



AWI Australian Wool
Innovation Limited

AUSTRALIAN WOOL INNOVATION LIMITED



ANNUAL REPORT 2013/14



AWI'S MISSION

AWI's mission is to invest in research, development, marketing and promotion in order to:

- enhance the profitability, international competitiveness and sustainability of the Australian wool industry; and
- increase demand and market access for Australian wool.

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ABOUT AWI

WHAT AWI DOES

Established in 2001, AWI is a not-for-profit company owned by more than 25,000 wool levy payers who have registered as AWI shareholders.

The company invests along the global supply chain for Australian wool – from woolgrowers through to retailers.

AWI's vision is for it to be a significant contributor to a vibrant, stable and profitable wool industry providing the world with the best natural fibre.

AWI's goal is to help increase stable and sustained demand for wool through investments in marketing, innovations and R&D – from farm to fashion and interiors. In working towards this goal AWI always strives to deliver an appropriated return on woolgrowers' and government's investment of levies.

AWI conducts four primary functions in order to achieve its vision:

- On-farm R&D
- Off-farm R&D
- Marketing
- Domestic and international industry services.

HOW AWI IS FUNDED

AWI investments are funded through a wool 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 for eligible R&D activities, capped at 0.5 per cent of the value of gross national value of wool production. The sale of Woolmark licences is a further source of income for AWI.

Woolgrowers vote every three years on the percentage of wool proceeds they would like to invest in industry research, development and marketing activities. In the most recent vote – WoolPoll 2012 – 60.34 per cent of votes cast were in favour of a levy of two per cent or more. In total, 60.94 per cent of all possible woolgrower votes were cast at WoolPoll 2012, the biggest return since the triennial vote began 12 years previously. The next WoolPoll vote is in 2015.

An agreement exists between AWI and the Australian Government, called the Statutory Funding Agreement, which defines the conditions under which AWI may invest levy and Government-matched funds. A new three year Statutory Funding Agreement came into effect on 1 July 2013.

BUSINESS MODEL

In Wool Poll 2012, wool levy payers voted to continue the wool levy at two per cent for the three years 2013/14 to 2015/16, with the allocation of funds, from 1 July 2013, as follows:



HOW AWI HAS EVOLVED

On 1 January 2001, Australian Wool Services (AWS) replaced the Australian Wool Research and Promotion Organisation (AWRAP), which had been operating since 1993. AWS was established with two subsidiaries: AWI and The Woolmark Company Pty Ltd. On 30 April 2002 AWI separated from AWS to become a fully independent public company limited by shares.

In October 2007, AWI acquired The Woolmark Company Pty Ltd from AWS. Most notably, AWI became the owner of the Woolmark brand – the world's best known textile fibre brand.

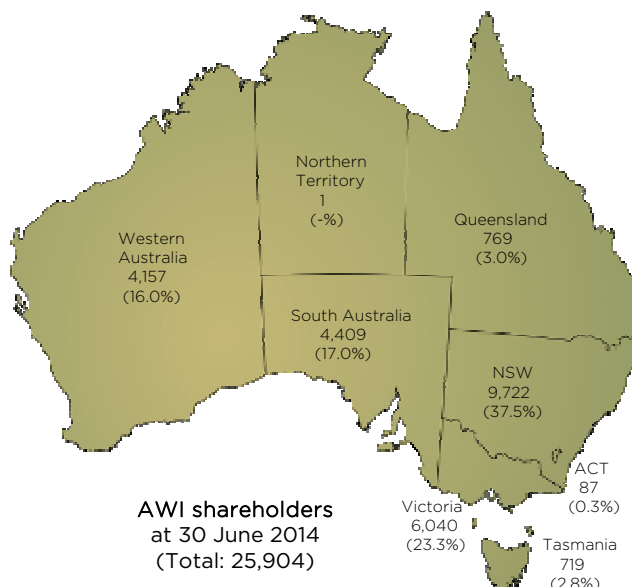
AWI SHAREHOLDERS

AWI has more than 25,000 shareholders who are Australian woolgrowers. The shareholders of AWI contribute to the wool levy. The shareholders are able to shape the decision making process of the company via their access to information and right to vote at Annual General Meetings.

AWI shareholders are entitled to one vote for every \$100 of wool levy paid in the three financial years before any vote. A share in AWI is not tradeable and is of no capital value. Paying wool levies does not make the levy payer automatically a shareholder of AWI. Levy payers who are not already an AWI shareholder can contact the AWI share registry at Link Market Services on 1800 113 373 (free call) to enquire about becoming a shareholder.

Wool is produced across a range of environments in Australia. AWI shareholders are therefore located across a broad area of the country, from the high rainfall areas, to the wheat/sheep zone, out to the drier pastoral zone.

AWI had 25,904 shareholders at 30 June 2014, a decrease of 611 shareholders over the past 12 months. There were a total of 52,244 wool levy payers at 30 June 2014, an increase of 687 over the past 12 months.



AWI'S STRATEGIC PLAN

Since 1 July 2013, AWI has been operating under a three-year Strategic Plan for the years 2013/14 through to 2015/16.

The AWI 2013/14 to 2015/16 Strategic Plan is available on the AWI website at www.wool.com

Following extensive industry and government consultation, the strategies adopted and being implemented in the Strategic Plan are:



On-farm R&D	Marketing
<p>Objective: To increase the profitability and sustainability of growing wool.</p> <p><i>Strategy 1:</i> Sheep Health, Welfare & Productivity <i>Strategy 2:</i> Wool Harvesting & Quality Preparation <i>Strategy 3:</i> Production Systems & Eco-Credentials <i>Strategy 4:</i> Education & Extension</p>	<p>Objective: To help increase demand for Australian wool by recognising and addressing the information barriers to consumption at consumer and trade level.</p> <p><i>Strategy 8:</i> Fibre Marketing & Eco-Credentials <i>Strategy 9:</i> Product Promotion</p>
Off-farm R&D	Global Business Services
<p>Objective: To facilitate the creation of business opportunities within the wool-processing sector, which foster diversification of regional processing capacity, and support the creation of demand for Australian wool.</p> <p><i>Strategy 5:</i> Technical Services <i>Strategy 6:</i> Fibre Advocacy & Eco-Credentials</p>	<p>Objective: To enable AWI to operate effectively through the efficient provision of a range of cross-company support services. In addition, provide commercially oriented services to the supply chain to support AWI's strategic vision.</p> <p><i>Strategy 10:</i> Business Intelligence & Measurement <i>Strategy 11:</i> Corporate Affairs & Market Access <i>Strategy 12:</i> Trade Education <i>Strategy 13:</i> Woolmark <i>Strategy 14:</i> Corporate Services</p>
Category Management	
<p><i>Strategy 7:</i> Category Management</p>	

HIGHLIGHTS OF 2013/14



4370 shearers and wool handlers were trained through AWI programs.



Apparel made from Australian wool, by a Vietnamese company.



The Campaign for Wool promoted the natural qualities of wool to consumers.

ON-FARM R&D

Increase in shearers and wool handlers trained

2269 training visits were made by shearers (a 44% increase from 2012/13) and 1320 training visits were made by wool handlers (a 34% increase from 2012/13) directly through AWI-funded programs across Australia. An additional 781 training visits were made by participants in crutching and other shearing and woolhandling workshops. See page 16.

Lifetime Ewe Management (LTEM) training expands

Demand for LTEM training has increased in 2013/14 from a strong base, with 85 AWI-funded groups completing the training, and 137 new groups established across all states. In total AWI funding has supported more than 250 groups to complete LTEM training, at an average of five enterprises per group. See page 15.

Flystrike R&D continued

AWI continued to fast track its R&D program, including genetic research and breeding and intradermals, to deliver welfare improved methods of flystrike prevention. See page 11.

OFF-FARM R&D

Vietnam a new supply chain for Australian wool

Through its "Out of Vietnam" project, AWI has been working to develop a sustainable supply chain for Australian wool in Vietnam. AWI has completed the establishment of the first stage in the supply chain (garment manufacturers) resulting in an 800,000kg demand for Australian wool from Vietnam in 2013/14. See page 23.

Levi's 501® wool/denim jeans launched

Iconic US apparel brand, Levi Strauss & Co launched the iconic 501® wool/denim jeans in October 2013 and became Woolmark, Woolmark Blend and Wool Blend licencees. See page 31.

Merino increases presence in the outdoor apparel market

The world's biggest sports trade show, ISPO, showed signs of Merino wool's increased presence with more than 50 brands promoting Merino wool in their sports collections, compared to just five brands six years ago. See page 29.

MARKETING

Campaign for Wool

The Campaign for Wool, which educates consumers about the environmental benefits of wool, was celebrated this year on an unprecedented scale, driving a new demand for wool across international consumer markets. See page 39.

Merino Wool. No Finer Feeling™ campaign

AWI's Merino Wool. No Finer Feeling™ fibre advocacy campaign continued to establish Merino wool as the fabric of choice for fine, contemporary fashion. The campaign now has more than 80 partners globally - well above the target of 42 that AWI set out to achieve in its 2013/14 to 2015/16 Strategic Plan. See page 42.

International Woolmark Prize

The International Woolmark Prize continues to be incredibly successful at showcasing the versatility and quality of Merino wool to the fashion and textile industries and consumers. The initiative this year gained extraordinary momentum, generating significant interest across the globe. See page 40.

Cool Wool campaign

AWI's Cool Wool product marketing platform is growing demand for Merino wool in the spring/summer season as well as in those markets that have warm climates. See page 44.

For further information on AWI program operations during 2013/14, refer to the reports beginning on page 10.

FINANCIAL SUMMARY

REVENUE FOR 2013/14

Total revenue for 2013/14 was \$68,639,000, compared to \$69,257,000 in 2012/13. Sources of revenue are shown in the table below.

	2012/13 \$'000	2013/14 \$'000
Wool levy	43,745	43,309
Government contributions	13,293	12,970
Licence fees	6,093	6,935
Interest	4,445	3,401
Royalties	1,068	1,522
Sales of goods and services	381	211
Rents and sub-lease rentals	192	229
Other operating revenue	40	62
Total revenue	69,257	68,639

EXPENDITURE FOR 2013/14

Total expenditure in 2013/14 was \$82,694,000, a 9.87 per cent increase over total expenditure in 2012/13 of \$75,262,000. Expenditure is shown in the table below. More detailed information can be found in the Financial Report beginning on page 60.

	2012/13 \$'000	2013/14 \$'000
On-farm R&D	16,311	18,738
Off-farm R&D	10,488	10,843
Global marketing	29,860	34,598
International Network	8,514	8,630
Corporate services	10,089	9,885
Total expenditure	75,262	82,694

FINANCIAL HISTORY AND FORECASTS

The company has been run in a leaner, commercially oriented manner in the past five years. AWI will continue to invest future funds in line with its 2013/14 to 2015/16 Strategic Plan, drawing on some of its reserves when appropriate.

	2006/07 \$'000	2007/08 \$'000	2008/09 \$'000	2009/10 \$'000	2010/11 \$'000	2011/12 \$'000	2012/13 \$'000	2013/14 \$'000	Forecast 2014/15 \$'000
Revenue	63,964	90,812*	61,716	62,437	72,698	73,970	69,257	68,639	68,055
Expenditure	75,453	85,354	78,577	45,687	48,307	66,162	75,262	82,694	80,055
Balance	(11,489)	5,458	(16,861)	16,750	24,391	7,808	(6,005)	(14,055)	(12,000)
AWI reserves	65,860	71,318	54,457	71,207	95,598	103,406	97,401	83,346	71,346

* This includes a one-off \$15 million grant from the Australian Government to purchase The Woolmark Company Pty Ltd.

AUSTRALIAN WOOL PRODUCTION HISTORY AND FORECASTS

AWI's revenue is largely dependent on wool levy income. Wool production and prices are used to calculate wool levy income using the following formula: Eastern Market Indicator (EMI) price in cents per kg clean *multiplied* by shorn greasy wool production adjusted to kilogram clean *multiplied* by the levy percentage (two per cent).

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	Forecast 2014/15
Market price EMI* (cents per kg clean)	794	872	1138	1198	1034	1070	1130 (f)
Flock size** (opening sheep numbers, in millions)	76.9	72.7	70.8	73.1	74.7	75.5 (e)	71.7 (f)
Wool production** (shorn greasy wool*** in millions of kg)	362	343	345	342	352	341 (e)	328 (f)

* Actual figures from AWEX. Forecast figure from ABARES.

** Figures from the Australian Wool Innovation Production Forecasting Committee.

*** Clean wool under this model is assumed to represent approximately 65% of the weight of greasy wool.

(e) Estimate

(f) Forecast

AWI BOARD OF DIRECTORS



Mr Walter B Merriman



Mr Paul Cocking



Ms Colette Garnsey



Mr James Morgan



Dr Meredith L Sheil



Mr Brian P van Rooyen



Mr David A A Webster

THE BOARD OF AWI

The Board continued to meet regularly during 2013/14.

The AWI Board sets the Company's strategic direction and delegates responsibility for day-to-day management to the Chief Executive Officer (CEO). The Board is committed to governance systems that enhance performance and ensure AWI operates according to accountability provisions required by various Acts, Regulations and Guidelines. A report on corporate governance is on page 52.

The Board has established a number of committees that monitor and guide specific activities. These committees assist the Board to effectively implement, monitor and enforce appropriate corporate governance throughout the Company. There are currently three Board subcommittees and a Board Nomination Committee:

Finance & Audit Committee

Chaired by David Webster

Directors appointed by the Board provide guidance and recommendations to the Board and to the CEO to assist in fulfilling their responsibilities relating to risk, accounting, reporting and compliance practices of the Company. The Finance & Audit Committee meets periodically to address all matters within its charter.

Remuneration & Appointments Committee

Chaired by Colette Garnsey

This Committee provides guidance and recommendations to the Board and the CEO in matters pertaining to recruitment and retention of employees and policies governing remuneration for current and potential employees. The Remuneration & Appointments Committee meets periodically to address all matters within its charter.

Science & Welfare Committee

Chaired by Meredith Sheil (appointed 13 January 2014)

This Committee was established to provide guidance and recommendations to the Board and CEO regarding the scientific and research policies of the Company and on the conduct of programs relating to activities undertaken by the Company that utilise science or impact animal welfare activities. The Science & Welfare Committee meets periodically to address all matters within its charter.

Board Nomination Committee

Chaired by Jock Laurie

Established to assess the skills of those seeking election to the Board of AWI, the five-member Committee was introduced in 2011 in accordance with AWI's 2010-2013 Statutory Funding Agreement with the Australian Government. It convenes in each Directors' election year. The Committee members comprise three external members and two AWI Board members. The Chair is one of the external members. In 2013, the members of the Board Nomination Committee were: Mr Jock Laurie, former President of the National Farmers' Federation; Mr Ian Armstrong, former Deputy Premier of NSW and former leader of the National Party in NSW; Mr Will Wilson, independent investor relations adviser; AWI Chairman Mr Wal Merriman; and AWI Director Mr Roger Fletcher (who has since retired from the AWI Board).

The objectives and responsibilities of the Board subcommittees are set out in the 'Charter of the Committees of the Board' and the objectives and responsibilities of the Board Nomination Committee are set out in the 'Board Nomination Committee Charter'. Both of these documents are available on the AWI website www.wool.com.

The Directors' Report is on page 61.

The Directors of Australian Wool Innovation Limited, their qualifications, experience and special responsibilities as at 30 June 2014 are listed below.

MR WALTER B MERRIMAN, CHAIRMAN OF AWI

Experience and expertise:

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 associations. Mr Merriman also has strong links with the Italian wool industry.

Special responsibilities:

Remuneration & Appointments Committee member
Science & Welfare Committee member
Finance & Audit Committee member
Board Nomination Committee member.

MR PAUL COCKING BACHELOR APPLIED SCIENCE (AG), GRAD DIP ED

Experience and expertise:

Mr Cocking is presently Managing Director of Riverina Wool Testers an accredited member of Interwoollabs. Mr Cocking has 25 years' experience in the wool industry as a business manager and commercial wool grower. Mr Cocking is a member of the Australian Institute of Company Directors. He is in an exceptional position with excellent understanding of the key stakeholders of the wool industry with outstanding business, financial management and R & D skills.

Special responsibilities:

Science & Welfare Committee member.

MS COLETTE GARNSEY OAM

Experience and expertise:

Ms Garnsey is Executive Director at Premier Investments' The Just Group. She has recently been appointed as a member of the Trade & Investment Policy Advisory Council (TIPAC). Ms Garnsey has previously been a board member of the Melbourne Fashion Festival (since 2006), a judge of the Veuve Clicquot Business Woman of the Year, a Committee member of CEW, and also a Committee member of the Textile, Clothing and Footwear (TCF) Innovation Council (since 2010). She has had more than 30 years' experience in retail and was formerly in senior management at Pacific Brands, and David Jones Limited for more than 20 years holding the position of Group General Manager. Ms Garnsey has also had five years' manufacturing, wholesale and distribution experience and spent three years in consultancy across design, retail and manufacturing for various companies within the Textile, Clothing and Retail industries in addition to spending three years as an Advisory Board member of the CSIRO Textile, Clothing Footwear & Leather (TCF&L) Sector Advisory committee.

Special responsibilities:

Chair, Remuneration & Appointments Committee.

MR JAMES MORGAN

Experience and expertise:

Mr Morgan is presently the Managing Director of the Mutooroo Pastoral Company, which operates an extensive pastoral Merino and Beef Cattle enterprise in the North East region of South Australia. Additionally,

he operates Outalpa Station with his wife and children, and administers a large livestock enterprise in the Hunter Valley region of NSW. Mr Morgan has over 30 years' experience in pastoral and high rainfall wool production, and on-shore marketing. Being a committed commercial woolgrower, Mr Morgan has a strong faith in the industry and in wool's natural ability to offer the world's textile and industrial producers a raw material which is both cost effective and eco-friendly.

Special responsibilities:

Finance & Audit Committee member.

DR MEREDITH L SHEIL MBBS FRACP PhD GAICD

Experience and expertise:

Dr Sheil is a specialist Paediatrician, Medical and Veterinary Research Scientist, Honorary Associate of the Sydney University Veterinary School, and a Commercial Woolgrower. Dr Sheil was responsible for inventing / developing a wound anaesthetic for lambs undergoing mulesing and is currently pursuing research into the development of similar practical and affordable pain relief medications for livestock, companion animals and humans. Dr Sheil is a local government councillor, Deputy Mayor of Hunter's Hill Council and a Graduate of The Australian Institute of Company Directors.

Special responsibilities:

Chair, Science & Welfare Committee.

MR BRIAN P VAN ROOYEN

Experience and expertise:

Mr van Rooyen is currently Chairman of Australian Country Spinners Pty Ltd and a Director of PFG Australia Pty Ltd, Cologix Inc (USA) and Power Farming New Zealand Ltd. He was formerly a Director of Bruck Textiles Pty Ltd, Norwellan Textiles Ltd, Woolstock Australia Ltd and Spinrite Inc. He has had extensive experience in wool processing, sales and marketing.

Special responsibilities:

Finance & Audit Committee member
Remuneration & Appointments Committee member
Science & Welfare Committee member.

MR DAVID A A WEBSTER

Experience and expertise:

Mr Webster has spent his working life putting together a wool growing, livestock and cropping enterprise. A keen student of economics, he is a strong advocate of private enterprise commerciality and competition. He has very strong views on upholding the rights of farmers without undue regulation and impediments to running their businesses. Mr Webster places a high priority on giving value to shareholders, particularly for compulsory levy payers. Mr Webster is Chairman of iron ore resources company Athena Resources Limited. He is also a Director of Australian Wool Testing Authority Ltd.

Special responsibilities:

Chair, Finance & Audit Committee
Remuneration & Appointments Committee member
Science & Welfare Committee member.

COMPANY SECRETARY

The Company Secretary is Mr Jim Story BA, LLB, FGIA.

CHAIRMAN'S REPORT



On a strategic level this year was an important one for your company. This was the first year that AWI operated under the new three-year Strategic Plan. In the lead up to next year's WoolPoll, AWI will be measured against the targets set in the plan, through the independent Review of Performance.

This year we increased expenditure across our marketing and R&D portfolios,

drawing down by 14 million dollars on company reserves. The expenditure was allocated in the ratio of 60:40 as was voted by the shareholders in the 2012 WoolPoll and as outlined in the Strategic Plan.

In 2014/15 we again plan to draw down on reserves. From an operational perspective, the structural instability we have seen with wool prices and the exchange rate is an area for concern. As a consequence, we have made a decision to adopt a conservative approach to investment of woolgrowers' funds in 2014/15. At global and country-specific levels we have prioritized those programs that yield the strongest potential returns, continue to position Australian wool in the premium/luxury space and increasingly drive sales opportunities for our partners in the "luxury" and "premium bridge" segments of retail.

We have instituted a detailed system for assessment of investment returns. This system reflects the unique technical and marketing contexts within which AWI operates, and our obligations to Australian woolgrowers and the Australian government. Reflecting the importance of this issue to the Board and management, and in the interests of transparency, our approach is detailed through the AWI Measurement and Evaluation Framework which, along with all completed external evaluations of our investment programs, is publicly accessible on our Wool.com website.

We are more committed than ever to providing quantifiable returns on woolgrower and government investment while managing the business in a cost-conscious and business-like manner, the same as we all run our businesses.

The price of wool is forecast to strengthen, driven largely by demand side gains but also reflecting tight supply in Australia. Following some challenging global economic conditions, recovery (albeit slow) now appears to be happening in the USA, Japan and Western Europe, along with continued growth in China and rising incomes in the key emerging economies of Asia and Eastern Europe.

This year we have set up a number of significant projects that will deliver in the 2014/15 year. One of these projects is the wool selling systems review. This project is aimed at a full review of the transaction between the first owner and the second owner.

Profiting from R&D

By researching and developing new ideas, AWI invests funds to increase the profitability of growing wool. Woolgrowers help decide the areas of investment, and wild dogs, flystrike, shearer training, genetics, worms

and lice are regularly listed as their top on-farm priorities.

While some of our on-farm R&D investments are naturally aimed at delivering benefits primarily in the long-term, there are many investments providing benefits in the short term. These include our extension activities such as the Lifetime Ewe Management program that continues to show significant benefits to participants through improved net reproduction rate. This will also be extended to growers through a new wool-focused Bredwell Fedwell program. Other examples of investment that provide immediate benefit are cash grants for on-ground activities to combat wild dogs, Making More From Sheep events across the country, and the creation and co-funding of ParaBoss.

R&D also takes place off-farm to develop new innovations, such as the new wool fabrics coming out of the Wool Development Centre and Wool Education Centre in China, which is co-funded by AWI with the leading wool textile enterprise Nanshan Group. We are also helping establish and expand new manufacturing centres for wool, such as in Vietnam and Russia.

Increasing the demand for wool

Marketing works to increase the demand for Australian wool in key markets. This occurs through a range of campaigns with their own stated aims and targets.

For example the Campaign for Wool highlights the natural and environmental aspects of wool of all types and microns, and the International Woolmark Prize engages the greatest emerging fashion designers with Merino wool. Similarly, the Merino Wool. No Finer Feeling™ campaign is attracting a significant number of the biggest names in the fashion and premium apparel industry. When we started this campaign four years ago, we started with zero partners; now we have more than 80 partners.

All of these campaigns are generating significant increases in awareness off and appreciation for our wonderful fibre.

This year marks the 50th anniversary of our world-famous Woolmark brand. The Woolmark logo's enduring appeal continues to deliver significant returns to Australian woolgrowers who own it. It has been applied to more than five billion products worldwide since it was first launched in 1964 and is now being widely used to promote Australian wool through all of AWI's global marketing campaigns.

The logo is something which we as woolgrowers have all grown up with and are proud of, like our wool-growing businesses.

As Chairman of the AWI Board I am also proud of what AWI has been able to achieve over the 2013/14 financial year and look forward to further gains for our fibre and the industry.

Wal Merriman
Chairman, Australian Wool Innovation
22 August 2014

CEO'S REPORT



The 2013/14 financial year was AWI's first year of operation under its 2013/14 to 2015/16 Strategic Plan. This Annual Report outlines the healthy progress that the company has made during this past year in achieving the targets set out in the three-year Strategic Plan.

The Strategic Plan was developed by AWI in consultation with woolgrowers and other stakeholders to

ensure AWI is meeting the needs of industry. Throughout its three-year business cycle, AWI continues to consult widely with woolgrowers and stakeholders through forums including the Woolgrower Industry Consultative Committee (ICC), biannual woolgrower forums, and attendance at regional field days and industry events.

We stated in the three-year Strategic Plan that AWI income would be invested 60% in marketing, 15% in off-farm R&D, and 25% in on-farm R&D, and I am pleased to announce that our investments in the first year covered by the Strategic Plan resulted in almost exactly that ratio, specifically a 59.97%, 14.60% and 25.43% split.

Marketing

Our Marketing portfolio has invested in targeted programs to help create demand for Australian wool amongst consumers in key markets across the world, and thereby increase returns to woolgrowers.

This year, the Merino Wool. No Finer Feeling™ fibre advocacy campaign continued to gain increasing support in the marketplace. The campaign is undertaken in partnership with designers, brands, manufacturers and the media, and now has more than 80 partners globally – well above the target of 42 that we set out to achieve in the 2013/14 to 2015/16 Strategic Plan.

The Campaign for Wool also continued to healthily build on its success of past years, educating consumers about the fibre's unique natural benefits. The breadth of key markets joining the campaign expanded with Italy hosting its inaugural Wool Week in 2013 and France in 2014. The campaign generated \$40.1 million of editorial coverage in 2013, up from \$29 million in 2012.

The International Woolmark Prize was once again incredibly successful at showcasing the versatility and quality of Merino wool to the fashion and textile industries and consumers. Over the past two years the initiative has generated more than \$105 million in editorial value. Its expansion into menswear this year signifies its strength and impact on the fashion industry.

The Cool Wool consumer product marketing platform is growing demand for Merino wool in the spring/summer season as well as in markets that have hot climates, with Cool Wool ticket and label sales more than tripling over the past year.

All the public relations activities surrounding our campaigns and their related events – which involve designers, brands, retailers and other key partners – have garnered significant media attention that helps promote and build demand for Australian wool amongst consumers across the world.

Off-farm R&D

Our Off-farm R&D portfolio facilitates the creation of business opportunities that foster new and globally diversified wool-processing capacity, and thereby support the creation of demand for Australian wool. In 2013/14, we provided technology transfer to wool processors and manufacturers – 53 new businesses are now working with AWI in Vietnam, 28 in Russia and 12 in Belorussia.

We also continue to demonstrate the benefits of wool for a healthy night's sleep, and the role of fine Merino baselayers in ameliorating chronic skin conditions. This R&D feeds into the development of products with opportunities in categories that support the increasingly prevalent and affluent LOHAS (Lifestyles of Health and Sustainability) consumer.

On-farm R&D

Investment by AWI's On-farm R&D portfolio increased again in dollar terms in 2013/14, as it did in the previous year. The portfolio has delivered a range of targeted tools, skills and knowledge to help woolgrowers improve their on-farm productivity and profitability.

Lifetime Ewe Management training has been extensively funded by AWI to help woolgrowers develop the practical skills to improve animal nutrition, lambing percentages and weaning rates. AWI funding has now supported more than 250 groups to complete training.

More than 50 wild dog control groups were funded with grants for on-ground activities such as baiting, trapping and fencing to reduce wild dog predation across Australia.

Protecting the national flock from flystrike remains a top research priority at AWI. We have a proactive and committed flystrike prevention R&D and extension program. While breeding resistant sheep remains a key tool for producers, R&D continues into breech modification alternatives such as SkinTraction® and liquid nitrogen.

AWI investments during 2013/14 to promote excellence in the wool harvesting industry and encourage young people to join the industry resulted in a 30% increase in numbers trained compared to last year.

To help with extension, our seven state-based extension networks across Australia involved more than 9000 producers, and more than 80 Making More From Sheep events were held across Australia, attracting more than 1700 attendees.

The future

One year into our Strategic Plan, I am optimistic about achieving the large majority of three-year targets in the Plan. I feel our progress, combined with the vitality of the woolgrowers across the country that we serve, bodes well for the future of the wool industry of which I am very proud to be part.

Stuart McCullough
CEO, Australian Wool Innovation
22 August 2014

ON-FARM R&D

OBJECTIVE





Increase the profitability and sustainability of growing wool.

OUTCOMES

New knowledge will be delivered to woolgrowers on improving wool quality and productive wool growing to reduce costs of production and improve on-farm profitability.

INVESTMENT PHILOSOPHY

We seek a balance between optimistic research and development of matters with the potential for short to long-term commercial gain, extension of existing technologies and best practice and the need to continually pursue sustainability of the industry. Investment will be weighted more towards research and development activities with moderate risk exposure.

<p>STRATEGY 1 Sheep Health, Welfare & Productivity</p>		<p>Health, welfare and productivity gains are all linked. Some important investments for efficient production and wool quality are: improvements to fly, lice and worm management, reduced impact of wild dog predation, reduced impact of invasive husbandry and improved tools for labour efficiency, efficient reproduction rate and genetic gain.</p>	<p>PROGRAMS</p> <ol style="list-style-type: none"> 1 Parasites & Diseases 2 Wild Dogs 3 Invasive Husbandry 4 Genetics & Genomics 5 Reproduction
<p>STRATEGY 2 Wool Harvesting & Quality Preparation</p>		<p>Efficient delivery of high-quality wool clips depends on investment in: recruitment into shearing through career promotion, delivery of high-quality training, and retention of those trained within the sector.</p>	
<p>STRATEGY 3 Production Systems & Eco-Credentials</p>		<p>Managing productive and profitable wool growing systems while enhancing the eco-credentials of wool requires investment in new and improved tools that help woolgrowers make better informed decisions. These include: nutrient-use efficiency, grazing and pasture management, carbon management, feed utilisation and chemical-use efficiency.</p>	<p>PROGRAMS</p> <ol style="list-style-type: none"> 1 Managing the Resource Base 2 Carbon
<p>STRATEGY 4 Education & Extension</p>		<p>Grower confidence in the wool industry requires investment in: effective communications, new skills training, peer support and networking, leadership and mentoring, and availability of experts. The community's confidence in the wool industry depends on investment in: effective communications, availability of experts, and collaboration and unity of purpose across organisations.</p>	<p>PROGRAMS</p> <ol style="list-style-type: none"> 1 Grower Skills Capacity (extension) 2 Stakeholder and Market Place Education & Awareness



STRATEGY 1: SHEEP HEALTH, WELFARE & PRODUCTIVITY

STRATEGY 1 RESOURCES DURING 2013/14

\$7,581,000 project expenditure + 4.6 AWI staff (full time equivalent)



PROGRAM 1: PARASITES & DISEASES

INVESTMENT FOCUS

- Consolidation of parasite extension tools into one "Paraboss" tool for accessibility.
- Funding of regional lice groups to assist growers to share information relevant to lice management.
- Scoping investments for improved lice management.
- Development of technologies to minimise dags and flystrike in sheep.
- Reports on the monitoring of pesticide use and R&D on environmentally friendly pesticides.
- Support for NWD and engagement, education and support through the supply chain.
- Minimise impacts on the flow of wool from farms arising from biosecurity threats, through participation in the National Animal Biosecurity RDE Strategy and development and implementation of a wool sector-specific biosecurity RD&E strategy which addresses issues such as wool bale traceability and decontamination.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
Increase scientific knowledge on causes and potential minimisation of scouring.	On track. Review of dag R&D gaps completed. Aiming for projects to be contracted in 2014/15.
By 2017, a 5% reduction in economic losses from breech strike across 20% of woolgrowers.	Progressing. The baseline survey was completed in 2012, and AWI will resurvey in 2016.
By 2017, an increase of 20% of woolgrowers using best practice worm control.	Progressing. The baseline survey was completed in 2012, and AWI will resurvey in 2016.

KEY RESULTS DURING 2013/14

- ParaBoss has been created and funded for three years with MLA. ParaBoss includes LiceBoss, WormBoss and FlyBoss and is managed by the University of New England.
- The National Wool Residue Survey was completed with 600 greasy wool samples tested per month on a state basis in proportion to the states' total number of lots sold.
- Initial analysis shows there is a moderate association between actual breech strike and the 700K SNP DNA test.
- A detailed study exploring the role of soil factors on incidence of Ovine Johnes Disease has been completed, and concludes that soil pH plays a small but significant role, and that soil iron content plays no role.
- There are early stage laboratory signs of resistance to cyromazine and dicyclanil. In the field if the chemical is applied properly there have been no signs of control failure but there are some signs that the protection period could be reduced.
- Urine Stain was added to the Visual Scores Guide following R&D that quantified its relative importance with Dags, Breech Wrinkle and Breech Cover. Urine Stain will be released as a Research Breeding Value when sufficient data has been collected in MERINOSELECT.
- The DAFWA (Mount Barker, WA) and CSIRO (Armidale, NSW) Breech Flystrike research flock project continued, and the consolidated data suggests that breech flystrike resistance has a heritability of 0.35 to 0.5, where 20% to 25% of strike incidence is explainable using the four visual traits (wrinkle, cover, dag, and urine scores). Significant effort is being directed at explaining presently unexplainable variation in susceptibility, where odour appears a promising candidate, and fleece microbiology and odour analysis studies are progressing well but require further validation within the research flocks, and potentially in industry. The associated postgraduate student project is progressing well.
- Further development of a process using liquid nitrogen to reduce breech wrinkle and breech wool cover with improved lifetime welfare have taken place in southern Victoria. The concept is encouraging but requires further development for the process to become commercially viable.
- Laser treatments to permanently remove wool in the breech were unsuccessful but further advances in technology are being assessed.
- Approval of the SkinTraction® intradermal for commercial use as an alternative to mulesing remains with the Australian Pesticides and Veterinary Medicines Authority.
- The Australian Veterinary Association auditors (Dr Bruce Allworth and Dr Peter Hucker) conducted six-monthly assessments on the Breech Strike Program. The Genetic Reviewers (Dr Peter James and Dr Forbes Brien) completed an annual assessment which in summary concluded: *"We congratulate the numerous agencies and individuals involved in the design and delivery of breech strike management programs and preparation of resource material for trainers, most particularly the genetic component of these. The effort that has been expended to digest the research results, to develop them to practical tools suitable for use by woolgrowers with different selection objectives, philosophies and approaches, and to extend them to industry to enable timely implementation is commendable."*

- A substantial component of the blowfly gene sequence has been processed at the Baylor College, Texas, USA which builds on the genome work in the mid 2000s when 50 per cent of the genome was sequenced. The University of Melbourne is now cataloguing or piecing together the many millions of sequences into genes and chromosomes. There are approximately 140 genes so far that are unique to the blowfly and these, along with olfactory genes of the blowfly, will be of special interest in future work.
- National Mulesing Accreditation Program training is being consolidated in a framework that optimises the accessibility of training and chance of support funding.
- Six-monthly meetings continue between AWI and animal welfare and animal activist groups to keep an open dialogue and exchange of information.
- A review of the wool market for the five years July 2008 to June 2013 showed small and variable premiums and discounts for “Non Mulesed”, “Ceased Mulesed” and “Pain Relief” wool.



The FlyBoss website is helping woolgrowers reduce the risk of flystrike through management and breeding. FlyBoss is one component of ParaBoss – the suite of three products developed for the management of blowflies, worms and lice.



PROGRAM 2: WILD DOGS

INVESTMENT FOCUS

- Support for community groups undertaking wild dog control with a long-term aim for them to become self-sufficient.
- Provision of training to growers.
- Coordination of effort on-the-ground to maximise efficiency and thoroughness of wild dog control.
- Support of R&D to refine existing tools.
- Monitoring of wild dog populations and their impact on sheep flocks and the environment.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
12 new community groups established each year.	Not achieved. Four new groups established. The deficit of eight groups in 2013/14 is due to the large number of groups established in 2012/13 requiring “maintenance” – see below.
22 active groups supported each year.	Achieved. Requests for support from local groups greatly exceeded expectation, and 47 established groups were supported through cash grants during the year.
Average AWI cost per established group declining to zero by 2017.	Target revised. Review of this target by AWI Management and AWI’s Board, in the light of the magnitude of the on-going wild dog problems nationally, has recommended modification of this target to “Monitor average cost per established group”. AWI has provided an average of \$19,629.42 per group for approved wild dog control activities.
Value of avoided stock loss (sheep) is greater than costs to woolgrowers and AWI combined.	Achieved. Data from the six groups analysed to-date show a total of 16,984 sheep lost in the year prior to the AWI-supported program compared with 3,195 sheep lost since commencing the AWI-supported program. This represents an average reduction in losses due to wild dogs of 2,298 sheep per group thus far (1–2 years). Using \$85.06/head (average across all classes and ages) this represents stock losses avoided of \$195,462, greatly exceeding group costs to AWI.

KEY RESULTS DURING 2013/14

- Over-achievement in group establishment in 2012/13 resulted in the lower rate of group establishment in 2013/14.
- As Coordinators (and AWI administration) recover from this initial rush and existing groups continue

to mature, the formation of new groups is expected to pick-up again – although not to previous levels – with Coordinators and groups addressing gaps in geographic coverage of wild dog control.

- 2013/14 saw the final outcome of a major R&D investment for AWI – “Aerial Baiting for Wild Dogs” – that tested the effect of two different bait distribution rates for the application of 1080 meat baits for wild dogs: 10 baits/km (current legislated maximum) compared with 40 baits/km.
- The project was conducted by NSW DPI in conjunction with the IACRC from 2010/11 to 2013/14 with an AWI investment of \$522,200.
- The results clearly showed that when baits are increased from 10 baits/km to 40 baits/km, wild dog mortality increases from 55% to 90%.
- As a result the APVMA has extended the permit for the 40 baits/km rate for 1080 baits for a further 12 months to 31 March 2015. This represents a major increase in capability to reduce wild dog populations.
- Commencing in 2014/15 AWI investment in wild dog control will in future be categorised into three streams:
 - “On-ground” direct impact support
 - “Coordination” of effort
 - Research & development
- Using these new categories, the spend for the 2013/14 financial year was:
 - 36% on-ground direct impact support
 - 32% coordination of effort
 - 32% research & development.



Woolgrower Phil Mudge has reintroduced Merino sheep onto his property at Ensay, Victoria, following the roll-out of a successful wild dog control campaign in his area. AWI has assisted with funding for a community baiting coordinator, wild dog baits, trap kits and the BESTWOOL/BESTLAMB network that has a group in the Ensay area.



PROGRAM 3: INVASIVE HUSBANDRY

INVESTMENT FOCUS

- New knowledge on analgesic options for sheep for development by the commercial pharmaceutical and veterinary sector.
- Delivery of new knowledge on the timing (relative to age/size) of existing husbandry procedures and extension to stakeholders to inform welfare best practice.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
Deliver a significant reduction in adverse welfare response from current technologies within best practice by 2017.	Progressing. For mulesing it remains unclear if xylazine is reducing pain or is masking behavioural indicators of pain, due to its action as a sedative. With current information it is unlikely that further R&D will take place.
Develop pain relief alternatives with a maximum added cost of 50 cents per head per application by 2017.	On track. Other pain relief products are being trialled for castration and tail docking using a variety of methods with results due in the next two financial years.

KEY RESULTS DURING 2013/14

- Pain relief products continue to be trialled for mulesing, castration and tail docking using a variety of methods.
- Meloxicam administered via a sticky paste to the mouth has shown a significant decrease in abnormal behaviours following castration and tail docking.
- A welfare assessment of the cold knife, hot knife and ring alternatives for castration and tail docking has shown little differences between the methods but with a slight advantage in favour of the knife.
- See Program 1: Parasites & Diseases (page 11 for alternative options to mulesing.



PROGRAM 4: GENETICS & GENOMICS

INVESTMENT FOCUS

- Development of improved data collecting and analysis that leads to improved profitability and rates of genetic gain.
- New tools to benchmark rates of genetic gain and highlight how higher rates of gain can be achieved.
- Increased collection of older age fleece traits and lifetime fertility data including both phenotypic and genomic information.
- Improve software for more automated methods of data collection and transfer.
- Development of a viable Service Provider network of Breeding Value technology advisers.
- Analysis of the value of genomic tools to the wool industry in relation to existing tools.
- Addressing barriers to realising the value of existing tools.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
Increase use of genetic benchmarking by 5% a year to 2017 across stud animals.	On track. The number of Merino and Dohne flocks rose by 5.3% in 2013/14, with a net increase of 10 Merino Studs, and the number of Merinos and Dohnes analysed rose by 6.2% in 2013/14.
Preliminary target of 6% increase in the current rate of genetic gain across the industry by 2017.	Progressing. Progress has been limited toward revising targets for this program in 2013/14, and will become a priority focus for 2014/15. Analysis of estimated rates of genetic gain in MERINOSELECT indexes remains incomplete.

KEY RESULTS DURING 2013-14

- Low-cost AI: 800 seminal plasma proteins have been isolated and work has commenced on isolating which ones are most affected by freeze thawing and lead to the 20% conception rate when frozen semen is used in low cost cervical compared to the 70% conception rate when used via laparoscopic AI.
- Central Test Sire Evaluation: 56 new sires were joined at AMSEA sire evaluation sites in 2014, bringing to a total of 467 the number of AI sires used in Sire Evaluation, with 76,273 progeny in MERINOSELECT outside sire evaluation sites and the ram breeder’s home flock. Merino Superior Sire Report for 2013/14 was downloaded 823 times, an increase of 17% compared to the 2012/13 report. Site reports are downloaded at variable numbers between sites, between 450 and 900 times per site report. 657 sires now have 299,138 grand progeny in MERINOSELECT outside sire evaluation sites and the ram breeder’s home flock.
- MERINOSELECT: The number of Merino flocks in MERINOSELECT increased by 5.3% in 2013/14.
- Validation of DNA pedigree was conducted at three sites and while the data is being analysed further, it shows the DNA information is highly accurate data; the majority of errors appear to be human errors in recording or blood sampling or where rams are very closely bred, ie twins. In syndicate matings, DNA results are showing the number of progeny per sire is highly variable.
- AWI’s involvement in the Sheep CRC has concluded and a conference was held in Adelaide on the 9th of July outlining its achievements (see www.sheepcrc.org.au). AWI Program 4 funding focussed on the Information Nucleus flock and associated genetic analysis efforts, which provided the core data for a range of activities in reproductive efficiency, genomic breeding values, and performance across environments. At the conclusion of the AWI-funded program, a total of 12,000 Sheep CRC and industry animals have been genotyped along with another 70,000 animals tested for pedigree and horn/poll. Program 4-

related extension activities included genetic service provider training.

- An extensive review process has concluded that while yearling records do give good information of lifetime production information, large gains in trait accuracy can be achieved compared to yearling age records by adding hogget and adult records.
- Nonetheless, it was decided not to proceed with the large proposed three research station Lifetime Productivity Trial. Despite its size, it had limited power in determining the genetic parameters needed for low heritable traits across ages and there was significant reluctance among research organisations to sign up for a nine-year trial. Collation of old R&D data and new data from existing MERINOSELECT flocks will continue.
- The forward strategy for this area will focus on collation of old stud and research flock data, and support for collection of new data from existing ram breeding flocks, and collection of additional data in wether trials and sire evaluations.



AWI is investing in the R&D and extension of breeding tools to improve genetic gain in Merino flocks.



PROGRAM 5: REPRODUCTION

INVESTMENT FOCUS

- Main focus is on development of grower knowledge and skills which directly relate to managing Merino reproduction, thereby increasing net reproduction rate and reducing wastage.
- Main area of investment aimed at ewe and lamb survival, early reproductive success and high-performance weaners, genetics and biological mechanisms and conception and early embryo mortality.
- Lifetime Ewe Management (LTEM) training and support for this program is provided under the Reproduction Management Training Package series: currently RMTP IV, with RMTP V approved to commence in 2015-16.
- Investment is being made in partnership with MLA – five-year funding from July 2012.
- Investment started in 2012/13 and will finish in 2016/17 (covers three AWI Strategic Plans). Total funding of around \$5 million a year with AWI contribution of 32%.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
For growers running Merinos: <ul style="list-style-type: none"> • Average increase of 10% in lambs weaned. • Subject to maximum additional annual cost of \$2 per ewe carried. • Adoption across nine million Merino x Merino joining. 	On track. Woolgrower participation has increased by around 160% in 2013/14 (from 85 to 250 groups), and assessment of impacts for the 350 participants who have completed training demonstrate on average a 10% increase in lamb marking rate, 33% reduction in ewe mortality. Adoption targets are likely to be exceeded.

KEY RESULTS DURING 2013/14

- Lifetime Ewe Management (LTEM) training provides hands-on on-farm training for small groups of producers (average five) in the management and nutrition of breeding ewes to maximise reproduction efficiency. On-going evaluation of group members continues to show significant benefits to participants through improving net reproduction rate. Analysis of 350 producers that graduated LTEM between 2008 - 2013 show that, consistent with earlier analyses, the average LTEM participant:
 - o manages 3500 breeding ewes
 - o increased whole farm lamb marking percentage by 10% (98.7% to 108.4%)
 - o reduced ewe mortality by 33% (3.7% to 2.5%)
 - o increased stocking rate by 12% (8.9 to 10.0 DSE/ha)
 - o thereby, increasing number of lambs marked per hectare by 23% (3.5 lambs/ha to 4.3 lambs/ha).
- Demand for LTEM training has increased in 2013/14 from a strong base, with 85 AWI-funded groups completing the training, and 137 new groups established across all states. In total AWI funding has supported more than 250 groups to complete LTEM training, at an average of five enterprises per group.
- To encourage the establishment and support for LTEM training in remote and pastoral areas, AWI provided \$87,448 in LTEM REMOTE support:
 - o 74 groups (370+ growers), across five states
 - o utilising 23 facilitators, who collectively travelled 87,448 km.



The Lifetime Ewe Management course provides materials and develops skills to help sheep producers improve animal nutrition, lambing percentages and weaning rates.


STRATEGY 2: WOOL HARVESTING & QUALITY PREPARATION
STRATEGY 2 RESOURCES DURING 2013/14

\$2,772,000 project expenditure + 2.9 AWI staff (full time equivalent)

INVESTMENT FOCUS

- Main investment is in supporting in-shed coaching of people holding basic skills (regional coaching in shearing and woolhandling).
- Support for in-shed coaching of experienced shearers and wool handlers.
- Promotion and development of awards for excellence - shearing and woolhandling competitions.
- Provision of information on industry to potential students (high schools and TAFE) and the community more broadly to support recruitment.
- Support of regular workshops for trainers - professional development and promote national consistency.
- R&D for labour saving in sheep handling.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
Meet or exceed COP requirements - based on improvements in Sports Shear Australia judging standards for shearing and wool clip quality.	On track. Monitoring via milestone reports and Sports Shear Australia Association records.
Increase shed productivity by, on average, four sheep per run by 2017 across shearing contractors.	On track. Monitoring via milestone reports.
Cost per person trained remains constant in real terms.	On track. Target achieved and exceeded in 2013/14. Cost per person trained has reduced.

KEY RESULTS DURING 2013/14

SHEARER AND WOOL HANDLER TRAINING ACTIVITIES	NSW	WA	Vic	SA	Qld	Tas	ICP**	2013/14 TOTAL	2012/13 TOTAL
In-shed shearer coaching	Days:	217	105	177	60	50	54	713	533
	Number trained:	663	398	545	217	165	108	2269	1571
In-shed wool handler coaching	Days:	159	35	130	60	50	40	479	359
	Number trained:	440	110	429	152	98	85	1320	983
Crutching schools; Novice, improver S&WH workshops; Shearing industry vocational education in schools; Advanced shearing schools; Industry funded enrolment assistance	Number of schools/days:	98	164	54	28	19	44	407	305
	Number of attendees:	152	304*	132	69	13	111	781	786
Total training days provided	474	304	361	148	119	134	59	1599	1197
Total number coached/trained	1255	812*	1106	438	276	304	179	4370	3340

*Plus 739 school students in WA were provided with an introduction to the wool harvesting industry by AWI-funded coaches through in-shed or at school demonstrations of shearing and woolhandling.

**ICP - Independent Coaching Program

- In 2013/14 AWI funded training for shearers and wool handlers across a range of skill development activities. These included from learner to professional shearers and from novice to professional wool handlers. Provided by registered training organisations (RTOs), and the new Independent Coaching Program, the training focused on shearers and wool handlers in the shed, particularly on increasing their productivity and skill development. Training was also offered as short term, intensive “schools” across a range of skill levels.
- An Independent Coaching Program was introduced to complement the RTO trainers. This new program provides AWI with an involvement in the contracting directly with trainers, and is a cost effective way of the providing training. This program is renowned for its pioneering use of iPads in shearing training.

- 2269 training visits were made by shearers (a 44% increase from 2012/13) and 1320 training visits were made by wool handlers (a 34% increase from 2012/13) directly through AWI-funded programs across Australia in 2013/14, with an additional 781 training visits by participants in crutching and other shearing and woolhandling workshops. These workshops serve an important role in providing a range of training services to the wool industry – from an introduction to wool harvesting and basic skills for new shearers and wool handlers, through improver to advanced and professional workshops for continued development of wool harvesting professionals.
- 739 school students in WA were also provided with an introduction to the wool harvesting industry by AWI-funded coaches through in-shed or at school demonstrations of shearing and woolhandling.
- Consistency workshops for more than 100 trainers from across the country were conducted by AWI at Wagga Wagga (NSW) and Katanning (WA). These workshops for the trainers of shearers and wool handlers help provide consistency in the way training takes place and to promote best practice across the wool industry.
- Exchange programs have continued with New Zealand for young potential trainers, and both interstate and with New Zealand for senior trainers.
- AWI provided support to 55 local shearing competitions to a total of \$110,401 in 2013/14. Part of AWI's support includes payment of entry fees for learner shearers and novice wool handlers. AWI also provided support to state and the national shearing and woolhandling championships. The aims of providing support to shearing competitions are to promote excellence in the wool harvesting industry, encourage young people to join the industry, and encourage continued development of techniques in shearing and woolhandling.
- AWI continued to distribute the Woolshed Safety Signage Kit, which includes 36 safety signs, that was designed by the WA Shearing Industry Association (WASIA) with support from AWI. The aim of these signs is to help improve and promote safety in woolsheds.
- A grinding template developed by attendees at an AWI Sharpening and Grinding Workshop held in Roseworthy, South Australia in May 2013 was produced and made available for free in December 2013. The template helps shearers place their combs and cutters in the best possible position on the grinder to ensure they get the ultimate sharpening. The template is available by ringing the AWI Helpline on 1800 070 099.



Many of the local shearing and wool handling competitions that AWI supports include a novice/learner section which encourages young people to participate and join the industry's ranks.



STRATEGY 3: PRODUCTION SYSTEMS AND ECO-CREDENTIALS

STRATEGY 3 RESOURCES DURING 2013/14

\$2,827,000 project expenditure + 2.4 AWI staff (full time equivalent)



PROGRAM 1: MANAGING THE RESOURCE BASE

INVESTMENT FOCUS

- Research into new pasture species and models of pasture growth.
- Shifting the feed base to new and more reliable legume species in light of increased climate variability (optimising nitrogen supply).
- Increased healthy pasture soils: 20% increase in pasture growth due to less pathogens such as phytophthora.
- Increased focus on action on the ground (through participatory R&D; that is, better engagement between grower and researchers); extension and engagement of woolgrowers on:
 - Sustainable grazing management– eg Enrich follow up; dual purpose crops.
 - Technology transfer from research repositories such as livestock systems design (EverGraze).
 - Agronomy packages and companion species.
 - Rabbit control.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
20% increase in pasture production or increase in stocking rate capacity (2-4 dry sheep equivalent per ha).	On track. Significant gains surrounding the efficient use of fertiliser and access to soil nutrient pools. Rotational grazing study concluded with clear benefits for paddock performance and farm gross margin. Novel legume performance work commenced.
Adoption across 50,000 ha of perennial pasture within five years.	On track. EverGraze project developed several regionally specific resources to promote perennial pasture systems. 'Whole farm grazing strategies' nationally accredited training program in development.

KEY RESULTS DURING 2013/14

Nutrient use efficiency

- Fundamental research under way by the University of Adelaide has made considerable advances towards understanding the transformation of applied Phosphorous between plant accessible and inaccessible pools. Findings from both short and long term trials to date suggest a necessary "re-write" of soil P cycling which will inevitably influence management guidelines and improve access phosphorous pools.
- A CSIRO project is currently under way to rank important legume species based on critical P requirements and map influential plant morphology traits (focusing on root traits) to guide future plant breeding direction.
- A project with the Department of Primary Industries and Environment (DEPI) Victoria has contributed data to understand a variety of non-commercial species including naturalised legumes and grasses response to various P levels.

Pasture legume performance

- A variety of novel legume management practices are being trailed in WA and NSW, eg the development of new rhizobia, novel species and sowing techniques.
- Pasture legume sampling for *Phytophthora clandestine* field resistance has commenced with the involvement of 250+ producers across NSW, Vic, SA and WA. This will significantly address pasture decline problems faced by woolgrowers.

EverGraze

- After seven successful years, the Future Farm Industries CRC wound up on 30 June 2014. AWI's investment in the CRC and its predecessors has benefited woolgrowers most notably in the EverGraze project which has helped producers across the high rainfall zone of southern Australia manage their pasture and livestock systems.
- EverGraze has a mantra of putting the 'Right Plant in the Right Place for the Right Purpose with the Right Management'. The project has demonstrated that substantial increases in profitability can be achieved while improving environmental management.
- Up to 2014, EverGraze has prompted practice change on more than 4400 Australian farms, impacting more than 900,000 hectares through changes to feedbase, soil and grazing management, and 1.2-2.3 million ewes from improved reproductive performance.
- An analysis of changes to feedbase and grazing management practices made by EverGraze participants from 2009 to 2012 indicated significant production increases, estimated to include an

additional 550,000-800,000kg of greasy wool produced from wool enterprises.

- The value of changes to grazing management, feedbase, shelter and flushing ewes are estimated at \$306 million, which equates to a benefit:cost of the \$33 million investment of 9:1.
- All the results and recommendations from EverGraze research have been made available on the EverGraze website at www.evergraze.com.au. The results have been presented as regionally relevant information packages that quantify the productivity, economic, environmental, risk and lifestyle impacts of implementing changes on farm.
- The project has developed several EverGraze decision support tools and calculators for producers, including the EverGraze Feed Budget and Rotation Planner, Pasture Improvement Calculator, Green Feed & Tactical Management Calculator, Shelter Investment Tool, and Feed on Offer Guide – all available on the website.
- An EverGraze whole farm grazing strategies (WFGS) accredited training program was developed and successfully piloted with five grower groups in Victoria and NSW. The course notes are complete and ready for further delivery.

Grazing management

- A rotational grazing study with NSW Department of Primary Industry has concluded making recommendations towards the intensive rotational grazing system's positive contribution to stocking rate capacity, ground cover and gross margin on both improved and native pasture types. These findings represent the basis for new intensive grazing management guidelines for sheep and wool producers.
- An ongoing CSIRO project, aimed at producers across the sheep-wheat zones of NSW and WA, will demonstrate incentives and clarify management tactics and thresholds for grazing durations in mixed sheep and cropping enterprises.



Producers inspect an EverGraze perennial pasture trial at Pastoria in Victoria.



PROGRAM 2: CARBON

INVESTMENT FOCUS

- Identification of different pasture species and consistent feed sources that will increase feed conversion efficiency (FCE).
- Examination of genetic factors that increase FCE without reducing value of other important traits.
- Investment in scientific research to demonstrate impacts of new technologies on methane emissions.
- Develop tools and methods for accurately measuring greenhouse gas emissions from wool production.
- Dependent on demand and through collaborative R&D with government develop methodologies that enable woolgrowers to participate in voluntary carbon markets such as the Australian Emissions Trading Scheme (AETS), EU Emissions Trading Scheme (EUETS), Carbon Exchange.
- Extension of information on carbon balances on wool-growing properties, changes in government policies and avenues for growers to participate in future carbon markets.
- Quantify and address technical issues related to wool's environmental footprint (including chemical, energy, water and land-use efficiency), delivering robust data to support the green image of wool.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
By 2020, support development of technologies suitable across 20% of woolgrowers that enables a 5% increase in FCE without a loss in profit.	On track. However, operational investment focus has been redirected reflecting recognition of the critical importance of improved reproductive efficiency (Strategy 1, Program 5) to achieving the FCE target, and the high likelihood of wide scale success.
Provision of robust scientific data to support methane emission reductions that is consistent with the Australian Government's greenhouse gas reduction policy.	On track. AWI continued to invest in a number of collaborative R&D projects, including intra-ruminal carbon measurement technology, and carbon cycle monitoring projects.
Deliver robust data to support the green image of wool.	On track. New Wool Life Cycle Assessment (LCA) completed. Wool carbon credentials assessed by CSIRO project.

KEY RESULTS DURING 2013/14

Ruminal gas measurement technologies

- This technology underpins wool producers' ability to measure the amount of wasted energy released through ruminal gases (including methane) and thus identify opportunities for improving feed conversion efficiency and potential carbon market participation.
- Field-testing and validation of the intra-ruminal device (IRD) for measuring gases from ruminants is on-going, and RMIT has made significant scientific advances in membrane technology for use in this device.
- In line with significant interest for the IRD's application in animals and humans, the patenting of this technology has commenced in 12 countries. Wider applications of this gas remote sensing and membrane technology for human medicine and digestive health tracking presents a potential income stream for AWI and the other project partners.

Wool production carbon credentials

- A CSIRO project has assessed the 'Carbon Credentials for the Australian Wool Industry' by identifying and benchmarking typical environmental contribution. The project has quantified the carbon stores and sequestration in soil, woody vegetation and pasture systems in the mixed sheep/cropping zone in Western Australia, and the high rainfall specialist wool production regions in western Victoria were assessed.
- 16 South Australian farm businesses completed a carbon market and NRM pilot training program.

This program equipped these businesses with future generational action plans for carbon sequestration and productivity gains. This knowledge will equip these producers with knowledge to take advantage of carbon market opportunities as they arise.

- An AWI-supported project developed an online training package which successfully trained 29 consultants across NSW in the management of carbon on agricultural land.

Wool lifecycle analysis (LCA)

- Work on the wool lifecycle analysis (LCA) has progressed well. Although there have been previous LCA studies conducted, this study was unique in that it:
 - addressed the need for a detailed, multi-criteria analysis of wool production to the farm-gate.
 - applied two divergent methods for handling co-production of wool and live weight from the flock
 - investigated the impact of wool production in three major production regions: NSW, Pastoral and WA.
- The methodologies developed for the issue of handling co-production in LCA have been utilised by an AWI-funded international expert scientific panel (funded through AWI Strategy 6, Program 2). This work has resulted in the preparation of a scientific paper submitted to a high-impact journal.



STRATEGY 4: EDUCATION AND EXTENSION

STRATEGY 4 RESOURCES DURING 2013/14

\$3,440,000 project expenditure + 1.8 AWI staff (full time equivalent)



PROGRAM 1: GROWER SKILLS CAPACITY

INVESTMENT FOCUS

- The main AWI investment will be the continued support of extension networks.
- The investment also seeks to develop skills across specific segments including young woolgrowers and women. AWI will stay in touch with woolgrowers through forums and road shows, direct mail, and a range of e-learning and electronic media.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
Increase in the number of participating woolgrowers across the extension networks.	On track. Participation has increased to more than 9000 woolgrowers, and more than 1,000 industry members.
Average annual cost saving to participating woolgrowers of \$700.	On track. The BDA Group "Benefit Cost Analysis of AWI's Extension Network Investment" indicated the cost-saving target was exceeded, based on a pilot study. On-going evaluation will occur on a wider scale.
Total cost saving to AWI from reduced extension cost for other technologies that AWI delivers to industry and where utilisation of the extension network is deemed suitable.	On track. AWI extension investments are being streamlined, with greater collaboration between existing investments and across state borders, as well as co-investment with other RDCs and organisations being actively sought.
By June 2015, BredWell FedWell will deliver 90 workshops with a participation target of 1800 to educate growers in key production benefits of genetics, plus feed management for improved reproduction.	On track. 44 BredWell FedWell workshops, with 1104 participants in 2013/14.
At least 70% of sheep producers (22,000) will be aware of Making More From Sheep (MMFS) by 2015. At least 50% of participating sheep producers applying at least one procedure, from at least one module to their sheep enterprise that delivers improved productivity and profitability.	On track. A 2013 study conducted by MLA (currently managing MMFS) shows that 58% of sheep producers are aware of MMFS. Another study will be conducted in 2015. Monitoring and evaluation within MMFS shows that currently 46% of sheep producers are applying at least one procedure from at least one module.

KEY RESULTS DURING 2013/14

- AWI's extension networks - Bestprac (national pastoral), BESTWOOL/BESTLAMB (Victoria), Leading Sheep (Queensland), Sheep Connect NSW, Sheep Connect SA, Sheep Connect Tasmania and The Sheep's Back (WA) - continue to increase participation and benefits. From July 2014, AWI will collaborate with MLA to deliver a national pastoral network for wool, sheep and beef producers.
- Encouraging young people into the industry, and those already in the industry to be more involved with AWI's activities, has continued to be a focus this year across a number of AWI's projects.
- The AWI Board decision to cease funding the BredWell FedWell project in late 2013 has not affected the delivery of the project this year. 2013/14 activities continued notwithstanding the cancellation of ongoing funding, and realised pleasing results toward the workshop target, especially toward the participation target. AWI's funding of this project ceased in July 2014.
- MLA and AWI negotiated refinements to BredWell FedWell content to address AWI concerns, and concluded a license agreement for on-going delivery of the product.
- More than 80 Making More From Sheep events have been conducted around Australia, attracting more than 1700 attendees.
- Breeding Leadership was held in Clare, SA in February 2014. The biennial course attracted 34 applications, from which 22 participants were chosen from around Australia - seven from New South Wales, three from Queensland, three from South Australia, two from Tasmania, four from Victoria, and three from Western Australia.
- A new project, Merino Sheep Classing & Stockmanship, was developed to address the change in traditional entry paths to the wool industry and to deliver training to those entering the industry.



Learning about condition scoring at a Sheep's Back event in Western Australia.



PROGRAM 2: STAKEHOLDER & MARKET PLACE EDUCATION & EXTENSION

INVESTMENT FOCUS

- Teacher and Student Support – AWI will promote the wool industry and its features to primary and secondary teachers (and their students) and provide support through participation in learning programs, resources/tools and professional development activities.
- AWI will support wool industry advocates seeking to learn more about their own and other industries, and share their knowledge through advisory panels, committees and marketing activities.
- Professional development for researchers, advisors, extension specialists and AWI network coordinators will continue through AWI-supported R&D updates and conferences focused on the role of wool sheep in a profitable enterprise mix.
- The National Merino Challenge aims to increase the skills, knowledge and capacity of young people in agriculture, and entering the wool industry through training sessions and demonstrations coupled with theoretical and practical challenges. It will support the increased capacity of teachers and lecturers in teaching the principles of Merino breeding and selection.
- AWI will also prepare briefings to demonstrate welfare credentials to protect market access and enhance the demand for wool through support for the National Wool Declaration and integration with AWI's Global Business Services.
- AWI will keep in touch with industry through forums and road shows, direct mail and a range of electronic media and e-learning.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
Support and develop leadership skills through Australian Rural Leadership Program (one annually), Nuffield Farming Scholarships (one annually) and Young Farming Champion initiatives (up to four annually).	On track. No ARLP position was awarded in 2013/14, so two places will be available, pending applications, in 2014/15. One Nuffield Farming Scholarship was awarded and this year four Young Farming Champions were chosen from a pool of applications.
Distribute up to 300 Learn About Wool teachers kits each year.	On track. More than 300 kits were distributed this year, with demand consistently rising.
The National Merino Challenge (NMC) will attract at least 60 participants each year and up to 25 trainers for the Train-the-Trainer Workshops.	On track. NMC in August 2013 attracted more than 60 registrations, and NMC in May 2014 attracted more than 90 registrations. Train-the-Trainer Workshops are on target, with two having been held so far, each with more than 20 attendees.
Up to eight forums will be held each year to inform, update and keep in touch with industry.	On track. An increase in activity in this space is expected, with planning in progress for a number of initiatives in the coming year.

KEY RESULTS DURING 2013/14

- Tim Gubbins of Moyston, Victoria was awarded AWI's 2013/14 Nuffield Farming Scholarship to study how to achieve the full potential of Merino sheep.
- AWI continues to support Lauren Crothers, who is studying at the University of Queensland, through the Horizon Scholarship program (a joint initiative of RDCs to support students studying agriculture), and this year has also started supporting Amy Carpenter, who is studying at the University of New England.
- Continued investment was made to the Young Farming Champions program, with Tom Tourle, Dubbo NSW; Patrick Morgan, Colbinabbin Vic; Emma Turner, Ivanhoe NSW; and Peta Bradley, Armatree NSW successful in gaining a place in this year's program.
- The National Merino Challenge (NMC) was held for the first time in Dubbo, NSW, in August 2013, with more than 60 young people from across Australia registered to attend. The project grew more than 50 per cent when held in Melbourne, Victoria, in May 2014, with more than 90 sheep and wool enthusiasts registered. The NMC's aims of allowing young people to engage with the industry by

developing their knowledge, skills and networks is certainly being realised, with several participants sourcing employment and work experience in the field as a direct result of who they have met at NMC.

- The AWI Learn About Wool Kit proves to be ever more popular, with more than 600 kits now distributed to primary and secondary teachers around Australia, and orders continuing to flow in.



More than 80 students from across Australia competed in the National Merino Challenge educational initiative that was held in Melbourne in May 2014.

OFF-FARM R&D

OBJECTIVE

To facilitate the creation of business opportunities within the wool-processing sector, which foster diversification of regional processing capacity, and support the creation of demand for Australian wool.

OUTCOMES

Generate and transfer knowledge which fosters the creation of business opportunities, enhances sustainability practice, and diversifies regional capacity within the wool-processing pipeline, thereby actively contributing to creation of sustainable demand for Australian wool.

INVESTMENT PHILOSOPHY

AWI investment will be weighted towards low to moderate risk activities that extend existing technologies to wool-processing regions as well as regions where new processing capacity is emerging. Investment in new technology development will be focused on processes where longer term environmental gains can be achieved, with emphasis on reducing the carbon footprint in manufacturing, garment care, recycling and decomposition. Investment will also be made in the acquisition of data that enables us to advocate the benefits of wool fibre in preference to other fibres in terms of health, safety, protection, comfort and softness.

STRATEGY 5 Technical Services



Foster diversification of regional wool-processing capacity, and growth in human resource skills and know-how within the wool-processing sector, by providing technical support to wool processors in existing and emerging wool processing hubs, such as China and Vietnam.

PROGRAMS

- 1 Supply Chain Diversification
- 2 Technology Transfer

STRATEGY 6 Fibre Advocacy & Eco- Credentials



Acquisition of data which enables us to advocate the benefits of wool fibre in preference to other fibres in terms of health, safety, protection, comfort and softness.

Reduce or eliminate the risk to our business from environmentally related threats, by the development of more sustainable and ecological manufacturing processes and reducing our carbon footprint in manufacturing, garment care, recycling and decomposition.

PROGRAMS

- 1 Fibre Advocacy
- 2 Eco-Credentials

STRATEGY 5: TECHNICAL SERVICES

STRATEGY 5 RESOURCES DURING 2013/14

\$1,127,000 project expenditure + 13 AWI staff (full time equivalent)

PROGRAM 1: SUPPLY CHAIN DIVERSIFICATION

INVESTMENT FOCUS

- Identifying manufacturing companies interested and committed to learning how to make and commercialise premium quality products made from Australian wool.
- Provision of training (theoretical and practical) by transfer of knowledge and technology.
- Increasing their knowledge, expertise and confidence so that they can consistently produce products which meet the Woolmark standards of quality.
- Advising mills on the types and supplier of wool materials, (greasy or scoured wool, tops, yarns etc), textile processing chemicals and dyestuffs, wool-processing machinery and components.
- Assisting them with trade marketing collateral and events to promote their wool product ranges.
- Introducing them to potential new customers.
- Provision of ongoing assistance and advice when technical issues arise.
- Offering companies a strong value proposition so that they become Woolmark licensees.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
75 new businesses working with AWI by 2016: a. Vietnam 30; b. Bangladesh 15; c. Russia 15; d. Belorussia 10; e. Ukraine 5.	On track. 95 new businesses working with AWI at 30 June 2014: a. Vietnam 53; b. Bangladesh 0; c. Russia 28; d. Belorussia 12; e. Ukraine 2.
25 new Woolmark licensee applicants in these regions by 2016.	On track. 9 new Woolmark licensee applicants in these regions at 30 June 2014: Vietnam 2; Russia 7.
750,000 kg increase in annual demand/consumption per annum for Australian wool by 2016 (based on an average 10,000 kilos per company).	On track. 800,000kg per annum demand from Vietnam in 2013/14. 1,000,000 kg per annum demand from Russia in 2013/14.

KEY RESULTS DURING 2013/14

Vietnam:

- AWI has completed the establishment of the first stage in the supply chain (garment manufacturers) by educating companies how to manufacture wool garments.
- AWI has embarked on the second stage in the supply chain (spinners) by educating companies how to manufacture wool blend yarns – which can be manufactured using the same equipment that manufacture acrylic yarns. Vietnamese companies already own this equipment. They are now looking to purchase equipment that can manufacture pure wool yarns.
- The next steps will be for AWI to help set up further stages in the supply chain (top making, scouring etc) in Vietnam, from which the Vietnamese manufacturers can source their supplies made from Australian wool rather than having to buy from overseas.
- As well as getting the Vietnamese companies up to speed on manufacturing techniques, AWI has introduced the companies to retail buyers from Japan and Korea. Initial orders have been made.



A delegation of Vietnamese textile manufacturers on a self-funded trip to Australia to learn more about the source of Australian Merino wool, as part of AWI's "Out of Vietnam" project.

Russia

- AWI has established business relationships with many companies, and has increased its number of licensees from zero to seven.
- AWI has undertaken product development programs to enable Australian wool to be used in the manufacturer of garments in Russia for retail in Russia. For example, Pekhorskiiy Textile has produced hand knitting yarns for children, which are machine washable.
- All the companies with which AWI is working are commercial and many are investing in wool manufacturing infrastructure.
- AWI is assisting in the development of a health agreement between Australia and Russia that will enable Australian wool to be exported directly to Russia.

Belorussia

- Most of the manufacturing sector in Belorussia is state-owned and AWI has been working with the relevant government departments to help set up a supply chain that will use Australian wool.
- The Belorussian government has recently invested €55 million in textile manufacturer Kamvol to upgrade its factory. The new equipment will enable Kamvol to manufacture products using good quality finer wool, ie Australian wool. Kamvol has the capacity to produce four million metres of woven fabric. The new factory is planned to come on stream in the latter half of 2015.
- AWI is working with knitters in Belorussia on product development to enable the manufacturers to switch from acrylic to Australian wool yarns.

**PROGRAM 2: TECHNOLOGY TRANSFER****INVESTMENT FOCUS**

- Identifying manufacturing companies interested and committed to increasing profitability through increasing productivity or through cost reductions, or adopting technologies which enables them to produce more added value products.
- Development of technical marketing and information packages, eg (a) Increased profitability by increased productivity and reducing costs, and (b) Increased profitability by the adoption of “added value” innovative technologies.
- Transferring technologies aimed at increasing profitability, to partners along the manufacturing supply chain e.g. top-makers, spinners, dyeing and finishers, knitters, weavers and making-up companies.
- As part of the Easy Care re-launch, transfer of technology, with particular focus on the knitted product sector, to increase the number of suppliers of good and reliable quality Easy Care wool products.
- Industry training sessions/workshops on “Increasing profitability”.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
Production of two technical packages based on increasing profitability.	Delayed.
Transfer of technology aimed at increasing profitability through increased productivity and/or cost reduction to 10 companies per year (2013 – 2016).	On track. AWI continues to develop innovations with its partners that are taken up by global companies.
Transfer of technology aimed at increasing profitability by adoption of added-value technologies to 15 companies per year between 2013 and 2016.	On track. AWI continues to develop product innovations with its partners that are taken up by global brands, eg Merino Retract, Merino Vintage etc.
Updating training and education material relating to the production of Easy Care wool products by 2014.	Delayed. The immediate focus has been on the production of manuals on woven and knitwear finishing.
Increase in annual demand/consumption of Australian wool by, on average, 10,000Kg per company with which AWI engages.	On track. Difficulties in obtaining specific data from companies, but feedback suggests a sizable volume increase due to the companies' selling into 100+ countries.

KEY RESULTS DURING 2013/14

- Apparel is now commercially available in store from brands that have used innovations developed by AWI's 'Merino Casual' product development program. This product development program was initiated to help wool take advantage of the global trend towards casual-style dressing.
- As well as developing the technology, AWI has worked with supply chain partners to help transfer the technology to apparel brands. Meetings with retail HQs and their buying houses have taken place. Sampling for retailers has been undertaken, resulting in orders being made and apparel produced for sale at retail.
- Examples of commercially available Merino Casual innovations:
 - 3-D Merino: 3-D Merino is an extra dimension for Merino wool knitwear caused by milling or felting being limited to specific areas creating a subtle pattern. The felted and non-felted areas vary in thickness giving a 3-Dimensional aspect.
 - Vintage Merino: Faded and washed out effects are popular in casual garments. This can be achieved through garment dyeing and works for both worsted-spun and woollen-spun piece-dyed garments. Each garment is unique within a defined range.
 - Merino Retract: Merino Retract has contemporary boiled wool looks, but has the resilience and pilling performance of normal wool. Boiled wool is popular because it gives a casual look to garments and an alternative texture.
- Examples of other product innovations:
 - Sculptured Merino: This is a naturally creased unique garment in Merino wool. A new yarn coupled with specially controlled knitting and finishing yields a 3-dimensional fabric which is lightweight yet warm and incredibly stretchy.
 - Fancy Yarns: Yarn is specially treated so that it felts randomly along its length. When knitted into a garment and finished, the randomness of the felting creates a unique boiled wool effect that is soft and resilient.
 - Merino Fur: Sometimes known as ecological fur this innovation permits a natural fur to be created without using the pelt of an animal. A combination of sliver-knitting technology with mercerised Merino fibres gives the lustrous look of fur fibre from pure new wool. Special dyeing and finishing techniques create the natural fur colouring.
- AWI's Mercerised Merino knitwear collection continues to be presented to companies. The collection comprises commercial apparel made from super-soft yarns and fabrics that provide a touch of luxury in an affordable knitted garment. Follow-up meetings with retail HQs and their buying houses have taken place. AWI continues to transfer and commercialise the technology.

Examples of commercially available Merino Casual innovations



3-D Merino is an extra dimension for Merino wool knitwear caused by milling or felting being limited to specific areas creating a subtle pattern. The felted and non-felted areas vary in thickness giving a 3-Dimensional aspect.



Vintage Merino. Faded and washed out effects are popular in casual garments. This can be achieved through garment dyeing and works for both worsted-spun and woollen-spun piece-dyed garments. Each garment is unique within a defined range.



Merino Retract has contemporary boiled wool looks, but has the resilience and pilling performance of normal wool. Boiled wool is popular because it gives a casual look to garments and an alternative texture.



STRATEGY 6: FIBRE ADVOCACY AND ECO-CREDENTIALS

STRATEGY 6 RESOURCES DURING 2013/14

\$1,100,000 project expenditure + 2.8 AWI staff (full time equivalent)



PROGRAM 1: FIBRE ADVOCACY

INVESTMENT FOCUS

Investment activities will largely involve partnership with credible research institutions around the globe in conduct of consumer-based research evaluating the comparative benefits of wool in the areas of:

- Sleep quality and quantity – sleeping on or under wool bedding, or in wool (sleepwear).
- Dermatology – challenging the widespread misconception that wool is an allergen, and demonstrating that suitably selected fine Merino products are healthy for the skin, especially for those with the most sensitive skin.
- Flammability – demonstration of wool's inherent flame retardance properties in support of product development and marketing opportunities.

As a complement to these efforts, investments will address the development of technical specifications for trading and assurance of product qualities where these address wellness attributes of wool products.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
Complete and communicate to technical and trade audiences research that:	
Unequivocally demonstrates that wool is not an allergen.	Progressing. Activity has focussed on joint conduct with IWTO of a strategic review of wool and human wellness outcomes.
Demonstrates the role of fine Merino baselayers in ameliorating chronic skin conditions associated with microclimate management of the skin, such as atopic dermatitis.	Progressing. Progress in establishment of follow-on clinical studies has been slower than hoped, due in-part to slow ethics approval processes.
Supports the recognition of wool bedding as part of a healthy night's sleep, and development of Merino sleepwear and maternity-wear markets.	On track. Publication development has progressed well, and good progress occurred in attracting international co-funding in development and evaluation of Merino sleepwear.
Supports development of product market opportunities in categories such as corporate wear, safety wear, medical products and infantswear.	On track. Effort has focussed on establishment of Merino sleepwear as a market, and digital assets attesting to wool's flame resistance properties.

KEY RESULTS DURING 2013/14

- Skin health: Following the initial successful pilot clinical trial involving 30 adult patients conducted during 2012/13 at Queensland Institute of Dermatology (QID), follow-on clinical trials were established at QID (adults/youth) and Murdoch Childrens Research Institute (infants). Commencement of these trials was slower than hoped, due to slow ethics committee approval processes. Other effort has focussed on completion and submission of peer-reviewed science publication arising from the QID Phase 1 research, and successfully exploring international research and co-funding opportunities.
- Sleep: Follow-on trial was established with La Trobe University (children's sleep), and one science publication was submitted by each of University of Sydney and La Trobe University, with two additional publications in preparation, and the doctoral thesis of Mirim Shin nearing completion.



Queensland Institute of Dermatology research leader Dr Lynda Spelman with Teagan Holland and Kurt Davidson examining Merino apparel used in their skin health study.



PROGRAM 2: ECO-CREDENTIALS

INVESTMENT FOCUS

Investment activities will largely involve:

- Continuing to monitor environmental issues and changing legislation which may pose a potential threat to the wool business.
- Identification of areas of most concern in relation to chemicals commonly used in wool processing, and identify where possible suitable alternatives. Where no alternatives exist, develop alternative solutions.
- Identifying unwanted residuals on wool products and develop techniques to remove or eliminate them which the manufacturer can adopt before the products leave the factory.
- Enhancing and transferring knowledge relating to the reduction of water and energy during manufacturing. Developing guidelines outlining options for wool manufacturers in this area.
- Developing processes that can be carried out during manufacturing, which enable Easy Care wool products to be successfully domestically laundered (effective cleaning and stain removal etc) at reduced temperatures during washing, and reduced drying times during tumble drying.
- Developing a strategy relating to recycling of wool.
- Conducting work to have a better understanding of the parameters which effect wool's rate of decomposition, from which advisory notes and best practice guidelines can be developed.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
Prepare and publish annually Best Practice Guidelines highlighting improvements or new options for the wool-manufacturing sector.	Delayed. Seminars on Best Practice planned for China were postponed twice this year pending further integration into AWI's 'China strategy'. Speakers have been found to cover areas of raw wool scouring, felt-resist treatment and metal free dyeing and have agreed to present when the seminars are re-scheduled.
Develop techniques to remove unwanted residues on wool during processing.	On track. Work to identify and remove AOX residues from wool continuing after initial promising results. New method to reduce AOX in process effluent developed at laboratory scale.
Identify areas of chemical use of concern to the industry and support development of alternative processing methods or inputs.	On track. The effectiveness of ionic liquids to impart shrink resistance to wool top was confirmed and effectiveness improved. Mills trials are planned for second half of 2014. Ongoing performance trials of new commercial ZAOX processes in Europe have been monitored.

KEY RESULTS DURING 2013/14

- Combination of treatment with ionic liquids (IL) and with non-chlorine oxidising agents have shown advantages over treatment with ILs alone in imparting felt resistance to wool top. This approach will be used in scaling up to mill trials.
- A new technique that further reduces the COD of partially-treated effluent from wool scouring plants has been developed. The same technique has been shown to also reduce the AOX in effluent from a chlorine-Hercosett felt-resist process.
- Promising results, obtained at commercial scale for the felt resist treatment of top, have been achieved using a new plasma treatment (Veneto Nanotec – Italy). Trials, in Italy, of the new Schoeller EXP process for the ZAOX felt-resist treatment of top are also being monitored.
- Commercial composting trials have confirmed the impact of dyestuff on the bio-degradation of wool products and pointed to the viability of composting end-of-life wool products.
- Substantial progress was made in the IWTO-mediated international collaborative effort on wool's environmental credentials, where much effort is directed at improving the metrics used for assessment of wool's environmental performance, and engagement with key international stakeholders.
- With the assistance of an international expert advisory panel, AWI-funded research into co-product allocation rules for wool lifecycle analysis was completed and submitted for peer reviewed scientific publication, through the Journal of Lifecycle Assessment. This research establishes new, more effective and equitable metrics for this important technical issue for conduct of LCA.
- AWI-funded expert participation occurred in various environmental foot printing standardisation forums, including the British Standards (BSI), UN Food and Agriculture Organisation LEAP, and Sustainable Apparel Coalition processes.
- An AWI-funded strategic review of wool recycling and re-use was completed through the University of Leeds (UK) – a critical input to developing a strategy relating to the recycling of wool.
- A revised 'Green Wool Facts' publication was produced through AWI's digital team and uploaded on the IWTO website.

CATEGORY MANAGEMENT

OBJECTIVE

By combining AWI investment capabilities across Marketing and Off-Farm R&D resources, key consumer segments will be targeted to increase sale opportunities for Australian wool.

OUTCOMES

Through combined investments in marketing and product development AWI will seek to increase the demand for wool across a number of emerging consumer segments where wool currently has a modest market share. AWI will also strive to deliver increased value to wool consumers by increasing their awareness of appropriate methods for easy care of apparel garments. AWI investment will also seek to increase the value delivered to Woolmark licensees in easy care and interior textiles.

INVESTMENT PHILOSOPHY

The identification and development of specific strategies, plans and Key Account relationships will enable us to explore and exploit high margin demand growth opportunities for Australian wool. This will involve the development of new manufacturing processes and products supported by trade and retail marketing effort. Although investment is weighted towards higher risk activities given wool's lack of presence in these emerging markets, investment over the plan will build and consolidate investment made in previous years.

STRATEGY 7 Category Management



Typically, our marketing activities target the dominant fashion apparel category. The identification and development of specific strategies, plans and Key Account relationships will enable us to explore and exploit high-margin growth opportunities for wool. We will create new demand in dynamic categories. Focusing on specific product categories which provide the best opportunities for a sustainable increase in wool usage, by the development of new manufacturing processes and products which support each of the target categories.

PROGRAMS

- 1 Sports & Outdoor
- 2 Nurture by Nature
- 3 Urban
- 4 Apparel Care
- 5 Interior Textiles



STRATEGY 7: CATEGORY MANAGEMENT

STRATEGY 7 RESOURCES DURING 2013/14

\$2,326,000 project expenditure + 14 AWI staff (full time equivalent)



PROGRAM 1: SPORTS & OUTDOOR

INVESTMENT FOCUS

- Marketing partnerships with selected influential brands/retailers in the target sports areas to maximise the leverage from brand impact.
- Partner selection and numbers to consider regional differences and potential.
- Marketing to support launched products and technologies in combination with supporting new products and innovations.
- Educational material to be available in electronic or printed format not requiring face-to-face presentations (partners' intranet and online access).
- Introduction and development of new products to a wider group of manufacturers in "new" end-uses to achieve a broader supply base in the market.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
<p>Primary effect based on increased wool volumes of new products sold through manufacturing MerinoPerform™ partners.</p> <p>Target increase of 5% in partner wool volume sales across existing (currently 13) manufacturing partners on the MerinoPerform™ platform in first year and 10% in second year. Additional volume is estimated at, on average, 75,000 units per partner.</p>	<p>On track. Target achieved and exceeded during 2013/14. An increase of 12% has been achieved in this first year.</p>
<p>Secondary effect based on multiplier effect of wool penetration via other (non-MerinoPerform™ partner) manufacturers. Measured through consumer surveys of increased purchases of wool products in this segment.</p> <p>Target is additional sales of 50,000 units across all non-partners.</p>	<p>On track. Target achieved during 2013/14 and according to market feedback the volume increase is above target and in line with that of the MerinoPerform™ partners.</p>

KEY RESULTS DURING 2013/14

- The world's biggest sports trade show, ISPO, in Germany showed sign of Merino's increased presence. This year there were more than 50 brands promoting Merino wool in their sports collections, compared to five brands just six years ago.
- Wool wadding in ski jackets was the "innovation of the year" with the replacement of synthetic fillings with wool opening up an entirely new market for wool. The product innovation has already been taken up by companies like Ibex, Smartwool, Ortovox and Mover, with Mover winning the ISPO trade show Innovation Award with their wool wadded jacket.
- AWI has been working with Peter Veider, leader of the Austrian Mountain Rescue Forces as an Ambassador for wool. He participated at trade shows and conducted mountain walks for the press as well as participated in a video. His testimonials are excellent proof of wool's benefits seen with a professional's eyes.
- AWI was invited by Nike to its global head office in Portland, Oregon, to present to all its product development departments, due to Nike's increased interest in wool. Nike's Dri-FIT wool running collection has been a success and we are looking forward to an increased presence of wool in Nike's future collections.
- Adidas has introduced Merino wool into their golf range.
- Women's sports apparel and yoga/fitness has been a target end-use for the year. During the second half of 2014 some of the leading global yoga brands will introduce fine Merino wool in their shops.
- On a smaller scale the Bondi fitness brand Vie Active launched their Merino line, now with distribution on the US East and West Coast, Europe Asia and Australia.



AWI presented the latest innovations in Merino wool as a performance fibre at the recent ISPO trade exhibition.



PROGRAM 2: NURTURE BY NATURE

INVESTMENT FOCUS

- Partnerships with selected influential brands in key markets to increase presence of high quality wool product through new product development; and to increase demand for these products through joint marketing campaigns.
- Increase knowledge of target consumer of Merino wool as a superior wool type for babywear and baby products through developing digital content with brand partners and leveraging partner channels and communities as well as AWI digital channels.
- Increased focus on Merino wool versus wool in general and development of targeted educational programs to increase awareness of Merino wool's benefits to reach the consumers. Education will be two-fold: for the brand partners' retailers and shop floor staff on one hand and direct to consumer through marketing collateral, digital content and/or key influencers on the other hand.
- Marketing and PR support for partner collection launches with focus on social media.
- Fostering of potential natural ambassadors for the category, for instance from our network of medical professionals.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
Engagement of 27 partners by 2016 from a base of 15 at the end of 2012/13.	On track. The 2013/14 target was achieved with partners in Germany, France, Northern Europe and USA.
Average annual number of wool pieces sold per existing partner increased from 18,000 to 30,000 units by 2016.	On track. This was achieved and exceeded for 2013/14; for instance Il Gufo sold around 60,000 wool pieces with a 43% increase in 100% wool garments.
Average number of wool pieces sold by new partners (18) at 6500 by June 2016.	On track. This was achieved and exceeded for 2013/14; for instance Bugaboo's first ever wool accessory collection sold more than 32,000 units. WoolLand in Norway increased their sales by 50% in 2013/14.
Increase in non-partner sales of 5% a year.	On track. Anecdotal evidence exists that there is an increase in wool used in babywear collections. For instance Aldi Australia/New Zealand sold 60,000 100% wool baby garments during 2013/14, a 50% increase from last year.

KEY RESULTS DURING 2013/14

- The collaboration with Dutch stroller manufacturer Bugaboo produced an ROI of 19 to 1 on PR value. This was mostly achieved in Australia (32%) due to the Bugaboo launch in March at Lal Lal Estate in Victoria. Focus for AW14 will be on increasing sales for current collection, more extensive retail training and strengthening the message in-store. In addition Bugaboo will take part in CFW Wool weeks in UK, Netherlands, Belgium, Germany, Japan and Korea.
- Aden and Anais will launch their long awaited Pure Merino Muslin Collection in September in the US, Europe, Japan and Australia. The campaign will be launched in Las Vegas and London. Aden and Anais still receive much attention since Prince George was seen in their swaddle and this has placed the brand firmly in the minds of many young mothers.
- AWI launched the second Merino collection with Il Gufo at the exclusive Pitti Bimbo trade show in January 2014. This is a joint effort with the Washable Wool campaign; the range will be in store in September during the back to school period. Last year there was a 43% increase in sales of their wool products and we estimate similar results this year.
- Petit Bateau is a global brand and highly regarded; known for their iconic cotton striped bodysuit; we are building this partnership with care. They have recently started using wool and will have 49 styles in 137 colours in market this AW14/15.
- To increase exposure in Asia we have supported brand partners selling in these markets, for instance a seminar to media in Bugaboo's new Beijing store, co-branding POS materials for the Woolstar baby wool quilt in a Korean retail chain, and a promotional video for Australian brand Ewenique for their Chinese retail partners.
- We supported Lillelam at the Danish CIFF fair which resulted in signing new clients in Sweden. Lillelam are one of the first Woolmark Nurture licensees and is also interested in the Washable Wool campaign. This brand is growing steadily each year and has a good reputation as a credible baby brand.
- In Germany, midwives are a highly credible source of advice and information for pregnant women and new mums. They care for clients throughout pregnancy, birthing and postnatal care. There is a Midwife Association in Germany which is working with us on a tailor-made training program for midwives to inform and advise new parents about the benefits of wool. Linked to this there will be a scheme set up to supply midwives quality wool samples for demonstration; these products will be available in the market.



Bugaboo Chief Sales Officer Mieke van der Loo and Bugaboo co-founder Eduard Zanen at 'Lal Lal Estate' in Victoria at the launch of the Bugaboo Wool Collection.



PROGRAM 3: URBAN

INVESTMENT FOCUS

The investment commenced in 2012 with the programs expected to be operating in key markets for autumn/winter (Northern Hemisphere) 2014. After the initial program start-up costs it is anticipated that AWI investment will support individual retail brand and manufacturing partners to ensure the target increase in wool units sold is achieved. Investment will vary across individual partners depending on their specific strategy – however it is anticipated that investment will be made in the following areas:

- Product development.
- In-store marketing support.
- Broader product support through wool innovations collective presence at trade shows.
- PR – speaking to a new demographic through new channels with strong focus on social media.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
6 Tier 1 & 2 retail partners by 2016.	On track. 4 Tier 1 retail partners engaged.
Increase of 75,000 units sold per Tier 1 & 2 partners by 2017 (with average 650 grams wool per unit).	On track. Volume target 150,000 units for year one was achieved and exceeded through a key retail partnership.
5% annual growth in sales from Tier 1 & 2 partners.	Progressing. Results not yet available – to be reported in 2014/15.
9 Tier 3 partners by 2016.	Target revised. A revised strategy has been implemented to target only volume Tier 1 retail partners.

KEY RESULTS DURING 2013/14

- Iconic US apparel brand, Levi Strauss & Co launched the iconic 501® wool/denim jeans in October 2013. As part of this collaboration, Levi Strauss & Co has become a Woolmark licensee. Under the terms of the licensee agreement, it holds Woolmark, Woolmark Blend and Wool Blend licenses.
- A partnership with leading US brand rag & bone has commenced. Phase 1 of the partnership includes product development, sourcing, support and Woolmark licensing. Phase 2 includes a joint marketing campaign planned for Autumn 2015.
- G-Star RAW, a producer of luxury denim for the streets, has requested sourcing support for both yarn and fabrics. This is an exciting, relatively new, brand that we hope to work closely with on interesting wool product innovations in the future.
- To increase awareness of contemporary wool, AWI collaborated with internationally renowned contemporary British tailor and fashion designer Timothy Everest to launch a wool-based collection, Hemisphere. Comprising eight men’s looks and three women’s, Hemisphere showcases Merino wool’s natural versatility, bringing the fibre to the street to contrast and complement its traditional looks and cuts.
- Hemisphere, a contemporary wool fashion inspiration, was launched at US menswear trade show Liberty Fair Las Vegas where 30 new leads were generated including sales enquiries for the collection by four retailers in the US and Japan.
- Wool denim product development with Central Fabrics Hong Kong has generated more than 10 leads from key global brand partners. Based on this positive response the program will be expanded and continued into 2014/15.
- AWI participated in Amsterdam Denim Days trade show which is a two part event consisting of

‘Kingpins’ denim sourcing show and ‘Blueprint’ which presents denim brands and labels directly to consumers. Overall there is genuine interest in wool denim by both trade and consumers. In the very competitive denim industry, wool is presenting a new opportunity that all are willing to explore.



AWI and Levi Strauss & Co. collaborated to produce an historic wool denim version of the classic 501® jean. The jeans are branded with the Wool Blend logo.



PROGRAM 4: APPAREL CARE

INVESTMENT FOCUS

The current program seeks to coordinate AWI activities in apparel care to address negative consumer perceptions through investment in marketing, education and R&D investments and will include:

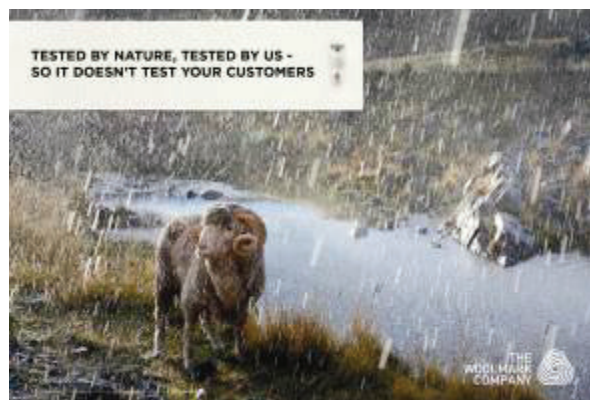
- R&D to support licensees to respond to changes in consumer demand. (Examples include the development of new Woolmark Specifications for the professional care area and for cold water washing in response to changing consumer behaviour and legislation).
- Work with licensees to expand marketing support and product development of areas where Woolmark apparel care technical specification are relevant.
- Retail partnerships to convey “easy care” messaging to consumers – leveraging opportunities for retailers and licensees to increase sales. This requires the involvement of apparel care, licensees and retailers.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
A ten point improvement in the perception of wool being “easy care” in our key consumer markets (compared with 2011 Nielsen data) by 2016.	Progressing. This is a work in progress. Washable Wool campaign, along with messages from appliance makers have sought to re-educate consumers about machine washable wool.
Increased perception of value across a minimum of 3 million consumers (based on consumer reach, once campaign budgets are agreed).	Progressing. Washable wool campaign has directly communicated “easy care” message to consumers in key global markets.
Maintain the quality perception of the Woolmark brand in apparel by maintaining licensing and royalty income over three years based on changes to premium branding (logos and royalties/licence fee).	Progressing. Number of licensees slightly down on 2012/13 year. Increase in number of premium brand licensees. Royalty income data for full year not available at time of reporting.

KEY RESULTS DURING 2013/14

- The roll out of new branding to premium brand licensees (introduced May 2013) is almost fully adopted.
- A washable wool campaign: “Tested by Nature, Tested by Us” was launched this year. The campaign has been presented to wool processors, brands and retailers. Some limited direct consumer facing campaign placement by The Woolmark Company has been undertaken in key consumer markets. The campaign aims to show that many wool products do not need to be dry cleaned or hand washed, and can be washed in a washing machine. By educating consumers that wool apparel is easy to care for, the campaign ultimately aims to increase consumer demand for wool apparel.
- Key new licensee The Laundress signed in the USA market providing new branding and positioning opportunities in a market which previously had very limited Apparel Care presence. The company released its Wool & Cashmere Shampoo with the Woolmark Apparel Care symbol to consumer markets in North America, Europe and Asia.
- Key marketing activities have been undertaken with Electrolux (owner of the AEG brand) including the launch of promotional videos for new appliances featuring very gentle cycles for wool. The machines are able to wash goods labelled as “hand wash”, meaning more wool garments can be washed with confidence. These two innovations have been awarded the highest Woolmark Apparel Care certification in their class. In 2013 Electrolux held 7.4% of global retail volume share (across all its brands) placing it 4th in global ranking of volume for home laundry appliances.
- Arcelik, in Turkey, owner of the Beko appliance brand, has become a new premium brand licensee. In 2013 Arcelik held 3.4% of global retail volume share (across all its brands) placing it 10th in global ranking of volume for home laundry appliances. The Beko brand (in 2011) took 15% of home laundry appliance sales in the UK market.



An example of the ‘Tested by Nature, Tested by Us’ washable wool marketing collateral that conveys the message to consumers that wool is resilient enough to withstand the rigours of nature and hence can withstand being washed in a washing machine.



PROGRAM 5: INTERIOR TEXTILES

INVESTMENT FOCUS

The first step: aiming for (interior) architects

- Preparing general interior textiles collateral.
- An extended version of the general interior textiles film.
- Creation of a special bedding film (as 90% of our interior textiles licensees are in bedding).

The second step:

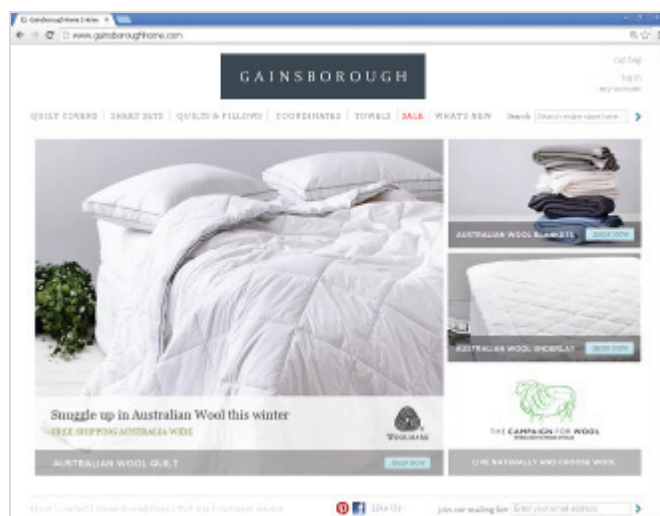
- Wool Lab Interiors (will be valid for a period of two years). It was launched in April 2013 during Milan Design Week.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
Maintain the current number of licensees in interior textiles and increase when possible while operating under a fixed budget.	Progressing. Small decrease in number of interior textiles licensees from 315 in 2012/13 to 287 in 2013/14.
Support licensees and other interior textiles partners in existing programs such as Campaign for Wool.	On track. A significant part of the Campaign for Wool is the promotion of wool of a broader micron included in interior textiles.
Increase the visibility of the Woolmark logo with a high-end design audience and also raise their interest in wool in fashion.	On track. Research has been done for the production of a new digital bulletin to target this group.
Investigate the possibilities to develop interior textiles products with the available Australian Merino wool such as blankets and light curtains.	Progressing. Resource constraints have slowed progress on this opportunity.

KEY RESULTS DURING 2013/14

- Woolmark licensees that attended the 2014 Heimtextil international trade show for interior textiles in January have reported buoyant interest in wool products for the interiors sector. More than 67,000 trade visitors from 133 countries attended the four-day trade show in Frankfurt, Germany. AWI and five licensees exhibited in the Woolmark Wool Arena – a hub where AWI and the licensees showcased to visitors the natural benefits of interior textile products made from wool.
- AWI also exhibited at several other interiors textiles trade shows during the year, including Decorex, London; Intertextile Shanghai Home Textiles; Japantex, Tokyo; and NY NOW, New York City.
- The Wool Lab Interiors – a guide to the best wool textiles and to the most interesting and innovative applications of wool in the furnishing and interior textile sectors – continued to be showcased to current and prospective users of wool.
- The new range of brochures, fact sheets and PowerPoint presentations were presented and distributed this year to help AWI market the benefits of wool interiors to trade and consumer audiences.
- An important part of the Campaign for Wool is the promotion of wool of all microns, including of a broader micron and crossbred wool. The campaign therefore continues to promote wool for the interior textiles sector – including bedding, carpets and furnishing. The 2013 international campaign was on an unprecedented scale, generating global editorial coverage worth more than AU\$40 million, up from AU\$24 million in 2012. Highlight events that captured the media and the public's imagination included:
 - The Wool Modern exhibition in Korea during Wool Week involved several interior textiles designers.
 - A pop-up installation in the Design Centre, Chelsea Harbour, London showcased wool fabrics and carpets from some of the most important names in the interiors industry.
 - During the kick-off to the campaign in Belgium, an installation was on display with wool interior products from Belgian interior textiles brand Casalis.
 - A humorous homage to the classic Pierre Paulin 'orange slice' chair for Artifor was redesigned by Noortje de Keijzer as part of the Campaign for Wool in The Netherlands.
 - The focal event of Wool Week in Australia in May 2014 was the hosting a magnificent coloured wool installation, along with interior textile products, in Federation Square in Melbourne.



The Gainsborough website containing Campaign for Wool branding and information about the benefits of wool, alongside the company's online shop where consumers can purchase its wool products.

MARKETING

OBJECTIVE

To help increase demand for Australian wool by recognising and addressing the information barriers to consumption at consumer and trade level.

OUTCOMES

Build demand for Australian wool through investment in marketing-related developments and promotions, filling required gaps in consumer and trade understanding of the fibre and its benefits. Increase sales volume growth through specific apparel promotional activities undertaken in conjunction with supply chain and retail partners that deliver a positive return on investment.

INVESTMENT PHILOSOPHY

We seek to position wool at the pinnacle of the fashion industry by working with supply chain partners to develop and deliver creative marketing campaigns. Marketing investments will be made in low to medium-risk activities, consolidating AWI expertise and experience across all forms of promotional media. Investment activities will be well within ethical boundaries established under existing Australian industry standards and those of other regions in which we operate.

STRATEGY 8 Fibre Marketing & Eco- Credentials



Development of content to support fibre advocacy, and implement campaigns that explain to consumers and trade the relevant benefits of Australian wool. These benefits include its ecological credentials, suitability for fashion and specialist apparel. The approach used is to have thought leaders (designers, advocates and ambassadors) speak on behalf of the fibre in relevant traditional, digital and social media.

PROGRAMS

- 1 The Story of Wool
- 2 Trade Engagement and Marketing Services
- 3 Campaign for Wool
- 4 PR and International Woolmark Prize

STRATEGY 9 Product Promotion



Provision of marketing services, development and implementation of campaigns that generate sales of specific wool products with key partners and in priority markets and segments. These programs will generate incremental new demand, or result in an improvement of the quality of products sold.

PROGRAMS

- 1 No Finer Feeling
- 2 Woolmark Gold (China)
- 3 Cool Wool
- 4 Other Promotions & Product Publicity



STRATEGY 8: FIBRE MARKETING & ECO-CREDENTIALS

STRATEGY 8 RESOURCES DURING 2013/14

\$11,602,000 project expenditure + 30.2 AWI staff (full time equivalent)



PROGRAM 1: THE STORY OF WOOL - CONTENT ORIGINATION AND DISTRIBUTION

INVESTMENT FOCUS

- Creation of content (still, editorial, video and animated) around the key benefits of wool and its provenance will fuel both direct consumer response and provide content for partner brands to help us tell the wool story.
- Effective content delivery through presence on the web (owned) and in editorial and social media (earned). This involves the development and maintenance of digital media including three core websites, social media channels, mobile applications and links to campaign-specific digital media.
- Effective use of search optimisation for our digital assets, and deploying search engine management activities will ensure higher levels of traffic to our content-rich websites.
- Production of content for various AWI publications and campaigns. Includes preparation of corporate publications (eg Annual Report and *Beyond the Bale*) and material for other AWI programs.

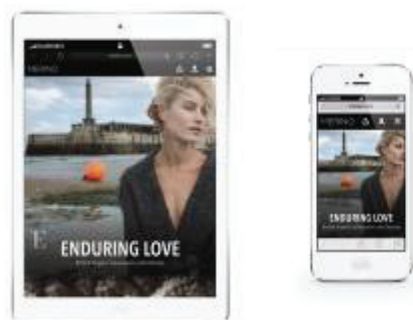
STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
Continuous improvement of three core websites and social media activities.	On track. The Merino.com (for consumers), Woolmark.com (for the textile trade) and Wool.com (for woolgrowers) websites were frequently enhanced with extra functional elements and additional content during 2013/14.
Cost saving achieved from provision of materials based on 40% of commercial rate.	On track. Our Graphic Design, Video Production and Editorial teams produced a wide range of quality collateral during 2013/14 at significantly less than 40% of the cost that external providers would charge.
Increase cost-effectiveness of websites by reducing cost per hit to \$1.40 by 2016.	On track. There is a continual focus on efficiently targeting appropriate Paid, Owned and Earned media traffic to our web assets, and forward planning around campaigns to maximise return on investment.

KEY RESULTS DURING 2013/14

- AWI continued to enhance its web communications to its three key stakeholder groups: woolgrowers (Wool.com), the textile trade (Woolmark.com) and consumers (Merino.com).
- Following the relaunch last year of Wool.com, which is focused on the woolgrower audience, AWI continued this year to upload regular information on lifting on-farm profitability, information about where AWI invests woolgrower levies, and AWI shareholder/corporate information.
- AWI continued this year to upload regular, engaging content onto its Woolmark.com website to inspire companies along the textile production chain to choose wool, in preference to other fibres, in the manufacture of their products. The website provides an authoritative source of wool-related information for Woolmark licensees and other textile businesses including spinners, weavers, knitters, designers, brands and retailers.
- The Merino.com website was relaunched this year with a new look and feel. The website shares information about the benefits of this premium natural fibre, so that consumers and fashion designers are inspired to discover and enjoy its unique properties. Ongoing refinements to the site's functionality are being regularly undertaken to ensure optimum engagement. The site now has both Chinese and Japanese variants.
- Our three main websites had a total audience (sessions) for the financial year of 542,659 and our content (page views) was accessed 1,485,766 times in the financial year.
- Various e-newsletter and email campaigns (including a monthly update e-newsletter for woolgrowers, a weekly wool market review e-newsletter, and monthly Woolmark.com e-newsletter) were undertaken throughout the year, pointing to information on the AWI websites.
- An online presence for specific marketing projects, such as the International Woolmark Prize (www.woolmarkprize.com) and Wool4Skool (www.wool4skool.com) continued with event related content updates and functional enhancements.
- AWI continued to increase its use of social media to generate online conversation about wool and help reconnect a new generation of tech-savvy consumers with the natural wonders of wool. We continued to use Facebook, Twitter, YouTube, Vimeo, Instagram, Pinterest and now Tencent Weibo in China.
- The "We Love Wool" page on Facebook increased its fan base over the past year by 25% to more than 478,000 fans. The "Woolmark Company" page increased the number of fans on Facebook by 45% to 297,000 fans.

- The content we released through our social communities reached more than 100 million people online. This reach is created when our audience interacts with our content and it is seen by their friends.
- A Search Engine Optimisation campaign continued, primarily for Merino.com.
- There has been the development of a number of mobile applications for use on smartphones and tablets. Several have been deployed, most notably mobile applications containing information about The Wool Lab.
- As well as its digital (web, social, mobile applications) staff and resources, AWI has in-house creative resources to produce content and collateral: Video Production (two staff), Graphic Design (three staff), Editorial (two staff). The utilisation of these in-house resources (as opposed to paying external service providers) provides considerable costs savings to the business. It also provides a more efficient workflow, reduced turnaround, and more consistent and effective output.
- AWI's in-house Graphic Design team completed more than 560 jobs during the 2013/14 financial year. The in-house team has helped to create a consistent, strong brand identity for AWI/TWC. Many marketing and off-farm R&D related jobs are translated in up to 16 different languages for our global audience.
- Across all projects, the Graphic Design team created artwork in many forms including brochures, flyers, factsheets, magazines, info-graphics, corporate plans, media walls, press releases, posters/billboards, promotional items, clothing prints and embroideries, press ads, training manuals, certificates, trade-stand design, banners, charts, swing-tickets, labels, packaging, 3D displays, fabric swatch books and headers, newsletters, logo design, branding guidelines, PowerPoint presentations, business cards, interactive forms, pitch packs, social media graphics, corporate stationary and many other forms of printed and digital collateral.
- During 2013/14, several further projects that in previous years had been outsourced (eg Wool4Skool and the IWP 'Wool Book') were brought in-house by the Graphic Design team with excellent design results.
- AWI's in-house Video Production team produced more than 90 videos in relation to marketing, covering our major campaigns and global brand partnerships, and on-farm and off-farm R&D and extension.
- AWI has also produced video content for brands and media networks globally to use in their own advertising campaigns, television programs and marketing collateral.
- The *Beyond the Bale* magazine was produced four times during the year, and posted to 25,000+ AWI shareholders and other stakeholders. The magazine aims to inform woolgrowers of products and practices to reduce the cost of production on their farms. The magazine also aims to increase awareness of initiatives and activities in wool textiles to increase the demand for Australian wool. A new newsletter *The Broader View* magazine for non-Merino woolgrowers was also produced for the first time this year.
- An interactive online edition of the *Beyond the Bale* magazine, which complements the hard copy edition of the magazine, was also made available. The interactive online edition provides readers with access to AWI digital content: pop-up videos; pop-up image galleries; hyperlinks to other digital content; search and print features; and the ability to share pages (via email, Facebook and Twitter).



AWI has redeveloped its Merino.com website to increase its consumer engagement and provide a central marketing channel for the fibre, its products and its brand image. Merino.com is optimised to be read on desktop/laptop, tablet and mobile devices. It contains video content, image galleries and premium articles.



PROGRAM 2: TRADE ENGAGEMENT AND MARKETING SERVICES

Note: Aspects of this program were undertaken in conjunction with Strategy 12 (Trade Education); refer page 49.

INVESTMENT FOCUS

- Expansion and delivery of The Wool Lab as a key element in both educating the trade and stimulating demand for wool at the targeted premium end of apparel and interiors markets.
- An effective database and system of building and managing relationships with trade across the pipeline (Customer Relationship Management).
- Development of educational content for use at specific levels of knowledge (initial, detailed and technical) and delivery of this content to and through trade partners via electronic means.
- Work with regions on key B2B partner campaigns and collateral requirements that form part of their country strategies.
- Roll-out globally.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
Expansion of The Wool Lab into an inspirational seasonal tool that is delivered in person (via workshops with Key Accounts), as a preview (to spinners and weavers) and to a broader audience in a differentiated 'lighter' digital format.	Achieved. For the first time, The Wool Lab was also presented in a preview format for spinners and weavers three months prior to the release of the main The Wool Lab book. A magazine format was also introduced this year for a broader audience and is already well positioned between the top players in trend magazines.
An effective database and system of building and managing relationships with tiered trade partners across the pipeline and on a global basis.	On track. Salesforce.com has been used by AWI since 2009; continued training and deployment of new functionality is supporting greater use and collaboration across the company. This has been supplemented this year by the adoption of ExactTarget to facilitate integrated and automated communications.
Development, delivery and adoption of educational content for use at specific levels of knowledge (initial, developed and technical), by various channel partners (processing, manufacturing, retail and consumer) and delivered by a flexible range of media at 40% of commercial cost.	Achieved. A very broad range of trade education content produced and targeted at varying levels and geographic locations of partners. The collateral that was produced in-house was significantly less than 40% of the cost that external providers would charge. Trade advertising covering 50 Years of Woolmark, Cool Wool, The Wool Lab, Easy Care and Trade Shows was carried out in the key trade titles and online that cover global or local markets. These included Italy, France, UK, China, Japan, Korea and titles such as View, Drapers, Twist, Pambianco, Fashion, China Textile Daily and The Fashion Shop. The media reach was 7.6 million.

KEY RESULTS DURING 2013/14

- AWI's "The Wool Lab" – the seasonal guide to the best wool fabrics and yarns in the world – continues to be a global success and an important tool for the fashion industry, including brands, retailers, manufacturers, spinners, weavers and the media. The Wool Lab contains a selection of the most innovative and quality wool fabrics and yarns available on the market from the best spinners and weavers in the world. The Wool Lab guide for the spring/summer 2015 retail season was launched at the Pitti Immagine Uomo trade show in Florence, Italy in January 2014. The Wool Lab guide for autumn/winter 2015/16 was launched in June 2014. In 2013/14 AWI introduced The Wool Lab in a preview format for spinners and weavers (for purchase) three months prior to the release of the main The Wool Lab book. A magazine format (for purchase) was also introduced this year for a broader audience. The magazine is already sold in the best trade fairs and professional bookstores between the most leading trend books (such as Views, Trends, Collezione etc). The magazine is distributed in more than 12 countries and has achieved a first year sales target of 500 copies sold worldwide. The introduction of the magazine in the best bookstores and fairs helps to increase the awareness of The Wool Lab and allows AWI to become a market reference in wool products and innovation research for all fashion and textile professionals.
- 800 new rights-owned images, video and fibre promotional items were generated for distribution and use in marketing communications activities. They were made available to AWI Key Account Managers for use by trade and supply chain partners, brands, retailers and the media.
- The AWI Marketing team supported the AWI presence at trade shows and the publicity of wool's benefits by providing marketing collateral, from trade show booth design (with a globally consistent look and feel) to brochures and posters.
- Marketing, sales, training and market intelligence materials were added to AWI's internal Dashboard iPad App to assist AWI Key Account Managers communicate with trade customers in the most timely and cost-effective manner irrespective of location.

- The five Australian Merino wool “Level 1” introductory trade education courses, developed and published in 2011/12, continued to be rolled-out this year: “Introduction to Knitwear”, “Introduction to Wovenwear”, “Men’s Suits”, “Caring for your Merino Wool Sweater” and “The Meaning Behind the Woolmark logo”. These are all aimed at training the buying teams at retailers and brands. By giving them more knowledge about wool, this will lead to an increase in confidence to develop and merchandise new lines made from wool.
- The development of “Level 3” technical training and education packages aimed at the manufacturing industry is in an advanced stage and will be rolled-out progressively during the 2014/15 financial year. Topics include wool scouring, wool topmaking, knitwear finishing, and easy care knitwear. Work also continued this year on the development of “Level 2” intermediary training and education packages aimed at the manufacturing industry.
- AWI supported leading textile graduate design prizes, such as the UK’s Texprint award and Hong Kong PolyU Institute of Textiles and Clothing’s graduation award. This is part of AWI’s strategy to educate early career textile designers about the benefits of working with Merino wool.
- Seminars explaining the attributes, benefits and versatility of wool to textile and fashion students in the early stage of their career are an important component of AWI strategy. An example of this type of seminar held this year was the ‘Naturally Inspiring’ seminar held at King’s College London in March.
- Following on from the success of the past three years’ Wool4Skool competition, AWI launched a new Wool4Skool competition this year to continue to build knowledge about wool among Australian school students. The fashion design project has been planned carefully to fit within the Design and Technology curriculum in every state.
- AWI attended 25 international trade shows to showcase its new product developments and The Wool Lab to brands and retailers and inform them about the benefits of wool. The target audience at each of these trade shows is retail buying teams,

designers and manufacturers. Trade shows attended during 2013/2014 included:

- o SpinExpo (Shanghai) for knitting yarns and knitwear
- o Première Vision (Paris) for woven fabrics and wovenwear
- o ISPO (Munich) for sports and outdoor wear
- o Outdoor Retailer (Salt Lake City) for outdoor wear
- o Milano Unica (Milan) for high end fashion
- o Pitti Uomo (Florence) for high end menswear apparel.
- Following trade shows, workshops about AWI’s innovation collections and The Wool Lab were held individually with retailers and brands. These took place in the US, Western Europe, India, China, Korea, Japan, Turkey and Australia. In addition, workshops were held with retail buying offices which are mainly located in Asia, ie Hong Kong.
- Other general training of retail decision makers, such as the company’s buyers, merchandisers, designers and technologists, was also undertaken, focusing on providing them with a ‘toolkit’ that both stimulates interest and builds their confidence to invest in wool product lines. It enables them to take full advantage of wool’s technical and aesthetic properties.
- Retail workshops were held to help educate sales staff in several locations across the world about the natural properties and benefits of wool, so they can advise consumers more appropriately. Retail store managers were also trained, who in turn train their own staff.
- Expert advice on engagement strategies with the global textile trade was secured from notable consultants including Peter Ackroyd (UK) and Fabrizio Servente (Italy).
- Trade advertising covering 50 Years of Woolmark, Cool Wool, The Wool Lab, Easy Care and trade shows was carried out in the key trade titles and online that cover global or local markets. These included Italy, France, UK, China, Japan, Korea and titles such as View, Drapers, Twist and Fashion, China Textile Daily. The media reach was 7.6 million.



Textile and fashion students at AWI’s ‘Naturally Inspiring’ seminar in London examining copies of The Wool Lab – the seasonal guide to the best wool fabrics and yarns in the world.



The winning design in the 2013 Wool4Skool competition, modelled by woolgrower’s daughter Stephanie Joy Field (right), being shown to the Duchess of Cambridge at this year’s Sydney Royal Easter Show.



PROGRAM 3: THE CAMPAIGN FOR WOOL

INVESTMENT FOCUS

The centrepiece of the Campaign for Wool (CFW) is promotion of wool products for a week-long period (in Wool Week) in different regions throughout the September, October and November months (except Australia) each year in cooperation with AWI retail partners. A collaborative marketing program is developed with individual retailers and further support is provided through:

- Support of trade events and intensive PR.
- Point-of-sale materials (such as swing tickets, window displays, posters and information material on wool attributes).
- Consumer marketing through high-impact events (such as street events) featuring sheep and Merino wool.
- Online activities such as the CFW website and participation on Twitter and Facebook.

The contents of the campaign increasingly consists of three key elements – rich media focused on the ‘Natural, Biodegradable, Renewable’ core platform; consumer leverage through the effective promotion with the supply chain and retailers during peak consumption periods – hallmarked by Wool Week promotions; and sheep and wool made tangible in urban events.

- Roll-out in: United Kingdom, Italy, France, Germany, Netherlands, Belgium, China, Japan, Australia, and Korea.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
We will continue to consolidate then expand this program from the original 6 markets in 2010/11 and 9 in 2012/13 to 11 in 2015/16. Likewise retailer engagement will continue to expand from the baseline of 117 in 2010/11 through the 445 achieved in 2012/13 to 800 in 2015/16.	On track. 10 markets delivered in 2013: UK, Australia, Germany, Netherlands, Belgium, Italy, Spain, Japan, Korea, China. 300 brands (retail and trade), plus individual retailers, were directly engaged with the CFW.
An average increase in wool sales per store involved with the program of 1020 units a year or 675 kg of wool.	Progressing. Difficulties in obtaining specific sales data from stores, but feedback suggests a sizable volume increase.
The earned value in media coverage through PR was GBP 5 million in 2010/11, growing to approximately GBP 15 million in 2012/13. This will continue to increase to GBP 18 million in 2015/16. Social media, while slow to start in 2010, targets a follower base of 100,000 by 2015/16, with websites hitting 500,000 that year.	On track. Global PR & digital results for 2013: <ul style="list-style-type: none"> • PR value of editorial coverage: AU\$40.1 million • Facebook likes: 25,000 (up from 10,000 in 2012) • Twitter followers: 12,500 (up from 2,700 in 2012) • Web traffic: 48,000 visits (up from 25,000 in 2012).

KEY RESULTS DURING 2013/14

- 2013 was the biggest year for the CFW to date. Key achievements included:
 - New international design talent signing up to support
 - Large visitor numbers to stores wool themed events and promotions
 - The biggest ever launch of the Campaign’s International Wool Week, in Milan, Italy.
- Countries in key consumer markets across the northern hemisphere created their own program of activity for ‘International Wool Week’ during autumn. Highlight events that captured the media and the public’s imagination included:
 - Italy: Milan hosted the country’s inaugural Wool Week with promotional and educational initiatives taking place at the leading Italian department store, La Rinascente in Milan. AWI also joined forces with leading textile and trade show Milano Unica and supported ON Stage, a spectacular fashion show involving some of the most appreciated new talents of global fashion.
 - UK: The creative design project Wool School returned for a second year, pairing students from leading fashion schools with the nation’s favourite retailers – including Christopher Raeburn, Topman and Barbour – to create unique pieces for sale during Wool Week.
 - Germany: Germany’s Wool Week also had a strong focus on Wool School and on the young generation, involving brands, retailers and universities to produce special wool collections, exhibitions and events all celebrating the natural benefits and performance of the fibre.
 - Netherlands: Wool Week opened with an exhibition of special wool pieces created by 35 internationally renowned Dutch fashion and product designers, with each piece highlighting a specific benefit of wool.
 - Belgium: Antwerp hosted a Fashion Talks seminar as part of a special, one-off CFW event.
 - Spain: Retailers and brands threw their support behind the campaign with window decorations, special promotions and in-store activities.
 - Japan: The CFW Japan continued to support the fashionable cycling Tweed Run events held in Tokyo and Nagoya as well as Tweed Walk and Ride in Kobe.
 - Korea: The travelling Wool Modern exhibition, as part of the global CFW, was on display at the Ara Art Centre in Seoul as part of Wool Week Korea.
 - China: The fashion and education initiative Wool School launched in China in 2013 as part of the country’s CFW celebrations

- o Australia: Wool Week Australia’s focal event in May 2014 was in Melbourne, with Federation Square taking centre stage and hosting a magnificent coloured wool installation.
- In 2013 CFW generated editorial coverage across print, online and broadcast media totalling AU\$40.1 million, up from AU\$29 million in 2012, AU\$10.6 million in 2011 and AU\$3.6 million in 2010. Special wool themed media inserts were also created by the Dutch and Japanese teams which were distributed in a total of 130,000 magazines.
- A new CFW, mobile enabled, website was launched with accompanying microsites for all international markets which garnered 147,000 page impressions during the Autumn Wool Weeks.
- CFW Facebook page increased its fans by 150% to 25,000 at the end of 2013, up from 10,000 in 2012.
- CFW Twitter and Facebook combined communication reached an audience of 32.3 million.
- The official campaign hashtag #woolweek generated 18.2 million impressions.
- 11.4 million impressions were generated across Facebook and Twitter by CFW platforms during July–December 2013.
- In China, CFW Weibo and Wechat social media activity reached a combined audience of 7 million.
- Investment in digital marketing provided a combined return on investment (ROI) of 216.4.
- A new Point of Sale (POS) kit (including swing tickets, window vinyls, postcards, leaflets for consumers, leaflets for trade, strutcards) was designed to drive a more modern and engaging brand message. Nearly 250,000 units were ordered.

- In June 2014 His Royal Highness The Prince of Wales convened an audience of 150 global wool and fashion industry VIP’s to witness a series of experiments designed to promote two of the key natural properties of wool, namely that it is a biodegradable fibre which is also incredibly safe due to fire retardant properties. In addition to the demonstrations a series of wool fashion and interior themed vignettes to promote ‘The Great British High Street’, ‘Formal Mens Tailoring’, ‘Fabric Innovation’ and ‘Young Designer Talent’ were installed on the lawn of Clarence House featuring wool looks from every price point. The resulting press coverage on the event was valued at AU\$908,000 or a ROI of 10:1.



Italy hosted its inaugural Wool Week. The fashion show in the prestigious Galleria Vittorio Emmanuele II in Milan was a highlight of 2013’s Campaign for Wool events.



PROGRAM 4: PR AND INTERNATIONAL WOOLMARK PRIZE

INVESTMENT FOCUS

International Woolmark Prize (IWP)

- Up to twenty emerging designers are nominated from five regions each year to submit a collection of wool garments for judging by a panel of judges at a regional level. Regional winners then compete for the international prize and the winner’s collection is made available for sale through leading global retail partners.
- An active, high-value alumni consisting of the combination of the world’s leading designers and design influencers, with the contestants and winners of various levels of the competition, all centred around and brought together by wool.
- AWI funds are used to promote the IWP through partners such as Vogue and for administration of regional and international events, including prize money for finalists.

Other projects

- Public Relations (PR) activity around the fibre and its source through global and local PR support across retailers, designers and key partners.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
Engagement of markets growing from the current 21 to 30 by 2015/16, with the number of retailers carrying IWP garments expanding to 15 across key markets.	Target revised. Nominees from 23 countries have entered the 2014/15 IWP. Continued expansion into new regions is no longer an objective due to budget constraints.
Media reach in the first four months of this campaign was 515 million; on a full year basis we expect this to exceed 600 million in 2013/14, 800 million in 2014/15 and 1 billion in 2015/16. The latter would have a media value in excess of \$40 million.	On track. Target for 2013/14 achieved and exceeded. Media reach statistics in 2013/14 reached 1,870,218,782. Media value (advertising value equivalent) for 2013/14 was almost \$35 million (\$105 million in editorial value).
An additional 700,000 wool garments sold each year.	Progressing. Assumption that the IWP nominees each have an average 10 new Merino wool garments in their collection, and that they sell on average 1000 of each of these items.

KEY RESULTS DURING 2013/14

International Woolmark Prize

(Around 80% of this program's expenditure was on the IWP)

- The final of the 2013/14 IWP was held in February during Milan Fashion Week, with five designers who each won their regional competitions (Asia, Australia, Europe, India & the Middle East, the USA,) and therefore the right to compete at in the final.
- The regional finals were held following a global search, reaching across 20 countries and involving 48 emerging designers nominated by fashion industry figures in their respective regions.
- Rahul Mishra from India was announced as the winner of the 2013/14 competition for his winning Merino wool collection that was based on craftsmanship and his incredible knowledge of techniques and embroidery.
- Alongside prestigious recognition, the winner has the opportunity to be stocked in the most important retailers around the globe including Harvey Nichols (London), Saks Fifth Avenue (New York), 10 Corso Como (Milan), Joyce (China), David Jones (Sydney), Colette (France) and mytheresa.com (Germany).
- A 25-minute documentary titled *Dream Weavers* was released following the journey of the five finalists who competed in the global final of the 2013/14 IWP, and is available on Merino.com and partner websites including Vogue. It was also carried on cable television.
- Globally, the award has been supported by key fashion councils including the Council of Fashion Designers America, British Fashion Council, Chambre Syndicale de la Couture, Mercedes-Benz Fashion Week Madrid and Fashion Council NL.
- The IWP now boasts impressive alumni of the most important designers from around the globe, as well as partnerships established with some of the most successful leading designers including Victoria Beckham, Diane von Furstenberg, Alexander Wang, Narciso Rodriguez, and Richard Nicoll.
- The IWP has expanded for the 2014/15 competition to include a menswear award as well as a

womenswear award, to help further increase awareness of Australian Merino wool in the global fashion industry and amongst consumers across the world.

- Over the past year, the IWP initiative has generated more than \$105 million in editorial value.
- Social media was successfully used to promote the IWP. 144,366,252 Twitter impressions and 9,878,945 Facebook impressions were achieved in 2013/14.



2012/13 International Woolmark Prize winner Christian Wijnants with his collection at Harvey Nichols in London.

Other projects

- Marketing collaboration projects were undertaken to promote the use of Merino wool with established international designers such as Roland Mouret and Akira Isogawa, and local designers such as Collette Dinnigan, Jenny Kee and Camilla and Marc.
- AWI engaged a professional media monitoring service so that the company could review and track that it was achieving the optimal level and targeting for its PR activities.
- Fashion trend information was produced by industry experts for AWI, for dissemination and to guide future activities.



STRATEGY 9: PRODUCT PROMOTION

STRATEGY 9 RESOURCES DURING 2013/14

\$13,993,000 project expenditure + 21.6 AWI staff (full time equivalent)



PROGRAM 1: NO FINER FEELING PROMOTIONAL CAMPAIGN

INVESTMENT FOCUS

- A cohesive global 'umbrella' campaign, partnering leading digital/traditional media owners and leading (Tier 1) Key Accounts to tell the wool story, endorse the use of the wool fibre, and generate sales leads and site traffic for both partners and AWI. The creative direction mainly follows an advertorial style and utilises digital as well as traditional media, working with media partners, ambassadors and designer collaborations.
- Origination of content from UK, Italy, France, USA, and expanding to China over time. Ensures market presence in global markets via global digital and social media and in China, USA, Japan, Italy, France, UK, Germany.
- Key markets are: United Kingdom, France, Germany, China, Japan, Australia, USA and Korea.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
Increase media reach from 250 million (estimated) in 2012/13 to 750 million in 2015/16.	On track. Consumer reach in 2013/14 is currently estimated at more than 309 million.
Expand the number of partners from the 34 in 2012/13 to 42 in 2015/16 at Tier 1 level.	Achieved. The campaign now has more than 80 partners globally.
Increase wool sales across campaign partners of 1 mkg a year by 2016 with additional sales across non-partners of 15%.	Progressing.

KEY RESULTS DURING 2013/14

- Leading fashion designer Alexander Wang was photographed and filmed by world-renowned photographer Annie Leibovitz, championing the benefits of Merino wool as a luxury fibre. For the two season partnership, select pieces of Wang's Fall/Winter 2013 and Fall/Winter 2014 collections include Merino wool and carry the Woolmark logo.
- The French edition of Vogue, *Vogue Paris*, collaborated with four internationally renowned fashion designers to include a special eight-page feature on Merino wool in the September 2013 issue. The feature, titled "Wool Look - the fibre of fashion", illustrates unique and inspiring interpretations of Merino wool by designers Sonia Rykiel, Jean Paul Gaultier, Nina Ricci and Chloé. The promotion was also launched online by Vogue in a microsite on the same day the September issue hit the newsstands. The promotion included moving images and designer interviews.
- The UK edition of Vogue, *British Vogue*, collaborated with AWI and six world renowned UK-based fashion designers to promote Merino wool in the October 2013 issue. The designers Victoria Beckham, Alexander McQueen, Roksanda Illincic, Christopher Kane, J.W. Anderson and Stella McCartney presented their modern interpretations of Merino wool for this Vogue feature titled "Back to Nature". The feature was distributed across both online and print mediums, with a video also accompanying the photographs.
- 14 British rock 'n' roll icons dressed in Australian Merino wool featured in the 25th anniversary edition of the *British GQ* menswear fashion magazine. The December edition included a 26-page feature showcasing the musicians all wearing bespoke apparel crafted by the tailors of Savile Row. The musicians included Sir Elton John, Roger Daltrey (The Who), Bryan Ferry (Roxy Music), Johnny Marr (The Smiths) and Ray Davies (The Kinks). The promotion was also available for tablet applications, as well as online on the www.gq.co.uk website which housed a video created by the musicians specifically for the collaboration. A competition was linked to the online activity.
- AWI and world renowned fashion designer Sir Paul Smith announced a collaboration that sees Australian Merino wool being highlighted across the Autumn/Winter and Spring/Summer seasons of the designers' London collection for men. Paul Smith has a global fashion following, with a particularly strong presence in Asia.
- AWI collaborated with designer Richard James, extending the existing designer program to create a co-branded advert and film, the creative was used in the UK and Asia where Richard James has a strong presence.
- A campaign creative was photographed with designer Narciso Rodriguez and used in the US and other key markets.
- The leading London fashion shows that attract global media and buyer and generate consumer coverage were captured in promotional films. Designer collaborations with Richard Nicoll, Jonathan Saunders, Richard James, Christopher Raeburn, Lou Dalton had product and sourcing guidance and filming of their shows at London Fashion Week and *London Collections: Men*.
- The English Gentleman/Savile Row project had an event at the Cabinet War Rooms in London. It featured more than 80 models each wearing bespoke pieces created in Merino wool by Savile Row tailors and included suitings, coats, jackets and superfine dressing downs. Films were created that feature 'friends of Savile Row' including David Furnish, Sir Elton John and Sir Michael Gambon.
- AWI has partnered for two years with leading Japanese retailer UNITED ARROWS to raise the profile of Merino wool as a luxurious fibre within the Japanese market.
- Loro Piana once again collaborated with AWI to promote the Finest Bale awards to media at an event in Hong Kong and media coverage in key titles across Asia and Italy.
- The October 2013 issue of *British GQ* was used to promote and educate consumers about Merino wool, 'Fleece Academy' was photographed and filmed in traditional manufacturing yarn and weaving mills in the UK to convey the craftsmanship and heritage behind the wool industry. The campaign promoted Merino wool in print, moving image and an online competition to win some wool designer garments, and featured garments from E Tautz, Sunspel, Jonathan Saunders, Lou Dalton, Richard Nicoll, Christian Lacroix, Carhartt, Paul Smith, Z Zegna, Christopher Raeburn, Oliver Spencer, Acne, James Long, Etro, Johnstons of Elgin and Canali.
- The Merino.com website enhances the global campaign content by containing relevant educational information about campaign initiatives and partnerships, and information about the provenance and benefits of the fibre. It provides valuable reportage of the global media campaigns and designer collaborations.



PROGRAM 2: WOOLMARK GOLD (CHINA) CAMPAIGN

INVESTMENT FOCUS

- Woolmark Gold will evolve as a campaign conducted in partnership with European spinners and weavers, sourcing product from luxury European brands selling to Chinese consumers. In 2012/13 Woolmark Gold launched a new campaign model based on specific channel strategies that identified online retail and custom tailoring as having the most immediate potential. The ongoing promotional model is to engage with commercial European brand partners, creating awareness, knowledge and demand through education web-based and social media activity that in turn generates sales leads.
- Woolmark activity in China will consist of a suite of programs, with much of this activity centred on educating target consumers about the benefits of wool, and presenting them with products that can fulfil their desire to buy luxury, authentic European apparel and accessories made from Australian Merino wool. Key to the success will be collaboration with leading global designers; promotional, data-driven marketing techniques, supported by media and partnerships in-store and online will be the main communications elements of this program.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
Increase the number of Woolmark Gold partners from 14 in 2012/13 to 45 in 2015/16 (trade and retail).	On track. Gieves and Hawkes, Cerruti, Youngor, JNBY and Eachway completed marketing activities in 2013/4; Additional in negotiations with other leading Chinese retailers. Ongoing discussions with Trinity group out of Hong Kong.
Expand media reach to 500 million in 2015/16 and build a database of 250,000 targeted consumers.	On track. 100,000+ entries in AWI database with additional recruitment of members through joint promotional activity with UnionPay, Tencent Weibo and other partners. Media reach in 2013/14 was at least 128 million.
Increase the wool sales of Woolmark Gold partners by 760,000 kilograms per year by 2015/16 and 5% growth across non partner stores.	Progressing. Partners report strong conversion levels. An example is Youngor with a reported 15% increase in wool garment sales.
Having established this campaign in China, consider rolling it out into India and identify other key markets where it can deliver impact and additional sales opportunities.	Progressing. Woolmark Gold program looking at additional retail engagement within China adding the “Premium Bridge” segment into the existing luxury target markets. India – reviewing legal and trademark considerations.

KEY RESULTS DURING 2013/14

- The dynamic nature of the China market requires AWI to conduct regular reviews of our programs and of the specific campaigns and partner activities conducted in that market frequently. A review and development of a revised China Strategy and Plan took place in the second half of the year and that plan acknowledged the burgeoning middle and upper middle class domestic apparel markets and their potential to life volume demand in China.
- AWI is extending its Key Account management reach into major influential retail groups servicing this target group in the “Premium Bridge” retail market segment and is building retail and promotional partnerships with these local entities.
- The second half of the year saw AWI developing large-scale promotional programs at government, trade and consumer levels to build awareness of and demand for Australian Merino wool. Research indicates that a strong focus on country of origin will generate consumer interest and will enable targeted retailers a point of difference in stores. Our target is to engage with 10 or more premium bridge retailers and this commenced late in the year.
- In addition we have implemented programs in the premium sector of the market that have driven sales growth for premium retail partners and expect the impact of these programs to build demand pressure for wool through the China supply chain as well as in the Woolmark Gold luxury imported fabric market.



AWI's presence at this year's CHIC trade show in Beijing including a 318m² stand promoting Australian wool.



PROGRAM 3: COOL WOOL

INVESTMENT FOCUS

Merino wool is an ideal fibre for warmer climates, transitional seasons and global travel; this is an area where Merino consumption can grow.

Working closely with the manufacturing pipeline and brand partners, through targeted marketing campaigns, in-store activities, promotions and events, we seek to educate the consumer about wool's natural ability to regulate temperature and challenge misconceptions that wool is only relevant for colder climates.

Cool Wool has two aspects:

- Cool Wool is a Woolmark sub brand with specifications attached; it is also a marketing concept for Spring/Summer and hotter climates
- Communication should educate consumers on lightweight Merino wool via Cool Wool fabric and garments, conveying its unique natural attributes and how/why designers and brands are currently using it in their Spring/Summer collections

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
We will increase the number of markets in which the program is active from 9 in 2012/13 to 15 in 2015/16, with a corresponding increase in the number of Cool Wool licensed manufacturing partners from the six in 2011/12 to 20 in 2015/16; and we will add six new Woolmark licensees over this period. We will target an increase in retail partners from 8 in 2011/12 to 16 in 2015/16.	On track. Markets covered: 10. There are currently 23 Cool wool licensed manufacturing partners making up the Cool Wool Weaver's Guild. New Woolmark/Cool Wool licensees achieved: Holland and Sherry Group – UK, Dormeuil – France/UK, Cerutti – Italy, Altinyildiz – Turkey, Hield/Moxon – UK. 12 brand/retail partnerships for Spring/Summer2014.
We will increase visits to coolwool.com to 20,000 and media reach from 6 million in 2012/13 to 20 million in 2015/16.	On track. 43,697 page views in 2013/14, up from 10,874 page views in 2012/13. 2013/14 media reach was at least 49 million, up from 6 million in 2012/13.
Increase in annual Cool Wool ticket and label sales by 5% by 2016. This is expected to translate to an increase in wool sales of 730,000 kg a year.	Achieved. 159,725 Cool Wool tickets and labels in 2013/14, up from 51,600 Cool Wool tickets and labels in 2012/13.

KEY RESULTS DURING 2013/14

- 12 strong brand/retail partners promoted Cool Wool product for Spring/Summer 2014 including: Raymond – India; Paul Smith – UK, China, Middle East, Japan, Korea; Richard James – UK; Christopher Raeburn – UK; Lou Dalton – UK; M.J. Bale – Australia; New Yorker – Japan; J Press – Japan; SARAR – Turkey, Germany; Ipekis – Turkey; Lotte – Korea; Parkland – Korea.
- The number of Cool Wool licensed manufacturing partners making up the Cool Wool Weaver's Guild has increased to 23, up from six in 2011/12.
- Five companies became new Woolmark Cool Wool licensees in 2013/14: Holland and Sherry Group – UK, Dormeuil – France/UK, Cerutti – Italy, Altinyildiz – Turkey, Hield/Moxon – UK.
- The number of page views of coolwool.com increased by more than 300% from 10,874 page views in 2012/13 to 43,697 page views in 2013/14.
- Cool Wool ticket and label sales increased by more than 200% from 51,600 tickets and labels in 2012/13 to 159,725 in 2013/14.
- The value of the PR generated by the Cool Wool campaign was \$173,451 in Australia, \$215,622 in China/Hong Kong, \$297,386 in Germany, \$3,508,859 in India, \$1,045,380 in Japan, \$410,000 in Korea, \$180,797 in Turkey, and \$219,472 in the UK.
- British Vogue collaborated with AWI and leading/emerging designers to showcase Cool Wool in a 16 page takeover in their February Catwalk supplement, with a video and online media to support the printed feature. Designers included Roland Mouret, Roksanda Illincic, Pringle of Scotland, Jonathan Saunders, J. W. Anderson, JJS

Lee, Alexander Wang, Jil Sander, Richard Nicoll, Burberry Prorsum, Vivienne Westwood, Richard James, Martin Grant.

- AWI and world renowned fashion designer Sir Paul Smith collaborated on a joint Cool Wool / Paul Smith campaign for Spring/Summer 2014 which was run in key markets, including outdoor advertising in Dubai airport and around the KerryCentre in China where Paul Smith attended the launch of the new Paul Smith store. For the Spring/Summer 2014 collection, Sir Paul Smith focused on the use of Cool Wool lightweight fabrics made from fine Australian Merino wool. Paul Smith has a global fashion following, with a particularly



Sir Paul Smith at the official launch of the new Paul Smith store in Shanghai and the global roll out of his Cool Wool collection.

- strong presence in Asia and expanding into the Middle East market.
- A campaign image and film was created with designer Richard James which was used to extend the availability of beautifully tailored Cool Wool branded garments.
- The leading London fashion shows that attract global media and buyers and generate consumer coverage were captured in promotional films. Designer collaborations with Richard Nicoll, Jonathan Saunders, Richard James, Christopher Raeburn, Lou Dalton had product and sourcing guidance and filming of their shows at London Fashion Week and *London Collections: Men*.
- July 2013 through to September 2013 saw the extension of 'The English Gentleman at Lord's' promotion via coverage in British GQ, online films and educational film on Cool Wool tailoring.
- In June 2014 'The English Gentleman on Leave' promotion was staged as part of the Spring/Summer 2015 edition of the *London Collections: Men* fashion week. AWI once again joined forces with Savile Row to present the modern face of British elegance documented through a series of images and film, with 'The English Gentleman' dressed in lightweight Cool Wool outfits.



PROGRAM 4: OTHER PROMOTIONS AND PRODUCT PUBLICITY

INVESTMENT FOCUS

- This program consists of Promotions and Public Relations activity around the fibre and its source through global and local PR support across retailers, designers and key partners; tactical opportunities will arise from time to time.
- Possible projects under consideration are:
 - Woolmark 50th Anniversary (1964 to 2014)
 - five billion Woolmark certified products sold (1964 to 2013)
 - Woolmark e-commerce portal aggregation partnership.
- There may also be localised promotional and PR opportunities of sufficient potential to impact global demand.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
From the current 10 markets in which we have active programs we will expand this to 20 over the next three years, and expand our reach to consumer audiences targeting 500 million by 2015/16.	In progress. Activities this year focused on the 50 th anniversary of the Woolmark brand. These activities reached into 13 global markets. In addition, AWI is facilitating the visits of journalists and manufacturers to Australia to educate them on wool and its production; and working with local and global designers to build awareness and usage of Merino wool.
Opportunities for investment will be considered on a case-by-case basis with investment made to maximise cost-effectiveness of AWI investment in other programs.	Achieved. Retention of eight PR agencies globally for 2013/14 gave AWI an effective and responsive global PR network to support all Marketing initiatives. Monthly editorial figures reflect consistent improvement and growth in editorial support.

KEY RESULTS DURING 2013/14

- 2014 marks the 50th anniversary of the world-famous Woolmark brand. Since the now iconic Woolmark logo was first designed in 1964, it has been applied to more than five billion products worldwide. The logo's enduring appeal continues to deliver significant returns to Australian woolgrowers through its use in AWI's global marketing campaigns as well as the Woolmark Licensing Program. A special logo was created and used this year to recognise the 50th anniversary and promotional collateral was produced for a trade audience.
- Australian lifestyle brand Country Road paid homage to Australia's woolgrowers in a promotional film *Life Through Wool* released in April 2014 and viewed more than 700,000 times on YouTube. The short film was part of Country Road's 40th birthday celebrations and was the result of a collaboration with AWI. Country Road's Winter 2014 collection featured stunning wool apparel which was available for purchase on its website which also featured the promotional film and background information on the film and wool.
- Global PR agencies delivered communications from AWI and content on the Merino fibre on a per project basis effectively to key consumer markets across the world.
- AWI supported the launch of an edition (March 2014) dedicated to Australia of the high-profile Italian men's version of *Vogue*, *L'Uomo Vogue*. The edition highlighted the importance of the Australian wool industry on the global fashion scene. AWI's support strengthened ties between the Italian and Australian wool and fashion industries.
- In conjunction with the support for the March edition of *L'Uomo Vogue*, AWI supported a series of "World Wide Wool" events in Sydney that included a retail event inspired by Merino wool. The windows of David Jones and some of Sydney's other most important flagship stores displayed photographs from the *L'Uomo Vogue* archives, and a shopping night was held that put the spotlight on wool and encouraged consumers to buy more wool apparel.

GLOBAL BUSINESS SERVICES

OBJECTIVE

To enable AWI to operate cost-effectively through the efficient provision of a range of cross-company support services. In addition, provide commercially oriented services to the supply chain to support AWI's strategic vision.

OUTCOMES

In keeping with AWI's mission, objectives, and statutory obligations, internal and external stakeholders will be provided with a range of efficiently delivered support services, relevant to business needs. These services will be delivered across AWI and along the wool pipeline in commercially oriented forms, including in the areas of business intelligence, performance monitoring and evaluation, market access, trade education, intellectual property management, and support for the global Woolmark network.

INVESTMENT PHILOSOPHY

AWI will pursue cost-effective provision of internal services benchmarking investment against commercial providers. We have a nil tolerance for compliance breaches across all jurisdictions in which we operate. Investment will also be made to continually improve our engagement with stakeholders and industry.

<p>STRATEGY 10 Business Intelligence & Measurement</p>		<p>PROGRAMS</p> <ol style="list-style-type: none"> 1 Business Intelligence & Measurement 2 Monitoring & Evaluation
<p>STRATEGY 11 Corporate Affairs & Market Access</p>		<p>PROGRAMS</p> <ol style="list-style-type: none"> 1 Corporate Affairs 2 Industry Engagement 3 Market Access & International Trade Policy
<p>STRATEGY 12 Trade Education</p>		<p>PROGRAMS</p> <ol style="list-style-type: none"> 1 Supply Chain Education 2 Retail & Consumer Education 3 Trade Shows
<p>STRATEGY 13 Woolmark</p>		<p>PROGRAMS</p> <ol style="list-style-type: none"> 1 Woolmark Licensing Program and Endorsement 2 Quality Control
<p>STRATEGY 14 Corporate Services</p>		<p>PROGRAMS</p> <ol style="list-style-type: none"> 1 Finance & IT 2 Human Resources 3 Legal Services

Note: The number of AWI staff (full time equivalent) working on each of the 14 AWI strategies is listed at the start of each strategy in this Annual Report. In addition to those numbers, there are 15.2 AWI staff (full time equivalent) that work across the whole company and are therefore additional to the total of those numbers.



STRATEGY 10: BUSINESS INTELLIGENCE & MEASUREMENT

STRATEGY 10 RESOURCES DURING 2013/14

\$1,292,000 project expenditure + 2.4 AWI staff (full time equivalent)

INVESTMENT FOCUS

- Maintenance and improvement of Australia's capacity to predict wool production volumes and value.
- Maintaining a retail and trade intelligence database, and disseminating this in a timely fashion to AWI partners and other stakeholders.
- Tracking consumer attitudes, awareness, and barriers to consumption in key wool retail markets.
- The 2010-13 Strategic Plan placed significant emphasis on Business Intelligence. Reflecting the rapidly changing consumer market environment, and rapid evolution of regional wool textile activity, the current Strategic Plan will increase emphasis in this area.
- Overall, our intent is to comfortably exceed AWI's statutory obligations for measurement and evaluation, ensuring that measurement and evaluation processes are effectively integrated in all areas of AWI's planning and operations.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
Business intelligence: Accurate forecasting of Australian wool production.	Achieved. Three Australian Wool Production Forecasting Committee reports were released – in August and December 2013, and April 2014. AWI and MLA's joint 'Wool and Sheepmeat' surveys of producers were conducted in October 2013, and February and June 2014.
Business intelligence: Generate and disseminate analysis of global retail and trade market data.	Achieved. AWI's monthly Market Intelligence Reports were provided as part of AWI's monthly e-newsletter for Australian woolgrowers and on the Wool.com and Woolmark.com websites. AWI's Weekly Price Reports were provided each Friday via email and were available on the Wool.com and Woolmark.com websites. Market intelligence data was also disseminated at various woolgrower and trade events throughout the year.
Business intelligence: Monitor consumer attitudes and awareness.	Achieved. AWI continued to collect consumer insight and trend monitor information from a range of sources, including UK-based LS:N Global – these have been provided to key staff in the AWI Marketing and Global Business Development areas. Consumer tracking surveys continued to be undertaken to assess consumer attitudes and awareness to wool and Merino products, barriers to increased consumption, target consumer segments, and consumer information-sourcing behaviours.
Monitoring & Evaluation: Implement evaluation plans for all AWI program investment areas.	Partly achieved. Done for all programs except some under Global Business Services.
Monitoring & Evaluation: Comprehensive reporting of investment performance.	On track. Program planning and reporting process strengthened and ex-post evaluations being completed.
Monitoring & Evaluation: Routine evaluation of all investment proposals.	Achieved. Call for Proposals evaluated in alignment with the updated AWI Framework for Measurement and Evaluation.



STRATEGY 11: CORPORATE AFFAIRS & MARKET ACCESS

STRATEGY 11 RESOURCES DURING 2013/14

\$253,000 project expenditure + 1.5 AWI staff (full time equivalent)

INVESTMENT FOCUS

- To ensure statutory compliance by nurturing productive relationships with government stakeholders.
- To manage sensitive issues in order to protect the industry from external threats.
- To enhance productive relationships with grower representative groups, promote two-way exchange of information and facilitate the consideration of industry views in AWI's strategic framework.
- To build awareness of AWI's business and activities, providing an understanding of what, how, and why AWI does what it does.
- To create, enhance and protect industry's trade and market access opportunities.
- To reduce obstacles to market access and commercial trade by working with government and key domestic and international stakeholders.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
Corporate Affairs: Ensure compliance with regulatory requirements.	Achieved. All regulatory reporting requirements completed.
Corporate Affairs: Voter participation rate increased, and budget at least maintained for next WoolPoll.	On track. Results available next year after WoolPoll 2015.
Corporate Affairs: Independent Review of Performance (ROP) appropriately reflects AWI business environment and improvement since previous ROP.	On track. Results available next year after the ROP is undertaken.
Industry Engagement: Facilitate improved two-way dialogue and understanding with State Farming Organisations (SFOs) and grower representative groups.	On track. Regular communication with SFOs undertaken and Woolgrower Industry Consultative Committee meetings held.
Industry Engagement: Measured positive change in industry and stakeholder awareness of AWI's activities and outcomes (evidenced through bi-annual stakeholder survey).	Progressing. Bi-annual stakeholder survey undertaken in November 2013. Woolgrowers' self-reported knowledge of AWI's activities is broadly similar to the surveys of 2011 and 2008. Findings show woolgrowers believe AWI does a good job of communicating with them.
Market Access: Develop and implement an integrated market access and trade strategy that underpins, complements and builds on investments in marketing and product development.	On track. Strategy developed and incorporated with other AWI activities to promote market access and international competitiveness.



STRATEGY 12: TRADE EDUCATION

Note: Aspects of this program were undertaken in conjunction with Strategy 8's Trade Engagement and Marketing Services program; refer page 37.

STRATEGY 12 RESOURCES DURING 2013/14

\$4,231,000 project expenditure + 11.3 AWI staff (full time equivalent)

INVESTMENT FOCUS

- Educational Resource Development. This will involve the updating and consolidating AWI trade manuals, including development of an online format for the manual and technical notes. Secondary school and tertiary education materials will also be updated and transferred to a digital format. AWI will continue to support retail and brand partners with relevant training materials and point of sale fact sheets and videos.
- Material Delivery. AWI will continue to provide training to trade participants, through individual mill visits and regular presentations, workshops and seminars.
- Trade Shows. AWI will continue to exhibit at the most influential trade shows that will support investment across our Off-Farm and Marketing areas. AWI's presence at trade shows provides an important source of leads for continual business development as well as the opportunity to support our trade partners.
- We will use these trade shows to affirm The Woolmark Company's role as a leading authority in the fashion and textile industry, through media coverage and B2B partner feedback (including post-trade show follow up).
- Delivery of The Wool Lab, by face-to-face and digital media.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
Operate under a fixed annual budget, maximise access to educational material across three levels of relevance (consumer, trade and manufacturing).	On track. AWI has continued to develop training and technical manuals to support industry throughout the supply chain.
Operating under a fixed annual budget maximise trade participants attaining certification.	On track.
Operating under a fixed annual budget, maximise trade visitors and leads from trade show exhibitions.	On track. AWI has implemented improved systems to attract, follow-up and report on visitors and leads at global trade shows.
Complete 350 presentations of The Wool Lab to pipeline businesses each year, achieving a minimum annual editorial value of €200,000 and a base revenue increase from €300,000 to €450,000 by 2016.	Achieved. More than 350 presentations to pipeline businesses (designers, manufacturers, etc) and more than 2500 swatches requests were generated (for potential business). Annual editorial value is worth more than €200,000.



STRATEGY 13: WOOLMARK

STRATEGY 13 RESOURCES DURING 2013/14

\$215,000 project expenditure + 14.4 AWI staff (full time equivalent)

INVESTMENT FOCUS

- Demonstrate through market research an increase in consumer understanding of the Woolmark brand as a wool content and quality symbol for textile products over the 3 year period.
- Improved Key Account Management processes, with partners having a clear service offer and improved satisfaction in their relationship with The Woolmark Company.
- A robust, skilled international network that successfully executes global and local marketing campaigns and product development initiatives.
- Authorisation of a network of independent, high-quality and reliable laboratories used for Woolmark testing globally.
- Respond appropriately to changing commercial drivers to ensure the ongoing relevance and applicability of Woolmark Specifications and Test Methods. This includes the development of new Specifications and Test Methods to support opportunities for new Woolmark product certification.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
During 2013 stabilise our licence numbers globally relative to 2012 levels. The international network will then grow licence numbers by 2% year on year.	On track. Licence numbers have stabilised in the past two years.
Increase the use of Woolmark, Woolmark Blend and Wool Blend tickets on end products by 5% year on year.	Not achieved. During 2012/13 there was a reduction in the number of tickets and labels supplied. In 2013/14 we have maintained better use of tickets and labels with only a marginal decline.
The Woolmark Company is positioned as the authority on wool and the leader in Merino wool innovation.	Achieved.
Maintain licensee revenue in real terms.	Achieved.
Consistent application of the three-stage quality control program (Acceptance testing, Quality Assurance testing and Retail sampling), demonstrated by the objective data obtained from AWI's authorised laboratories.	Progressing. Annual quality control testing with existing licensees is progressing. In 2013 AWI completed another retail sampling during autumn/winter with results showing a marked improvement in compliance to The Woolmark Company product specifications compared to the previous year.
Measurable improvement in the perception of the Woolmark as a quality symbol.	Progressing. Recognition of the Woolmark remained steady in key consumer markets tracked across years, with around 2-in-3 consumers claiming to recognise the symbol, and of these, 7-in-10 correctly associating it with wool, and 8-in-10 with quality. In 2013/14, the scope and frequency of brand and consumer surveying was increased, with two additional markets included (Russia and Germany), and a third within-year survey wave added (northern hemisphere Summer).



STRATEGY 14: CORPORATE SERVICES

STRATEGY 14 RESOURCES DURING 2013/14

\$1,251,000 project expenditure + 23.9 AWI staff (full time equivalent)

INVESTMENT FOCUS

- Stakeholder Engagement: This includes regional engagement events with woolgrowers, the AWI Helpline, *Beyond the Bale* magazine for stakeholders, and supply chain support in Australia.
- Finance: This strategic period will focus on consolidation and continual enhancements to the progress we made in providing a reliable and flexible business system that meets the requirements of the company in Australia and internationally.
- Information Technology: In this dynamic time, the role of IT is shifting and the desired outcomes are to balance the absolute need for stability and security with a more flexible 'ecosystem' that accounts for increased workforce mobility.
- Human Resources: Our goal is to have inclusive leaders who foster a culture of employee engagement and commitment by developing our current employees, recruiting strategically and providing a safe workplace. We achieve this by fostering a performance-based culture and delivering consistent HR advice, support and coaching to both managers and team members.
- Legal Services: AWI employs four lawyers across different parts of the organisation. Legal services are an integral support service for the businesses. The aim for this support service is to deliver high-quality and timely legal advice to business units at all times.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2013/14
Stakeholder Engagement: Undertake regional engagement events with woolgrowers and AWI shareholders.	Achieved. AWI has attended events across Australia to consult with and inform woolgrowers about AWI activities and to promote wool.
Stakeholder Engagement: Undertake grower and industry consultation on specific industry challenges and opportunities.	Achieved. Forums held on topics including animal health and welfare, challenges and opportunities in the pastoral zone, and young growers.
Stakeholder Engagement: Undertake liaison between AWI and the supply chain to assist the wool trade promote their business.	Achieved. Facilitation undertaken including organising visits by the overseas wool trade partners to Australian farms and providing sourcing information.
Finance: Ensure forward Contracts Reserve is sufficient to cover global contractual commitments on an annual basis.	Achieved.
Finance: Operating Reserves should be set each year end as the equivalent of 75% of operating cost for the next financial year.	Achieved.
Finance: Maintain emergency Reserve of \$5 million to cover our obligations under the EADRA.	Achieved.
IT: High availability of systems with no planned outages-at 99% stability.	Achieved. 99% uptime service-level agreement (SLA) met for major systems and networks. One breach of SLA (Network) for New York office due to the Hurricane Sandy event.
IT: Internal support task respond within defined internal service levels.	Partly achieved. 87% of support requests met within SLA; others impacted by external resources.
HR: Employee engagement survey undertaken, actions developed to target opportunities for improvement.	On track.
HR: Action learning leadership program successfully completed by potential future leaders.	On track.
HR: Paper based processes replaced by on-line electronic processes.	Achieved.
HR: Compliance with employment laws and statutory requirements in each jurisdiction.	Achieved.
Legal: Manage the Board's adherence to the Board and committee charters, the constitution, the Statutory Funding Agreement and other guiding documents.	Achieved. Adherence to all corporate governance commitments has been attained.
Legal: Continue to ensure AWI's commercial needs are reflected in its contracts, using wherever possible, a range of standard contract templates.	Achieved. AWI has developed contract policies and procedures, including standard contract templates.
Legal: Manage AWI's IP portfolio to ensure that AWI's IP assets are protected and commercialised in accordance with the IP policy.	Achieved. The legal and IP team provides commercial and legal advice in relation to IP and contracting globally.

GOOD BUSINESS

CORPORATE GOVERNANCE FRAMEWORK

Governance principles

The Board is committed to governance systems that enhance performance and ensure AWI operates legally and responsibly on all matters and maintains the highest ethical standards.

The key Board functions and responsibilities, as set out in the Board Charter, include:

- Oversight of the Company, including its control and accountability systems
- Appointing and removing the CEO (or equivalent), including determining the remuneration for the position
- Providing input into, and final approval of, management's development of corporate strategy, programs, policies and performance objectives
- Oversight of the implementation and performance of research and development and marketing programs and projects aimed at enhancing the long-term profitability of Australian woolgrowers
- Ensuring the Company has an appropriate corporate governance framework, that the Company operates in accordance with that framework, that it acts legally and responsibly on all matters and maintains the highest ethical standards
- Evaluating implementation of strategy, and programs to assess its effectiveness and continuing suitability
- Monitoring and evaluating financial and other reports to understand the health of the Company and identify the need for any follow up actions
- Approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures
- Reviewing and ratifying systems for risk management, internal compliance and control, codes of conduct and legal compliance
- Ensuring that the Company complies with all requirements under the Statutory Funding Agreement with the Commonwealth of Australia
- Appointing and, where appropriate, removing the Company Secretary or Company Secretaries
- Approving the appointment, terms and conditions and, where appropriate, removal of senior executives reporting to the CEO
- Ensuring appropriate resources are available to senior executives for achievement of the strategic and operational objectives
- Monitoring senior executives' performance and their implementation of strategy
- Providing transparent, balanced and accurate reporting of the Company's activities to shareholders
- Regularly evaluating its performance, including that of individual directors, to ensure it is functioning effectively and efficiently. The performance of the Board as a whole and its sub-committees will be reviewed annually and the performance of individual directors will be reviewed:
 - (a) annually by the Chairperson who will provide feedback on an individual basis; and
 - (b) biennially by self and peer evaluation.

Corporate governance documents

AWI corporate governance documentation is available on the AWI website at www.wool.com, and includes:

- AWI Constitution
- Statutory Funding Agreement 2013 – 2016
- Board Charter
- Charter of the Committees of the Board
- Board Nomination Committee Charter
- Code of Conduct and Business Ethics
- Corporate Governance Policy
- Conflicts of Interest Policy
- Communications Strategy
- Rules and Procedures Governing the Election of Directors

AWI continues to review and develop these documents on a regular basis to ensure they remain relevant to the Company and encapsulate the high standards Board and management are committed to achieving.

Conflict of interest policy

AWI endeavours to be recognised as an organisation committed to high ethical standards in business.

The Board acknowledges that transactions connected, directly or indirectly, to Directors and Officers may occur in the ordinary course of AWI's business since the Board includes members actively involved in the wool industry.

Therefore the Board has adopted a Code of Conduct and Business Ethics and a Board Charter to assist it to undertake decisions in an ethical and responsible way without being influenced by improper considerations, and to ensure that AWI's contracts are at arm's length commercial terms and are consistent with AWI's legal obligations.

Details of this policy and its implementation are available from AWI's Company Secretary.

Risk Management Policy and Framework

There are expectations by key stakeholders, including key business partners and financiers, that risk is being managed efficiently and effectively.

In addition, the Commonwealth Government requires AWI to have a Risk Management Plan and a Fraud Control Plan under the Statutory Funding Agreement.

Most importantly, a more formal approach to risk and opportunity management serves to enhance the quality of business decision-making and acts as another form of assurance of the quality of our operations and services.

Fraud Control Plan

AWI is committed to accountability and transparency in conducting its business.

The AWI Board believes that a strong corporate governance culture regarding fraud control is one of the cornerstones of this commitment and AWI's approach is to minimise the incidence of fraud and "other unethical behaviour" through the development, implementation and regular review of a range of fraud prevention and detection actions.

The desired outcome of this commitment is the elimination of fraud against AWI programs by staff and

other persons. AWI considers that this policy applies to all Directors, employees, agents and contractors.

AWI will consider all avenues to recover losses due to fraud against the Company. Staff may also face action for misconduct under AWI's Code of Conduct and Business Ethics, and restitution for any money or property lost through fraudulent activity will be pursued.

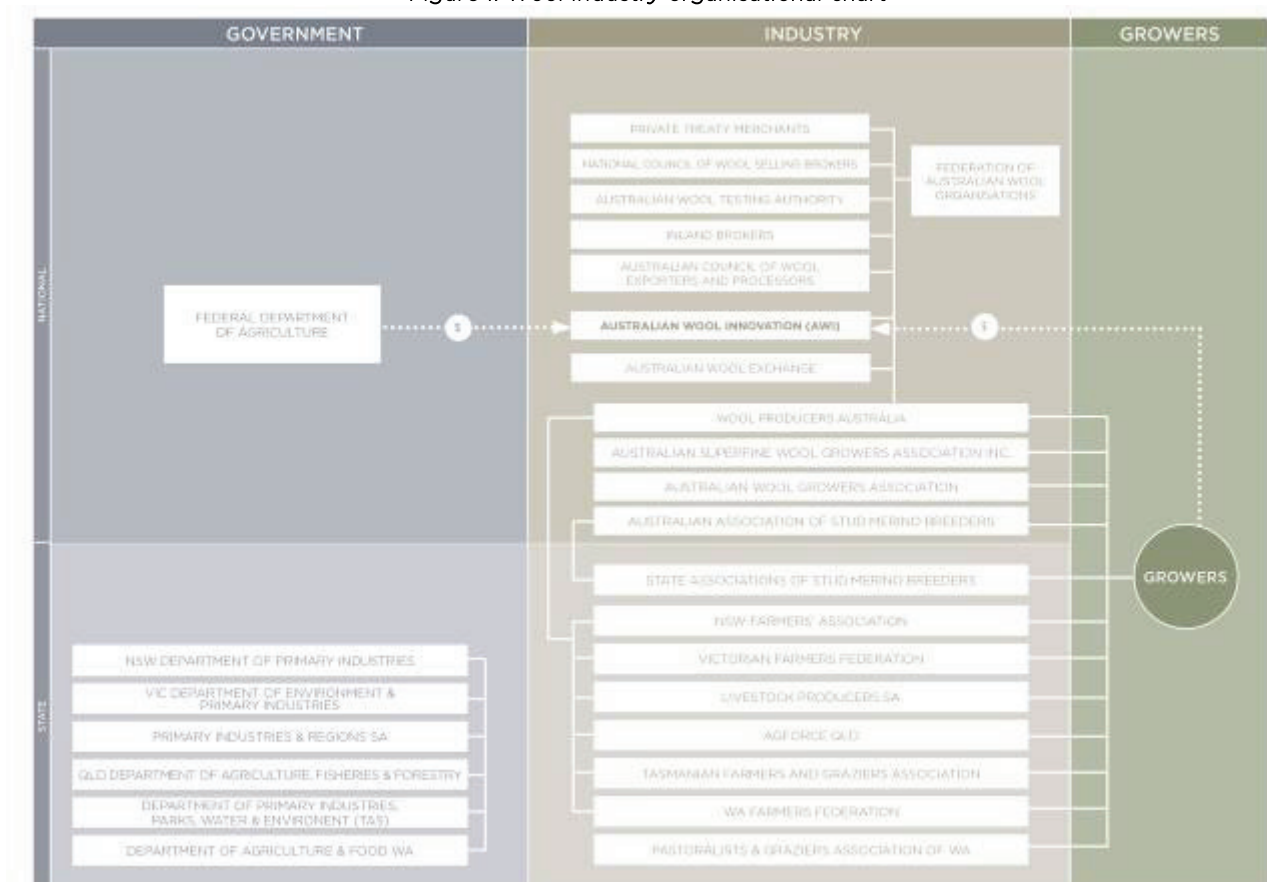
The main objective of the Fraud Control Plan is to minimise the risk of fraud against AWI. This objective is achieved through reference to the Commonwealth Fraud Control Guidelines including the adoption of the Australian Standard on Risk Management (ISO 31000-2009) and the Australian Standard on Fraud and Corruption Control (AS 8001-2008) to identify fraud risks and to develop and implement actions to manage those risks.

AWI'S STAKEHOLDER LINKS

The nature of the Australian wool industry is such that there is no one single organisation that represents all woolgrowers, nor one group that represents all domestic industry organisations (see Figure 1 below). This is in contrast to other rural industries and rural Research & Development Corporations (RDCs). Consequently, AWI's Statutory Funding Agreement (SFA) requires it to meet with key industry representative bodies at six-monthly intervals to review industry priorities for research, development and marketing (RD&M) investments and report to stakeholders on AWI's performance against the Strategic Plan and the Annual Operating Plan.

To ensure the views of AWI shareholders (woolgrowers and the Australian Government) and other key stakeholders are considered and incorporated in AWI's planning and operations, AWI has developed a comprehensive stakeholder engagement strategy. This strategy encompasses individual woolgrowers, woolgrower representative groups, domestic non-woolgrower industry organisations, and others right along the wool supply chain to retailers and consumers.

Figure 1: Wool industry organisational chart



Working in partnership with the wool industry

AWI's investment in on-farm R&D, off-farm R&D and marketing requires the company to consult a wide range of stakeholders along the supply chain – from woolgrowers to consumers. While AWI has a robust and broad-ranging consultative framework, engagement with woolgrowers remains a key priority.

In 2013/14 AWI continued to implement an industry engagement strategy to establish and nurture relationships with woolgrowers to improve awareness of AWI's activities, promote two-way exchanges of information, and ensure stakeholder views are incorporated into key corporate planning and activities.

The strategy also includes engaging supply chain partners who value and support AWI by partnering in business strategies that deliver benefits to the Australian wool industry. These relationships assist AWI in delivering market information and RD&M outcomes for Australian woolgrowers.

Examples by which AWI engaged stakeholders during 2013/14 include:

- Biannual Woolgrower Forums
- Woolgrower Industry Consultative Committee (ICC) meetings – containing delegates from the Australian Association of Stud Merino Breeders, Australian Superfine Wool Growers' Association, Australian Wool Growers Association, WoolProducers Australia, Pastoralists & Graziers Association (PGA) – Western Australia, a non-Merino breed representative. The Department of Agriculture is an observer of the ICC.
- Regular meetings of AWI advisory committees such as the Wool Sustainability Panel, Animal Welfare Forum, Wild Dog and Rabbit Advisory groups
- Numerous forums with woolgrowers in wool producing areas
- Trade, retailer and brand workshops
- Woolmark licensee workshops and meetings
- Meetings with manufacturers and media partners in key markets
- Communications such as the quarterly *Beyond the Bale* magazine, AWI's online newsletters and the AWI website (www.wool.com).

Further detail on AWI's consultation processes is shown in Figure 2 opposite.

Government partnership

In 2013/14 AWI continued to review and implement its government relations strategy to strengthen relationships with government stakeholders. As one of fifteen rural RDCs, AWI's engagement with the Australian Government is underpinned by the SFA, a contract which governs AWI's expenditure of levy and matching government funding for eligible R&D activities.

Examples by which AWI engaged government during 2013/14 are:

- regular interaction with the Australian Government through quarterly meetings, participation in government processes, and day-to-day discussions
- production of an SFA compliance report (in conjunction with the Department of Agriculture (DA)) to further demonstrate, on a six-monthly basis, the company's ongoing compliance with SFA requirements
- production of briefing packages for DA, including similar materials provided to the ICC and SFOs
- provision of six-monthly reports to a wide range of government stakeholders on key issues
- offering briefings on R&D and marketing activities and key issues to interested government stakeholders
- AWI's participation in Council of Rural Research and Development Corporations activities
- AWI's participation in the development strategies under the National RD&E Framework.

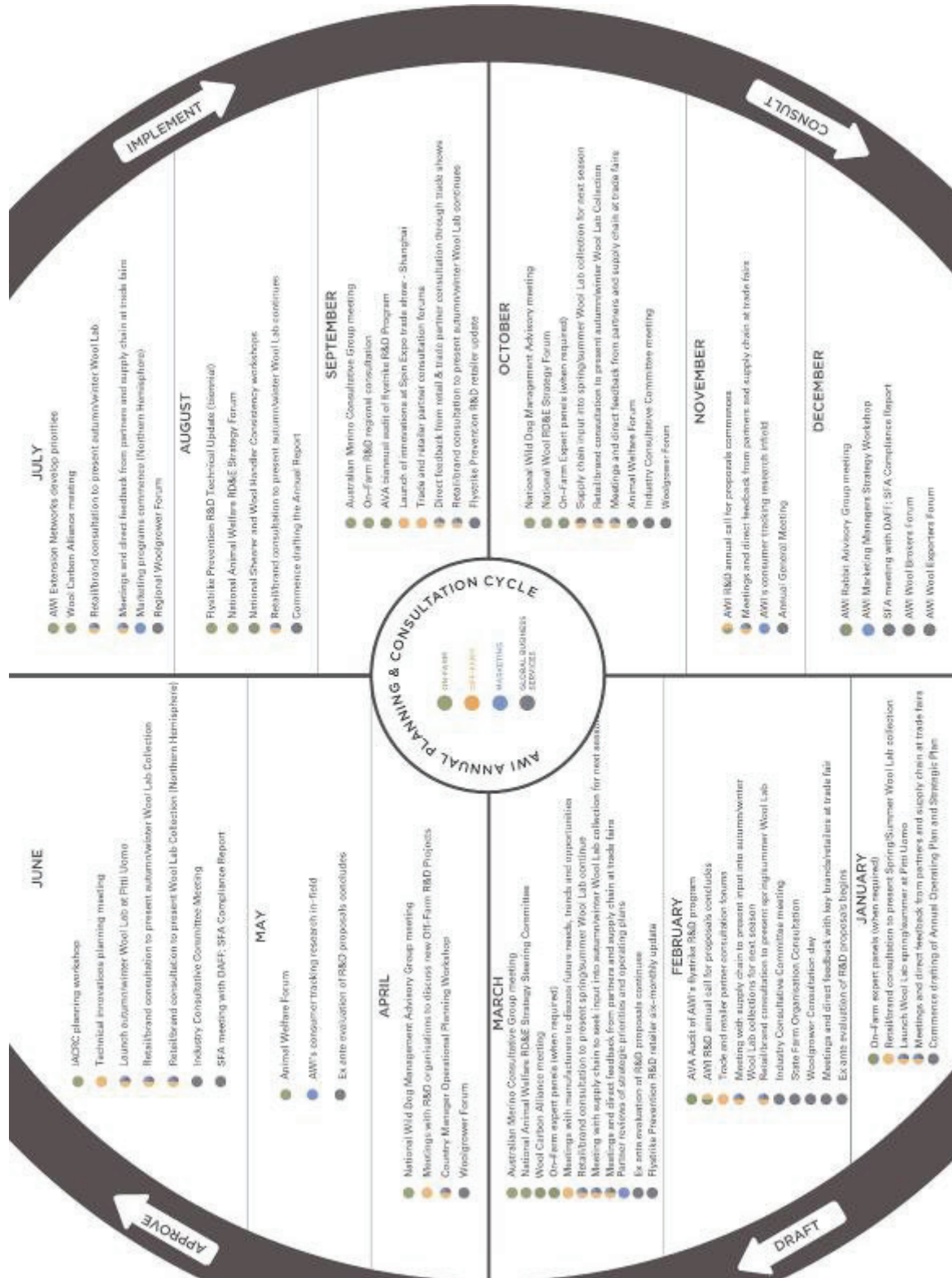
In 2013/14 AWI also engaged state government agencies at a corporate level, ensuring this important stakeholder group is aware of key operational issues and is updated on AWI's RD&M activities.

Partnership outcomes

As a result of its strong links with its stakeholders in 2013/14, AWI is strongly positioned to:

- support Australian woolgrowers to adapt to changing market conditions
- deliver R&D solutions that are responsive to industry and government needs
- provide a vital link between government and industry to ensure efficient and effective investment in R&D.

Figure 2: AWI's Annual Planning and Consultation Cycle

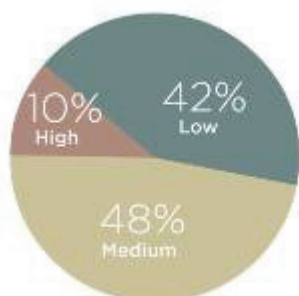


INVESTMENT BALANCE

AWI has a research, development and marketing (RD&M) investment portfolio that appropriately considers a balance between short-term and long-term, low-risk and high-risk, strategic and adaptive research needs, and includes consideration of regional variations across the industry.

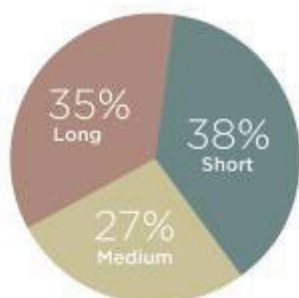
The following diagrams are indicative of the focus between risk and timing of benefits from AWI's RD&M investments.

Investment risk



The AWI investment portfolio is weighted towards low- and medium-risk programs. On-farm R&D strategies include much higher risk programs. Some marketing investments that are moving into the retail engagement phase are also viewed as higher risk. Low-risk investments are focused around delivery of established marketing programs.

Timing of benefits



The AWI portfolio is structured to deliver the majority of its benefits to Australian woolgrowers in the short to medium term. On-farm and Off-farm extension programs represent the majority of short-term benefits. Long-term benefits are generated from investments in Strategy 3 (Production Systems and Eco-Credentials) and Strategy 7 (Category Management).

MONITORING & EVALUATION FRAMEWORK

The AWI Framework for Monitoring and Evaluation, first developed in 2011, defines the evaluation logic and operational processes, and is publicly available through the AWI website. Our process is based on the principle of continuous improvement and refinement, as the evaluation framework and the tools and processes within adapt to the evolving needs of AWI and the greater industry we serve.

The core components of the Framework are the conduct of:

- AWI performance against the Strategic Plan
- Evaluation of investment proposals ('ex ante' evaluation)
- Evaluation of completed programs of investment ('ex post' evaluation)
- Reviews of active projects and programs.

Specific tools have been developed to assist with the evaluation processes, and some of these are noted in the Framework document.

Completed external reviews of AWI investment programs are made available through the AWI website, and include evaluations of investments in on-farm and off-farm research and development portfolios, and marketing programs.

Operational implementation of the evaluation process promotes a culture of robust, collaborative review and improvement within AWI, and provides findings which can be used to refine decision-making processes at all levels within AWI, and thereby empower AWI staff.

Value summaries are prepared for all programs included under the Strategic Plan. The summaries articulate the key performance indicators and enable investment performance against set targets to be determined.

AUDIT

AWI continues to maintain a strong focus on accountability and on its internal control environment. It engages the services of the following leading professional services firms:

PricewaterhouseCoopers is engaged annually to conduct the external audit and report to shareholders.

Ernst & Young, PricewaterhouseCoopers and **WHK Howarth** provide specific advice on taxation and other related matters pertaining to AWI and The Woolmark Company, as required.

GOVERNMENT FUNDING AND RESEARCH PRIORITIES

The Australian Government is a major investor in AWI, collecting and disbursing statutory levies and providing taxpayer funds for eligible industry research, development and extension (RD&E) activities. As the wool industry's rural Research and Development Corporation (RDC), AWI is the Australian Government's primary vehicle for funding innovation in the wool industry.

National RD&E Framework

AWI's plan for RD&E delivery is an element of the National RD&E Framework, an Australian Government initiative to ensure the efficiency and effectiveness of RD&E. The initiative is delivering strategies for all agricultural sectors including wool, and cross sector strategies including animal welfare, biosecurity and climate change. The RDCs, State Government agencies, CSIRO and universities are all signatories to the initiative.

AWI participates in the National RD&E Framework through its support of the implementation of several strategies sitting under the framework in partnership with other RDCs: National Animal Welfare RD&E Strategy, Climate Change Research Strategy for Primary Industries (CCRSPI), National Animal Biosecurity RD&E Strategy, and its own sector strategy, the National Wool RD&E Strategy.

National Wool RD&E Framework

AWI, the Department of Agriculture and Food Western Australia and NSW Department of Primary Industries continue to lead the implementation of the National Wool RD&E Strategy.

In 2013/14, progress was slow, and focused on two initiatives:

1. the Deakin University-led "Fibre Quality: market requirements" project, which arose from NRD&E-Wool consultation process, and seeks to aggregate and review published and unpublished (so-called 'grey' literature) fibre quality research. This project also involves AWTA, University of New England, CSIRO, among others.
2. AWI also contributed to the "Blueprint for Extension" Review, with MLA and other parties. This review was presented at the National RD&E Forum conducted in May 2014, and effort will be on-going in 2014/15, potentially involving other industry sectors.

Under the existing strategy's links to the National Animal Welfare RD&E Strategy, AWI funded a community attitudes survey with the Australian Meat Processor Corporation and Australian Pork Limited.

No annual Wool RD&E researcher forum was conducted in 2013/14, and instead the lead R&D agencies (NSW DPI and DAFWA) have conducted meetings and are developing a Business Plan for presentation to AWI in the first half of 2014/15.

R&D collaboration during 2013/14

R&D collaboration with other organisations during 2013/14 made AWI investments more efficient and effective by reducing duplication, maximising leverage and providing a greater platform for adoption. Collaboration, especially with other RDCs, also helped AWI and the collaborating parties address the Government's National Research Priorities (NRPs) and Rural Research and Development Priorities (RRDPs) - see the section below.

AWI has a demonstrated history of collaborating on R&D projects with other members of the RDC family.

During 2014/14, around one in every four dollars that AWI invested in on-farm R&D was invested in collaboration with another RDC. This number does not include in-kind contributions from RDCs, nor cash contributions from other parties such as DPIs, and so is a conservative indication of the amount of collaboration undertaken by AWI.

AWI was involved during 2013/14 in a significant number of on-farm R&D collaborations with RDCs and other research bodies such as government departments of agriculture, industry organisations, CSIRO, universities and commercial partners.

Major collaborations during 2013/14 included:

- ParaBoss, a suite of three products developed to help producers manage blowflies, worms and lice (with the CRC for Sheep Industry Innovation, MLA and leading Australian parasitologists and veterinarians)
- helping to overcome predation by wild dogs, and helping to develop new control options for rabbits (with the Invasive Animals CRC and other organisations)
- Sheep Genetics, which is enabling breeders to achieve higher rates of genetic gain (with MLA)
- EverGraze, which is helping high rainfall producers increase the profitability of grazing systems (with the Future Farm Industries CRC and MLA)
- shearer and wool handler training with Registered Training Organisation providers around Australia
- Making More From Sheep, which is the best practice manual plus ongoing workshops for sheep producers (with MLA)
- Extension activities with state and regional based organisations and departments of agriculture, including BESTWOOL/BESTLAMB (Vic), Sheep Connect NSW, The Sheep's Back (WA), Bestprac (Pastoral), Sheep Connect SA, Leading Sheep (Qld) and Sheep Connect Tasmania.

Research priorities

While AWI's R&D and marketing priorities are determined by woolgrowers as identified by industry through AWI's Annual Planning and Consultation Cycle, AWI must also take into account the Australian Government's National Research Priorities (NRPs) and Rural Research and Development Priorities (RRDPs) in setting its R&D investments in addition to other directives and priorities the Government communicates to AWI.

National Research Priorities

The Government's NRPs focus on key areas of social, economic and environmental importance to Australia, where a whole-of-government focus has the potential to improve research and broader policy outcomes.

The priorities are:

- promoting and maintaining good health
- an environmentally sustainable Australia
- safeguarding Australia
- frontier technologies for building and transforming Australian industries.

Further information about the NRPs is available on the Department of Agriculture website: www.daff.gov.au.

Rural Research and Development Priorities

The Government's RRDPs are intended to make the national innovation effort more coordinated, efficient and effective, and better position Australia's agricultural, fisheries, forestry and food industries to maintain a competitive edge in the face of economic and climatic challenges.

The RRDPs and related objectives are:

- Productivity and Adding Value: Improve the productivity and profitability of existing industries and support the development of viable new industries.
- Supply Chain and Markets: Better understand and respond to domestic and international market and consumer requirements and improve the flow of such information through the whole supply chain, including to consumers.
- Natural Resource Management: Support effective management of Australia's natural resources to ensure primary industries are both economically and environmentally sustainable.
- Climate Variability and Climate Change: Build resilience to climate variability and adapt to and mitigate the effects of climate change.
- Biosecurity: Protect Australia's community, primary industries and environment from biosecurity threats.
- Innovation Skills: To improve the skills to undertake research and apply its findings.
- Technology: To promote the development of new and existing technologies.

Further information about the RRDPs is available on the Department of Agriculture website: www.daff.gov.au.

Alignment of AWI investment to Government research priorities

The table below summarises how investment undertaken by AWI during 2013/14 aligns with the NRPs and RRDPs.

ALIGNMENT OF AWI INVESTMENT TO GOVERNMENT RESEARCH PRIORITIES			
National Research Priorities (NRP)	Rural Research & Development Priorities (RRDP)		TOTAL
Promoting and Maintaining Good Health (including strengthening Australia's social & economic fabric)	Productivity and Adding Value	\$'000 %	10,331 14%
	Supply Chain and Markets	\$'000 %	53,542 73%
An Environmentally Sustainable Australia	Natural Resource Management	\$'000 %	1,717 2%
	Climate Variability and Climate Change	\$'000 %	931 1%
Safeguarding Australia	Biosecurity	\$'000 %	2,600 4%
Frontier Technologies for Building and Transforming Australian Industries	Innovation Skills and Technology (supporting RRDPs)	\$'000 %	4,668 6%
TOTAL (external)		\$'000	73,790

INTELLECTUAL PROPERTY

AWI has a portfolio of intellectual property (IP) assets comprising patents, plant breeders' rights, trademarks, registered design, business names, copyright, domain names, unregistered/confidential know-how. Some of these assets are owned jointly with other organisations, including Government departments, statutory corporations, CSIRO and commercial R&D companies.

In addition to the above IP assets, AWI is the beneficial owner of all IP assets owned by The Woolmark Company Pty Limited (TWC) and its associated entities. These include the WOOLMARK logo, WOOLMARK BLEND logo and WOOL BLEND logo which are registered in more than 90 countries across multiple classes of goods.

IP is an important company asset. AWI's objective is to control and manage its IP to the maximum benefit of Australian woolgrowers by ensuring rapid, widespread adoption or commercialisation of its IP along the wool supply chain.

AWI seeks to develop revenue from IP and invest it back into R&D and marketing on behalf of woolgrowers.

Royalty income from IP assets owned by AWI (excluding TWC assets) contributed \$100,381.79 to the 2013/2014 income being royalties received from 2011/2012. Income earned from the 2012/2013 royalties will not be realised until midway through the 2013/2014 financial year.

IP ASSETS OWNED BY AWI AND ITS ASSOCIATED ENTITIES

This is a list of registered IP owned by AWI (including TWC) or in which AWI has an interest, as at 30 June 2014:

PATENTS (registered in Australia and overseas)

* Treatment of sheep to reduce flystrike

PATENTS (registered overseas - not in Australia)

* Leg restraint for use in treating or shearing animals * Head restraint for use in treating or shearing animals * Heated Garment System * Docking mechanism for use in treating and shearing animals * semi automated manipulator for manual shearing

REGISTERED DESIGNS (registered in Australia and overseas)

* Breech Clip * Dog Bone Clip * Hockey Stick Clip

TRADEMARKS (registered in Australia & overseas)

* Australian Wool Innovation * Cool Wool * Circle Logo * Flyboss * Liceboss * Merino Active * Merino Perform * MerinO2 * merinotouch * merinotravel * OPTIM * Red Island * Sam The Lamb * Superior Merino * Superior Merino Blend * Pure Merino Wool * awi & Swirl Device * Australian Wool Innovation & Swirl Device * Wooldscience * Wormboss

TRADEMARKS (registered in Australia - not overseas)

* Bestprac * FutureFleece * Licesense * Making More from Sheep * Merino Innovation * SGP * Timerite * Woolcheque * Woolpoll

TRADEMARKS (registered overseas - not in Australia)

*Arcana * Arnhem Land * Born To Be Worn * Gold Woolmark * Heartmark * IWS * Laine Superlavable * Merino Extrafine Wool * merinofresh * Merino Rich * merinocool * merinoeasyclean * Merion Exelana * Merinomini * Mother and baby device * Neva-Shrink * No Finer Feeling * Posh Merino * Pure New Wool * Siroset * Solospun * Sportwool * Sleep in Merino * Super Crimp * Super S * Superlavabile * Superlavabile superwash * Superwash * Take Comfort In Wool * Total Easy Care * Vivalana * Wollsiegel * Wool in heart * Wool Plus * Wool Rich Blend * Wool the Heart of a Good Carpet * Wool Plus * wooldscientific * Wool Runs On Grass

TRADEMARKS (registered globally)

* Woolmark * Woolmark Blend * Wool Blend * Australian Merino

PLANT VARIETIES (registered in Australia - not overseas)

* Cefalu Clover * Balansa Clover-Bolta * Balansa Clover-Frontier * Barrel Medic-Caliph * Barrel Medic-Jester * Barrel Medic-Scimitar * Biserrula-Mauro * Burr Medic-Cavalier * French Serradella-Cadiz * French Serradella-Margurita * French Serradella-Erica * Grazplan * Lucerne-Aquarius * Lucerne-Eureka * Lucerne-Genesis * Lucerne-Hallmark * Lucerne-Sceptre * Lucerne-Sequel * Lucerne-Venus * Melilotus-Jota * Mitchell Grass-Turanti * Mitchell Grass-Yanda * Persian Clover-Lusa * Persian Clover-Nitroplus * Phalaris-Atlas * Phalaris-Australian II * Phalaris-Holdfast * Phalaris-Landmaster * Serradella-Charano * Serradella-Santorini * Serradella-Yelbini * Strand Medic-Toreador * Subterranean Clover-Coolamon * Subterranean Clover-Denmark * Subterranean Clover-Gosse * Subterranean Clover-Goulburn * Subterranean Clover-Izmir * Subterranean Clover-Leura * Subterranean Clover-Mintaro * Subterranean Clover-Napier * Subterranean Clover-Riverina * Subterranean Clover-Urana * Subterranean Clover-York * Sulla-Moonbi * Sulla-Wilpena * Wallaby Grass-Bunderra * Wallaby Grass-Taranna

NEW IP LODGED OR ACQUIRED IN 2013/2014

TRADEMARKS (registered in Australia & overseas)

*Australian Merino Wool device * Tested by Nature, Tested by Us

Note: the term 'registered' is used to describe an asset that is either registered or where an application for registration has been filed.

FINANCIAL REPORT

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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 2014.

Directors

The following persons were directors of Australian Wool Innovation Limited during the financial year and up to the date of this report:

Mr W B Merriman (Chairman)
 Mr P Cocking (elected 22 November 2013)
 Mr G B S Falkiner (until 22 November 2013)
 Mr R J Fletcher (until 22 November 2013)
 Ms C Garnsey
 Mr J Morgan (elected 22 November 2013)
 Dr M L Sheil
 Mr B P van Rooyen
 Mr D A A Webster

Principal activities

Australian Wool Innovation Limited is a not-for-profit company. Its principal activity as recorded in its adopted strategic plan is to drive research, development, innovation and marketing that will increase the long term profitability of Australian woolgrowers and the Woolmark brands. To achieve this mission, the Group receives funding from the Commonwealth Government of Australia by way of a statutory wool levy imposed upon Australian woolgrowers and a capped research and development matching fund contribution. Funding is also generated from revenue in respect of the Woolmark certification and ordinary trademark annual licence fees.

Review of operations and results

	2014 \$'000	2013 \$'000
Revenue	68,639	69,257
Profit / (loss) from continuing operations	(14,324)	(6,264)

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

There has been no matter or circumstance which has arisen since 30 June 2014 that has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

By actively and efficiently marketing wool and its attributes through investments in marketing and R&D - from farm to fashion and interiors - AWI aims to achieve its goal of increasing the demand for wool. Pursuant to the result of WoolPoll 2012 and following AWI's extensive planning and consultation cycle, AWI has developed a new three-year Strategic Plan in which there is a 60%:40% split in expenditure between marketing and R&D programs. AWI will pursue stronger and more strategically driven programs. Specifically, in its on-farm R&D, AWI will target fewer programs with greater impact. Secondly, in the off-farm area, AWI will assess markets for investment more strictly on their potential yield for Australian woolgrowers. Thirdly, AWI will simplify and align its marketing activities to address three core, pervasive trends:

1. "Natural" issues becoming important in consumers' purchasing decisions.
2. The rapid emergence of developing countries as the consumers of luxury goods.
3. The continuing 'disconnect' between the consumer of luxury fashion and the fibre it is made from.

AWI will continue to operate in a cost effective manner.

Directors' report (continued)

Company secretary

The Company Secretary is Mr Jim Story BA, LLB, FGIA.

Meetings of directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2014, and the numbers of meetings attended by each director were:

Director	Meetings of Committees							
	Full meetings of directors		Finance & Audit		Remuneration & Appointments		Science & Welfare	
	A	B	A	B	A	B	A	B
Mr W B Merriman	8	8*	7	7	3	3	7	7
Mr P Cocking (elected 22 November 2013)	4	4	-	-	-	-	4	4
Mr G B S Falkiner (until 22 November 2013)	4	3	3	3	-	-	3	3
Mr R J Fletcher (until 22 November 2013)	4	4	3	1	-	-	-	-
Ms C Garnsey	8	8	-	-	3	3*	-	-
Mr J Morgan (elected 22 November 2013)	4	4	4	4	-	-	-	-
Dr M L Sheil	8	8	-	-	-	-	7	6*
Mr B P van Rooyen	8	8	7	7	3	3	7	7
Mr D A A Webster	8	8	7	7*	3	3	7	7

A = number of meetings held during the time the director held office or was a member of the committee during the year

B = number of meetings attended

* = denotes Chairman as at 30 June 2014

Chairmanship

Mr W B Merriman was reappointed Chairman of the Board on 22 November 2013.

Mr R J Fletcher resigned as Chairman of the Board on 22 November 2013.

Mr G B S Falkiner resigned as Chairman of the Science & Welfare Committee on 22 November 2013.

Dr M L Sheil was appointed Chairman of the Science & Welfare Committee on 13 January 2014.

Insurance of officers

During the financial year, Australian Wool Innovation Limited paid a premium to insure directors and officers of the Group. The insurance policy specifically prohibits disclosure of the nature and liability covered and the amount of the premium paid.

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*.

Non-audit services

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

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in note 22.

Dividends Paid

AWI's Constitution does not allow the company to pay any dividend.

Environmental regulation

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

Statutory funding agreement obligations

In addition to annual reporting requirements, there are further reporting requirements imposed upon the parent company under the Statutory Funding Agreement between Australian Wool Innovation Limited and The Commonwealth of Australia.

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.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 64.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and 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.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

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



Mr W B Merriman (Chairman)
Director

Sydney
22 August 2014

Auditor's Independence Declaration

As lead auditor for the audit of Australian Wool Innovation Limited for the year ended 30 June 2014, 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
22 August 2014

Financial Report – 30 June 2014

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This financial report covers the consolidated financial statements of the consolidated entity consisting of Australian Wool Innovation Limited and its controlled entities as listed in note 25 to the financial report. The financial report is presented in Australian dollars.

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 30, 580 George Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on page 61, which is not part of this financial report.

The financial statements were authorised for issue by the directors on 22 August 2014. The directors have the power to amend and reissue the financial statements.

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

Consolidated statement of comprehensive income

For the year ended 30 June 2014

		Consolidated	
	Notes	2014 \$'000	2013 \$'000
Revenue from continuing operations			
Operating revenue	3	65,009	64,620
Other revenue	3	3,630	4,637
		68,639	69,257
Other income / (loss)	4	823	(180)
Expenses			
Project expenditure	6	(54,012)	(47,070)
International Network	6	(9,611)	(8,441)
Global marketing	6	(5,330)	(5,403)
On-farm research & development	6	(1,444)	(1,584)
Off-farm research & development	6	(3,393)	(2,602)
Corporate services	6	(9,885)	(10,089)
Profit / (loss) before income tax		(14,213)	(6,112)
Income tax expense	7	(111)	(152)
Profit / (loss) from continuing operations		(14,324)	(6,264)
Profit / (loss) for the year		(14,324)	(6,264)
Other comprehensive income			
Exchange differences on translation of foreign operations	20	269	259
Total comprehensive income for the year		(14,055)	(6,005)
Total comprehensive income for the year is attributable to:			
Members of Australian Wool Innovation Limited		(14,055)	(6,005)

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

Consolidated balance sheet

As at 30 June 2014

		Consolidated	
	Notes	2014 \$'000	2013 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	7,382	19,320
Trade and other receivables	10	13,560	13,225
Inventories	11	16	17
Held-to-maturity investments	9	73,500	74,000
Total current assets		94,458	106,562
Non-current assets			
Property, plant and equipment	12	1,521	1,718
Intangible assets	13	10,000	10,000
Other non-current assets	14	359	363
Total non-current assets		11,880	12,081
Total assets		106,338	118,643
LIABILITIES			
Current liabilities			
Trade and other payables	15	14,753	12,066
Deferred income	16	7,490	8,287
Total current liabilities		22,243	20,353
Non-current liabilities			
Provisions	17	564	556
Other non-current liabilities	18	185	333
Total non-current liabilities		749	889
Total liabilities		22,992	21,242
Net assets		83,346	97,401
EQUITY			
Contributed equity*	19	-	-
Reserves	20	635	366
Retained earnings	20	82,711	97,035
<i>Capital and reserves attributable to owners of Australian Wool Innovation Limited</i>		83,346	97,401
Total equity		83,346	97,401

*As at 30 June 2013 and 2014 contributed equity in the consolidated entity was \$100.

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

Consolidated statement of changes in equity

For the year ended 30 June 2014

	Notes	Attributable to owners of Australian Wool Innovation Limited			Total equity \$'000
		Contributed equity* \$'000	Reserves \$'000	Retained earnings \$'000	
Balance at 1 July 2012		-	107	103,299	103,406
Profit/(loss) for the year	20	-	-	(6,264)	(6,264)
Other comprehensive income	20	-	259	-	259
Total comprehensive income for the year		-	259	(6,264)	(6,005)
Balance at 30 June 2013		-	366	97,035	97,401
Balance at 1 July 2013		-	366	97,035	97,401
Profit/(loss) for the year	20	-	-	(14,324)	(14,324)
Other comprehensive income	20	-	269	-	269
Total comprehensive income for the year		-	269	(14,324)	(14,055)
Balance at 30 June 2014		-	635	82,711	83,346

*As at 30 June 2013 and 2014 contributed equity in the consolidated entity was \$100.

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

Consolidated statement of cash flows

For the year ended 30 June 2014

	Notes	Consolidated	
		2014 \$'000	2013 \$'000
Cash flows from operating activities			
Levy, license, government grant and other receipts (inclusive of goods and services tax)		69,857	70,439
Payments to suppliers and employees (inclusive of goods and services tax)		(85,354)	(77,752)
		(15,497)	(7,313)
Interest received		3,627	4,699
Income taxes paid		(111)	(152)
Net cash (outflow) from operating activities		(11,981)	(2,766)
Cash flows from investing activities			
Payments for property, plant and equipment	12	(492)	(511)
Proceeds from sale of property, plant and equipment		-	1
Redemption of held-to-maturity investments		500	8,692
Net cash inflow from investing activities		8	8,182
Net (decrease) increase in cash and cash equivalents		(11,973)	5,416
Cash and cash equivalents at the beginning of the financial year		19,320	14,521
Effects of exchange rate changes on cash and cash equivalents		35	(617)
Cash and cash equivalents at end of year	8	7,382	19,320

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

30 June 2014

NOTE 1: Summary of significant accounting policies

Australian Wool Innovation Limited is a company limited by shares, incorporated and domiciled in Australia and is a not-for-profit company.

The nature of the Group's operations and principal activities are described in the Directors' Report.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Australian Wool Innovation Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Australian Wool Innovation Limited is a not-for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with Australian Accounting Standards Reduced Disclosure Requirements

The consolidated financial statements of the Australian Wool Innovation Limited Group comply with Australian Accounting Standards Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

(ii) Historical cost convention

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

(iii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Estimates and judgements 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.

The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(1) Estimated impairment of the Woolmark certification trademarks

The Group tests annually whether the value of \$10,000,000 allocated to the Woolmark certification trademarks has suffered any impairment, in accordance with the accounting policy stated in note 1(h). These calculations require the use of assumptions regarding the separately identifiable future cash inflows relating to the brand, estimates of future costs required to support the brand and discount rates. Management determined budgeted cash flows based on license fees billed for the coming year and budgeted costs based on past performance and expectations for the future.

(2) Provisions

The Group has provided for make good costs per note 17 of the Financial Report. These estimates have been made in accordance with the accounting policy note 1(q).

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Australian Wool Innovation Limited ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Australian Wool Innovation Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of comprehensive income and balance sheet 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.

The effects of all transactions between entities in the consolidated entity are eliminated in full.

NOTE 1: Summary of significant accounting policies (continued)

(c) Foreign currency translation

(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.

(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 consolidated statement of comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (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 consolidated income statement and consolidated statement of comprehensive income 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 in other comprehensive income.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Wool levies and government grants are brought to account when received or receivable from the Federal Government. Reasonable assurance that the Commonwealth Matching Funds grant will be received occurs when the Group complies with all conditions outlined in the Statutory Funding Agreement.

Invoiced licence fees are deferred as a liability on the balance sheet and brought to account as revenue over the period of the licence.

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

Revenue for the sale of goods is recognised when goods have been delivered to a customer and the risks and rewards of ownership have transferred to the customer.

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

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

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Notes to the financial statements

30 June 2014

(continued)

NOTE 1: Summary of significant accounting policies (continued)

(e) Income tax (continued)

Australian Wool Innovation Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. Australian Wool Innovation Limited is not a party to the tax consolidated Group as it is exempt from tax.

(f) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (net of any incentives received from the lessor) and are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

(g) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition-date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(h) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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. As a not for profit organisation, value in use may be assessed on the basis of depreciated replacement costs for a similar asset. 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).

(i) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, floating rate notes, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for doubtful debts) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is doubtful. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

NOTE 1: Summary of significant accounting policies (continued)

(k) Inventories

Inventories are stated at the lower of cost and net realisable value in the balance sheet. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Investments and other financial assets

Classification

The Group classifies its financial assets in the following categories: loans and receivables and held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

Recognition and derecognition

Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

(m) Property, plant and equipment

All assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Purchases of property, plant and equipment costing less than \$2,000 are expensed in the year of acquisition.

Depreciation is calculated on a straight line basis to write off the net cost 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:

Buildings	10-20 years
Plant and equipment	2-10 years
Leasehold improvements	10 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1 (h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Notes to the financial statements

30 June 2014

(continued)

NOTE 1: Summary of significant accounting policies (continued)

(n) 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.

(o) Intangible assets

(i) Research and development

Research expenditure is recognised as an expense as incurred.

(ii) Trademarks and licences

This represents the Woolmark certification trademarks acquired by the Group. The Woolmark is well established and is expected to generate cash inflows for the Group for an indefinite period. Therefore the certification trademarks are carried at cost without amortisation, but are tested for impairment in accordance with note 1(h).

(p) Trade and other payables

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

(q) Provisions

Provisions for make good obligations and restructuring are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(r) Employee benefits

(i) Short-term obligations

Liabilities for wages, salaries and annual leave expected to be settled within 12 months of the reporting date plus overseas pension benefits are recognised in other payables and are measured at the amounts expected to be paid when the 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-term employee benefit obligations

The liability for long service leave is recognised in provisions 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.

The provision for employee entitlements includes on costs of superannuation, payroll tax and workers compensation.

(s) Dividends

AWI's Constitution does not allow the company to pay any dividend.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

(u) Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(v) Parent entity financial information

The financial information for the parent entity, Australian Wool Innovation Limited, disclosed in note 28 has been prepared on the same basis as the consolidated financial statements, except investments in subsidiaries which are recorded at cost in the financial statements of Australian Wool Innovation Limited.

NOTE 2: Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange, other price risks and aging analysis for credit risk.

Risk management is carried out by Head Office Finance under policies approved by the board of directors. Head Office Finance identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations.

The Group's foreign exchange management policies include wherever possible creating natural hedges with the collection of licence income in the same currencies as the expenditure being incurred. The Group also purchased foreign exchange contracts during the year to minimise the exposure to fluctuations in the currency markets based on a proportion of budgeted cash flows.

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from cash and term deposit investments. The company's investment policy is to maintain a prudent and conservative investment profile that is risk averse.

(b) Credit risk

The Group has no significant concentrations of credit risk and credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Customers risk rating is assessed by the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings and compliance with credit limits by customers is regularly monitored by management.

Australian Wool Innovation Limited's investment policy is conservative and designed to minimise principal, interest rate and currency risk.

Risk of principal amounts invested is minimised by only investing in deposits with Standard & Poor's ratings AAA, AA+, AA and AA- for long term and A.1+ for short term.

Risk of loss due to adverse interest rate movements is minimised by investing in term deposits for terms per the AWI investment policy.

Wherever possible funds invested are held in Australian dollars thereby minimising any foreign exchange risk.

The Group has policies in place to ensure that customers have an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and having funding available. Head Office Finance aims at maintaining flexibility in funding by keeping funds on call and term deposits with regular rolling maturity dates. The Group manages liquidity risk by continually monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Given the cash reserves available borrowing facilities are not required.

(d) Fair value measurements

The net fair value of cash and cash equivalents, other financial assets and financial liabilities approximate their carrying values.

Notes to the financial statements

30 June 2014

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NOTE 3: Revenue

	Consolidated	
	2014	2013
	\$'000	\$'000
From continuing operations		
<i>Operating revenue</i>		
License fees	6,935	6,093
Government contribution	12,970	13,293
Sale of goods and services	211	381
Royalties	1,522	1,068
Wool levy	43,309	43,745
Other	62	40
	65,009	64,620
<i>Other revenue</i>		
Rents and sub-lease rentals	229	192
Interest	3,401	4,445
	3,630	4,637
	68,639	69,257

NOTE 4: Other income / (loss)

	Consolidated	
	2014	2013
	\$'000	\$'000
Net foreign exchange gains / (loss)	823	(180)

NOTE 5: Expenses

	Consolidated	
	2014	2013
	\$'000	\$'000
<i>Depreciation and amortisation</i>		
Buildings	70	70
Property, plant and equipment	440	285
Leasehold improvements	240	189
Total depreciation and amortisation	750	544
Rental expense relating to operating leases	2,202	1,803
Defined contribution superannuation expense	1,269	1,098

NOTE 6: Research, development and marketing expenditure

	2014			2013		
	External costs \$'000	Internal costs \$'000	Total \$'000	External costs \$'000	Internal costs \$'000	Total \$'000
International Network	-	9,611	9,611	-	8,441	8,441
Global marketing	29,268	5,330	34,598	24,457	5,403	29,860
On-farm research & development	17,294	1,444	18,738	14,727	1,584	16,311
Off-farm research & development	7,450	3,393	10,843	7,886	2,602	10,488
	54,012	19,778	73,790	47,070	18,030	65,100
Corporate services	-	9,885	9,885	-	10,089	10,089
Total RDI expenditure	54,012	29,663	83,675	47,070	28,119	75,189

'External costs' represent costs directly relating to individual projects and programs. 'Internal costs' are the cost of staff who manage those projects and programs, their related expenses and other operating expenses.

Internal costs

	Consolidated	
	2014 \$'000	2013 \$'000
Contractor, legal and professional fees expenses	2,648	3,274
Employee expenses	18,359	16,542
Infrastructure expenses	4,562	3,506
Travel expenses	1,205	1,547
Other expenses from ordinary activities	2,889	3,250
	29,663	28,119

NOTE 7: Income tax expense

	Consolidated	
	2014 \$'000	2013 \$'000
(a) Income tax expense		
Current tax	113	147
Deferred tax	(2)	-
Adjustments for current tax of prior periods	-	5
	111	152
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit / (loss) from continuing operations before income tax expense	(14,213)	(6,112)
Tax at the Australian tax rate of 30% (2013 - 30%)	(4,264)	(1,834)
Tax exempt under section 50-40 of the <i>Income Tax Assessment Act 1997</i>	-	(2,869)
Tax losses and temporary differences not brought to account	4,381	4,866
Differences in overseas tax rates	(1)	(16)
Adjustments for current tax of prior periods	(5)	5
Income tax expense	111	152

The Group has not recognised deferred tax assets relating to tax losses or temporary differences arising from loss making operations as it is not probable that the benefits will be realised. The parent entity is tax exempt.

Notes to the financial statements

30 June 2014

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NOTE 8: Current assets – Cash and cash equivalents

	Consolidated	
	2014	2013
	\$'000	\$'000
Cash at bank and in hand	7,382	19,320

Further details of cash and cash equivalents are set out in note 9.

NOTE 9: Current assets – Held-to-maturity investments

	Consolidated	
	2014	2013
	\$'000	\$'000
Term deposits	73,500	74,000

Cash and cash equivalents (note 8) and held-to-maturity investments are represented as follows:

Unrestricted	36,482	53,720
Restricted as security against guarantees issued by the company's bankers ^(a)	2,500	2,500
Forward contract commitments ^(b)	15,900	10,300
Emergency funds ^(c)	5,000	5,000
Operating funds ^(c)	21,000	21,800
	80,882	93,320

- (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) A reserve of \$15.9 million has been created to cover contracted forward commitments.
- (c) The directors resolved in September 2007 to set aside \$5 million as emergency funds to cover any contingent expenditure arising from the Wool industry's obligation under the Emergency Animal Disease Response Agreement. Operating funds represent nine months of AWI operating costs to cover unexpected cessation of levy and grant revenue.

NOTE 10: Current assets – Trade and other receivables

	Consolidated	
	2014 \$'000	2013 \$'000
Net trade receivables		
Trade receivables	4,741	4,411
Provision for doubtful receivables	(13)	(85)
	<u>4,728</u>	<u>4,326</u>
Net other receivables		
Commonwealth matching funds and wool levy accruals	5,374	6,017
Other receivables	2,773	2,403
	<u>8,147</u>	<u>8,420</u>
Prepayments		
Insurance	60	75
Other	625	404
	<u>685</u>	<u>479</u>
	<u>13,560</u>	<u>13,225</u>

NOTE 11: Current assets – Inventories

	Consolidated	
	2014 \$'000	2013 \$'000
Raw materials - at cost	16	17

Notes to the financial statements

30 June 2014

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NOTE 12: Non-current assets - Property, plant and equivalent

	Leasehold buildings \$'000	Freehold land \$'000	Plant and equipment \$'000	Leasehold improvements \$'000	Total \$'000
At 1 July 2012					
Cost or fair value	551	425	5,043	1,586	7,605
Accumulated depreciation	(373)	-	(4,522)	(872)	(5,767)
Net book amount	178	425	521	714	1,838
Year ended 30 June 2013					
Opening net book amount	178	425	521	714	1,838
Exchange differences	-	-	10	(7)	3
Acquisition of subsidiary	(178)	178	-	-	-
Additions	-	-	510	1	511
Assets included in a disposal group classified as held for sale and other disposals	-	-	(90)	-	(90)
Depreciation charge	-	(70)	(285)	(189)	(544)
Closing net book amount	-	533	666	519	1,718
At 30 June 2013					
Cost or fair value	-	976	5,386	1,586	7,948
Accumulated depreciation	-	(443)	(4,720)	(1,067)	(6,230)
Net book amount	-	533	666	519	1,718
Year ended 30 June 2014					
Opening net book amount	-	533	666	519	1,718
Exchange differences	-	-	(11)	1	(10)
Acquisition of subsidiary	-	-	61	-	61
Additions	-	-	502	-	502
Depreciation charge	-	(70)	(440)	(240)	(750)
Closing net book amount	-	463	778	280	1,521
At 30 June 2014					
Cost or fair value	-	976	5,507	1,574	8,057
Accumulated depreciation	-	(513)	(4,729)	(1,294)	(6,536)
Net book amount	-	463	778	280	1,521

NOTE 13: Non-current assets – Intangible assets

	Certification trademarks \$'000	Total \$'000
At 1 July 2012		
Cost	10,000	10,000
Accumulated amortisation and impairment	-	-
Net book amount	10,000	10,000
Year ended 30 June 2013		
Opening net book amount	10,000	10,000
Amortisation charge	-	-
Closing net book amount	10,000	10,000
At 30 June 2013		
Cost	10,000	10,000
Accumulated amortisation and impairment	-	-
Net book amount	10,000	10,000
Year ended 30 June 2014		
Opening net book amount	10,000	10,000
Amortisation charge	-	-
Closing net book amount	10,000	10,000
At 30 June 2014		
Cost	10,000	10,000
Accumulated amortisation and impairment	-	-
Net book amount	10,000	10,000

A value of \$10,000,000 is allocated to the Woolmark certification and ordinary trademarks and based on a review of the current operations to date and intentions for future use, the directors are satisfied that no impairment of the carrying value has arisen since acquisition.

The Woolmark certification and trademarks, with an indefinite expected useful life, are expected to generate cash flows over an indefinite period of time.

The directors are committed to providing market research to support the profile of the certification and the trademarks.

The directors strive to build the reputation of the Woolmark certification and trademarks to consolidate its brand recognition globally.

NOTE 14: Non-current assets – Other assets

	Consolidated	
	2014 \$'000	2013 \$'000
Lease deposits	359	363

Notes to the financial statements

30 June 2014

(continued)

NOTE 15: Current liabilities - Trade and other payables

	Consolidated	
	2014	2013
	\$'000	\$'000
Trade payables	6,999	3,019
Other payables	4,259	3,529
Project payables and accruals	3,495	5,518
	<u>14,753</u>	<u>12,066</u>

NOTE 16: Current liabilities - Deferred income

	Consolidated	
	2014	2013
	\$'000	\$'000
Unearned license income	7,470	8,267
Unearned sub-lease income	20	20
	<u>7,490</u>	<u>8,287</u>

NOTE 17: Non-current liabilities - Provisions

	Consolidated	
	2014	2013
	\$'000	\$'000
Long service leave	391	383
Make good - 580 George St	173	173
	<u>564</u>	<u>556</u>

NOTE 18: Non-current liabilities - Other

	Consolidated	
	2014	2013
	\$'000	\$'000
Lease incentive - 580 George St fitout	185	333

The lease incentive will decrease on a straight line basis as a reduction of the lease expense over the 8 year lease term.

NOTE 19: Contributed equity

	2014	2013	2014	2013
(a) Share capital	Shares	Shares	\$	\$
Ordinary shares - fully paid	37,462	37,462	100	100

(b) Movements in ordinary share capital

There was no movement in ordinary share capital during the year

Date	Details	Number of shares	\$
1 July 2012	Opening balance	37,462	100
1 July 2013	Opening balance	37,462	100
30 June 2014	Closing balance	37,462	100

(c) Ordinary shares

A person has a right to one share in the Company if the Board is satisfied that their rolling wool levy or wool tax contribution is \$100 or more during the 3 previous financial years or the person is engaged in a wool producing business, as defined by the Company's constitution. This right does not entitle the shareholder to participate in any profit distributions or in any proceeds on the winding up of the entity. Where a person fails to satisfy these share criteria the share is returned to and held by the Company.

(d) Shareholder statistics

Details	30 June 2014	30 June 2013
Australian Capital Territory	87	85
New South Wales	9,722	9,941
Northern Territory	1	1
Queensland	769	833
South Australia	4,409	4,478
Tasmania	719	714
Victoria	6,040	6,139
Western Australia	4,157	4,324
	25,904	26,515

The prior period has been restated to include shareholders with no votes.

NOTE 20: Reserves and retained earnings

	Consolidated	
	2014	2013
	\$'000	\$'000
(a) Other reserves		
Foreign currency translation	635	366
Movements:		
Foreign currency translation		
Balance 1 July	366	107
Currency translation differences arising during the year	269	259
Balance 30 June	635	366

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(c) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Notes to the financial statements

30 June 2014

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NOTE 20: Reserves and retained earnings (continued)

	Consolidated	
	2014	2013
	\$'000	\$'000
(b) Retained earnings		
Retained surplus at the beginning of the financial year	97,035	103,299
Net surplus attributable to the shareholders of Australian Wool Innovation Limited	(14,324)	(6,264)
Retained surplus at the end of the financial year	82,711	97,035

NOTE 21: Key management personnel disclosures

	Consolidated	
	2014	2013
	\$	\$
(a) Key management personnel compensation		
Non-executive directors		
Short-term employee benefits	591,776	601,542
Post-employment benefits	54,739	55,163
	646,515	656,705
Other key management personnel		
Short-term employee benefits	1,862,140	1,895,819
Post-employment benefits	172,637	170,554
Termination benefits	18,957	3,041
	2,053,734	2,069,414

The key management personnel of Australian Wool Innovation Limited includes those executives who have the authority and responsibility for offices of the company, either directly or indirectly, being 9 individuals.

The above key management personnel compensation table includes both non executive directors and other key management personnel amounts for the period in which they held a key management personnel position.

Compensation includes salaries, wages, superannuation and other employee provisions paid, payable or provided to or on behalf of Australian Wool Innovation Limited.

(b) Remuneration principles and policies

(i) Principles used to determine the nature and amount of remuneration

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 from time to time, the Group has structured an executive remuneration framework that is market competitive, attracts and retains high calibre executives and is complementary to the reward strategy of the organisation.

(ii) 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 by the Board. The Chairman's fees are determined independently to the fees of directors based on comparative roles in the external market. Both the Chairman and 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.

NOTE 21: Key management personnel disclosures (continued)

(b) Remuneration principles and policies (continued)

(iii) 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 non cash 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 in Australia and per overseas jurisdictions, 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.

As at 30 June 2014, funds amounting to \$5,608 have been advanced to the Chief Executive Officer to cover travel and entertainment costs.

(iv) 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 share options or termination conditions in excess of six months.

(c) Details of remuneration

(i) Non executive Directors of Australian Wool Innovation Limited

2014 Name	Short-term employee benefits		Post-employment benefits	Total
	Directors' base fees paid	Committee fees paid	Superannuation	
	\$	\$	\$	\$
Mr W B Merriman	118,490	20,736	12,878	152,104
Mr P Cocking	35,794	3,549	3,639	42,982
Mr R J Fletcher	37,028	3,086	3,711	43,825
Mr G B S Falkiner	24,685	8,023	3,026	35,734
Ms C Garnsey	59,245	8,209	6,240	73,694
Mr J Morgan	35,794	3,549	3,639	42,982
Dr M L Sheil	59,245	9,473	6,356	75,074
Mr B P van Rooyen	59,245	20,736	7,398	87,379
Mr D A A Webster	59,245	25,644	7,852	92,741
Total	488,771	103,005	54,739	646,515

2013 Name	Short-term employee benefits		Post-employment benefits	Total
	Directors' base fees paid	Committee fees paid	Superannuation	
	\$	\$	\$	\$
Mr W B Merriman	116,281	20,349	13,321	149,951
Mr R J Fletcher	87,211	9,436	8,698	105,345
Mr G B S Falkiner	58,140	18,895	6,933	83,968
Ms C Garnsey	58,140	5,887	5,762	69,789
Dr M L Sheil	58,140	7,268	5,887	71,295
Mr B P van Rooyen	58,140	20,349	7,064	85,553
Mr D A A Webster	58,140	25,166	7,498	90,804
Total	494,192	107,350	55,163	656,705

Notes to the financial statements

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NOTE 22: Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2014	2013
	\$	\$
(a) Audit services		
Audit fees – domestic	157,850	154,800
Audit fees – international	76,179	88,632
Other assurance services	72,429	8,220
Total remuneration for audit and other assurance services	306,458	251,652
(b) Non-audit services		
Tax compliance services	34,902	36,991
Advisory services	84,618	153,824
Total remuneration of network firms of PwC Australia	119,520	190,815
Total auditors' remuneration	425,978	442,467

NOTE 23: Commitments

(i) *Research, development and marketing*

	Consolidated	
	2014	2013
	\$'000	\$'000
Commitments payable in relation to research, development and marketing	16,315	15,902

(ii) *Non-cancellable operating leases*

	Consolidated	
	2014	2013
	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	1,889	1,854
Later than one year but not later than five years	868	2,213
Later than five years	106	-
	2,863	4,067

The group leases various offices under non-cancellable operating leases expiring within two to eight years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

NOTE 24: Related party transactions

(a) Parent entities

The parent entity of the Group is Australian Wool Innovation Limited.

(b) Directors

The names of persons who were directors of the company at any time are as follows: W B Merriman, P Cocking, G B S Falkiner, R J Fletcher, C Garnsey, J Morgan, M L Sheil, B P van Rooyen, and D A A Webster.

(c) Subsidiaries

Interests in subsidiaries are set out in note 25.

(d) Remuneration

Disclosures relating to directors and key management personnel remuneration are set out in note 21.

(e) Other transactions with directors and key management personnel or entities related to them

(i) Loan transactions and balances

As at 30 June 2014, funds amounting to \$5,608 have been advanced to the Chief Executive Officer to cover travel and entertainment costs.

(ii) Other transactions and balances

No director, or director related entity entered into a contract or had any other transactions other than normal terms and conditions with Australian Wool Innovation Limited during the year ended 30 June 2014.

(f) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2014	2013
	\$	\$
<i>Sales of goods and services</i>		
Sales of services relating to marketing and wool testing activities to key management personnel of the entity*	8,365	12,041
<i>Purchases of goods</i>		
Purchases of goods and services relating to marketing and wool testing activities from key management personnel of the entity*	253,818	238,932

*For the period in which they held a key management personnel position.

(g) Outstanding balances arising from sales or purchases of services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	Consolidated	
	2014	2013
	\$	\$
Current receivables (sales of goods and services)		
Key management personnel of the entity	-	7,224
Current payables (purchase of goods)		
Key management personnel of the entity	80,650	6,626

Notes to the financial statements

30 June 2014

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NOTE 25: Controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2014 %	2013 %
Subsidiaries controlled by Australian Wool Innovation Ltd:				
Woolmark Holdings Pty Limited	Australia	Ordinary	100	100
Woolshare Nominees Pty Limited	Australia	Ordinary	100	100
Subsidiaries controlled by Woolmark Holdings Pty Ltd:				
The Woolmark Company Pty Ltd	Australia	Ordinary	100	100
Australian Merino Pty Ltd	Australia	Ordinary	100	100
Subsidiaries controlled by The Woolmark Company Pty Ltd:				
Woolmark International Pty Ltd	England	Ordinary	100	100
IWS Nominee Company Limited	England	N/A	100	100
Woolmark (Americas) Inc.	USA	N/A	100	100
Stichting International Wool Secretariat	Netherlands	N/A	100	100
Osterreichischer Wollsiegel Verband des Internationalen Vollsekretariates	Austria	N/A	100	100
Wollsiegel Verband	Germany	N/A	100	100
Woolmark (Italy) SRL	Italy	Ordinary	100	100
The Woolmark Company (HK) Limited	Hong Kong	Ordinary	100	100
The Woolmark (Shanghai) Company Limited	China	Ordinary	100	100
Woolmark Services India Private Limited	India	Ordinary	100	100

NOTE 26: Economic dependency

Australian Wool Innovation Limited is dependent upon the receipt of Wool Levy and Matching Funds from the Commonwealth Government per Schedule 1 of the Statutory Funding Agreement between Australian Wool Innovation Limited and The Commonwealth of Australia.

NOTE 27: Events occurring after the reporting period

There were no events occurring after the balance sheet date which are known to the company or its directors.

NOTE 28: Parent entity financial information**(a) Summary financial information**

The individual financial statements for the parent entity show the following aggregate amounts:

	2014 \$'000	2013 \$'000
Balance sheet		
Current assets	85,703	98,373
Non-current assets	70,104	49,350
Total assets	155,807	147,723
Current liabilities	8,688	7,709
Non-current liabilities	749	888
Total liabilities	9,437	8,597
Net assets	146,370	139,126
<i>Shareholders' equity</i>		
Retained earnings	139,126	129,562
	139,126	129,562
Profit or loss for the year	7,244	9,564
Total comprehensive income	-	-

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2014 or 30 June 2013.

Directors' declaration

30 June 2014

In the directors' opinion:

- (a) the financial statements and notes set out on pages 65 to 89 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 consolidated entity's financial position as at 30 June 2014 and of its performance for the 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, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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



Mr W B Merriman (Chairman)
Director

Sydney
22 August 2014

Independent auditor's report

30 June 2014

Independent auditor's report to the members of Australian Wool Innovation Limited

Report on the financial report

We have audited the accompanying financial report of Australian Wool Innovation Limited (the company), which comprises the balance sheet as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Australian Wool Innovation Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

Auditor's opinion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.



PricewaterhouseCoopers



Peter Buchholz
Partner

Sydney
22 August 2014

REPORT ON COMPLIANCE WITH THE SFA

As a demonstration of AWI's transparency and good governance, AWI is including in this annual report, the report below by PricewaterhouseCoopers regarding AWI's compliance with the Statutory Funding Agreement between the Commonwealth of Australia and AWI, and the efficacy of AWI's accounting systems, processes and controls during the 2013/14 financial year.

To the Directors of Australian Wool Innovation Limited

Report on compliance with the Statutory Funding Agreement

We have performed assurance procedures with regards to the compliance and operating effectiveness of Australian Wool Innovation Limited (the Company) with the requirements of section 6 (Application of the Funds) and 7 (Management of the Funds) of the Statutory Funding Agreement dated 20 June 2013 (the "Agreement") between the Commonwealth of Australia (the "Commonwealth") and the Company, as measured by the criteria outlined in Sections A and B below.

Use of Report

This report has been prepared for the Directors of Australian Wool Innovation Limited in accordance with the Agreement. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the directors of Australian Wool Innovation Limited, or for any purpose other than that for which it was prepared.

A. Reasonable Assurance on Compliance with the Agreement

Respective Responsibilities

Management of the Company are responsible for compliance with the Agreement as measured by clauses 6 and 7 of the Agreement. Our responsibility is to express a conclusion on compliance with the Agreement as measured by the clauses 6 and 7 of the Agreement, in all material respects.

Our audit has been conducted in accordance with applicable Standards on Assurance Engagements (ASAE 3100 *Compliance Engagements*) to provide reasonable assurance that Australian Wool Innovation Limited has complied with the Agreement as measured by the criteria in clauses 6 and 7 of the Agreement for the year ended 30 June 2014.

Our procedures included examining, on a sample basis, information to provide evidence supporting the compliance with clauses 6 and 7 of the Agreement. These procedures have been undertaken to form a conclusion as to whether Australian Wool Innovation Limited has complied in all material respects, with the Agreement, as measured by clauses 6 and 7 of the Agreement for the period from 1 July 2013 to 30 June 2014.

Inherent Limitations

Because of the inherent limitations of any internal control framework, it is possible that fraud, error or non compliance may occur and not be detected. An audit is not designed to detect all instances of non compliance with the Agreement as measured by clauses 6 and 7 of the Agreement, as an audit is not performed continuously throughout the period and the audit procedures performed in respect of compliance with the Agreement as measured by clauses 6 and 7 of the Agreement are undertaken on a test basis. The audit conclusion expressed in this report has been formed on the above basis.

Conclusion

In our opinion, Australian Wool Innovation Limited has complied, in all material respects, with clauses 6 and 7 of the Agreement for the period from 1 July 2013 to 30 June 2014.

REPORT ON COMPLIANCE WITH THE SFA (continued)

B. Limited assurance regarding operating effectiveness of accounting systems, processes and controls

Respective Responsibilities

Management of the Company are responsible for the efficacy of the accounting systems, processes and controls to comply with paragraph 7.1 of the Agreement. Our responsibility is to express a conclusion regarding the operating effectiveness of the accounting systems, procedures and controls in accordance with the requirements of paragraph 7.1 of the Agreement.

Our review has been conducted in accordance with applicable Standards on Assurance Engagements (ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*) to provide limited assurance that Australian Wool Innovation Limited has complied with the Agreement as measured by paragraph 7.1 of the Agreement. Our procedures included examining, on a sample basis, information to provide evidence supporting the operating effectiveness of the accounting systems, processes and controls with paragraph 7.1 of the Agreement. These procedures have been undertaken to form a conclusion, that nothing has come to our attention that causes us to believe that the systems, processes and controls related to the management of funds were not operating effectively, in all material respects, in accordance with the requirements of paragraph 7.1 of the Agreement for the period from 1 July 2013 to 30 June 2014.

Inherent Limitations

Because of the inherent limitations of any internal control framework, it is possible that fraud, error or non compliance may occur and not be detected.

A review is not designed to detect all weaknesses in operating effectiveness as measured by paragraph 7.1 of the Agreement as it is not performed continuously throughout the period and tests performed are on a sample basis. Also, a review does not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Any projection of the evaluation of the effectiveness of accounting systems, processes or controls to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the degree of compliance with them may deteriorate.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accounting systems, processes and controls of Australian Wool Innovation Limited related to the management of funds, were not operating effectively, in all material respects, in accordance with the requirements of paragraph 7.1 of the Agreement for the period from 1 July 2013 to 30 June 2014.



PricewaterhouseCoopers



Peter Buchholz
Partner

Sydney
22 August 2014

PROJECT LIST 2013/14

This list contains details of AWI projects in which costs incurred during 2013/14 totalled more than \$120,000 for each project.

The cost figures (in the right-hand columns) include both contract and ancillary payments. The costs in this list represent 'external costs' to suppliers directly related to the projects and not the 'internal costs' of AWI staff who manage those projects and other operating expenses.

This project list does not form part of the audited financial reports.

ON-FARM R&D PROJECTS

Project title	Key providers*	\$ Paid in 2013/14
Accelerating Pastoral Innovations	Rural Directions Trust	120,380
Achieving Low Cost Artificial Insemination with Frozen Ram Semen	University of Sydney	184,620
Aerial Baiting for Wild Dogs	NSW Department of Primary Industries	162,000
Analgesia for Sheep	CSIRO; Meat & Livestock Australia Ltd; University of Sydney	404,522
Australian Pasture Greenbank	Minister for Agriculture, acting through SARDI	142,697
BESTWOOL/BESTLAMB 2011-2014	Department of Environment & Primary Industries	252,450
Breech Flystrike Prevention Liquid Nitrogen	Steinfort Agvet Pty Ltd	354,995
Breeding Breech Flystrike Resistance	CSIRO Manufacturing & Infrastructure; Department of Agriculture WA; University of Western Australia	850,867
Community Wild Dog Control Initiative	Various	613,010
CSIRO Carbon Credentials	CSIRO Food & Nutritional Services	125,404
Development On Farm Extension	Creative Promotions Pty Ltd; Hay Inc	149,895
Dicyclanil Resistance Survey	Department of Trade & Investment	227,273
EverGraze IV 2012-2014	Future Farm Industries CRC	534,084
Fibre Quality; Market Requirements	Deakin University	170,117
Histone Deacetylase Target in Blowfly	CSIRO Food & Nutritional Services	232,500
Invasive Animals CRC Contribution 2012-13 to 2016-17	Invasive Animals Ltd	578,000
Improving Producer Confidence in Wheat-Sheep Zone	CSIRO Manufacturing & Infrastructure	176,086
Lifetime Productivity Program	AJ & BC Swain; Australian Merino Sire Evaluation; NSW Department of Primary Industries; The University of New England	198,085
Making Clover Pastures Resistant to Phytophthora	The University of Western Australia	120,881
Making More from Sheep Phase 2	Meat & Livestock Australia Ltd	601,568
National Merino Challenge Pilot	BF&FL Watts t/a Bralca; Ian E Ware t/a Australia Public Address	238,369
NSW DPI Grazing Management	NSW Department of Primary Industries	180,612

*The key providers indicated for each project are listed in alphabetical order. The list of providers is not necessarily a complete list of all providers for the project.

ON-FARM R&D PROJECTS (continued)

Project title	Key providers*	\$ Paid in 2013/14
On Farm Publications & Promotions	Various	199,800
Pasture Legumes in Mixed Farming Zones	Murdoch University	281,097
Phosphorus Efficient Pasture Systems	Meat & Livestock Australia Ltd	295,584
Reproduction Management Training Package IV	Rural Industries Skill Training Centre	495,450
Shearer and Woolhandler Training Portfolio	SCAA Shearer Woolhandler Training; TAFE NSW - Riverina; TAFE NSW Western Institute; TAFE SA; Tectura Australia Pty Ltd	2,203,093
Sheep Blowfly Genome Project	University of Melbourne	192,789
Sheep Connect South Australia 2011-2014	Primary Industries & Regions SA	183,792
Sheep Connect Tasmania 2012-2015	University of Tasmania	152,286
Sheep CRC2 Information Nucleus Flock - Design	CRC for Sheep Industry Innovation	303,747
Sheep CRC2 Information Nucleus Flock - Operations	CRC for Sheep Industry Innovation	294,500
Sheep CRC2 Postgraduate Training	CRC for Sheep Industry Innovation	150,000
Sheep Genetics MERINOSELECT 2014-15	Meat & Livestock Australia Ltd	256,603
State Wild Dog Co-ordinators Stage 2	NSW Farmers Association	194,877
The Sheep's Back 2011-14	The Trustee for The Ritchie Family	173,001
Vic DPI Phosphorous Work	Department of Environment & Primary Industries;	158,593
Wild Dog Co-ordinator	Department of Environment & Primary Industries; Agforce Queensland	349,816
Wild Dog Management in Australia	Department of Agriculture	125,000

*The key providers indicated for each project are listed in alphabetical order. The list of providers is not necessarily a complete list of all providers for the project.

OFF-FARM R&D PROJECTS

Project title	Key providers*	\$ Paid in 2013/14
Development of Premium Products with Commonwealth of Independent States (CIS) Manufacturing Partners	Russia-Europe Textile Alliance	225,087
Development of Training & Education Packages	Language First Corporation Ltd; Yantai Nanshan University	221,640
Functional Innovations for Merino Wool	Deakin University	168,646
Global Categories - AW14/15 & SS15	Messe Frankfurt Medien & Service; Various	172,916
Global Interiors - AW14/15 & SS15	Decorex International; Messe Frankfurt (HK) Ltd; Messe Frankfurt Venue GmbH	130,513
Global Premium Partnership	Fabrizio Servente	310,460
Milano Unica - AW14/15 & SS14	Urban Production Srl	199,143
Pitti Uomo, Filati & Bimbo Trade Fairs	Pitti Immagine Srl; Quibos Srl	165,192
Premiere Vision, Paris - AW14/15	GL Event Services; Premiere Vision Sa	233,215
Sleep Research & Manual	Royal Melbourne Inst of Technology; University of Sydney	143,848
The Wool Lab - Off Farm	Riccardo Rami Studio SRL	1,378,740
Trade Education Content Production	Sodus Pty Ltd	149,399
Trade Imagery	Press Box Pty Ltd; Sodus Pty Ltd	124,905
Trade Vietnam Fashion Event	Newday Media Ltd	142,009
Training & Education Asia	Various	173,761
Training & Education Europe	Various	139,657
Vietnam - New Supply Chain Development	Dr Tran Van Quyen	272,845
Wool4Skool Education Program	Pacific Magazines Pty Ltd;	141,391
Woolmark.com Website Development	Episerver AB; Prue Carstairs	187,513

*The key providers indicated for each project are listed in alphabetical order. The list of providers is not necessarily a complete list of all providers for the project.

MARKETING PROJECTS

Project title	Key providers*	\$ Paid in 2013/14
2014 Sydney Royal Easter Show	Royal Agricultural Society of NSW	163,481
Alexander Wang	Alexander Wang; Box Services LLC; Conde Nast Publications	479,753
Ambassador Program - No Finer Feeling and Alessandro Del Piero	Stefano Del Piero	349,508
Anne Geddes Calendar Project	Geddes Group Holdings Pty Ltd	150,000
Apparel Care Co-Branded Business-to-Business Collateral	Parkland Co; The Trustee for Saada Family trust	145,520
Asia Trade Communications	Various	180,756
Asia Woolmark Consumer	Mike Da Silva & Associates	169,945
British GQ: Celebrating 25 Years	The Conde Nast Publications Ltd	247,671
Campaign Creative Directions	SEC Creative Ltd;	123,498
Campaign for Wool 2013-2015	Arter; Creativa 360; Mission Media; Les Publications Conde Nast SA; The Campaign for Wool Ltd; Urban Productions Srl	3,211,316
Campaign for Wool Fashion Show	Urban Productions Srl	209,815
Conde Nast Italy Partnership	Edizioni Conde Nast Spa	453,696
Cool Wool 2012/2013	ClassPublicita S.P.A; Lowe Profero; The Conde Nast Publications Ltd	146,418
Cool Wool 2013/2014	Chief Productions Ltd; Conde Nast Publications Ltd; Itochu Fashion System Co. Ltd; Various	2,346,188
Creative Services Provider	Host Consult Pty Ltd; Press Box Pty Ltd; Sodus Pty Ltd	193,214
Designer/Ambassador Program Vogue	The Conde Nast Publications Ltd	247,537
Established Designers Program	LAB & Co Pty Ltd; Roland Mouret	154,737
Europe Trade Communications	Various	141,913
Global Fashion Events	Museum of Contemporary Art; LAB & Co Pty Ltd	129,940
Global PR Agencies - Australia	Annelinde Juliette Rossman	137,692
Global PR Agencies - Japan	Itochu Fashion System Co. Ltd	153,387
Global PR Agencies - UK	Neville McCarthy Associates Ltd	123,430
Global PR Agencies - USA	HL Group	170,224
Greater China & Gold Woolmark	Beijing Fashion Expo co. Ltd; Cerruti 1881 t/a Trinity International; Data Driven Marketing Asia; Gieves & Hawkes;	2,239,592
Harpers Bazaar Media Partnership	Hearst Communications Inc, USA	259,488
Industry Support Local	Camilla & Mark Operations Pty Ltd; Flamingo Park Pty Ltd	148,650
International Fibre Advocacy	R.Peter Ackroyd Ltd	241,419
International Media Tour	Various	227,926

*The key providers indicated for each project are listed in alphabetical order. The list of providers is not necessarily a complete list of all providers for the project.

MARKETING PROJECTS (continued)

Project title	Key providers*	\$ Paid in 2013/14
International Woolmark Prize - Asia	Alaud Pty Ltd; Conde Nast Publications Ltd; ffiXXed	327,028
International Woolmark Prize - Australia	Alaud Pty Ltd; CE Sales Pty Ltd; Liz Matthews PR Ltd; Various	920,612
International Woolmark Prize - Europe	Rahual Mishra Designs Pvt Ltd; Sibling; Urban Production Srl	873,804
International Woolmark Prize - India	Bespoke Company Ltd; Rahual Mishra Designs Pvt Ltd;	171,589
International Woolmark Prize - USA	Altuzarra; The Council of Fashion Designers of America Inc	324,248
Italian Industry & Wool Lab Strategy	Fabrizio Servente	129,705
London Collections: Men AW14/15	Anderson & Sheppard Ltd; Chief Productions Ltd; Richard James Commerce Ltd	127,644
L'Uomo Vogue Australian Issue	Edizioni Conde Nast Spa; News Life Media Pty Ltd	124,364
Media Collaboration - Merino Wool	Chief Productions Ltd	223,607
Media Monitoring	Digital Media Research r.s.l.; iSentia Pty Limited	149,490
Media Strategy Planning & Placement	Diane Almond Marketing Ltd	209,936
Merino No Finer Feeling - Consumer Advertising Asia	Conde Nast Publications Ltd; Itochu Fashion Systems Ltd; News Life Media Pty Ltd	229,777
Merino No Finer Feeling - Consumer Advertising China	Conde Nast Publications Ltd;	149,228
Merino No Finer Feeling - Consumer Advertising Europe	Conde Nast Publications Ltd; Mediacom Holdings Ltd	229,783
Merino No Finer Feeling - Consumer Advertising USA	Conde Nast Publications Ltd; Dow Jones & Company Inc; The New York Times Company	273,228
Merino - The Finest Wool	Chief Productions; The Conde Nast Publications Ltd	248,577
Mother & Baby Marketing Europe/USA	Ascension Bustamante De Prado; Il Gufo S.p.A.; Morillas Brand Design, SL	160,665
Narciso Rodriguez Ambassadorial	Advance Magazine Publishers Inc; BMP Media Holdings, LLC; Dow Jones & Company, INC; Narciso Rodriguez	364,503
No Finer Feeling Campaign with United Arrows	Itochu Fashion System Co. Ltd; United Arrows	314,584
No Finer Feeling Designer Campaign UK	Chief Productions Ltd; SEC Creative Ltd	160,433
No Finer Feeling Media Advertorial - British GQ	The Conde Nast Publications Ltd	159,973
No Finer Feeling Media Support Services	Les Publications Conde Nast; The Conde Nast Publications Ltd	163,421
Nielsen - Global Attitudes & Awareness	ACNielsen Research Pty Ltd	205,000
Paul Smith Ambassador Partnership	Chief Productions Ltd; Paul Smith Ltd	285,563
Regional Brand & Retailer Support	Country Road: The Trustee for SF Beaujolais Unit	149,859
Royal Academy Exhibition - Wool	Royal Academy of Arts	148,143

*The key providers indicated for each project are listed in alphabetical order. The list of providers is not necessarily a complete list of all providers for the project.

MARKETING PROJECTS (continued)

Project title	Key providers*	\$ Paid in 2013/14
Royal Academy Wool Week UK	Royal Academy of Arts	149,740
Search Engine Optimisation & Management	Facebook Ireland Ltd; Meld Studios Pty Ltd; Profero Pty Ltd; Twitter International Ltd	699,243
Social Media Infrastructure	Alaud Pty Ltd; Circul8 Communicate Pty Ltd; Profero Pty Ltd	594,356
Social Media Operations - China	Shanghai Blue Flying Fish Advertising	121,570
Sports and Outdoor Marketing	Devold of Norway AS; Mover Sportwear AS; Ortovox Sportartikel	187,022
Sports-Outdoor Marketing US 2013/2014	Cabelas Incorporated; Neve Designs	137,533
Still & Video Content Creation	DTFX Pty Ltd; Neon Pictures Ltd	169,465
Supply Chain and Education Content	Deakin University; Press Box Pty Ltd	192,599
The Wool Lab Marketing	ClassPublicita S.P.A; Vanzi S.R.L; Various	367,056
Trend Reports	Scott Schuman; Smith-Petersen Srl	148,775
Urban ID - Collection and Collateral	Sodus Pty Ltd; Timothy Everest Group Ltd	178,684
Vogue France Advertorial Collaboration	Les Publications Conde Nast	190,489
Washable Wool: Tested by Nature	Mediacom Holdings Ltd	453,459
Web Development Content Management	Anchor Systems Pty Ltd; ExactTarget Pty Ltd; Profero Pty Ltd	813,178

*The key providers indicated for each project are listed in alphabetical order. The list of providers is not necessarily a complete list of all providers for the project.

CORPORATE SERVICES PROJECTS

Project title	Key providers*	\$ Paid in 2013/14
2013-2014 AWI Consultation & Info	Various	153,390
Beyond the Bale and Related Publications	D&D Mailing Services; Newstyle Printing Co. Pty Ltd	164,739
Investment Evaluations 2013/2014	BDA Economics & Environment Pty Ltd	233,722
Regional Engagement Events	Australian Sheep Breeders Assoc; Premium Fulfilment Services Pty Ltd	244,602
Supply Chain Facilitation and Wool Trade	Chic Management Pty Ltd; Scott Carmody	180,567
Trade Data Aggregation	Euromonitor International Ltd; Global Trade Information Services	228,108
Vespa Phase 2	NTT Data Business Solutions Austral; Gordon Group Consulting PL	245,000

*The key providers indicated for each project are listed in alphabetical order. The list of providers is not necessarily a complete list of all providers for the project.

Australian Wool Innovation Limited

ABN 12 095 165 558

Registered office
Level 30
580 George St
Sydney NSW 2000

Postal address
GPO Box 4177
Sydney NSW 2001
t. +61 2 8295 3100
f. +61 2 8295 4100

Share Registry
Link Market Services
1800 113 373 (free call within Australia)

Auditor
PricewaterhouseCoopers
201 Sussex Street
GPO Box 2650
Sydney NSW 1171

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Information on our activities and products are available via publications, events and online.

For more information:
Visit www.wool.com
Email info@wool.com
Call the AWI Helpline on 1800 070 099
(free call within Australia)

www.wool.com

**AWI regional offices:****Benelux**

Diessen, The Netherlands
t. +31 13 2114691

China

Shanghai and Beijing
t. +86 21 5208 0306

France

Paris
t. +33 1 53 45 66 93

Germany/Austria/Switzerland

Düsseldorf, Germany
t. +49 211 518 02121

Hong Kong

Kowloon
t. +85 2 2330 0813

India/South East Asia

New Delhi, India
t. +91 11 4061 2100

Italy

Milan
t. +39 02 8909 6705

Japan

Tokyo and Ichinomiya
t. +81 3 6447 1412

Korea

Seoul
t. +82 2 541 4477

North America

New York, USA
t. +1 347 767 3160

Spain/Portugal

Barcelona, Spain
t. +34 93 492 04 69

Taiwan

Taipei
t. +886 2 2664 8529

Turkey

Istanbul
t. +90 212 325 95 88

United Kingdom

London, England
t. +44 207 845 5875

AWI also has local representatives and marketing agents in the following countries and regions:

- Brazil
- Czech Republic/Slovakia
- Egypt/Middle East
- Greece
- Mexico
- Nordic
- Poland
- Romania/Bulgaria/Moldova
- Slovenia/Croatia/Bosnia/Herzegovina/Serbia/Macedonia/Montenegro
- Uruguay