



Peter Buchholz
Partner
PricewaterhouseCoopers

Sydney
21 September, 2006

Financial report – 30 June 2006

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The financial report covers both Australian Wool Innovation Limited as an individual entity and the consolidated entity consisting of Australian Wool Innovation Limited and its controlled entities (as listed in Note 23 to the financial report). The financial report is presented in the Australian currency.

Australian Wool Innovation Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 5
16-20 Barrack Street
SYDNEY NSW 2000

A description of the nature of the consolidated entity's operations and principal activities is included in the review of operations and activities in the directors' report on pages 48-51, which is not part of this financial report.

The financial report was authorised for issue by the directors on 21 September 2006. The company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. All press releases, financial reports and other information are available on our website: www.wool.com.au.

Income Statement

For the year ended 30 June 2006

	Notes	Consolidated		Parent entity	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
Revenue from ordinary activities	3	57,035	64,999	57,035	64,999
Research, development and innovation program expenditure	5	(70,421)	(65,721)	(70,385)	(65,721)
RDI support services expenditure					
• Employee expenses		(4,727)	(4,832)	(4,727)	(4,832)
• Legal and professional expenses	5	(1,615)	(2,856)	(1,615)	(2,856)
• Travel expenses		(809)	(738)	(809)	(738)
• Depreciation and amortisation expenses		(1,399)	(784)	(1,399)	(784)
• Other expenses from ordinary activities		(3,707)	(3,566)	(3,707)	(3,566)
(Deficit) / Surplus from ordinary activities	17	(25,643)	(13,498)	(25,607)	(13,498)
Profit / (Loss) attributable to members of Australian Wool Innovation Limited		(25,643)	(13,498)	(25,607)	(13,498)

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

Balance Sheet

As at 30 June 2006

	Notes	Consolidated		Parent entity	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
Current assets					
Cash assets	6	77,114	101,079	77,102	101,079
Receivables	7	4,054	4,232	4,089	4,232
Other	8	970	836	970	836
Total current assets		82,138	106,147	82,161	106,147
Non-current assets					
Receivables	9	–	–	–	–
Investment in controlled entities	23	–	–	13	–
Property, plant and equipment	10	4,260	4,547	4,260	4,547
Livestock	11	326	584	326	584
Intangible assets	12	–	–	–	–
Total non-current assets		4,586	5,131	4,599	5,131
Total assets		86,724	111,278	86,760	111,278
Current liabilities					
Payables	13	8,857	7,585	8,857	7,585
Provisions	14	518	615	518	615
Total current liabilities		9,375	8,200	9,375	8,200
Non-current liabilities					
Provisions	15	–	86	–	86
Total non-current liabilities		–	86	–	86
Total liabilities		9,375	8,286	9,375	8,286
Net assets		77,349	102,992	77,385	102,992
Equity					
Contributed equity *	16	–	–	–	–
Retained surplus	17	77,349	102,992	77,385	102,992
Total equity		77,349	102,992	77,385	102,992

* At 30 June 2005 and 2006 contributed equity in the parent entity was \$100.

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

Statement of Changes in Equity

For the year ended 30 June 2006

		Consolidated		Parent entity	
	Note	2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
Total equity at the beginning of the financial year	17	102,992	116,490	102,992	116,490
Total recognised income and expense for the year		(25,643)	(13,498)	(25,607)	(13,498)
Total equity at the end of the financial year		77,349	102,992	77,385	102,992

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Cash Flow Statement

For the year ended 30 June 2006

	Notes	Consolidated		Parent entity	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		56,004	63,344	56,004	63,344
Payments to suppliers and employees (inclusive of goods and services tax)		(84,469)	(82,079)	(84,481)	(82,079)
		(28,465)	(18,735)	(28,477)	(18,735)
Interest received		5,433	6,507	5,433	6,507
Other revenue		22	1,543	22	1,543
Net cash inflow/(outflow) from operating activities	25	(23,010)	(10,685)	(23,022)	(10,685)
Cash flows from investing activities					
Payments for property, plant and equipment		(1,282)	(1,698)	(971)	(1,698)
Proceeds from sale of property, plant and equipment		327	328	16	328
Net cash inflow/(outflow) from investing activities		(955)	(1,370)	(955)	(1,370)
Net decrease in cash held		(23,965)	(12,055)	(23,977)	(12,055)
Cash at the beginning of the financial year		101,079	113,134	101,079	113,134
Cash at the end of the financial year	6	77,114	101,079	77,102	101,079

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

Notes to the Financial Report

30 June 2006

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Notes to the Financial Report (continued)

30 June 2006

Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporation Act 2001*.

Application of AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first Australian Wool Innovation Limited financial statements to be prepared in accordance with AIFRSs. AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of Australian Wool Innovation Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing Australian Wool Innovation Limited financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments.

The description of the effect of transition from previous AGAAP to AIFRSs on the company's and consolidated entity's equity and net income are given in note 27.

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1.

This financial report has been prepared under the historical cost convention, except for certain assets which, as stated, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

Critical accounting estimates and judgements

Estimates and judgement are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances..

A General

A(1) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Australian Wool Innovation Limited as at 30 June 2006 and the results of all controlled entities for the year then ended. Australian Wool Innovation Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

A(2) Income tax

Australian Wool Innovation Limited is exempt from income tax in Australia under Section 50-40 of the Income Tax Assessment Act 1997.

A(3) Foreign currency translation

Transactions

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Australian Wool Innovation Limited's functional and presentation currency.

Notes to the Financial Report (continued)

30 June 2006

Note 1. Summary of significant accounting policies (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

A(4) Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

B Revenue and expenditure

B(1) Revenue recognition

Revenue for the sale of goods is recognised upon the delivery of the goods to the customers.

Revenue for the disposal of non-current assets is recognised when control of the asset has passed to the buyer.

Revenue from the rendering of a service is recognised by reference to the stage of completion of contracts or other agreements to provide services.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

B(2) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

B(3) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

B(4) Acquisition of assets

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$2,000, which are expensed in the year of acquisition.

Note 1. Summary of significant accounting policies (continued)**C Assets****C(1) Cash**

For the purpose of the statement of cash flows, cash includes deposits held at call with a bank, funds under management and investment securities. There were no standby credit facilities in place at 30 June 2006.

C(2) Receivables

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

C(3) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, the recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net surplus or deficit in the reporting period in which the recoverable amount write-down occurs.

C(4) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

C(5) Intangible Assets*(i) Research, development and innovation*

Costs incurred on research, development and innovation projects and in-process research and development acquired in the acquisition of an entity or operation are expensed as incurred.

(ii) Intellectual property

Costs associated with intellectual property, either developed or acquired by the Group, are expensed as incurred, except to the extent that they are expected beyond a reasonable doubt to be recoverable.

In the event that the future economic benefit attributable to an individual research, development and innovation project or piece of intellectual property can be determined and it becomes probable such benefit will exceed the future cumulative expenditure relating to that item, all future costs relating to that item are deferred and amortised on a straight line basis over the period of their expected benefit.

C(6) Investments

Investments are stated at cost less amounts written off for permanent diminution in their value. Investment income is recognised in the statement of financial performance when receivable.

C(7) Depreciation of property, plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost or re-valued amount of each item of property, plant and equipment (excluding land) over its expected useful life to the economic entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Category	Useful life	Depreciation basis
Buildings	40 years	straight line
Plant and equipment	2-6 years	straight line

Notes to the Financial Report (continued)

30 June 2006

Note 1. Summary of significant accounting policies (continued)

C(8) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter.

D Liabilities

D(1) Trade and other creditors

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

D(2) Employee entitlements

(i) Wages, salaries and annual leave

Liabilities for wages, salaries and annual leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Note 2. Segment information

Business Segments

Australian Wool Innovation Limited operates predominately in research, development and innovation in the wool industry.

Geographical segments

Australian Wool Innovation Limited operates primarily in one geographic segment, that being Australia. The Group has opened offices in Shanghai and Hongkong, China, New York, USA, New Delhi, India, and Treviso, Italy which are responsible for growing domestic demand for Australian Merino wool in key international markets through strategic engagements with manufacturing and retail brand partners. They do this by building business relationships which facilitate innovative wool based product development and its commercialisation into the consumer market. However, these offices do not enter into research, development and innovation contracts or conduct business in their own right and accordingly no geographic segment split is considered appropriate.

Note 3. Revenue

	Consolidated		Parent entity	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Revenue from operating activities				
Government Contributions	11,048	13,513	11,048	13,513
Sale of goods and services	606	350	606	350
Royalties	574	569	574	569
Wool levy	38,359	42,835	38,359	42,835
Other	1,011	1,207	1,011	1,207
	51,598	58,474	51,598	58,474
Revenue from outside the operating activities				
Interest	5,437	6,525	5,437	6,525
Revenue from ordinary activities	57,035	64,999	57,035	64,999

Note 4. Expenses

Surplus from ordinary activities includes the following specific net gains and expenses:

	Consolidated		Parent entity	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Expenses				
Depreciation				
Buildings	269	70	269	70
Plant and equipment	1,130	714	1,130	714
Total depreciation	1,399	784	1,399	784
Other Provisions				
Employee entitlements	(183)	41	(183)	41
Rental expense relating to operating leases	750	614	750	614

Notes to the Financial Report (continued)

30 June 2006

Note 5. Research, development and innovation expenditure

Consolidated:	2006			2005		
	\$'000			\$'000		
	External costs	Internal costs	Total	External costs	Internal costs	Total
Product Development						
Fundamental Wool Science	3,206			2,187		
The Processing of Merino Fibre	7,119			1,474		
Merino Fibre in Fashion Markets	5,975			6,099		
Merino as a Performance Fibre	3,000			3,746		
	19,300	2,449	21,749	13,506	1,836	15,342
Wool Production						
Profitable Grazing for Wool Sheep	4,471			5,957		
Natural Resource Management	2,912			4,880		
Animal Health and Welfare	7,078			9,087		
Molecular Genetics	4,270			2,803		
Applied Genetics	1,933			2,134		
Wool Quality and Logistics				1,013		
Education and Adoption	3,508			6,889		
Wool Harvesting	3,172			3,040		
	27,344	1,959	29,303	35,803	2,055	37,858
Product Marketing						
Market Information	3,287			1,365		
Market Access and Trade Development	5,115			676		
	8,402	3,439	11,841	2,041	1,080	3,121
Corporate Affairs *						
	6,743	785	7,528	8,509	891	9,400
Total RDI expenditure	61,789	8,632	70,421	59,859	5,862	65,721

"External costs" represents payment to suppliers directly related to individual projects and programs.

"Internal costs" are the cost of staff who manage those projects and programs and their related expenses.

This amount does not include executives or any allocations of support services, rent and similar items, and consists of the following items of expenditure:

Consolidated:	2006			2005		
	\$'000			\$'000		
	RDI Program	RDI Support	Total cost	RDI Program	RDI Support	Total cost
Employee expenses	5,391	4,727	10,118	3,674	4,832	8,506
Legal and professional expenses **	303	1,615	1,918	104	2,856	2,960
Travel expenses	1,393	809	2,202	936	738	1,674
Depreciation and amortisation expenses	–	1,399	1,399	–	784	784
Other expenses from ordinary activities	1,545	3,707	5,252	1,148	3,566	4,714
	8,632			5,862		

Note 5. Research, development and innovation expenditure (continued)

Parent entity:	2006			2005		
	\$'000			\$'000		
	External costs	Internal costs	Total	External costs	Internal costs	Total
Product Development						
Fundamental Wool Science	3,206			2,187		
The Processing of Merino Fibre	7,119			1,474		
Merino Fibre in Fashion Markets	5,975			6,099		
Merino as a Performance Fibre	3,000			3,746		
	19,300	2,449	21,749	13,506	1,836	15,342
Wool Production						
Profitable Grazing for Wool Sheep	4,471			5,957		
Natural Resource Management	2,912			4,880		
Animal Health and Welfare	7,078			9,087		
Molecular Genetics	4,270			2,803		
Applied Genetics	1,933			2,134		
Wool Quality and Logistics				1,013		
Education and Adoption	3,508			6,889		
Wool Harvesting	3,172			3,040		
	27,344	1,959	29,303	35,803	2,055	37,858
Product Marketing						
Market Information	3,287			1,365		
Market Access and Trade Development	5,115			676		
	8,402	3,403	11,805	2,041	1,080	3,121
Corporate Affairs *						
	6,743	785	7,528	8,509	891	9,400
Total RDI expenditure	61,789	8,596	70,385	59,859	5,862	65,721

Parent entity:	2006			2005		
	\$'000			\$'000		
	RDI Program	RDI Support	Total cost	RDI Program	RDI Support	Total cost
Employee expenses	5,366	4,727	10,093	3,674	4,832	8,506
Legal and professional expenses **	294	1,615	1,909	104	2,856	2,960
Travel expenses	1,392	809	2,201	936	738	1,674
Depreciation and amortisation expenses	–	1,399	1,399	–	784	784
Other expenses from ordinary activities	1,544	3,707	5,251	1,148	3,566	4,714
	8,596			5,862		

* Corporate Affairs includes costs associated with defending against actions by animal rights groups.

** Legal and professional expenses include Nil (2005:\$1.4m) settlement of a claim against AWI relating to a 2002 contract, including cost and interest.

Notes to the Financial Report (continued)

30 June 2006

Note 6. Current assets - Cash assets

	Consolidated		Parent entity	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Cash on hand and at bank	687	256	675	256
Funds under management	76,427	100,823	76,427	100,823
	77,114	101,079	77,102	101,079

	2006	2005
	\$'000	\$'000
Representing:		
Unrestricted cash and cash investments	43,876	65,337
Restricted as security against guarantees issued by the company's bankers ^(a)	327	326
Restricted by the directors in respect of:		
• Capital reserve ^(b)	20,606	20,606
• Emergency reserve ^(c)	5,000	5,000
• Operating reserve ^(c)	7,305	9,810
	77,114	101,079

(a) Bank guarantees have been issued to a number of parties in respect of the company's liabilities. The company has given its primary bankers security over term deposits in respect of those amounts, such deposits attracting commercial interest rates.

(b) The directors resolved in July 2003 to set aside funds received from the sale of the company's interest in CSIRO properties as a capital sum for special purposes. Subsequently an amount was released as payment to the Australian Wool Education Trust.

(c) The directors resolved in May 2003 to set aside \$5,000,000 as an emergency reserve to cover any unforeseeable expenditure and 15% of annual budgeted revenue as an operating reserve in respect of future liabilities.

Note 7. Current assets – Receivables

	Consolidated		Parent entity	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Trade debtors	595	269	595	269
Provision for doubtful debts	–	–	–	–
	595	269	595	269
Accrued wool levy	2,992	3,498	2,992	3,498
Other debtors	467	465	502	465
	4,054	4,232	4,089	4,232

Note 8. Current assets – Other

	Consolidated		Parent entity	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Goods and services tax receivable	628	701	628	701
Prepayments	169	135	169	135
Others	173	–	173	–
	970	836	970	836

Note 9. Non-current assets – Receivables

	Consolidated		Parent entity	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Loan to textile manufacturer	–	1,141	–	1,141
Provision for doubtful debts	–	(1,141)	–	(1,141)
	–	–	–	–

During the year ended 30 June 2006, an agreement was signed to reduce the loan to 50% of the principal, with the balance payable in July 2006. The loan balance is included as part of the trade debtors.

Notes to the Financial Report (continued)

30 June 2006

Note 10. Non-current assets – Property, plant & equipment

	Consolidated		Parent entity	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Land & buildings				
Freehold land – at cost	425	425	425	425
Buildings				
At cost	2,639	2,550	2,639	2,550
Less: Accumulated depreciation	(474)	(205)	(474)	(205)
	2,165	2,345	2,165	2,345
Total land and buildings	2,590	2,770	2,590	2,770
Plant and equipment				
Plant & equipment				
At cost	4,079	3,250	4,079	3,250
Less: Accumulated depreciation	(2,409)	(1,473)	(2,409)	(1,473)
Total plant and equipment	1,670	1,777	1,670	1,777
	4,260	4,547	4,260	4,547

Reconciliations

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year is set out below:

	Land and Buildings	Plant and equipment	Total
	\$'000	\$'000	\$'000
Carrying amount at 1 July 2005	2,770	1,777	4,547
Additions	89	1,193	1,282
Disposals	–	(172)	(172)
Depreciation/amortisation expense	(269)	(1,128)	(1,397)
Carrying amount at 30 June 2006	2,590	1,670	4,260

Note 11. Livestock

	Consolidated		Parent entity	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Number of livestock	7,569	11,721	7,569	11,721
Value	326	584	326	584

Livestock are carried on the balance sheet at cost, with adjustment made to reflect net market value as appropriate.

Note 12. Non-current assets – Intangible assets

	Consolidated		Parent entity	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Patents and trademarks	–	–	–	–

The Group owns or has an interest in a number of items of registered intellectual property, as shown in Appendix C of this Annual Report. The Group's current policy is to expense all intellectual property costs as incurred unless Generally Accepted Accounting Practice requires treatment otherwise. At the date of this report, no costs relating to these intangible assets have been deferred; all costs have been expensed as incurred.

Note 13. Current liabilities – Payables

	Consolidated		Parent entity	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Unsecured				
Trade creditors	4,066	631	4,066	631
Other payables – RDI contract payments accrued	4,094	4,722	4,094	4,722
Other creditors	697	2,232	697	2,232
	8,857	7,585	8,857	7,585

Note 14. Current liabilities – Provisions

	Consolidated		Parent entity	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Annual leave	518	597	518	597
Other employee entitlements	–	18	–	18
	518	615	518	615

Note 15. Non-current liabilities – Provisions

	Consolidated		Parent entity	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Long service leave	–	86	–	86
	–	86	–	86

Notes to the Financial Report (continued)

30 June 2006

Note 16. Contributed equity

	Consolidated		Parent entity	
	2006	2005	2006	2005
	Shares	Shares	Shares	Shares
(a) Share capital				
Ordinary shares – fully paid	37,462	37,462	37,462	37,462

(b) Ordinary shares

The \$100 represents the initial capital contribution on the establishment of the company. Each wool grower has a right to one vote for every \$100 of wool levy or wool tax contributed during the 3 previous financial years, as defined in the Wool Services Privatisation Act 2000 (Cth). These shares do not entitle wool growers to participate in any profit distributions or in any proceeds on the winding up of the entity.

(c) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	\$
1 July 2004	Opening balance	37,462	–	100
30 June 2005	Balance	37,462	–	100
30 June 2006	Balance	37,462	–	100

The actual number of shareholders at 30 June 2006 was 31,989.

Note 17. Retained surplus

	Consolidated		Parent entity	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Retained surplus at the beginning of the financial year	102,992	116,490	102,992	116,490
Net surplus attributable to shareholders of Australian Wool Innovation Limited	(25,643)	(13,498)	(25,607)	(13,498)
Retained surplus at the end of the financial year	77,349	102,992	77,385	102,992

Note 18. Financial instruments**(a) Credit risk exposures**

The consolidated entity's maximum exposures to credit risk at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position.

The consolidated entity has no significant exposures to any concentrations of credit risk.

According to Australian Wool Innovation Limited's Treasury Policy, counterparties for Financial Instruments must have a minimum credit rating A (long term) and A1 (short term) as rated by S&P's Australian Standards. The company manages all risks by only approving investments in Australian dollars with a fixed exchange rate set at the rate prevailing at 4pm the day before any contract is signed.

(b) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and effective weighted average interest rate by maturity periods is set out in the following table.

		Weighted average interest rate	Floating interest rate	Non interest bearing	Total
2006	Notes	%	\$'000	\$'000	\$'000
Financial assets					
Cash and deposits	6	5.25	687	6	693
Funds under management	6	5.97	76,427	–	76,427
Receivables	7		–	4,054	4,054
Receivables (non-current)	9		–	–	–
			77,114	4,060	81,174
Financial liabilities					
Trade and other creditors	13		–	(8,857)	(8,857)
Net financial assets / (liabilities)			77,114	(4,797)	72,317
2005					
Financial assets					
Cash and deposits	6	5.00	252	4	256
Funds under management	6	5.58	100,823	–	100,823
Receivables	7		–	4,232	4,232
Receivables (non-current)	9	6.79	–	–	–
			101,075	4,236	105,311
Financial liabilities					
Trade and other creditors	13		–	(7,585)	(7,585)
Net financial assets / (liabilities)			101,075	(3,349)	97,726

(c) Net fair value of financial assets and liabilities**On-balance sheet**

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the economic entity approximates their carrying amounts.

Notes to the Financial Report (continued)

30 June 2006

Note 19. Remuneration of auditors

	Consolidated		Parent entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
During the year the auditor of the parent entity and its related practices earned the following remuneration:				
Audit of financial reports of the entity or any entity in the consolidated entity	105,000	75,000	105,000	75,000
Other audit-related work	–	–	–	–
Other assurance services	19,580	17,500	19,580	17,500
Total audit and other assurance services	124,580	92,500	124,580	92,500
Advisory services	54,071	11,902	54,071	11,902
Total remuneration	178,651	104,402	178,651	104,402

As part of the review of Corporate Governance practices, the consolidated entity segregated its taxation, internal audit and advisory services from statutory audit within Australia.

Note 20. Commitments for expenditure

	Consolidated		Parent entity	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000

Other Commitments

Commitments in relation to research and development, technical proving and transfer and, the cost of various goods and services contracted for at the end of the reporting date but not recognised as liabilities, payable:

Within one year	33,690	38,739	33,690	38,739
Later than one year but not later than 5 years	20,332	27,271	20,332	27,271
	54,022	66,010	54,022	66,010

Lease commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:

Within one year	845	733	789	733
Later than one year but not later than 5 years	647	877	647	877
	1,492	1,610	1,436	1,610

Representing:

Non-cancellable operating leases	1,492	1,610	1,436	1,610
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A small number of commitments are denominated in currencies other than Australian dollars. It is currently the company's policy to translate those commitments at the exchange rate at 30 June 2006, and to subsequently meet those commitments as they fall due by purchasing foreign currency at spot rates. This policy is reviewed by the Board from time to time.

Note 21. Employee benefits

	Consolidated		Parent entity	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Employee benefit and related on-costs liabilities				
Provision for employee benefits – current (Note 14)	518	615	518	615
Provision for employee benefits – non-current (Note 15)	–	86	–	86
Aggregate employee benefit and related on-costs liabilities	518	701	518	701
Employee Numbers	Number	Number	Number	Number
Number of employees at 30 June	85	73	83	73
Number of permanent full time contractors at 30 June	0	1	0	1
	85	74	83	74

Note 22. Related parties**Directors**

The names of persons who were directors of Australian Wool Innovation Limited at any time during the financial year are as follows: I M McLachlan, B P van Rooyen, C J Abell, K J Bell, W B Merriman, H P Nivison, P S Sykes. All of these persons were also directors during the year ended 30 June 2005.

Remuneration

Information on remuneration of directors is disclosed in the Directors' Report.

Directors' Interests in Contracts

During the year ended 30 June 2006 no director, or director-related entity entered into a contract or had any transactions on other than normal terms and conditions with Australian Wool Innovation Limited.

Other transactions with directors and director related parties

There were no other transactions with directors or director related parties during the year ended 30 June 2006.

Note 23. Investment in controlled entities

Name of entity	Country of incorporation	Cost of Investment		Equity holding	
		2006	2005	2006	2005
		\$	\$	%	%
Australian Wool Innovation LLC	USA	13,000	0	100	–

Australian Wool Innovation LLC was formed on 13th September 2005 with initial capital contribution of USD10,000.

Note 24. Economic dependency

Australian Wool Innovation Limited is dependent upon receipt of Wool Levy through the Commonwealth Government who collect the levy and provide the funds in accordance with the Statutory Funding Agreement.

Note 25. Events occurring after reporting date

Australian Wool Innovation Limited and Australian Wool Services Limited have signed a Memorandum of Understanding on 27 July 2006, outlining their resolve to integrate the two companies. Both Boards will work to get shareholder and Federal Government approval to integrate by the end of 2006.

Notes to the Financial Report (continued)

30 June 2006

Note 26. Reconciliation of surplus from ordinary activities to net cash inflow from operating activities

	Consolidated		Parent entity	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Surplus from ordinary activities	(25,643)	(13,498)	(25,607)	(13,498)
Depreciation and amortisation	1,399	784	1,399	784
(Profit)/Loss on sale of property, plant and equipment	(157)	67	(157)	67
Change in operating assets and liabilities				
Decrease (increase) in trade debtors	(326)	759	(326)	759
Decrease (increase) in prepayments	(34)	121	(34)	121
Decrease (increase) in other operating assets	(100)	(984)	(100)	(984)
Decrease (increase) in accrued wool levy	506	664	506	664
Decrease (increase) in other debtors	256	(19)	221	(19)
Increase (decrease) in creditors	1,272	1,380	1,272	1,380
Increase (decrease) in provisions	(183)	41	(183)	41
Net cash inflow from operating activities	(23,010)	(10,685)	(23,009)	(10,685)

Note 27. Explanation of transition to Australian equivalents to IFRSs

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

(a) At the end of the last reporting period under previous AGAAP: 1 July 2004

	Consolidated			Parent entity		
	Previous AGAAP	Effect of transition to AIFRS	AIFRS	Previous AGAAP	Effect of transition to AIFRS	AIFRS
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS						
Current assets						
Cash assets	113,134	–	113,134	113,134	–	113,134
Receivables	5,634	–	5,634	5,634	–	5,634
Other	557	–	557	557	–	557
Total current assets	119,325	–	119,325	119,325	–	119,325
Non-current assets						
Receivables	–	–	–	–	–	–
Property, plant and equipment	4,030	–	4,030	4,030	–	4,030
Livestock	–	–	–	–	–	–
Intangible assets	–	–	–	–	–	–
Total non-current assets	4,030	–	4,030	4,030	–	4,030
Total assets	123,355	–	123,355	123,355	–	123,355

Note 27. Explanation of transition to Australian equivalents to IFRSs (continued)

	Consolidated			Parent entity		
	Previous AGAAP	Effect of transition to AIFRS	AIFRS	Previous AGAAP	Effect of transition to AIFRS	AIFRS
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
LIABILITIES						
Current liabilities						
Payables	6,205	–	6,205	6,205	–	6,205
Provisions	555	–	555	555	–	555
Total current liabilities	6,760	–	6,760	6,760	–	6,760
Non-current liabilities						
Provisions	105	–	105	105	–	105
Total non-current liabilities	105	–	105	105	–	105
Total liabilities	6,865	–	6,865	6,865	–	6,865
Net assets	116,490	–	116,490	116,490	–	116,490
EQUITY						
Contributed equity	–	–	–	–	–	–
Retained surplus	116,490	–	116,490	116,490	–	116,490
Total equity	116,490	–	116,490	116,490	–	116,490

(b) At the end of the last reporting period under previous AGAAP: 30 June 2005**ASSETS****Current assets**

Cash assets	101,079	–	101,079	101,079	–	101,079
Receivables	4,232	–	4,232	4,232	–	4,232
Other	836	–	836	836	–	836
Total current assets	106,147	–	106,147	106,147	–	106,147

Non-current assets

Receivables	–	–	–	–	–	–
Property, plant and equipment	4,547	–	4,547	4,547	–	4,547
Livestock	584	–	584	584	–	584
Intangible assets	–	–	–	–	–	–
Total non-current assets	5,131	–	5,131	5,131	–	5,131
Total assets	111,278	–	111,278	111,278	–	111,278

Notes to the Financial Report (continued)

30 June 2006

Note 27. Explanation of transition to Australian equivalents to IFRSs (continued)

	Consolidated			Parent entity		
	Previous AGAAP	Effect of transition to AIFRS	AIFRS	Previous AGAAP	Effect of transition to AIFRS	AIFRS
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
LIABILITIES						
Current liabilities						
Payables	7,585	–	7,585	7,585	–	7,585
Provisions	615	–	615	615	–	615
Total current liabilities	8,200	–	8,200	8,200	–	8,200
Non-current liabilities						
Provisions	86	–	86	86	–	86
Total non-current liabilities	86	–	86	86	–	86
Total liabilities	8,286	–	8,286	8,286	–	8,286
Net assets	102,992	–	102,992	102,992	–	102,992
EQUITY						
Contributed equity	–	–	–	–	–	–
Retained surplus	102,992	–	102,992	102,992	–	102,992
Total equity	102,992	–	102,992	102,992	–	102,992
(2) Reconciliation of loss for the year ended 30 June 2005						
Revenue from ordinary activities	64,999	–	64,999	64,999	–	64,999
Research, development and innovation program expenditure	(65,721)	–	(65,721)	(65,721)	–	(65,721)
RDI support services expenditure						
• Employee expenses	(4,832)	–	(4,832)	(4,832)	–	(4,832)
• Legal and professional expenses	(2,856)	–	(2,856)	(2,856)	–	(2,856)
• Travel expenses	(738)	–	(738)	(738)	–	(738)
• Depreciation expenses	(784)	–	(784)	(784)	–	(784)
• Other expenses	(3,566)	–	(3,566)	(3,566)	–	(3,566)
(Deficit) / Surplus from ordinary activities	(13,498)	–	(13,498)	(13,498)	–	(13,498)
Total changes in equity attributable to members of Australian Wool Innovation Limited other than those resulting from transactions with owners as owners	(13,498)	–	(13,498)	(13,498)	–	(13,498)

Directors' declaration

30 June 2006

In the directors' opinion:

- (a) the financial statements and notes set out on pages 46 to 79 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

The directors have been given the declarations by the chief executive officer and general manager – finance required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



I M McLachlan
Chairman

Sydney
21 September 2006

Independent audit report to the members of Australian Wool Innovation Limited

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of Australian Wool Innovation Limited (the Company) and the Australian Wool Innovation Limited Group (defined below) for the financial year ended 30 June 2006 included on Australian Wool Innovation Limited's web site. The Company's directors are responsible for the integrity of the Australian Wool Innovation Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Audit opinion

In our opinion, the financial report of Australian Wool Innovation Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Australian Wool Innovation Limited and the Australian Wool Innovation Limited Group (defined below) as at 30 June 2006, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statements, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for both Australian Wool Innovation Limited (the company) and the Australian Wool Innovation Limited Group (the consolidated entity), for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations, changes in equity and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

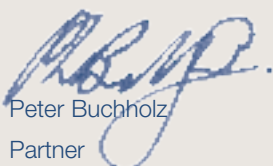
Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.



PricewaterhouseCoopers



Peter Buchholz
Partner

Sydney
21 September 2006

appendixes

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Appendix A – 2005/06 report of progress against operational plan

The information below summarises the results of AWI activities undertaken in 2005/06 against operating targets.

Textiles/Product Development	
Fundamental Wool Science	
Targets for 2005/06	Performance against target
Presentation at the International Wool Textile Research conference in Leeds of ten papers on scientific studies into the surface, the structure and morphology of wool fibres that limit technical advances in processing and product performance (eg pilling and handle).	Successfully completed.
Establish an information database on the fine structure of wool fibres that can evaluate the implications of new technologies on fibre properties.	Successfully completed, database has been transformed into an interactive CD showing structural analysis of wool and is under evaluation at AWI.
Assess a range of thioesterases for the removal of the lipid layer on the surface of wool.	Completed with demonstration that no current enzymes can successfully cleave the lipid layer from the surface of the fibre.
Understand the role of the fluorescent whitening agents in the creation of chromophores and other proteins in irradiated wool so that accelerated photoyellowing can be reduced.	Work progressing with outcome expected towards June 2007.
Complete the evaluation of nano-technology for reducing yellowing of wool.	Completed, demonstrating that the effect of nano-adsorbing agents was not an effective method of reducing yellowing.
Relationship between yarn torsional characteristics and fabric appearance established.	Work progressing with a useful method of reducing spirality developed, although at this time not yet commercially applicable.
The Processing of Merino Fibre	
Targets for 2005/06	Performance against target
Commercial release of a new detergent for low temperature scouring.	Technical package for low temperature scouring is now available. Mill trial in China was not successful due to difficulties in process control. Mill trial in Europe is being planned.
Commercial volumes of novelknit (sliverknit) fabric produced by Yorkshire Fur and Furpile.	Insignificant volume generated as the wool noils required are in short supply and too expensive.
Deliver to Rhom and Hass the technical package and test fabrics, for use of "Color-Clear" bleaching agent in wool.	Technical package delivered and trialed in three mills.
First sales of Total Easy Care pure wool trousers and jackets from TAL.	4,500 pairs of washable wool trousers.
Technology for spinning wool blends on Murata vortex spinning machinery transferred to two spinners and fabrics manufactured.	Technology successfully transferred to a company in Hong Kong. Transfer is currently underway with another partner in Indonesia, for wool/cotton fleece tops.
Publication and distribution of a technical package containing the knowledge and techniques to produce low-pill wool knitwear.	Report is being condensed for publication on the web.
Deliver TEC technology for pure wool garments with two companies in China, one in S Korea, one in India and two in Europe.	Not completed.
Complete a series of technology transfer trials in top dyeing of wool to four companies in China.	Trials successfully completed and adopted at all companies. The changes have resulted in improved quality at these target mills.
Work with three makers of wool trousers to develop wrinkle recovery and crease stabilisation technology.	New technology demonstrated at lab scale at Hong Kong Polytechnic University. Mill trials planned in Europe in October 2006.
In conjunction with The Woolmark Company, improve the production efficiency of the Optim™ machine.	Not initiated due to no sale of Optim™.
Commercialise chrome-free, lightfast vat dyeing technology for wool.	Two technologies developed. One demonstrated at mill level. Comparison of technologies underway to select most appropriate marketing package.
Evaluate the Canesis Aurora™ wool carpet bright dyeing process in apparel wools.	Preliminary results indicate that bright dyes can be applied using aurora technology and that the treated fibre can be spun without problem.

Develop pilot scale evaluation of new oxidants for wool top, in readiness for industrial trials.	Lab trials are still inconclusive.
Complete evaluation of differential bleaching of wool/synthetic blends using dispersive dyes.	Successful technology developed and trialed successfully in mills. Marketing plan is being developed.
Evaluate the technical feasibility of using water fibrillation to enhance softness of pure wool fabrics.	Project terminated as fabric softness is not acceptable.
Develop the technology required to spin wool in blends with synthetic microfibrils and produce test fabrics with commercial partners.	Test fabrics successfully produced. Technology documents in preparation. Some problems with suitable polyester fibre supply delayed finalisation of outcomes. Transfer to commercial companies planned from September to December 2006.
Evaluate the use of chemical splitting technology on wool and wool blend fabrics for the production of superfine fabrics.	Preliminary pilot trials using mechanical approach has produced fabrics with enhanced softness. Larger range to be produced with commercial input. Alternative approach by developing a wool compatible splitting fibre has yielded some success in fibre production trials.
Complete feasibility trials on the compact card, develop methods for minimising fibre breakage, and make a decision on a development phase.	New approaches lacked commercial impact. Project stopped with agreement of all partners.
Complete evaluation of Excimer Laser wool surface modification to improve fabric printing and reduce pilling.	Excimer lasers found to improve pilling performance of wool knitwear in laboratory trials. Wearer trials in progress.
Complete final report on wool blended, extruded filament yarns.	Final report submitted; talks with synthetic fibre spinner on the adoption of the IP in China planned.
Complete final report on the colour conductive fibre project by Deakin University.	Work completed. New technology developed and patented.
Complete a pilot scale evaluation of the process for protection of wool at high dyeing temperatures.	An effective method of limiting damage in the high temperature dyeing of wool developed. Discussion with dyestuff companies to be arranged.
Complete technical evaluation of optically whitened wool.	Work successfully completed and follow up studies launched to develop method to prevent accelerated photoyellowing.
Develop a feasible methodology to be able to prove, on pilot scale, new techniques for reducing loop distortion and spirality in knitwear.	Outcomes successful. Next phase has begun with appointment of a commercial partner, Zinser, Germany, to build and trial the necessary units for industrial proving.
Industrial trial on shrink proofing treatment with nano-particle solution completed at Donghua University.	Industrial trial with Ruyi Wool Mills produced fabrics with good shrink-resistance. Further trials have been planned to minimise fibre damage and yellowing that are side effects of the process.
Fifteen fancy yarns developed and trialed at Xi'an University of Engineering Science & Technology.	Fifteen fancy yarns developed and introduced to industry. Kunshan Shunfeng Mill reported selling 1Mkg of fancy yarns containing 40% wool in 2005. Jiaxing Huameng Mill reported selling 200,000 metres of fancy yarn fabrics containing 70% Australian wool in 2005. Huzhou Zhongxin Textiles and Shanghai Huafang Knittings have begun designing knitted garments using wool fancy yarns.
Report on progress of CAWIN students.	Annual enrolment of undergraduate students on wool program at five CAWIN universities increases from 50 in 2003 to 128 students in 2006. Annual enrolment of master students on wool program at five CAWIN universities increases from 18 in 2003 to 52 students in 2006.
Merino Fibre in Fashion Markets	
Targets for 2005/06	Performance against target
Production and sale of 700,000 metres of "Nouveau Classique" textured women's fabrics.	Project terminated because of lack of commercial interest in the products.
Commercialise the natural stretch/ easy care singles fabric for lightweight tailoring with Nanshan (China), Chiel (Korea) and Laina (China, women).	Technology successfully transferred to Nashan, China, Cheil (Korea) Nakaden and Nikke (Japan). Trials planned with Novalan, (Mexico) and Burlington (USA) in September 2006. Nanshan, Cheil, Nikke and Nakaden have sent product ranges to customers for assessment.
Commercialise Merino Super Soft knitwear with Kookai (Australia).	Successfully launched with retail sales outperformed expectations.
Introduce Merino Super Soft in fully fashioned knitwear to Marks & Spencer, Next, Smedley, Pringle and Jaeger and sell 36,000 units.	Project terminated.
Production and sale of 700,000 metres of wool and wool blend fabrics suitable for the "Winter to Spring" seasons in Europe and US.	Project terminated.
Produce a range of fabrics/garments and marketing tools to develop a market for Merino fibre in children's wear up to eight years old.	Marketing package demonstrating Merino fabrics for children apparel produced.
Introduce Merino Super Soft into intimate apparel, sleepwear and hosiery through Sara Lee, Bentwood, Martin Empress and John Smedley to sell 20,000 units by December 2005 and a further 80,000 units by June 2006.	Project terminated.

Merino as a Performance Fibre	
Targets for 2005/06	Performance against target
Production of commercial quantities of garments using Spunlace.	Fabric successfully produced but commercial partner has decided not to continue the development.
Commercialise at least one wool industrial filtration product.	Supply chain successfully brokered by AWI. Trials underway in Australia and USA markets.
Commercialise the heated wool bedding.	Project terminated as product does not meet target price.
Develop a wool rich fleece fabric for the USA through Texmaco.	The bonded wool fleece program with Texmaco has successfully developed a range of fabrics that are now being marketed and purchased in the USA.
Complete development of one medical product from wool with Smith and Nephew.	Successful trials to prove effectiveness of injury prevention garments completed, but Smith & Nephew did not progress.
Determine acceptability to rural fire brigade suppliers of new wool/cotton blend fire-proof clothing.	Some slippage with partner availability. Wearer trials with CFA, VIC. to begin in July 2006.
Develop technology for inclusion of wool in bullet-proof protective wear.	Prototype met required performance and negotiation with commercial partner is under way.
Develop wool blend ergonomic high performance active wear.	Product concept developed. Project on track.
Determine feasibility of using wool blend fabrics in automotive upholstery.	Major slippage in this project with yarn suppliers in USA and Australia. The project has been terminated.

Trade/Product Marketing	
Market Information	
Targets for 2005/06	Performance against target
Make the <i>Woolcheque</i> web-based wool pricing service available to woolgrowers nationally.	The <i>Woolcheque</i> website has been successfully made available to Australian woolgrowers.
Survey the R&D needs of the Chinese knitwear industry.	Survey conducted with the Hong Kong Productivity Council. Survey was of the needs of the Chinese knitwear industry in Southern China. This survey was completed in 2005 and a hard copy is available upon request.
Establish a brand support information portal for wool retailers.	The merinoinnovation.com website provides in depth insights into Australian Merino, providing marketing stories to retailers/designers etc as to the vast, value adding attributes of the fibre.
Provide stakeholders with access to the following services from The Woolmark Company: Woolmark Business Survey Report; 5 Year Australian wool industry forecasts; Global wool textile industry weekly news articles for the AWI website; Annual review and outlook for fine wool; Annual review for medium micron and broad wool; <i>Beyond the Bale</i> global market information – medium to long term trends.	Stakeholders have been provided with current up to date market information through those reports, on AWI website and <i>Beyond the Bale</i> .
Undertake a survey of key brands and retail leaders within the Australian apparel market, identifying potential B2B partners for wool innovation product development. This survey methodology will then be used in key international markets: USA, Europe.	An Australian market survey is currently being conducted with potential B2B partners for wool innovation product development and marketing opportunities. This involves meetings/phone interviews with most appropriate contacts to ascertain current knowledge/usage of Australian Merino; willingness to consider Australian Merino into their garment ranges; price/profit business requirements. The qualitative data collected will enable AWI to select the most appropriate B2B partners to match with AWI's brand identity. This will be complete by December 2006, with a view to utilise this model within other territories.
Publish a Chinese newsletter providing information to the Chinese textile industry on the Australian wool industry, consumer/retail sentiment, fashion trends, and circulate to 1,500 manufacturers in China.	This monthly newsletter is a joint project with CWTA. It updates Chinese manufacturers with latest developments in the Australian wool industry as well as the Chinese wool textile industry. It has increased AWI's profile within the Chinese wool textile manufacturers, from early stage processing to garment making.
Publish <i>Sheep's Back to Mill</i> 2004/05 edition.	The 2004/05 edition of <i>Sheep's Back to Mill</i> has been successfully published and made available to industry stakeholders both nationally and internationally.
Maintain the Australian Wool Production Forecasting Committee (WPFC).	All performance targets met, including development of computer flock model to assist forecasting, as well as lower cost, higher quality data survey to support the WPFC.
Develop a Stage 1 of an Australian sheep population and wool production model.	Completed and successfully trialled by the WPFC. Further enhancements are now being made to the model.

Market Development	
Targets for 2005/06	Performance against target
China	
Assist commercialisation partners in lowering the cost of yarn and fabric for further development of the Woolfleece product by establishing manufacturers in China and Indonesia (Texmaco).	On target. Woolfleece was launched in China with Haitian Group in March 2006.
Work with Younger, Heilan Group, Sunshine, Shangdong Ruyi, Nanshan and Romon to develop new menswear products based on: Machine washable suits; Super light fabric; Permanent crease SIROSET or equivalent technology (xyphos); Package dyeing.	Younger: Merino travelling suits, under development. Sunshine: stone washed merino, under development. Ruyi: Stone washed merino (wool denim), under development. Ruyi: menswear for Spring/Summer 2007/08, just started. Heilan: machine washable suit completed for product development. There is no project with Romon.
Develop Basolan treatment for Softwool project with Novetex International, in conjunction with South Ocean and Reward Ningbo.)	On target. Arcosoft and Arcofill yarn was developed by treating loose fibres in Reward and Novetex in China. Launch in woollen market for the coming season.
Commercialise through Heilan (China) large volume sales of machine washable suits.	Following a successful technology transfer process, Heilan conducted a pilot consumer trial of the machine washable suits in the period December 2005-June 2006, producing and selling approximately 3,900 suits in China. Heilan consider the trial successful, and have advised of orders for a further 35,000 units for the forthcoming Chinese Autumn/Winter season.
AWI Shanghai Office opening.	Completed.
Work with Nanshan, Laina, Wu shi shin, Shandong Ruyi, Aoyang to develop machine washable wool uniforms and corporate wear using: Lightweight fabric; Permanent crease; TEC machine washable trousers; Machine washable suits.	Aoyang: Functional fabrics for corporate wear, just started. Ruyi: see the above. There is no project with Wuxi Xiexin.
Develop R&D 'alliances' with Hong Kong Knitting Association, Hong Kong Polytechnic (nano-technology), and Hong Kong Technical and Training Center.	Completed. Alliances developed with all three organisations, plus the Clothing Institute and Technology Association (CITA) and the Hong Kong Compliance Centre.
Anti-pilling 'Spring Wool' developed with Xinao and Spring Bamboo.	This project is on track and will be ready for launch in January 2007.
Establish commercial projects with Youngor Group, Shanghai Matsuoka, and Jiangu Hongdou Industry to investigate development of womenswear using: Natural stretch wool fabrics; Package dyeing and woven piece dyeing; Wool/cotton blends; Super lightweight fabric.	Innovative Merino womenswear fabric project with Youngor for Spring/Summer 2007: product development almost completed. 42 colour-woven fabrics are completed and 8 piece-dyeing fabrics are waiting for shade selection from the customer (brand). Innovative Merino womenswear fabric project with Youngor for Autumn/Winter 2007/08: under development. No projects with Shanghai Matsuoka and Jiangsu Hongdon so far.
Establish training and mentorship programs for Innovation Managers from Novetex International, Esquel and Xinao. AWI to train innovation managers in wool based product development.	Novetex are the first to go through the training and mentorship program. Training for Esquel and Xinao is pending.
Work with Esquel, Smart, Shan-Shan and Nan Shan to develop quality wool shirts using lightweight fabric.	After investigation this initiative was terminated due to no interest from business as a result of the product being too costly to go to market.
Anti-moth (Nano-technology) project in place with Three Gun, Huafeng	On track, to be launched at SpinExpo 2006 (end of August 2006).
Europe	
Establish AWI account managers in Italy, Iberia, France, UK and Germany, using AWI marketing platforms and projects to stimulate development projects with retailers and brand companies.	In progress. AWI has opened an office in Treviso (Italy), with three staff. Establishment of other offices will reflect outcomes of the merger with Woolmark.
Over the next two years, target 20 retailers to initiate B2B relationships: eight in UK, two in Spain, three in Germany, three in France and four Italy.	Establishment of an AWI office in Europe provides the platform for direct business relationships with companies throughout Europe.
USA	
Continue commercialisation of Woolfleece and derivatives (bonding knitted wool structure to fleece fabrics and tri-layer structural blends using wool as the core layer) with US brands: Levis, LL Bean, Liz Claiborne, Brooks Brothers, Eddie Bauer, Columbia, Ralph Lauren, Echo Design.	New Balance has taken into their range the Ducksan wool fleece product for Fall 2006. Brooks Bros are sampling the Texmaco bonded wool fleece for their Fall 2007 range along with New Balance. A new micro fibre wool fleece fabric is under development upon request from New Balance with Taiwanese fleece manufacturer King Whale targeted for Fall 2007 release.
Quality assured washable/dryable knitwear available in five US retailers.	The TWC Total Easy Care program was terminated in January 2006 due to lack of retailer interest. LL Bean continues to sell product that was developed under this program. The machine washable 100% wool trouser developed with TAL (Thailand) has been adopted by another company and will be released in their Fall 2006 range. Ongoing work is currently underway aimed at lifting their current range wool content percentage from 2% to 10%.

Target US casual apparel markets by developing projects in the area of fine gauge (tee-shirt weight) knitted performance apparel with commercialisation partners in US (brands) and Asia (manufacturing).	Base Layer (tee-shirt weight) wool fabrics continue to sell extremely well in the USA. Australian manufacturer DPK and American manufacturer Minus 33 Degrees are both selling volume meterage into the outdoor retail and sports sectors with the assistance of AWI.
Commercialise the hydro-entanglement fabrics developed with TWC with partners interested in bonding this fabric with a fleece substrate to achieve warmth without weight.	Although this project was successful in development no manufacturing partner has been identified to produce this product.
Initiate technology transfer of bi-layer wool/cotton projects developed with CSIRO to manufacturing partners integrated with key brand partners in North America.	The bi-layer wool/cotton fabrics are being tested by the US military. Sampling is also being provided to a commercial company. This product will not be technology transferred unless a retail buyer is identified.
Japan/Korea	
Establish product development relationships with Aoyama, Aoki, Konaka, Haruyama and Isetan to create an environmentally friendly 'Cool Suit' with marketing support.	Ceramic cool suit developed and launched through 130 retail outlets of Aoyama. Recent progress sales are satisfactory. Continued development of the ceramic cool suits is being conducted with Nikke. The status is ongoing and the target retail launch is Spring/Summer 2007.
Modified (odourless) Siroset technology commercialised in Japan.	This project was terminated due to failure of the technology.
Establish a product development relationship with Nakaden, Japan's largest women's weaver selling into major domestic apparel brands, using machine washable, superlight, compact yarn fabrics.	It was discovered the cost of making the shirts was very high and therefore the initial project has been placed on hold. It has since been decided to use the technology to develop with Nikke four new fabrics for trousers.
Grow domestic demand for woollen apparel in men's and women's knitwear, working with Fast Retailing (Uniqlo), Ito Yokado, AEON, and Isetan using machine washable knitwear with marketing stories, eg Merino Extrafine.	AWI is now working with UNY to grow domestic demand for woollen apparel in men's and women's knitwear. 270,000 garments ordered for this season by UNY. AWI providing marketing support for Australian Merino promotion.
India	
Transfer TEC jackets and trouser technology to Madura Garment company.	Completed.
Transfer TEC technology and supply information to Indian woolen shawl makers.	Completed.
Technology transfer of TEC knitwear to OSWAL Woolen Mills.	Completed.
Establish an Australia/India industry-based working group to assist with product development in India.	Joint industry based business advisory group formed and a meeting was organised in Delhi.
Establish three projects in active wear and three projects in work wear and two projects in high profile corporate wear.	Did not proceed for operational reasons.
Complete scoping study for production and marketing of high quality wool/cotton blends in India.	Completed.
Emerging markets	
Identify opportunities to increase the use of wool in Russia, Turkey and Eastern European countries.	Not completed. The strategy was re defined and it was decided that the focus would remain on China/Hong Kong/Japan and India.
Trade Access	
Targets for 2005/06	Performance against target
Publish an analysis of the economic impact of an FTA with China.	Publication completed and disseminated publicly through the Wool Industry FTA Committee.
Publish the outcomes of a Wool Marketing and Risk Management study.	The Wool Marketing and Risk Management Scoping Study is available to the public via the AWI website. Hard copies are produced on request.
Publish the Review of Supply Chain business model for the Australian wool industry.	The Review of the Supply Chain business model for Australia is available to the public via the AWI website. Hard copies are produced on request.
Continue work with the NFF and Australian Government towards completion of the WTO Agreement on Agriculture.	Representation of the industry continues on this issue, however progress of multilateral agriculture trade negotiations has been slow.
Develop and publish a wool pipeline costing model.	This has been successfully completed and used to generate 2004-05 <i>Sheep's Back to Mill</i> statistics.
Analyse the benefits and costs of electronic wool bale ID.	This study has been successfully completed and accepted by key industry stakeholders. Based on the recommendations of this report, bale ID trials are now underway.
Continue work with the NFF and Australian Government to establish a Free Trade Agreement (FTA) with China.	Representation of the Australian wool industry in FTA negotiations with China continues both through the NFF and the Wool Industry FTA Committee.
Continue work with the Australian Government to reduce or eliminate tariffs on raw wool and tops in India, China and the EU.	AWI is pursuing the elimination of tariffs in China as a priority in its FTA negotiations considering liberalisation of these obstacles to trade as fundamental to any liberalising agreement with China. Tariff negotiations with India and the EU also continue with the support from government, yet with less short term opportunity for progress without a bilateral agreement in place (congruent to that currently under negotiation with China).

Wool Production	
Profitable Grazing for Wool Sheep	
Targets for 2005/06	Performance against target
Commercialise five new pasture legumes: Lusa – Persian Clover (<i>Trifolium resupinatum</i>), Jota (<i>Melilotus alba</i>), Moonbi and Wilpena (<i>Hedysarum</i>) and Mintaro (Sub clover).	Mintaro: commercially available. Moonbi and Wilpena: commercial partner is building up commercial quantities of seed for retail in 2007. Lusa: commercial partner has been identified; breeder increasing seed quantity to provide to commercial partner in 2007. Jota: potential commercial partner identified; breeder increasing seed quantity to provide to commercial partner in 2007.
The Lifetime Wool project will release 'best-bet' ewe nutrition guidelines for optimising progeny lifetime wool production.	Two prototype calculators developed to cost supplementary feeding of ewes to achieve condition score targets at joining and lambing. Best-bet ewe guidelines have been delayed but guidelines for western Victoria and southern WA due August 2006. Extension and training packages under development.
Ninety wool advisors in six states trained to deliver StockPlan™ to help woolgrowers prepare drought management plans.	11 NSW, 4 Queensland and 2 Victorian StockPlan facilitators trained. Still pursuing WA and SA advisor interest in StockPlan facilitator training workshops.
Evaluate the potential for more widespread use of "Pastures from Space" by wool producers in SE Australia.	Evaluation of technology throughout the year. Continued discussion with CSIRO and GSSA about potential project for validation in south eastern Australia.
Develop extension products on reduction of soil acidity for wool producers to be delivered by NSW Agriculture and through 'Grain & Graze'.	Eight fact sheets available on the NSW DPI website and linked to the AWI website. Each fact sheet has been downloaded between 46 and 65 times.
1,000 growers receive information on economic impacts of applying lime to acid soils through field days, farm visits and fact sheets.	There have been 450 downloads of the web-based fact sheets. 250 people attended field days or conferences at which the results have been presented. Project results have been reported in publications including <i>Beyond the Bale</i> .
National Annual Pasture Legume Improvement Program (NAPLIP) will release a 'Ute Guide' for producers in the northern zone containing agronomic and management information for use of new cultivars.	<i>Northern Australia Ute Guide</i> at printers; due for release by the end of July. <i>Southern Australia Ute Guide</i> previously published (jointly with the GRDC) and copies distributed.
Complete delivery of biocontrol agents (for Paterson's Curse, thistles, horehound and heliotrope) and information sheets for their effective use.	Delivery of biocontrol agents completed. A total of four insect species were released to control Paterson's Curse at a total of 2,939 sites across Australia. Six insects were released to control thistles at a total of 920 sites. One insect was released for horehound at 72 sites. One insect was also released for Blue Heliotrope at 84 sites. 1,709 farmers were involved in the program. Information sheets available from the AWI and CSIRO websites.
Continue delivery of TIMERITE for red-legged earth mite control.	TIMERITE available through the TIMERITE website and the AWI helpline. Advertising in rural media to promote Timerite during winter and spring. 7,150 TIMERITE dates have been delivered over the life of the project. 4,259 have been delivered through the TIMERITE website since July 2004, and 1,497 through the AWI helpline since July 2004.
Conduct field trials of acid tolerant and winter active phalaris lines.	Field trials in final stages. Commercial partner has confirmed their intention to commercialise both the acid-tolerant and winter active lines developed in the project.
Establish Pastures Australia with GRDC, MLA, DA and RIRDC to provide the future vehicle for plant breeding and pastures investment.	Pastures Australia established. Market research and industry consultation completed. Draft Year 1 investment plan considered at national workshop in June 2006. Terms of Reference for new projects to be released in August 2006.
Develop new perennial Lotus species for grazing systems.	21 accessions screened for tolerance to waterlogging. Sufficient variation exists to make improvements in waterlogging tolerance.
Grain & Graze program initiated with nine regional projects established and case studies of innovative practice in mixed farming systems conducted.	Nine regional projects established and operational with over 60 field trials and demonstrations addressing locally relevant pasture and cropping systems. 40 farmer case studies finalised.
Demonstrate the relationship between soil biological status and pasture productivity, and identify management options to apply this knowledge. Establish research sites and develop assays for use in analysis.	Assays have been developed for Pythium, Phytophthora, three strains of Rhizoctonia and two nematodes. Field trials to demonstrate the link between soil biological status and pasture productivity were undertaken, but the results were not conclusive. Another series of field trials will be undertaken in 2006/07 using a different methodology. Management options have not been identified yet because the DNA assays needed to be developed first. Field trials to test different management options are currently being set up.

Develop a strategy for investment in projects to improve profitability of pastoral zone wool production.	Pastoral zone strategy approved by the AWI Board after consultation with pastoral zone producers and advisors. Projects initiated on feed analysis and the management of forage shrub-based pastures in low rainfall environments. Projects on economic comparison of Merino and alternative meat breed sheep enterprises, retention of staff, and establishment recipes for low rainfall pasture species and shrubs to be contracted in August 2006.
Develop a network of commercially relevant pasture demonstration sites to showcase new technology, benchmark productivity and provide a focus for extension activities.	Expansion of the Evergraze approved by AWI Board. Project will aim to increase the profitability and NRM outcomes in the high rainfall zone through better management of native based pastures and integration with high productivity improved pasture components of the farm.
Implement projects to decrease the impact of priority weeds.	Project underway to deliver best practice management information for control of serrated tussock, Chilean Needle Grass, African Lovegrass, Patersons Curse, thistles and Silver Leaf Nightshade.
Identify opportunities to improve rabbit control.	Study to determine whether rabbits are developing genetic resistance to RHD commenced. Analysis of existing data sets to identify the effectiveness of RHD under different environmental and management conditions commenced. The study will provide information on management techniques to improve the effectiveness of RHD in killing rabbits.

Natural Resource Management	
Targets for 2005/06	Performance against target
Release of a range of new tools for improved management of stocking rate in the pastoral zone.	Extension package on techniques to regenerate Mitchell Grasslands damaged by drought released to woolgrowers in Queensland. Prototypes developed for four new decision support tools: Benchmark Index for assessing sustainable stocking rate; Critical Decisions on Stocking Rate; Land Condition Framework for mulga and Mitchell Grasslands; Remote monitoring of land condition and seasonal conditions.
Development of a suite of environmental monitoring tools for woolgrowers in high rainfall and sheep/wheat zones.	Environmental monitoring tool developed. Being road tested with wool growers as part of the EMS project and with Catchment Management Authorities through the LWW Advocates program.
Publication of Rivers Guides and assessment tools for woolgrowers in the high rainfall and sheep/wheat zones.	Rivers Guides, visual assessment and detailed technical assessment tools available in hard copy or downloadable from the LWW website.
Native Vegetation Management Insight publications released.	Publication available in hard copy or downloadable from LWW website.
Publication of findings from the Future Woolscapes project.	All documents ready for release on AWI/LWW websites. Australian Farm Journal series ready for release.
Publication of guidelines for integrating pasture based solutions to saline land into farming systems.	Draft manual of techniques to improve saltbush establishment developed. Components to be included in other SGSL products.
Report on the outcomes and evaluation activities within Land Water & Wool to increase our understanding of the key drivers and deterrents for adoption of NRM practices.	Evaluation activities currently underway in each sub program. Information will be provided in LWW Final Report, due March 2007.
Establish the procedures to monitor, report and promote the wool industry's positive impact on the environment and actions taken to improve the environment.	Market research to determine retail, brand and garment manufacturer demand for environmentally assured wool in Western Europe, USA and Japan complete. Six existing monitoring systems are currently being road tested and evaluated with woolgrower groups. Project underway to determine specific requirements of a monitoring system that will be suitable for meat, wool and grains. DVD produced for retailers to highlight the complementarity between wool production and good environmental management.
Implement projects to develop cost effective control measures for environmental weeds such as Lippia and Bathurst Burr.	Project to identify biological control agents for Lippia underway with multiple partners. Bathurst Burr ecology, management and impact review completed; options for new R&D being considered.

Animal Health and Welfare	
Targets for 2005/06	Performance against target
<i>A replacement for mulesing</i>	
Complete formulation of collagenase and finalise patterns of use and type of collagenase used.	Target changed. Collagenase was shelved due to cost and ease of use concerns and replaced with a better active. Formulation and pattern of use of the new active are close to finalisation.
Have at least two prototype applicators for use in the field.	One applicator is further advanced than prototype (pre-commercial); two others are in prototype but not ready for use in the field.
Establish feasibility or otherwise of phenol or QAC for breech treatment as alternatives to collagenase.	Two QAC actives were identified as superior to collagenase and one of these is now the sole focus of development as a commercial product having been evaluated in field trials.

Establish commercialisation strategy for intradermal treatments.	Confidentiality agreements were signed with over 20 companies and a dossier of data is almost finalised.
Complete screening trials to evaluate animal welfare implications of various breech treatments.	Screening trials on clips were conducted in the field in SA and on injectable treatments in pen trials at Werribee.
Evaluate use of analgesics in mulesing.	Two studies were performed at Armidale by CSIRO and two agents with potential for use in mulesing were identified. CSIRO has itself conducted a further study building on these first two.
Evaluate new approaches to non-surgical mulesing.	This target refers to the clips which are now at an advanced stage of development and under evaluation in field trials around the country. Many other concepts for non-surgical mulesing were also explored.
Develop and deliver a national accreditation program for mulesing operators.	The program has not been 'officially' launched but a private provider, building on work previously funded by AWI, has been delivering training and accreditation since early 2006. People accredited under this program will have 'official' accredited status. The National Mulesing Accreditation Program Management Committee has been established and is overseeing its implementation. Mulesing contractors must be accredited by the end of 2006.
Implement a national genetic evaluation program for bare breech sheep as alternatives to mulesing.	A breeding project was established at Mt Barker (WA) and Armidale (NSW); preliminary studies on 'bare-breech' sheep in SA have been completed and a guide to visual scoring of breech traits was road-tested and then published.
<i>Other animal health and welfare</i>	
Commercialise a new dog bait lure ("FeralMone") and develop aerial bait delivery system.	FeralMone was launched and over 8000 cans have been sold. The aerial bait delivery system was determined not to be feasible and was not pursued.
Complete three new AUSVETPLAN manuals (wool stores, processing plants, exporters).	Target not met. This was a lower priority than other targets and it was not pursued.
Monitor pesticide residues on the Australian woolclip by a survey of 1,000 samples per year.	The survey data covers fleece wools from the 2005/06 year. Compliance with EU Eco-label criteria is around 42%. Additional targeted testing was carried out on wool produced by members of quality groups or others taking quality control measures. Fleece wools from such groups are generally much more likely to meet Eco-label criteria (up to 88% depending on the group).
Transfer DNA test to distinguish gel-stable field virulent and field benign strains of footrot to two laboratories, develop and optimise rapid test format (PCR), analyse at least 350 samples.	The test was transferred to Orange (NSW) and Albany (WA) laboratories and by March, 403 samples had been analysed. The test has performed reliably and commercialisation is expected in NSW within 2006, ahead of schedule.
Develop successful lice detection dipstick test and determine route to market.	Technical progress has been good with a prototype in-shed ('dipstick') test performing very well but requiring more extensive validation. A potential commercial partner is evaluating a licence option.
22 demonstration farms complete the second full year of their integrated parasite management program, and each host at least one field day, with more than 700 producers expected to attend during the year. Publication of case studies and lessons learned.	There were 25 field days during 2005/06 with 788 attendees. In addition, six workshops were held with 174 people attending, six presentations to conferences, and 34 media releases.
Implement a program for proficiency evaluation of wool chemical residue testing laboratories.	The program has completed two rounds and a list of proficient laboratories is available.
Develop the best of two experimental tests for insect growth regulator (IGR) resistance in lice, completion of testing for cross-resistance in IGR-resistant strains of flies.	The project team has decided to proceed with both tests because they may complement each other but both are working at this stage.
Commercial footrot eradication service based on sequential specific vaccination: Commence vaccine production, complete pre-vaccination inspections and first vaccination on group A farms, pre-vaccination inspections on group B farms.	6,500 sheep in six flocks (three in SA, three in Tasmania) have been inspected as planned. Footrot scores were ≥ 2 in 25-77% of sheep which should allow a good assessment of the vaccine's efficacy.
Develop a new dog bait to replace 1080 by assessing canid response to PAPP (a toxicant) and impact on non-target species with data ready to submit to APVMA.	Slippage due to technical hurdles, but progress remains satisfactory and project outputs will be greater than originally targeted with a cat toxin being added. A dossier for registration of a fox product will be submitted to the APVMA in December 2006, for a dog product in December 2007 and for a cat product in June 2008. An antidote is also progressing well and is likely to be part of the package.
Validated PCR test, for diagnosis of capripox virus in place at AAHL, short list of serological tests under evaluation.	Primary diagnostic and PCR tests are in place and a serological test (ELISA) is close to final development.
Complete and analyse first year of field trials on louse population dynamics.	Data from Longreach (Qld) and Werribee (VIC) trial sites have been collected and analysed. Sheep in the Werribee flock may have had an undetected louse infestation which has led to a change in aim for that trial. Louse build-up at Longreach was extremely slow, but this probably reflects the real situation.

Blowfly genomics program: produce cDNA array and optimise method for making transgenic blowflies (tools towards identifying 'target' genes in blowflies). Development of new, better targeted fly control product: prepare expression vectors, purify expressed protein.	Genomics project: milestone for production of the cDNA array slipped but no impact is expected on the final timelines. Method for making transgenic blowflies (to ascertain function of genes of interest) has been optimised. Fly control product: expression vectors, ie bacteria genetically engineered to produce proteins of interest, are working well and the expressed proteins have been purified.
Complete feasibility study on use of insect-eating worms for control of lice and flies, initiate development phase if favourable.	Some slippage but feasibility largely complete. A development phase is unlikely as the worms have not been highly effective.
Complete feasibility study on use of fungi for control of lice and flies, initiate development phase if favourable.	Some slippage but feasibility largely complete. Certain strains of fungi show promise, particularly for control of lice. Commercial interest is being canvassed and a decision will be made in September on a development phase.
Anti-protozoal vaccine to increase wool production: Complete passive immunity experiments, identify and purify antigen fragments for large scale trials.	Target met, but results unsatisfactory and project terminated.
Molecular Genetics	
Targets for 2005/06	Performance against target
Complete evaluation of alternative to present DNA parentage technology, and complete the commercialisation strategy.	The diversity array technology is a DNA marker discovery platform that is currently used in plants (wheat, barley, etc) and was trialled in sheep in an attempt to develop a high throughput, low cost molecular marker delivery platform. Following considerable technical difficulty to get the technique to work in sheep, far fewer markers were discovered (hundreds) than planned (thousands). Given the cost (~\$50) and difficulty associated with the technique, it no longer appears a viable alternative to current DNA pedigree technology in sheep. Consequently, no further research is planned and IP (markers discovered) has been rolled into SheepGenomics. New technology involving SNP discovery is currently underway in SheepGenomics, and is likely to supersede current DNA pedigree systems by delivering tens of thousands of markers at potentially lower cost than current DNA pedigree services.
Complete second lambing in FMFS Mapping Flock, and generation of additional progeny in CSIRO Romney x Merino Flock.	Second lambing of FMFS flock complete with 3,200 progeny generated including progeny from two additional sires (bare crutch sire and extreme muscling sire). Birth data captured at lambing and wool traits at marking. Parasite, wool and skin phenotyping of first drop of Romney x Merino lambs complete. Full genome scan complete on these animals and details of QTL analysis for core parasite and wool traits presented. QTL for parasite resistance found on Chr3, 6 and 15 and for wool and skin traits on Chr2, 13 and 15. These require further fine mapping which is the subject of another proposal. The second drop of lambs to complement these lambs have been born, phenotyping commenced, lambs weaned and DNA collected.
Complete BAC-end sequencing alignment of virtual Sheep Map against Bovine Map, and publication via Genbank.	BAC-ends sequenced, and data published in GenBank. Alignment with Bovine scaffold complete. Available via Bioinformatics portal for SheepGenomics researchers.
Have implemented the Sheep Genomics Program (SGP) bioinformatics web-resource, including linkage to the Sheep Genome Map and other content resources, such that the resource is widely available for researchers.	SheepGenomics website up and running (www.sheepgenomics.com). Bioinformatics web portal built with links to all relevant SheepGenomics research resources including Sheep Genome Map and other relevant maps, BAC end sequences and a number of other tools and resources.
Complete global meta-analysis of host-resistance to internal parasite gene discovery landscape (across flocks), identifying best-bet gene hotspots for fine mapping and eventual marker development.	Material Transfer Agreement agreed and a number of participants have signed up to the agreement. Expect completion of chromosomal alignment by December 2006. At least eight international groups have expressed interest in participation, including ILRI (Kenya), Louisiana State Uni (USA), Roslin Institute (UK), INRA (France), AgResearch (NZ).
Complete development of prospective gene markers (3 regions) using the Golden Ram flock resource, enabling large scale screening of breeder flocks to commence.	Golden Ram project rolled into SheepGenomics and GR rams used in FMFS Mapping Flock. Project due for completion in September 2006 by which time three chromosomal regions will be fine mapped. Progression of these markers to industry validation will be guided by the global meta-analysis project.
Complete fine mapping of Callipyge (sheep loin) and Carwell (sheep eye-muscle) hotspots on Chromosome 18, and initial validation using FMFS Fine Mapping resources.	Haplotype marker block developed. Validation using industry flocks and FMFS underway. A competing product (LoinMax™) has entered the Australian market (November 2005) and discussions are ongoing to cross validate SheepGenomics markers and LoinMax™ to determine equivalence.

Establish the basis for therapeutic intervention enabling manipulation of the lifetime wool production of sheep, based on in-utero regulation of foetal genes: have completed assessment of lambs born in August 2004 in relation to key wool and skin attributes, and have progressed assessment of second joining lambs.	Hogget shearing for Cortisol treatment lambs completed, as is lamb tipping for thyroid hormone group. Skin biopsy processing for both groups is complete. Most significant outcome is 10% increase in staple length when one of the target hormones is suppressed with no change in other traits. Need to develop experiment to determine mechanism acting here. Ewe treatments completed for Cysteine pathway group, and the resulting lambs will be born July 2006.
Applied Genetics and Wool Quality	
Targets for 2005/06	Performance against target
<i>Genetics</i>	
Launch Sheep Genetics Australia (SGA) as a commercial service involving meat sheep, Merinos and other breeds.	Service launched in October 2005 and commenced operations in November 2005. Nine awareness forums were conducted across Australia attracting over 700 participants. Over 40 new MerinoSelect clients have joined since the launch. Over 750 ram breeders have performance and pedigree data on over two million animals in the SGA system.
Forty ASBVs and genetic trends to be available to industry from SGA.	Over fifty ASBVs and genetic trends have been available since November 2005. Analysis is run every fortnight and ASBVs updated accordingly.
Updated Merino Superior Sires report generated via SGA.	Merino Superior Sires 11 published in February 2006, generated using SGA analysis procedures. 3,471 copies distributed. Report also available at mss.csiro.au
Complete the National Selection Demonstration Flock trial, issue comprehensive final report and industry communication package developed.	Selection Demonstration Flock trial concluded in June 2006. Extensive economic analyses of results conducted. Communication package will be delivered commencing September 2006.
10 CTSE evaluations established around Australia, and assessment of extreme sires and additional traits commenced. Major web page refurbishment, quarterly web updates completed, and Merino Superior Sires 11 published in hard copy.	Eight active sites in CTSE with interest to start two new sites in SA and NSW. Second year of dry seasonal conditions plus two sites joining every second year has lead to five sites joining in 2006. Three extreme sires selected for worm resistance entered and additional traits collected at all sites.
Complete final report on national woolgrower research into issues affecting breeding strategy/technique decisions.	Project delayed by three months to streamline material mailed to AWI shareholders. National survey now collated with 40% response rate. Final report due in September 2006.
Updated Merino Bloodline Performance Package published and project initiated to extend the range of traits evaluated at sites.	Merino Bloodline Performance Package published in September 2005 with 2,000+ copies distributed and website developed (www.merinobloodlines.com.au). Additional trait funding used by 12 bloodline evaluations collecting additional traits such as staple strength, faecal egg counts, wool processing ability and meat traits.
Complete planning of the national sheep genetic education program that includes extension of SGA activities and other genetic technologies including bloodline evaluations and Merino Superior Sires.	Strategic and operational planning process ongoing, assisted by external advisors. Based on the outcomes and recommendations of this review, a strategy is being developed between MLA, AWI and SGA Manager. Expect completion in September 2006.
Establish ASBVs for structural and visually assessed traits.	Parameter estimates to develop ASBVs currently in refinement. Results show structurally and visually assessed traits are heritable and their relationship to measured traits will shortly be published. Workshop to consider inclusion into SGA is the next step.
<i>Wool quality</i>	
Forty per cent eligible target market adoption of the DMF vendor declaration: Random sampling of national clip enhanced. Industrial trialling of automated DMF testing system completed.	The DMF vendor declaration adoption rate is presently at 32-35%. Enhanced random sampling of the clip was successfully completed, and a follow-up contract is in place. Industrial trialling of the DMF test instrument has now moved to a phase involving 10 major topmakers and spinners globally.
Complete final report on comparison of OFDA4000, Almeter and Laserscan instruments.	Project completed, and final report received. Papers delivered to FAWO and IWTO, which subsequently approved the Draft Test Method for OFDA4000. Excellent outcome.
Complete field report on prevalence of DMF in mills.	Project completed, and final results presented at IWTO in November 2005 and April 2006. Follow-up communication with individual mills is underway, in conjunction with Dark and Medullated Fibre Instrumentation Commercialisation.
Complete the delivery of national OFFM workshops for growers, brokers and advisors.	The second year of delivery of OFFM workshops were suspended in July 2005 until more favourable wool market conditions emerge.
Achieve 100% participation in OFFM QA Program and report on changes in operator performance, and changes in user awareness and recognition.	The OFFM QA project has been successful in attracting 90% participation. A survey of operators' revealed support for the program with the majority greatly improving their knowledge of Quality Assurance. The majority believed that the program has improved their business by increasing industry confidence in the ability of operators to deliver quality of services.

Determine the acceptable level of DMF in greasy wool and tops as detected by new testing procedure.	Project successfully completed. Threshold levels defined, including a new definition of 'problem' medullated fibres, and reported to IWTO. Processing trials near completion, five months ahead of schedule.
Complete final report on development of a new device for on-farm fleece yield measurement.	Feasibility project completed. Results were not sufficiently precise to warrant further commercialisation effort, and the details were published at IWTO Cairo in April 2006.
Initiate development of an alternative, lower cost test measurement for staple strength, point of break (POB) and hauteur suitable for on farm and pipeline use.	Slippage. Awaiting proposal from developer, following initial contacts.
Wool Harvesting	
Targets for 2005/06	
Complete round two of regional coaching in shed for shearers and wool handlers.	Performance against target Regional coaching was successfully completed at the end of June 2006 with 460 days delivered.
Complete the development and distribution of shearer/wool handler learning resources to all training organisations.	Improver/Professional shearer and Wool Handler DVD training resources were successfully completed and delivered.
Complete Peak Hill UPSP field trials, followed by subsequent commercial release of Stage 1 UPSP.	Trials successfully completed and platform commercially released. However, a lower cost, smaller and faster version of this platform was required for commercial release and has subsequently been completed and is now being trialled.
Complete Catford UPSP field trials and resolve further development path for commercialisation.	This project has been terminated as performance targets were not met.
Complete SLAMP UPSP commercial prototype and field trials.	SLAMP field trials still underway owing to additional engineering required.
Kondinin Group publishes productivity/OH&S design guidelines and a comparative analysis of crutching trailers.	Completed and published.
Complete Western UPSP commercial prototype and field trials.	Modifications to platform delayed start of field trials. These are now underway.
At least two anti-locking handpiece motors to be commercially available, preferably with optional deadman switch technology.	Two anti locking motors are now commercially available.
Complete market research for a stage 2 modular UPSP.	Initial market research completed.
Publish via the AWI website and other media a comprehensive set of guidelines for OH&S, productivity and new technology options for shearing sheds.	Guidelines available at wool.com.au/shearingshedguidelines and on CD.
Involve all shearer and wool handler trainers and coaches in national consistency workshops to improve the quality and consistency of shearer and wool handler training.	Five national consistency workshops were delivered to lift the standard of training delivery for shearer and wool handler training.
Commence a collaborative project with at least one shearing machinery supplier to deliver a handpiece cutter grinding alternative that improves productivity, automates grinding process and improves OH&S.	No commercial industry partner has taken up this offer.
Review all previous robotics and severance research and recommend if further research and development is justified.	Completed review and commenced a project to examine the potential of a hybrid ultrasonic handpiece. Robotic research has been rejected.
Complete polymer coating assessment and decide whether to proceed to next stage of development and application.	Assessment project completed. It has been decided not to proceed with polymer coating as originally envisaged.
Review all previous chemical harvesting research and recommend if further research should be funded.	Completed review of biological and chemical harvesting and commenced a biological harvesting research program aimed at reducing the cost of harvesting.
Education and Adoption	
Targets for 2005/06	
Manage AWI's involvement in the review of the joint RDC Top 100 Adoption Targets.	This has not been required as the RDC Chairs have yet to initiate the review.
Report on progress against producer participation targets for each of the region-based grower extension programs: Bestprac (Pastoral zone); Wool4Wealth (NSW); BESTWOOL 2010 (VIC); Look @ Wool (SA); 8x5 Wool Profit Program (Tas); The Sheep's Back (WA); Leading Sheep (Qld); Triple P (NSW and Vic); Cicerone Project (Northern Tablelands of NSW); Network for High Performing Producers.	The national network of state woolgrower groups has progressively been revamped. The new approach places a greater emphasis on the projects acting as a conduit for AWI projects as well as participants contributing part payment for the services they receive. AWI has successfully trialled a process to engage woolgrowers who have not otherwise been involved in group activity. The process is called 'Facilitated Recruitment' and will be added to the suite of techniques that groups will use to engage woolgrowers. At the end of 2005/06, there were 2,227 woolgrowers involved in AWI funded groups across Australia.
Provide leadership training opportunities to Australian woolgrowers through: Nuffield Scholarships; The Australian Rural Leadership Program; DAFF Science and Innovation Awards; Corporate Governance for Rural Women; Leadership Opportunities for Rural Women.	The wool industry has been represented in each of these programs during 2005-06. In 2005/06, 16 woolgrowers participated in these activities.

Provide information to woolgrowers on managing OH&S risks in agriculture.	AWI is a contributor to the RIRDC OH&S Joint Venture Program which has disseminated information on a range of OH&S issues through various communication channels. AWI corporate publications have also used OH&S information in <i>Beyond the Bale</i> . OH&S issues have also been addressed through regional grower extension programs.
Deliver resource kit workshops to 200 school teachers and careers advisors to increase their understanding of the wool industry.	Commencement of workshops was postponed due to delays in completing resource materials and contractor staffing issues. During 2005/06 131 school teachers have been involved in professional development activities.
Develop the following undergraduate multi-media e-learning units for the delivery of wool technical education in universities and vocational providers: Early Stage Wool Processing; Sheep Genetics; Sheep Meat Science & Biology; Late Stage Processing; Wool Metrology; Wool Biology.	The development of these units has been completed. Nine Australian universities currently offer some or all of these units, and negotiations continue with other local and international institutions.
Assist over 200 new entrants into the wool industry through scholarships.	During 2005/06, 15 new were awarded which brings the total of 161 scholarships awarded since the beginning of the program.
Contribute to the development and maintenance of nationally significant information resources and systems of value to the wool industry including: Chemcert Australia Training Manual; International Journal of Sheep and Wool Science; Best Management Practice Framework for Wool Production; Sheep's Back to Mill Pipeline Training; Global Wool Science Capacity Study.	During 2005/06, the Chemcert Australia Training Manual was updated, assistance was provided to establish the online International Journal of Sheep and Wool Science, a draft of the Best Management Practice Framework for Wool Production was produced, the Global Wool Science Capacity Study was completed, and Sheep's Back to Mill Pipeline Training was not delivered due to lack of demand from industry.
Partner with the Sheep and Beef CRCs to implement a web based Livestock e-library that provides a single access point to technical information on sheep and wool production.	The Livestock e-Library (www.livestocklibrary.com.au) became operational during 2005/06. Additional content and new software functionality are to be added during 2006/07.

Corporate Affairs

Communications – Corporate

Targets for 2005/06

Targets for 2005/06	Performance against target
Produce and deliver an annual "Product and Services Catalogue" for shareholders.	The catalogue was produced and distributed to shareholders in August 2006. Over 500 shareholders made requests for publications from the catalogue up until end of June 2006
Produce and distribute six issues of <i>Beyond the Bale</i> each year.	The publication was revamped into a new format to give it a sharper focus. Five issues were produced and distributed.
Produce and distribute the AWI annual report.	The annual report was distributed on time. The report received a Bronze Award at the Australasian Reporting Awards in June 2006.
Undertake a woolgrower survey to identify issues, trends and attitudes of the Australian wool industry.	Survey undertaken and results provided to AWI.
At least 150 shareholders attend AGM and associated forum.	Over 150 people attended the 2005 AWI AGM and associated forum in Adelaide, SA. This included a product showcase displaying AWI's achievements over the past 12 months.
An average of at least 150 shareholders attends each of three AWI woolgrower information forums held in key woolgrower centres throughout Australia during the year.	Four forums were held in 2005/06, including Falkiner Memorial Field Station Field Day (NSW), Goulburn (NSW) Hamilton (VIC) and Broken Hill (NSW). Approximately 460 people attended and on average the forums were given a rating of 8/10 and some excellent feedback was received about AWI's products, initiatives and current direction.
Provide displays, speakers and information to shareholders and stakeholders through at least three established major wool industry events during the year.	Product showcases and information were on display at Woolorama (WA), Wool Expo (NSW), Sheepvention (VIC) and National Sheep and Wool Show (VIC) during 2005/06.
Improve the usability of the AWI website as measured by before and after surveys.	The addition of the entry page wool.com.au has improved user experience as audiences are segmented and links and promotions are clear. All content is targeted for search engine optimisation, regularly updated, relevant and timely.
Increase by five per cent the proportion of woolgrowers who have visited the AWI website, as measured by independent AWI market research.	Visitor numbers to the AWI website increased by 45% during the year to an average of over 1,500 visits per day. Targeting woolgrowers has been a priority including production of online guide, rural advertising, promotion of websites at forums and events.
Annually update <i>Wool Industry</i> fact sheet.	Updated in September 2005 and January 2006.
Undertake an annual review with the AWI business units of the portfolio of AWI publications to ensure information is provided in an appropriate format and style.	An ongoing rolling review took place during the year to ensure information in AWI publications was provided in an appropriate format and style.

Support the World Merino Conference in July 2006.	As the naming rights sponsor of the AWI 7th World Merino Conference, AWI provided both monetary and in-kind support for the event. AWI had four Innovation Platforms at the Merino Innovation Day, supported the fashion parade with designer garments and provided three speakers and a corporate display at the main part of the conference. Over 1,000 people attended the Innovation Day and over 500 people registered for the conference.
Communications – Fashion/Retail/Trade	
Targets for 2005/06	Performance against target
Hold an annual Fashion Innovation Showcase with AWI business partners to profile current and future innovation.	A selection of Australian designers using Australian Merino wool was on display at the AGM in November including Josh Goot, Jayson Brunndon, Kookai, Akira and woolliwoolli.
Deliver an Annual Fashion Innovation Report to AWI stakeholders.	Held over to 2006/07.
Highlight AWI product development marketing platforms at four international fashion events and one national trade fair.	AWI attended Ispo trade fair in January 2006. As a result, B2B contact was made with key retailers and large amounts of editorial was achieved locally and internationally.
Develop a specific communications plan to increase the textile industry's awareness of AWI's apparel product innovations.	Photographic exhibition created to showcase Merino wool in its most innovative form: one Merino wool tank, 27 international photographers, images digitally printed onto Australian Merino wool.
Provide timely and relevant information on AWI textile innovations to key global fashion and apparel textiles media.	Significantly increased AWI's inclusion in local trade publication, Ragtrader. Inclusion in International trade magazines from the Ispo trade event.
Support The Australian Wool Fashion Awards (TAWFA).	TAWFA awards held in Armidale in March 2006. Students designed outfits from Australian Merino wool fabric supplied by AWI.
Identify and work with three international fashion designers to act as Australian Merino Wool Ambassadors.	Key international designers who partnered with AWI were Josh Goot, Jayson Brunndon and Akira Isogawa. Each showcased their Merino wool collections at events including Mercedes Australian Fashion week, New York fashion week and Paris Fashion week.
Working with key Australian and international designers, retailers and manufacturers, undertake one national and one international fashion designers roundtable on future opportunities for Merino wool.	Not undertaken.
Develop Chinese apparel communications plan.	Underway in 2006/07.
Industry Affairs – Producers/Industry Stakeholders/Government	
Targets for 2005/06	Performance against target
Support the Wool Industry Task Force's activities to respond to threats posed by extreme animal rights groups by providing support, advice and information to retailers, public relations activities, and trade advertisements to reinforce the industry's position and where appropriate, take legal action to defend the industry.	During 2005/06, AWI contributed to the Taskforce's global strategy to ensure a positive outcome for the Australian Wool and Sheep industry during the campaign against industry by animal activists.
Undertake a bi-annual wool industry seminar that targets young scientists and woolgrowers regarding identification of research opportunities for AWI.	The scope of this project was broadened to also include manufacturers, retailers and designers in the Next Generations Partnership program.
Complete a yearly survey of 20 woolgrowers from woolgrower industry organisations.	This survey was conducted with key industry stakeholder groups in July 2005 as a means of benchmarking AWI's performance.
Hold five AWI <i>Industry Information Exchange</i> sessions per year with WoolProducers and woolgrowers associations, the key stakeholders and breeder groups.	Seven <i>Industry Information Exchange</i> sessions were held during the year to provide an AWI RDI update and for industry groups to provide feedback to AWI.
Australian MPs in major wool growing electorates are briefed annually by AWI on RDI activities, industry issues and economic value of the Australian wool industry.	This project was covered with WoolMatters.
Twelve copies of <i>WoolMatters</i> – a monthly update on current wool industry matters and AWI RDI activities is published and sent to Australian MPs in wool growing electorates.	A monthly electronic newsletter, <i>WoolMatters</i> , was distributed to MPs in wool growing electorates to provide the latest information on AWI RDI activities and progress.
The Australian Ministers for Agriculture and Trade receive an annual company briefing on AWI RDI activities from AWI.	As per the requirements of the SFA, the Minister for Agriculture, Fisheries and Forestry, and the Parliamentary Secretary were provided 6-monthly AWI RDI updates. Briefings to the Minister for Trade were delivered by the committee responsible for working on behalf of the Australian Merino industry on the China Free Trade Agreement (FTA).
Industry stakeholders and AWI participate in an annual wool industry crisis rehearsal and review workshop.	This crisis rehearsal workshop was replaced with actual actions through the Australian Wool and Sheep Industry Taskforce dealing with the campaign against the industry by animal activists.

<p>Fifty woolgrowers through ten advisory panels will have input into AWI research.</p>	<p>During 2005/06 AWI ran 18 advisory panels with woolgrower representatives providing input into AWI research and development.</p>
<p>All advisory panel database listees receive a 6-monthly update from AWI.</p>	<p>Specific target revised as advisory panel members receive regular information from AWI in the form of publications, online resources and other stakeholder communications.</p>
<p>The Australian wool industry is provided with executive planning support from AWI to develop a vision and goals for the industry.</p>	<p>Discussions were held with the peak industry body, WoolProducers, to determine next steps in developing this project.</p>
<p>Undertake annual Industry Leaders International Wool Research Study Program.</p>	<p>Project to be implemented in 2006/07.</p>
<p>Up to ten next generation, 25-40 year of age woolgrowers, participate in two AWI Information Exchange Sessions and opportunities to gain international experience of the wool industry.</p>	<p>The Next Generation Partnerships program was initiated in a two-day workshop held in October 2005 in Sydney. The inaugural group represented the wool supply chain – with woolgrowers, scientists, processors, manufacturers, retailers and designers in attendance.</p>

Appendix B – Project list 2005/06

Project Title	Provider	Full Contract Value (\$000's)	Paid in 2005/2006 (\$000's)	Start date	Finish date
Textiles/Product Development					
Fundamental Wool Science					
Chromophores in Brighter Whiter Wool	Canesis Pty Ltd	949	164	Dec 05	Dec 08
Soft Wool	DWI	530	169	Jul 05	Jul 08
Fundamental Wool Science Collaboration: Target Topic C Brighter White Wool – Phase 2	CSIRO Textile & Fibre	1,550	431	Jul 05	Jul 08
AWI/DWI Awards	DWI, Canesis Pty Ltd	416	40	Sep 02	Dec 07
Causes and Consequences of Yarn Instability	CSIRO Textile & Fibre	1,169	383	Aug 04	Aug 07
Fundamental Wool Science Collaboration: Target Topic A – Fibre Surface and Cuticle Studies – WRONZ	Canesis Pty Ltd, The University of Adelaide	1,323	417	May 03	Aug 06
Fundamental Wool Science Collaboration: Target Topic B: Fibre Ultrastructure and Cellular Morphology – WRONZ	Canesis Pty Ltd, The University of Adelaide	1,143	355	Apr 03	Aug 06
PhD Scholarship – Finishing Very Light Weight Wool Fabric – Completed	Canesis Pty Ltd	182	5	Sep 02	Mar 06
Fundamental Wool Science Collaboration: Target Topic A – Fibre Surface and Cuticle Studies – DWI	DWI, The University of Adelaide	830	190	Dec 02	Feb 06
Wool Surface Modification By Excimer Laser	University of Swinburne Industrial Research Institute Swinburn (IRIS)	177	177	Jun 05	Jan 06
Fundamental Wool Science Collaboration: Target Topic C: Brighter White Wool – DWI	DWI, The University of Adelaide	470	38	Dec 02	Jan 06
Fundamental Wool Science Collaboration: Target Topic A – Characterization and Modification of the Proteolipid Surface of Wool – CSIRO	CSIRO Textile & Fibre, The University of Adelaide	1,244	286	Mar 03	Jan 06
Fundamental Wool Science Collaboration: Target Topic A: Fibre Surface and Cuticle Studies – CSIRO	CSIRO Textile & Fibre, The University of Adelaide	294	53	Dec 02	Dec 05
Fundamental Wool Science Collaboration: Target Topic B: Element Mapping of Wool Fibre Morphological Components – DWI	DWI, The University of Adelaide	514	75	Dec 02	Dec 05
Fundamental Wool Science Collaboration Topic C –Photoyellowing – Canesis – Completed	Canesis Pty Ltd, The University of Adelaide	463	40	Apr 03	Nov 05
Post Doctoral Research Scholarship On Smart Textiles – Completed	Canesis Pty Ltd	304	30	Dec 02	Mar 05
The Processing of Merino Fibre					
China Australia Wool Innovation Network (CAWIN)	Deakin University	4,985	1,203	Aug 03	Jan 09
Pilling & Softness of Wool Fabrics	Deakin University	521	160	Jul 05	Jul 08
Wet sel cleaning through extreme waterproofing	University of NSW	857	*	Mar 05	Mar 08
The Australian Wool Fashion Awards (TAWFA)	Australian Wool Fashion Awards Ltd	335	100	Dec 04	Dec 07
Wool Splittable – Micro-Fibre Blends	CSIRO Textile & Fibre	1,298	300	Jul 05	Aug 07

Project Title	Provider	Full Contract Value (\$000's)	Paid in 2005/2006 (\$000's)	Start date	Finish date
Merinofleece Market Extension – Lapsed	TWC	273	*	Aug 04	Jun 07
A total colour solution for wool and wool blend	Canesis Pty Ltd	1,123	497	Jun 05	Jun 07
AOX – Free SR Treatment	BENTEC	151	36	Dec 04	Mar 07
Scale-up, Technology Transfer and Commercialisation of a new ZAOX process for wool	Parachem Ltd	473	125	Jan 06	Mar 07
Bright fluorescent dyes and optical brighteners for wool and wool blends based on coumarin	University of Leeds, CSIRO Textile & Fibre	302	*	Feb 06	Feb 07
Wool Coatings	CSIRO Textile & Fibre	950	532	May 05	Dec 06
Chlorine Free Shrink Resistance	CSIRO Textile & Fibre	1,230	*	Jun 05	Dec 06
New Wool Micro-Fibre Blends	CSIRO Textile & Fibre	538	359	Apr 05	Oct 06
Multi-Purpose Finishing of Wool with Selected Oxidants	Peradox Ltd	124	93	Jan 05	Sep 06
Enhancing fabric skin comfort via finishing	CSIRO Textile & Fibre	226	170	Aug 05	Sep 06
Super White Wool/Polyester Blend Fabrics	CSIRO Textile & Fibre	145	108	Apr 05	Aug 06
Lightweight Fluid Fabrics	CSIRO Textile & Fibre	454	364	May 05	Jun 06
Development of a scouring technology package	CSIRO Textile & Fibre	728	139	Nov 03	Jun 06
Torque Free Singles Worsted Yarns	Hong Kong Polytechnic University	425	387	Mar 05	Jun 06
Application of Colorstrip Technology to Australian wool	CSIRO Textile & Fibre	524	390	May 05	May 06
Top Dyeing into developing countries	CSIRO Textile & Fibre	137	137	Apr 05	May 06
Wool Product Enhancement by Fibre Fibrillation	University of Leeds	803	201	Dec 03	Apr 06
Spunlace Wool Nonwovens	CSIRO Textile & Fibre	599	218	May 04	Mar 06
Quick Dry, Stain Resist Wool Garments	CSIRO Textile & Fibre	243	243	Oct 05	Mar 06
Machine Washable/Tumble Dry Suits – Deferred	Berkeley Apparel Pty Ltd	200	*	Mar 04	Mar 06
Improvements to the Sirosett Process for Crease Stabilisation	TWC	537	*	Oct 02	Feb 06
Reproducible wool dyeing	CSIRO Textile & Fibre	290	146	Oct 04	Jan 06
Compact Wool Card	CSIRO Textile & Fibre	856	203	Mar 04	Jan 06
Permanent Bright Shades for Wool – Development Phase – completed	CSIRO Textile & Fibre	1,215	119	Jul 03	Jan 06
Protein Production	CSIRO Textile & Fibre	257	257	Jan 05	Jan 06
Reduced imperfections in fine worsted yarns	Indo Worth Thailand Ltd	157	*	Jun 05	Dec 05
Total Easy Care Jacketings	TWC	546	*	Apr 02	Nov 05
High temperature, deep shade, reactive dyeing of wool	University of Leeds	170	43	Sep 03	Nov 05
Woollen industry review – A strategic review of the fine woollen processing industry Technological challenges and R&D needs	Canesis Pty Ltd	196	121	Jan 05	Oct 05
High Lightfastness Dyeings for Wool Fabrics	Canesis Pty Ltd	640	32	Sep 02	Oct 05
Coloured Conductive Textiles	Deakin University	1,354	205	Jul 02	Aug 05
Continuous Wool Blend Filament	Deakin University	1,975	272	Jul 02	Aug 05
Globalisation of TopMaker and TopSpin	Australian Software for Topmaking	180	*	Aug 03	Aug 05
Merino Fibre in Fashion Markets					
Wool product development and marketing services	Oversees Textile Consulting Ltd	2,719	156	Feb 06	Feb 09
Collaborative Product Development with Benetton	Benetton Group Spa	1,600	*	May 06	May 08
NuYarn Product Developments	Canesis Pty Ltd	876	97	Jan 06	Jul 07
Wool on the web – Phase II	Apical International Pty Ltd, Christoe Consulting, Right Now Technologies	211	87	Nov 05	Jun 07
Trans Seasonal Cool Touch Merino	CSIRO Textile & Fibre	446	88	Mar 06	Jun 07
Innovative pure merino and merino blend woven fabrics for ladies apparel and menswear markets	Canesis Pty Ltd	654	357	Apr 05	Jun 07

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"Merino-Ice" Soft-Touch Merino enzyme treatment platform	Canesis Pty Ltd	495	30	Mar 06	Apr 07
Softer Easycare	Canesis Pty Ltd	498	27	Mar 06	Apr 07
Fine ends development with Zegna Baruffa	Zegna Baruffa – Lane Borgosesia S.p.a.(ZB), Department of Agriculture of Western Australia (DAWA)	219	*	Apr 06	Feb 07
Supply Chain & Sourcing Opportunities in the USA	CMK Consulting LLC	115	*	Jun 06	Dec 06
Low Pill Knitwear	TWC	546	365	Oct 04	Nov 06
AWI International Student Exchange Program	International Wool Textile Organisation	135	30	Oct 04	Sep 06
Natural Machine Washable Wool Fabrics	Canesis Pty Ltd	181	111	Jun 05	Aug 06
wool on the web: The AWI Wool Apparel and Textile Processing Internet Portal	Apical International Pty Ltd, Australian Wool Testing Authority Ltd, Christoe Consulting, CSIRO Textile & Fibre, Dr Peter Lamb, Fresh Web Solutions Pty Ltd, Judith Turk Consulting, Right Now Technologies, Teckel Consulting Pty Ltd, TWC Holdings Pty Ltd	439	30	Jul 04	Jul 06
Nano – Tex USA – "Coolest Comfort Feasibility Study"	Nano-Tex Inc	250	150	Feb 06	Jun 06
Technical Marketing Packages for Textile Marketing Platforms	CSIRO Textile & Fibre	377	304	Apr 05	Jun 06
Merino children The Next GENERation	DPK Australia Pty Ltd	266	266	Jun 05	Jun 06
UK innovation Clusters for supersoft hoisery, Lingerie and nightwear	TWC	534	449	May 05	May 06
Corporate Wear – Business to Business	TWC	665	241	Apr 05	May 06
Merino Super Soft for Fully Fashioned Knitwear in Europe	TWC	873	538	May 05	May 06
Trans-seasonal Textile Blends	TWC	1,047	506	Aug 04	May 06
Consulting on AWI projects and programs in Textile Portfolio – Eric Finnie	Frederick Thomas Finnie	162	73	Jun 05	May 06
Washable Australian Merino Wool Knitwear in the USA	TWC	949	77	May 04	Feb 06
Total Easy Care, Superfine pure wool fabrics for the Chinese domestic market	Longkou Donghai Trade Co Ltd, Cindy Cui, Canesis Pty Ltd, Beijing Beiguo Garments Co	164	91	Nov 04	Jan 06
Australian Wool Textiles Training Centre	Apical International Pty Ltd, Darren Charles Cornish Trading Dish Creations, Fresh Web Solutions Pty Ltd, Judith Turk Consulting, South West Institute of TAFE	144	52	Oct 05	Dec 05
Nouveau Classique	TWC	1,505	841	Nov 04	Nov 05
Information Management – General – Sampling & Testing	The Devotion Group PTY LTD, ManuTech (VIC) P/L, Macquarie Textiles Group Ltd, CSIRO Textile & Fibre, Capronex Services Pty Ltd, Canesis Pty Ltd, Apical International Pty Ltd	211	88	Jul 04	Oct 05
Italian Industry R&D Liaison	Ennio Vigliani	100	*	Aug 04	Oct 05
Novel Knit Fabric Development and Commercialisation – Completed	Canesis Pty Ltd	1,036	47	Oct 04	Aug 05
Merino as a Performance Fibre					
Development, engineering and initial commercialization of wool containing ergonomic high performance apparel systems and technical products	RMIT University	530	130	Jul 05	Dec 07
Waterproof, Winproof, Breathable Wool Garments	Canesis Pty Ltd	698	192	Mar 06	Sep 07
Launch of Drizabone range	Driza-Bone Pty Ltd	300	*	Jun 06	Jul 07
Turnkey Sports Program	Zspace Pty Ltd, Vision Tex Co Ltd, Zspace Pty Ltd	657	602	Nov 05	May 07

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Application of Wool in Bullet Proof Vest Sector	RMIT University	460	177	Dec 04	Dec 06
Introducing Wool to Automotive Upholstery	Apical International Pty Ltd	283	35	Dec 04	Dec 06
USA Outdoor Retailer Hosiery	Teko, Nester Hosiery, Inc	189	28	Nov 05	Nov 06
Wool Armourline`	Nonwovens Innovation & Research Institute Ltd (NIRI-Leeds University)	460	380	May 05	Sep 06
Performance plus	TWC	691	377	Mar 05	Jun 06
Merino-FORCE	DPK Australia Pty Ltd	213	213	Jun 05	May 06
Wool and Wool Cotton Fire Resistant Clothing	CSIRO Textile & Fibre	244	*	May 05	May 06
Heated Wool Bedding	Canesis Pty Ltd	578	*	Jun 02	Mar 06
Injury Prevention	CSIRO Textile & Fibre	242	242	May 05	Jan 06
Smart Yarn Development	TWC	676	*	Apr 02	Dec 05
Electrostatic Wool Filters	CSIRO Textile & Fibre	1,145	56	Apr 03	Dec 05
Heated Wool Sock Technology Transfer and Commercialisation	Canesis Ltd (Europe)	222	156	Dec 04	Dec 05
Sportwool Fleece	TWC	400	11	Apr 02	Aug 04
Electrospun-membrane wool composite fabrics	CSIRO Textile & Fibre	340	108	Apr 04	Jul 05
High Visibility Wool Garments	Canesis Ltd (Europe)	532	91	Oct 03	Dec 04
Trade/Product Marketing					
Market Information					
Wool production forecasting committee	Australian Bureau of Statistics, Australian Wool Exchange Ltd, Ecoservices Pty Ltd, TWC, University of Melbourne	786	176	Feb 02	Dec 06
Consumer marketing of fine and superfine wool – test marketing in the USA	TWC – The Woolmark Company Pty Ltd	4,700	1,391	Jan 06	Nov 06
Market Intelligence Services by The Woolmark Company	TWC	128	43	Apr 06	Oct 06
Off Farm Business to Business Brand Strategy	Publicis Mojo Pty Ltd	500	86	Apr 06	Aug 06
Market Intelligence Services	TWC – The Woolmark Company Pty Ltd	516	380	Apr 05	Apr 06
Woolcheque Market Pricing Service	Sefton & Associates Pty Ltd, Fresh Web Solutions Pty Ltd, Australian Wool Exchange Ltd	245	85	Jul 04	Dec 05
Net Portal for Brand Technical Support	The Devotion Group PTY LTD, Apical International Pty Ltd	314	304	Jun 05	Dec 05
New Zealand Merino supply chain business model for Australia	The Merino Company Pty Ltd	350	190	Mar 05	Sep 05
Strategic Grower Industry Intelligence	Belgair Graphics Pty Ltd, Dominion Printing Co, The Dominion Group, TWC, TWC – The Woolmark Company Pty Ltd	1,593	22	Aug 01	Jun 04
Market Development					
Dark and Medullated Fibre (DMF) presale screening 1.5% of Australian wool clip	Australian Wool Testing Authority Ltd	255	177	Aug 05	Jan 09
Spunlaced & Thermobonded Non-Woven Wool Materials	Deakin University	304	117	Jul 05	Jul 07
DMF Program Co-ordinator Position	Australian Wool Industries Secretariat, Australian Wool Testing Authority Ltd, CSIRO Textile & Fibre	326	161	May 05	May 07
Cotton/Wool Golf Polo Shirt with Enhanced Functionalities	Esquel Enterprise Ltd	173	46	Sep 05	Feb 07
Tasmanian Merino Brand Supply Chain in Japan	Roberts Ltd, Hori Professional Engineer Office, Austrade – Japan	265	15	Apr 06	Jan 07
Super Light Worsted fibre blend with well-being fibre for Fashion Wear	Tai Fung Textiles Co Ltd	168	90	Jan 06	Nov 06
Machine Washable Suit Commercialisation	Nanjing Yin Dou Advertising Business Ltd Liability	265	106	Oct 05	Sep 06
Yarn/Product Development of Total Easy Care Knitwear for the Japanese Market	IWS Nominee Company Ltd	263	188	Jul 05	Aug 06

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Lightweight Knitwear by PVA	Crystal Sweater Ltd PRC Office – Chan Ping Lang Pei Finishing Factory	130	55	Jan 06	Aug 06
Australian Merino Travel Range	The Devotion Group Pty Ltd, Purely Australian Clothing Co Pty Ltd t/as Purely Merino, Eskimo Pty Ltd	103	87	Feb 06	Aug 06
Merino Fleece Transfer to China and Commercialisation of Merino Active product	Zhejiang Xiniao Textiles Group Co Ltd The Devotion Group Pty Ltd, Ningbo Huafeng Knitting Co Ltd, Manning Selvage & Lee, Haitian Textile Co Ltd, CSIRO Textile & Fibre	101	97	Aug 05	Jul 06
AWI Funding Of Sheep CRC 05/06	Sheep CRC	275	275	Sep 05	Jun 06
Transfer of Easy Care Technology for Wool Blend, trousers, blazers & suits to, and initial commercialisation by Madura Garments, India	CSIRO Textile & Fibre	139	139	Jul 05	Jun 06
Easy Care & Wear Shawl	TWC – The Woolmark Company, India, TWC, The Devotion Group Pty Ltd	259	218	Mar 05	Jun 06
Innovative Ladies wear Merino woven Fabrics for the Chinese domestic market	Global Textiles Associates Ltd	100	93	Jan 06	May 06
Total Easy Care Process and Product with Enhanced Set Effect –TWC Japan	TWC – The Woolmark Company, Japan	128	9	Jun 05	May 06
Relationship between greasy and processed DMF contamination levels	SARDI, Australian Wool Testing Authority Ltd	230	173	Sep 04	Mar 06
SoftWool Project – Basolan 88 Loose Stock Treatment	Novetex	265	125	Jun 05	Jan 06
Merino Supersoft – Kookai	Zhangjiagang Yangtse Spinning, Nationwide Advertising Group, Apparel Management P/L, ABMT	193	79	Apr 05	Dec 05
Anti Moth Treatment for Wool Apparel – using Nano Tech	TWC – The Woolmark Company (HK) Ltd, NP Tech – Nano Technology, I.W.S Nominee Co Ltd, Australian Wool Testing Authority Ltd	155	155	Sep 05	Dec 05
Dark and medullated fibre risk random screening program	Australian Wool Testing Authority Ltd	163	*	Jul 04	Sep 05
Implementation of dark & medullated fibre measurement standards – stage 2.	Australian Wool Industries Secretariat	207	57	Feb 04	Aug 05
Trade Access					
Integrated Web Based Wool Supply Chain Management System – From Retailer/ Manufacturer to Grower	Graeme Forsythe & Associates Pty Ltd	224	67	Nov 05	Mar 07
Wind Factor – Wool Fleece (Bonding/Laminating Project)	Texmaco	270	100	Aug 05	Feb 07
Business Support for AWI	Apparel Management P/L	119	91	Nov 05	Nov 06
China FTA Strategy – Management of Stage 2 Process	ITS Global	164	23	Apr 06	Nov 06
Intissel Woollen Non Woven	Intissel	200	70	Jun 05	Aug 06
“Ceramic – Cool” Lightweight Suits	TWC – The Woolmark Company, Japan, CSIRO Textile & Fibre	145	82	Jul 05	May 06
China FTA Negotiation	Zhao Yutian, S G Heilbron Pty Ltd, Monash University re Centre of Policy Studies, John W Longworth, H G Heilbron, Glen Joseph Productions Pty Ltd, Trading as Spinifex Interactive, Cox Inall Communications Pty Ltd	104	52	Nov 05	Dec 05

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Wool Production					
Profitable Grazing for Wool Sheep					
Lifetime Wool Production	Department of Primary Industries, Victoria	7,526	814	Oct 03	Sep 08
The National Rhizobium Program 2002-2007.	Grains Research & Development Corporation	958	319	Jul 05	Jun 08
Facilitator – Decision support for grazing systems	CSIRO Plant Industry	550	179	Apr 05	May 08
Developing new and innovative perennial Lotus species for grazing systems	NSW Agriculture	1,267	249	Aug 02	Feb 08
Surface-applied lime to ameliorate acid soils – NSW Agriculture	NSW Agriculture, NSW Department of Primary Industries	517	136	Jul 04	Jan 08
Phalaris Improvement	CSIRO Plant Industry	611	66	Dec 00	Dec 07
Grain and Graze	Land and Water Australia	3,000	750	Oct 04	Oct 07
Validation and Communication of Evergreen Farming Systems	Evergreen Farming	528	176	May 04	Apr 07
Increased Adoption of Timerite to Improve Feed Utilization	Channel Enterprises Pty Ltd, CSIRO Entomology	150	102	Mar 03	Dec 06
NAPLIP Interim Funding for the Northern Grain Belt	CSIRO Sustainable Ecosystems	100	100	Jul 05	Jul 06
Pasture Legumes for the alkaline soil zone (SA)	SARDI	125	125	Jul 05	Jul 06
Soil Biology Program	Meat & Livestock Aust	1,125	300	Jul 03	Jun 06
Increased Investment in NAPLIP	Applied Economic Solutions Pty Ltd, SARDI, The University of Adelaide	1,351	249	Jul 03	Jun 06
Plant Breeding Co-ordinator	Abbott Innovation Pty Ltd	100	30	Sep 04	Jun 06
Benchmarking with GrassGro	CSIRO Plant Industry	390	74	Dec 02	Jun 06
NAPLIP (High Rainfall Zone) Pastures Research On Farm	Dept of Natural Resources & Environment	442	*	Nov 00	Jun 06
Use of Stockplan to manage the production, social and environmental impacts of climate variation	NSW Agriculture	181	*	Apr 04	Sep 05
Decision Support Tools to Enhance Wool Producer's Profitability	The University of New England	352	28	Jun 02	Aug 05
Effective biological control of Paterson's curse and thistles	Agriculture Western Australia, CSIRO Entomology, Dept of Natural Resources & Environment, Dept of Sustainability and Environment, DPS Strategy Pty Ltd, Meat & Livestock Aust, NSW Agriculture, NSW Department of Primary Industries, SARDI	876	42	Apr 98	Jun 05
Improved Farming System for Degraded Soil in High Rainfall Zone of SE Australia	Cummings Pasture Service, NSW Agriculture, NSW Department of Primary Industries	345	89	Jan 04	Sep 04
Natural Resource Management					
Review of RHD in rabbits and monitoring for genetic resistance to the disease	Invasive Animals Cooperation Research Centre – University of Canberra	599	133	Apr 06	Jan 07
Land, Water and Wool	Land and Water Australia	19,150	2,850	Dec 01	Jun 06
Animal Health and Welfare					
A Vaccine for Wool Production	CSIRO Livestock Industry, Els Meusen	4,553	673	Jan 03	Dec 10
Evaluation of breeding to reduce breech strike susceptibility	Agriculture Western Australia, CSIRO Livestock Industry	1,978	395	Jul 05	Jul 10
Eradication of virulent ovine footrot by sequential specific vaccination	University of Sydney	1,102	264	May 05	May 10
Increased Resources for Mulesing Alternative Project and other High Priority Research Projects at the University of Adelaide	The University of Adelaide	1,372	137	Mar 05	Dec 09
Development of a vaccine against annual ryegrass toxicity	Meat & Livestock Aust, CSIRO Livestock Industry	416	-95	Jun 06	Dec 08
Development and Augmentation of Poison Baits with Enhanced Canid Specification	Pest Animal Control CRC(sms)	3,178	1,066	Feb 03	Aug 08

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Revisiting the mules operation	University of Sydney	319	70	May 05	Jul 08
Environmentally friendly insecticides targeting the sheep blowfly ecdysone receptor	CSIRO Livestock Industry	1,615	470	May 05	May 08
Commercialisation of Improved Footrot Diagnosis	The University of New England	441	230	Mar 05	Mar 08
Genomic analysis and transformation of <i>Lucilia cuprina</i>	Massey University, University of Melbourne	1,482	445	Oct 04	Feb 08
Trials to evaluate field efficacy of current mulesing alternatives	Veterinary Health Research Pty Ltd	160	40	Oct 05	Nov 07
Development of diagnostic assays for sheep nematodes based on faecal antigen detection	Meat & Livestock Aust	123	31	Oct 05	Jul 07
IPM Lice Management Model	Queensland Government Dept of Primary Ind	504	244	Jul 04	Jun 07
Welfare impacts of mulesing alternatives	Animal Welfare Centre, & Ors	259	123	Jul 05	Jan 07
Integrated parasite management for sheep (IPM-s)	The University of New England	2,711	835	Aug 03	Jan 07
Enhancing Australia's Diagnostic and Surveillance Capabilities for Diseases (Sheep & Goat Pox) Caused by Capripox Viruses	CSIRO Livestock Industry	1,416	472	Nov 03	Nov 06
Clip and Applidyne Injector developments 2006	Applidyne Pty Ltd	888	360	Jan 06	Oct 06
Survey of pesticide residues on greasy wool 2005/06	CSIRO Textile & Fibre	115	72	Sep 05	Sep 06
National Mulesing Accreditation Program	Agriculture Western Australia	285	185	Jan 04	Aug 06
Veterinary pharmaceutical and toxicological support services for the AWI Animal Health and Welfare Program	Advanced Veterinary Therapeutics, Meat & Livestock Aust	125	21	Sep 03	Jul 06
Delivery of chemical lures for improved control of feral canids.	Pestat Ltd	199	139	Oct 04	Jul 06
Norwood Abbey mulesing applicator technology	Norwood Abbey Ltd	230	181	Aug 05	Jul 06
Breech Strike Prevention Technology	CSIRO Livestock Industry	256	*	Apr 00	Jul 06
Continued development of collagenase alternative to mulesing	Adelaide Research & Innovation Pty Ltd	266	238	Jul 05	Jul 06
Development and Field Validation of a Lice Detection Test	NSW Agriculture	351	47	Apr 03	Jun 06
Mulesing needleless applicator	Cobbett Pty Ltd	148	128	Sep 05	Apr 06
IGR resistance in sheep lice and blowflies	NSW Agriculture	157	95	Apr 04	Mar 06
Fungal biopesticide control of the Australian sheep blowfly and the sheep body louse.	Queensland Government Dept of Primary Ind	301	100	Nov 04	Mar 06
Formulation of AWI formulations for use in alternatives to mulesing	Victorian College of Pharmacy (Monash university)	121	50	Mar 05	Mar 06
Invetech mulesing applicator development	Invetech Operations Pty Ltd	351	285	Jun 05	Jan 06
Engineering services to develop mulesing alternatives	Applidyne Pty Ltd	391	283	Jul 05	Jan 06
Anthelmintic investigation and other pharmaceutical consultancy services	Baron Strategic Services Pty Ltd	108	*	Oct 02	Jan 06
Sheep Ectoparasite Control with New Isolates of <i>Bacillus Thuringiensis</i>	CSIRO Livestock Industry	155	*	Jul 04	Dec 05
Pesticide Residue Testing survey 2004/2005	CSIRO Textile & Fibre	117	17	Sep 04	Sep 05
Eradication of Virulent Footrot	Agriculture Western Australia	412	*	Sep 02	Sep 05
Flystrike data analysis	Dept of Primary Industries, Water & Env	169	52	Apr 04	Aug 05
Project Management EC041 'Alternative to mulesing' – Dr Jim Rothwell	Dr J Rothwell, Genesis Industries (Australia) Pty Ltd	289	73	Jun 04	Dec 04
WormMaster Coordination	Mike Stephens & Associates Pty Ltd	295	57	Nov 02	Sep 04
Depilation Technologies	The University of Adelaide	105	52	Sep 03	Jul 06
Pesticide Residue Testing for quality assurance groups Services C/T A	CSIRO Textile & Fibre, Australian Wool Testing Authority Ltd	280	12	Sep 01	Oct 04
Improved Footrot Diagnosis	MAC Stats & Analysis, The University of New England	302	10	May 02	Mar 05

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Molecular Genetics					
Harnessing the bovine and other mammalian genomes for ovine research and applications	Meat & Livestock Aust	354	67	Sep 05	Jul 08
Provision of a comprehensive integrated map and information on ovine single-locus traits	Meat & Livestock Aust	137	26	Feb 06	Jul 08
Bioinformatics Coordinator	Meat & Livestock Aust	195	*	Jan 06	Jul 08
Muscle Sub-Program Phenotyping R&D	Meat & Livestock Aust	200	20	Jan 06	Jul 08
Molecular dissection of muscle and growth related traits in sheep	Meat & Livestock Aust	238	*	Jan 06	Jul 08
Enhancing bioinformatics resources for sheep gene mapping	Meat & Livestock Aust	290	*	Oct 05	Jul 08
Enabling technology for Testing Gene Function in Wool Follicle Growth and Development	Meat & Livestock Aust, AgResearch	361	180	Sep 05	Jul 08
Discovering Genes for Susceptibility to Haemonchus contortus Infestation	University of Sydney, Meat & Livestock Aust	383	191	Mar 05	Jul 08
Bioinformatics Integrated Databases	Meat & Livestock Aust	389	101	Sep 05	Jul 08
Wool Biology SPL for SGP	The University of Adelaide, Meat & Livestock Aust	138	42	Apr 05	Jun 08
SGP Sub-Program Leader Muscle and Energy	Meat & Livestock Aust	147	32	Apr 05	Jun 08
Genomics of fleece patterning in Merino sheep	Meat & Livestock Aust, AgResearch	320	120	Sep 05	Jun 08
SG301 Identification of therapeutic molecules for increasing follicle density and reducing follicle appendage formation	The University of Adelaide	391	104	Mar 04	Apr 08
SGP Sub-Program Leader Core Technologies	Meat & Livestock Aust	147	52	Dec 04	Dec 07
Wool follicle relationship identification of the founder cell population	University of Western Sydney	234	140	Mar 04	Nov 07
MLA/AWI Mapping Flock FMFS	Falkiner Memorial Field Station (FMFS)	323	177	May 06	Oct 07
Characterisation of genes critical in the sheep/ Haemonchus relationship	University of Sydney	100	60	Nov 05	Aug 07
Secondary Wool Follicle Development	CSIRO Livestock Industry	168	80	Feb 04	Aug 07
Development of cellular resources to support expression profiling and proteomic studies in defined genotypes/Muscle and Energy Utilisation Sub-Program Project 4	Meat & Livestock Aust	157	39	Jun 03	Jul 07
Expression Profiling and Gene Discovery in the Wool Follicle – Characterisation of the Spatiotemporal Programme of Expression of Key Molecules Involved in Wool Follicle and accessory Gland Development and Function	The University of Adelaide, Meat & Livestock Aust	299	48	Jul 04	Jun 07
GINTIP – Novel Approaches for Control of Sheep Nematode Parasites	Meat & Livestock Aust	425	161	Jan 04	Apr 07
Identification of Major Genes and Proteins Responsible for Muscle Hypertrophy and Leanness in Callipyge and Carwell Sheep	Meat & Livestock Aust	235	85	Jan 04	Jan 07
Discovering Genes Involved in Resistance to Gastrointestinal Nematodes (GIN) in Sheep-Candidate Gene Approach	CSIRO Livestock Industry	186	53	Jan 04	Jan 07
MEUSP Proteomics	Meat & Livestock Aust	232	77	Feb 04	Dec 06
Discovering Genes for Susceptibility to Haemonchus contortus Infestation	University of Sydney	753	*	Dec 03	Dec 06
Detection of genes which significantly influence parasite resistance and skin and wool attributes – Part 1 Gene Mapping	Meat & Livestock Aust	274	110	Jul 03	Nov 06
GINTIP Novel approaches for control of sheep nematode parasites	Meat & Livestock Aust	299	30	Jun 03	Oct 06
GINTIP Toward Novel Approaches for the control of Parasitic Nematodes of Sheep	Meat & Livestock Aust	268	*	Jun 03	Aug 06
GINTIP Validation of Thoil metabolism as a drug target for parasitic nematodes	Meat & Livestock Aust	275	*	Mar 03	Aug 06
GINTIP Validation of putative drug targets for control of Haemonchus contortus (AHW.049)	Meat & Livestock Aust	111	22	Aug 04	Aug 06

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Discovery of Genes Involved in Resistance to Gastro-intestinal Nematodes in Sheep High Throughput Identification of Genes Involved in Resistance to GIN	CSIRO Livestock Industry	329	180	Jul 03	Aug 06
SGP Sub-Program Leader HRIP	Meat & Livestock Aust	144	44	Jan 05	Jul 06
GINTIP – MLA Agent - Development of Gene Silencing in the Parasitic Nematode Haemonchus contortus	Meat & Livestock Aust	296	156	Jan 03	Jul 06
Development of in vitro assays measuring resistance to nematode infection in sheep	Meat & Livestock Aust, University of Melbourne	187	31	Jul 04	Jul 06
GINTIP Analysis of Sheep, Haemonchus contortus relationship (AHW.024)	Meat & Livestock Aust	206	33	Jun 03	Jun 06
AWI Sheep Genomics Program Mapping Flock: FMFS	Falkiner Memorial Field Station (FMFS)	507	279	Oct 04	Jun 06
GINTIP Drug discovery in sheep nematodes by functional genomics in Caenorhabditis elegans Crutchless Mutation	Meat & Livestock Aust	225	55	Jun 03	Jun 06
	Brecon Breeders, Calcookara Stud, Lincoln Veterinary Centre, Luke Ramsey, Meat & Livestock Aust, P.Mills, PA & J.L Webb, S.F + T.J Wildman, The University of Adelaide	159	37	Dec 04	Mar 06
Ovine proteins potentially involved in host resistance to gastrointestinal nematodes	CSIRO Livestock Industry	125	25	Sep 04	Feb 06
The molecular genetics of meat production in sheep: new Genes that affect muscle phenotypes.	Meat & Livestock Aust	149	75	Mar 04	Jan 06
Phenotypic characterisation of sheep genetic variants	Meat & Livestock Aust	143	57	Oct 03	Dec 05
Phenotypic characterization of sheep genetic variants	Meat & Livestock Aust	174	76	Oct 03	Dec 05
End Sequence 56,000 selected clones from the CHORI-243 ovine BAC library	Meat & Livestock Aust	180	182	Mar 05	Dec 05
Extension of Sheep Gene Map and Associated Tools – Jill Maddox Project	Meat & Livestock Aust	120	20	Nov 02	Dec 05
Golden Ram	The University of New England	950	*	Jul 02	Nov 05
Genotyping Sheep with Diversity Arrays	Centre for the Application of Molecular Biology to Intern Agriculture, Future Livestock Pty Ltd	356	50	Nov 02	Nov 05
Applied Genetics and Wool Quality					
National Merino Bloodline Evaluation (Support, Analysis and Research)	Meat & Livestock Aust, NSW Department of Primary Industries	380	108	Dec 04	Jun 09
QA Program Implementation AWEX – OFFM Phase two	Australian Wool Exchange Ltd	480	60	Feb 04	Jul 08
Investigate and apply innovation in Merino Sire Evaluation	Australian Merino Sire Evaluation (AMSEA), Meat & Livestock Aust	211	78	May 05	Dec 07
Reaping the rewards of the Qplu\$ Project.	NSW Department of Primary Industries	147	57	Sep 05	Aug 07
Analysis and Reporting of National Merino Sire Evaluation	Australian Merino Sire Evaluation (AMSEA), University of Melbourne – AMSEA	420	84	Aug 04	Feb 07
Sheep CRC rebid process	Meat & Livestock Aust, The University of New England	113	43	Oct 05	Oct 06
Australian sheep genetics database management	Meat & Livestock Aust	810	429	Apr 04	Jul 06
SARDI Selection Demonstration Flock	Farming Systems Analysis Service, SARDI	1,409	190	Oct 01	Jun 06
Understanding the Breeding Decisions of Merino Wool Producers	Department of Primary Industries, Victoria	222	47	Mar 05	Jun 06
Operational and Administrative Support for Merino Sire Evaluation in Australia	Australian Merino Sire Evaluation (AMSEA)	200	29	Feb 03	Mar 06
OFFM Extension & adoption	Currie Communications P/L, GMAC Consulting Pty Ltd, International Fibre Centre Limited, NSW Agriculture, Roberts Evaluation Pty Ltd, South West Institute of TAFE	1,094	99	Dec 02	Jan 06

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OFDA4000 Comparison on TEAM and Sale Lot Tops	Australian Wool Testing Authority Ltd	106	106	Jan 05	Oct 05
On-Farm Yield Prediction	Interactive Wool Group Pty Ltd	101	20	Nov 04	Sep 05
Dark and medullated fibres mill survey and cost benefit study	CSIRO Textile & Fibre, Teckel Consulting Pty Ltd	314	30	Feb 04	Apr 05
Development of a highly heritable correlate of Staple Strength	Australian Wool Testing Authority Ltd, CSIRO Textile & Fibre, Department of Agriculture of Western Australia (DAWA)	559	30	Jan 04	Feb 04
Wool Harvetsing					
Shearer and Woolhandler Training – Evaluation 06/07	Field Learning Pty Ltd	122	5	Jun 06	Jun 07
Shearer and Woolhandler Training - Project Management – Ross Pollock 06/07	Y & R Consulting Pty Ltd	149	*	Jun 06	Jun 07
Shearer and Woolhandler Training – NSW State Allocation Training/ Delivery 2006/07	TAFE NSW – New England Institute, TAFE NSW – Western Institute	151	*	Jun 06	Jun 07
UPSP stage 1 & 2 commercialisation	AD & JA Grigg, Advance Shearing Services, David Kemp, Flood Shearing Contractors, GJ & SJ Leersen Shearing Contractors, Peak Hill Industries Pty Ltd, PJ and LD Stephens, Pyksis Pty Limited, Qualshear Pty Ltd, R. M. Baldwin (Shearing) Pty Ltd	133	61	May 05	May 07
Handpiece safety – deadman switches – stage 2	HRL Technologies Pty Ltd, Lyco Industries Pty Ltd	215	36	Dec 05	Dec 06
Shearer & Wool Handler Training Evaluation	Field Learning Pty Ltd	196	80	Oct 04	Jul 06
Project Manager – Shearer and Wool Handler Training – Ross Pollock	Y & R Consulting Pty Ltd	130	126	Aug 05	Jul 06
Shearer & Wool Handler Training - WA	Challenger TAFE, Great Southern Regional TAFE, Lens & Shutter Pty Ltd, WA Shearing Contractors Association Inc (WASCA), Western Aust.Farmers Federation(Inc)	352	190	Jul 04	Jul 06
Shearer and Wool Handler Training – Resource development 2005/06	Lens & Shutter Pty Ltd, Primary Skills Victoria, Sheep CRC	152	152	Jul 05	Jun 06
Shearer & Wool Handler Training Resource & Professional Development	Allen White, D & K Billingham, DNR Group Pty Ltd, Field Learning Pty Ltd, Lens & Shutter Pty Ltd, Sheep CRC, Sports Shear Queensland Inc, TAFE NSW - Western Institute	232	11	Jun 04	Jun 06
UPSP Stage 1 – UPSP suppliers & technical consultants	Allen White, Bearfacts Consulting Pty Ltd, Catford Engineering, ManuTech (VIC) P/L, Michael Lawrance and Associates Pty Ltd, Peak Hill Industries Pty Ltd, Prattley Industries Ltd, Shearing Industry Consultants, SLAMP Ltd, Tectra Limited, WAUPSP	2,249	882	Apr 04	Jun 06
Skunkworks – technology review - chemical/ biological harvesting – stage 2	Miracle Dog P/L	102	80	Jun 05	Feb 06
Estimating market demand for a series of shearing platform system concepts	TQA Research	172	*	Jun 04	Dec 05
Wool harvesting technologies search	ManuTech (VIC) P/L	548	42	Sep 03	Dec 05
Project Manager – Shearer & Wool Handler Training	Ross A Pollock	189	*	May 04	Jul 05
Shearer & Wool Handler Training – QLD	Agforce Queensland, Queensland Rural Industry Training Council Inc (QRITC Inc)	107	65	Jul 04	Jun 05
Shearer & Wool Handler Training – SA	Ausgrow Training, TAFE SA	184	137	Jul 04	Jun 05
Shearer & Wool Handler Training – VIC	Gordon Institute of TAFE, Primary Skills Victoria, SCAA Shearer Shedhand Training Incorporated, University of Ballarat, University of Melbourne	264	182	Jul 04	Jun 05

Project Title	Provider	Full Contract Value (\$000's)	Paid in 2005/2006 (\$000's)	Start date	Finish date
Shearer & Wool Handler Training – NSW	Agforce Queensland, TAFE NSW – New England Institute, TAFE NSW – Western Institute, Wool Industry Training Australia Pty Ltd	403	292	Jul 04	Jun 05
Education and Adoption					
Bestwool/Bestlamb – VIC Extension Program	Department of Primary Industries, Victoria	596	116	Dec 05	Dec 08
Expansion, Operation and Promotion of the Sheep CRC and Beef CRC Livestock Library	Sheep CRC	197	70	Mar 05	Jul 08
AWI/CRC On-Farm Scholarships	Sheep CRC	1,200	149	May 05	Jun 08
Scholarship and Studentship Program	Various	2,824	627	Jul 03	Jun 08
Wool 4 Wealth – NSW Extension Program	John McKenzie & Associates Pty Ltd, Mike Stephens & Associates Pty Ltd	1,835	280	Nov 04	Nov 07
Farm Health and Safety Joint Venture 2002/2003 to 2006/2007	Rural Industries R & D Corp	300	*	Jul 02	Sep 07
Leading Sheep – QLD Extension Program	Dept of Primary Industries & Fisheries, QLD Government, John McKenzie & Associates Pty Ltd	999	315	Sep 04	Aug 07
The Sheeps Back – WA Extension Program	JRL Hall & Co	1,005	322	Sep 04	Jun 07
Bestprac Phase II – Rangelands Extension Program	Rural Directions Pty Ltd	1,024	171	May 03	May 07
Project Management – Education and Adoption – Wool Production	Smith Comyn & Associates	101	18	Jan 06	Jan 07
AWI School Resources and Projects	Sheep CRC	178	173	Jan 04	Dec 06
The Cicerone Project – Harvest Year	The Cicerone Project Inc.	176	159	Nov 05	Nov 06
Development and national delivery of multi media wool University degree units	Sheep CRC	415	163	Oct 03	Oct 06
Develop a specialised approach to recruiting wool producers into extension and adoption activities.	J T Agri-Source Pty Ltd	172	77	Jan 05	Aug 06
8x5 Wool Profit Program – TAS Extension Program	University of Tasmania	1,757	56	May 02	Jul 06
Project Manager – Grower Adoption Programs	Peter Hanrahan Consulting Pty Ltd	211	107	Apr 04	Jul 06
SheepPlus – SA Extension Program	Primary Industries And Resources SA	330	78	Sep 03	Jun 06
Development of Triple P Beyond the Paired Paddock – Mike Stephens & Associates	Mike Stephens & Associates Pty Ltd	307	10	Sep 01	Jun 06
Survey of farm financial performance in the sheep industry 2004 & 2005	Australian Bureau of Agriculture Resource Economics (ABARE)	644	51	Oct 03	Jun 06
Australian Rural Leadership Program – (ARLP)	Australian Rural Leadership Foundation Limited	181	46	Nov 03	Jan 06
Network for High Performing Producers	University of Melbourne – AMSEA	224	51	Nov 04	Dec 05
The Cicerone Project – Phase II	RPC Solutions Pty Ltd, The Cicerone Project Inc.	179	*	Jun 04	Aug 05
Corporate Affairs					
Beyond the Bale	Good Darts Communications, Coretext Pty Ltd	934	342	Jul 05	Jun 06
AWI Forums	Meat & Livestock Aust, Currie Communications Pty Ltd, Australian Business Theatre Pty Ltd	446	258	Jul 05	Jun 06
World Merino Conference	Stud Merino Breeders Association of WA (SMBAWA), Sefton & Associates Pty Ltd, Australian Business Theatre Pty Ltd	132	80	Jul 05	Jun 06

Project Title	Provider	Full Contract Value (\$000's)	Paid in 2005/2006 (\$000's)	Start date	Finish date
Media	Spin Communications Pty Ltd, Sefton & Associates Pty Ltd, GRS Communications, Cox Inall Communications Pty Limited, Corporate Ambience Pty Ltd	132	82	Jul 05	Jun 06
Fashion communication activities	Corban & Blair, Creative Justice, Eva Kossoff Designs, Kate de Brito, Nationwide Advertising Group, Screen Pty Ltd, Spruson&Ferguson, The Names Agency	152	98	Jul 05	Jun 06
Establish partnerships with four Australian fashion designers	Elias Brunsdon Pty Ltd, Josh Goot, Tina Kalivas, woolliwoolli	208	180	Jul 05	Jun 06
		186,706	49,026		
	Projects with a value of less than \$100K (395 projects)	13,955	6,470		
	Confidential projects		5,140		
	Ancillary costs		1,781		
	Total contract payments		62,417		
	Movement in accruals		(628)		
	Total RDI expenditure		61,789		

* Work underway; no amounts invoiced during the year ended 30/06/06

Appendix C – IP table

Below is a table of registered intellectual property that is owned by AWI or in which AWI has an interest.

PATENTS (registered in Australia and overseas)

- Iron regulated promoter and uses thereof
- Semi-automated manipulator for manual shearing
- Head restraint for animal manipulator
- Doffing animal coat and fleece removal
- Sheep handling and manipulation for automated shearing
- Docking mechanism for use in treating or shearing animals
- Fungal sulphur source and method of using the same
- Veterinary formulation
- DNA encoding ovine adenovirus and its use as a viral vector
- Improving the availability of nutrients in a ruminant using piromyces or neocallimastix fungi
- Saponin Adjuvant Composition
- Enzyme based bioremediation
- Malathion carboxylesterase
- Expression of phytase in plants as a method of modifying plant productivity
- Improved process & Apparatus for stretching Slivers of animal fibre
- Inclined Blade
- Control circuit for a power driven tool and touch activated system shearing system incorporating same
- Handling apparatus for a quadruped
- Limb restraint
- Animal handling system
- Method of harvesting wool
- A restraint
- Apparatus for spreading a sheet-like article
- Animal processing conveyor
- Apparatus for use in harvesting wool
- Mobile collapsible shelter
- Chemically assisted protein annealing treatment
- Sorting pneumatically conveyed material
- Continuous pressure decatizing of fabrics and setting of staple fibre assemblies
- Device for sampling liquids
- A rotary cutting device

PATENTS (registered in Australia but not overseas)

- Larval development assay
- Detection and isolation of, and protective immunisation against, the phomopsin mycotoxins
- Vaccine and assay
- Saponin Adjuvant Composition
- Method for treating animals
- Method of louse control using compositions derived from Bacterium Bacillus
- Method for separating keratinous proteins from materials
- Paper products for colour printing
- Fibre coating composition
- Coating composition
- Semi-synthetic material
- Shearing Platform
- Treatment of sheep to reduce flystrike

PATENTS (registered overseas but not in Australia)

- Heated Wool Textile
- Heated Wool Garment System
- Apparatus for supporting an animal and a production line for processing and animal incorporating said apparatus
- A rotary cutting device having adjustable tension
- Sharpening Apparatus

REGISTERED DESIGNS (registered in Australia and overseas)

- A liquid sample collection card

TRADEMARKS (registered in Australia and overseas)

- Australian Wool Innovation Ltd & Device
- Australian Wool Innovation (words only)

TRADEMARKS (registered in Australia but not overseas)

- Siromin
- Si-ro-mark
- Future Fleece
- Grassgro
- Timerite
- Triple P
- Woolpro
- Rampower
- Wool Profit Map
- Rural Connect
- Woolpoll & rams head device
- Wormboss
- Woolcheque

PLANT VARIETIES (registered in Australia but not overseas)

- Barrel Medic – Caliph
- Cefalu Clover
- Yellow Serradella – Santorini
- French Serradella – Cadiz
- Persian Clover – Nitroplus
- Persian Clover – Persian Prolific
- Serradella – Charano
- Subterranean Clover – Denmark
- Subterranean Clover – York
- Subterranean Clover – Urana
- Prima Gland Clover
- French Serradella – Margurita
- French Serradella – Erica
- Barrel Medic – Jester
- Burr Medic – Cavalier
- Burr Medic – Scimitar
- Balansa Clover – Bolta
- Balansa Clover – Frontier
- Disc Medic Rivoli
- Medic – Toreador
- Persian Clover – Kyambro
- Subterranean Clover – Goulburn
- Subterranean Clover – Gosse
- Sweet Clover – Jota
- Napier Sub Clover
- Persian Clover – Morbulk
- Subterranean Clover – Leura
- Subterranean Clover – Riverina
- Coolamon Sub Clover
- Izmir Sub Clover
- Mauro Biserrula
- Yelbini Yellow Serradella
- Lucerne – Super 7
- Lucerne – Aquarius
- Lucerne – Eureka
- Lucerne – Genesis
- Lucerne – Hallmark
- Lucerne – Jindera
- Lucerne – Sceptre
- Lucerne – Sequel HR
- Lucerne – Venus
- Phalaris – Atlas PG
- Phalaris – Australian II
- Phalaris – Holdfast
- Phalaris – Landmaster
- Wallaby Grass – Bunderra
- Wallaby Grass – Taranna
- Subterranean Clover – Mintaro
- Lusa Persian clover
- Wilpena sulla
- Moonbi Sulla
- White Clover – Nusiral

SOFTWARE (registered in Australia but not overseas)

- Sirodec Software
- Portfolio Management System

New IP lodged or acquired in 2005/06

PATENTS (registered in Australia and overseas)

- Method for separating keratinous proteins from materials

PATENTS (registered in Australia but not overseas)

- A fibre coating process
- Method for administering a composition to an animal
- Animal restraining device
- Raised shearing platform

TRADEMARKS (registered in Australia and overseas)

- Merino Active & logo
- Posh Merino

TRADEMARKS (registered in Australia but not overseas)

- Bestprac
- Merino Innovation & device
- Merino Superior Sires
- Red Island
- SGP

The Australian Merino

Quality, sustainable wool production matters. It matters to our woolgrowers and it matters to our international partners.

The Australian Merino fibre is a significant contributor to the Australian economy and has a remarkable range of natural attributes. The fineness of the Merino fibre makes it soft and provides great insulation. The fibre shape makes it water repellent and helps resist stains, while its ability to absorb moisture aids breathability and contributes to odour resistance.

Synthetics like polyester and nylon, on the other hand, are created in the laboratory, and to this point, no man-made fibre has come close to replicating Merino's naturally occurring combination of attributes. Polyester and nylon are also made from petrochemicals, an eminently exhaustible resource.

Australian Merino wool is a natural, biodegradable and renewable resource. Every year, a new fleece grows on the sheep's back on both natural and improved pastures, and is removed without harm to the animal.



Producing a quality product

Australia is the world's largest producer of Merino wool. Accounting for more than half the world production of apparel wool, Australian woolgrowers are world-leaders in quality wool production.

One quarter of Australia is used for Merino wool production, sourced from a diverse and challenging range of geographical and climatic regions.

The Australian wool industry with the support of the Australian Government and AWI is investing in the sustainable production of the highest quality 'clean, green' wool.

Australian wool made up 51 per cent of the total used in wool apparel worldwide in 2004 and is exported to 52 countries around the world.

This wool is sourced from Australia's 35,000 sheep and wool farmers who produce 475,000 million kilograms of wool annually.

The wool industry manages land resources across an enormous range of conditions: from the desert to the ocean with one of the most variable climates on earth.

Australia's Merino wool offers unrivalled excellence and performance: our farmers have the sustainable production systems, heritage and know-how to continue to offer our customers the best wool in the world – long into the future.

Information on our activities and products are available via publications, events and online. For more information:

- visit www.wool.com.au
- email info@woolinnovation.com.au
- call the AWI Helpline on 1800 070 099 (free call within Australia)

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