

ANNUAL

REPORT

ANNUAL

08

**RUNWAY
REPORT**

**WOOL
ON THE
WORLD
STAGE**

**ANNUAL
REPORT
07/08**



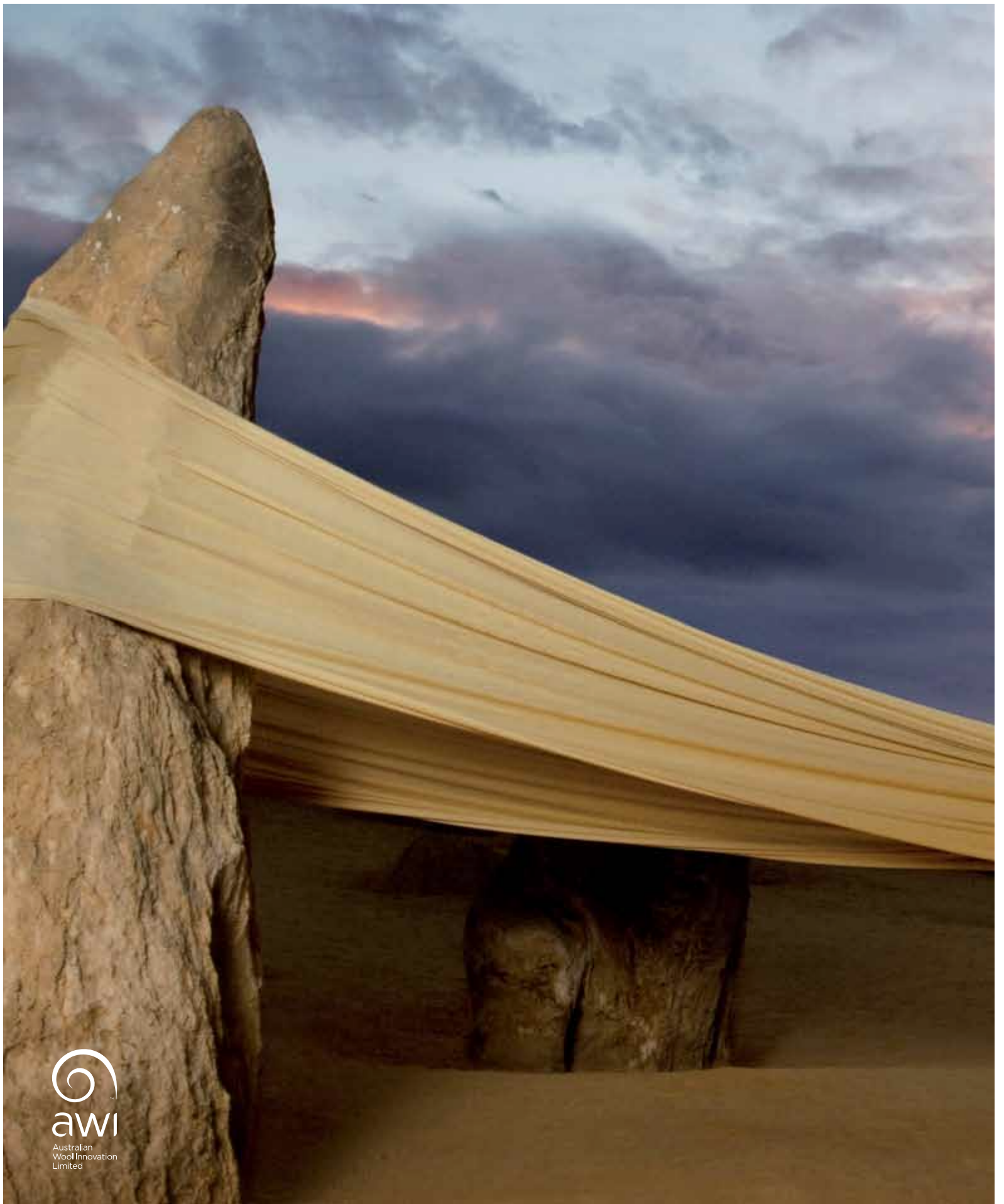
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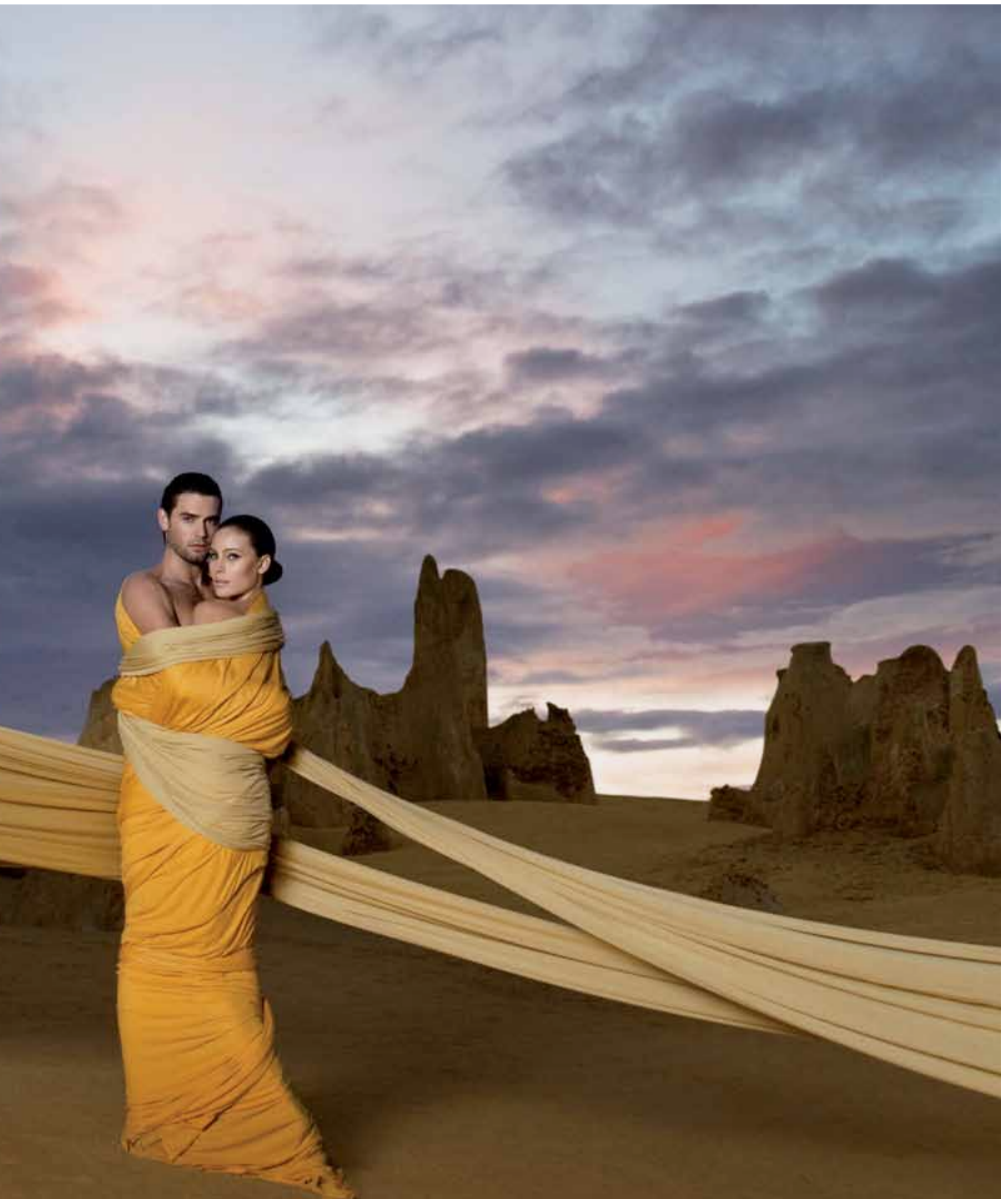
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**DESIGN AND
DESIRE**

**INCREASE
THE DEMAND:
AUSTRALIAN
MERINO WOOL**




awil
Australian
Wool Innovation
Limited



Quality · Natural · Australian Merino

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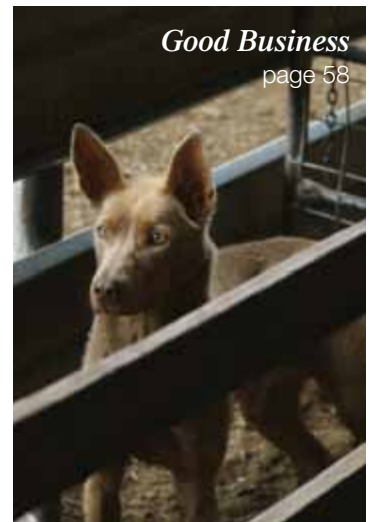
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ANNUAL

REPORT



A symbol of quality



ABOUT AWI



What AWI does

Established in 2001, AWI is a not-for-profit company owned by over 30,000 Australian woolgrowers. The Company invests in research, development, innovation and marketing along the global supply chain for Australian wool – from the fibre to fashion – from woolgrowers through to retailers.

We offer fresh, attainable opportunities for woolgrowing, processing, manufacturing and retailing, specifically designed to help grow profits.

Our primary aim is to increase the demand for Australian Merino wool by investing in innovation and marketing. We also aim to help Australian woolgrowers reduce the cost of production on their farms through innovation in areas such as pastures and grazing, sheep health, genetic technologies to breed more productive sheep, and shearing.

AWI is proud to set new standards for the finest Merino wool apparel as the company reintroduces Australian Merino wool to a new generation of consumers.

The company both encourages and assists participants in the supply chain towards the sustainable production of Australian Merino wool.

How AWI is funded

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

Woolgrowers vote every three years on the percentage of wool proceeds they would like to invest in wool research, development, innovation and marketing. The next vote is scheduled for 2009.

How AWI has evolved

The focus of AWI's strategic direction has evolved since its establishment in 2001. In its early years, the company's primary role was as an Australian-based R&D company.

In recent years, AWI's strategy has emphasised the importance of getting the outcomes of the projects in which it invests rapidly and widely adopted or commercialised. A result of this was the company's development of a business-to-business strategy to increase the demand for Australian Merino wool.

This change in strategy was acknowledged by Australian woolgrowers at WoolPoll 2006 in November 2006 where they voted by a strong majority for continuation of the two per cent wool levy, re-affirming their support for a robust research, development, innovation and product marketing investment program. This result has provided for a solid investment in the future of the Australian wool industry.

AWI's transition from an Australian R&D organisation into an international fibre research and marketing company was advanced in October 2007 when AWI integrated The Woolmark Company with its business. Most notably, AWI became the owner of the Woolmark – the world's best known textile fibre brand.

AWI is now launching a new program to support the Woolmark and introduce a new premium brand to help the company position Australian Merino wool as a luxurious but affordable fibre for apparel products.

Following the integration of The Woolmark Company into AWI, AWI is now running an expanded global marketing company. At the forefront of the global wool sector, AWI intends to lead the industry into an era of reinvention with its focus on innovation and marketing, from the production of the fibre through to the retail shelf.

AWI is an organisation that has changed dramatically in the past few years, and is now in a strong position to meet the challenge of building a new place for Australian Merino in the global marketplace.

AT THE HEART OF OUR BRAND

AWI's Vision

To continually provide every person and company in the global Australian Merino supply chain, from woolgrower to retailer, with fresh and attainable opportunities to make better profits.

AWI's Mission

To be recognised as one of the world's leading fibre research and marketing companies.

To grow demand, and price paid, for quality Australian Merino fibre with appropriate business partners through knowledge, innovation and marketing support.

To make information and technology available to Australian woolgrowers to profitably grow wool that meets the market's needs.



The inherently natural qualities of Australian Merino wool extend beyond the characteristics of the fibre to be reflected throughout every aspect of the final product

WHERE DO WE INVEST?



AWI both encourages and assists participants in the supply chain towards the sustainable production of Australian Merino wool

AWI invests grower and Australian Government funds into research, innovation and the support of businesses and individuals throughout the Australian Merino supply pipeline.

From the start
of the supply chain...

Strategic themes

- *Increase productivity, lower costs and address key industry threats*
- *Encourage the supply of wool that meets customer needs in terms of quality, environmental and animal welfare standards*
- *Increase uptake of new innovations within the industry*

AWI's Wool Production department works with woolgrowers to help them compete profitably in the international apparel fibre markets through the development and adoption of on-farm innovations. AWI aims to help woolgrowers reduce the cost of production, increase profit and supply wool that meets our customers' needs through innovation across a range of areas:

Mulesing alternatives

AWI is working to provide a package of husbandry and management systems for blowfly control to meet the 2010 commitment to phase out mulesing.

Productive and easy to manage sheep

AWI is providing tools to help woolgrowers meet their own breeding objectives by identifying animals with the traits they are looking for, and a package of technologies for maintaining healthy, productive animals through the control of internal and external parasites and other sheep diseases.

Wool harvesting

AWI undertakes initiatives to improve clip preparation and safety standards for shearers via shearer and shed-hand training and UPSP commercialisation, plus early stage research into a new biological harvesting technology.

Ethically and environmentally sustainable wool

AWI will provide on-farm verification of environmental and animal welfare practices to the supply chain, provide pasture management and agronomy information for adaptation to climate change and assist woolgrowers prepare for the carbon trading economy.

Increased grower pride and profit through adoption of innovation

AWI uses its business networks and new approaches to marketing to increase the uptake of innovations, provide professional development for wool industry stakeholders, and build a market and customer focused culture of excellence.

...to global
apparel markets



Strategic themes

- *Repositioning of the Woolmark business and brand*
- *Positioning and launch of Australian Merino as a premium brand*
- *Knowledge, Innovation and Marketing Support (KIM) offering, delivered via key account management*
- *Position Australian Merino wool as the ethical fibre of choice*

AWI's Marketing department offers its post farm gate partners – wool processors, manufacturers, designers and retailers – a range of services specifically developed to generate demand and enhance profits. We refer to this range of services as KIM – or Knowledge, Innovation, Marketing Support.

With offices around the globe, AWI boasts a wide network dedicated to foster relationships with diverse business partners – we are continuously working to build demand for Australian Merino wool.

Knowledge

AWI's global network offers expert advice on areas such as supply sourcing, market intelligence, consumer research, and seasonal trend and colour forecasting. Our industry-first compliance and verification of Australian Merino scheme will enhance this offering to include quality control and product testing, as well as an integrity commitment that adopts contemporary standards of corporate social responsibility.

Innovation

AWI delivers premium value-adding innovations by operating as an external research and development provider to our business-to-business partners. This includes releasing seasonal Merino innovations which can be tailored to suit specific partners' ranges and customer needs. We also provide assistance with product and process improvement, testing, technology licensing, transfer and training.

Marketing support

AWI is continuously working to position Merino as a truly superior product within the marketing arena. This includes activities such as educating trade on its luxurious, natural and ethical qualities as well as assisting its partners in promoting the benefits of the Merino fibre in their ranges. A host of tools assists AWI in this endeavour. The new Australian Merino brand, the Woolmark brands, and the Superior Merino and Superior Merino Blend brands are set to benefit from a high level of recognition. With new swing tags and labels, training aids, and a range of associated marketing material, wool will be marketed like never before.

Industry affairs

AWI's Corporate Affairs department aims to provide effective company and industry communication and reputation management between AWI and its key domestic and international stakeholders.

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

Key initiatives for the Corporate Affairs department are animal welfare communications, new company structure communications, internal communications to drive change, Australian and international PR to support key account management, and support of trade policy to increase Merino's access to world markets.



THE REVIEW OF OUR YEAR

In the past year, Australian Merino wool has established a great position to have a major impact on the global apparel market now and in the coming years.

We can capitalise on the increasing global preference for natural and eco-friendly products, and the demographics of key markets are also in our favour – the increasingly large number of consumers with high disposable incomes, and longer and healthier lives, will drive growth in apparel overall.

A handwritten signature in dark ink, which reads "Brian van Rooyen". The signature is fluid and cursive.

Brian van Rooyen

AWI has this year been working hard to take advantage of these market trends, and the launch of the new program to support the Woolmark and introduce a new premium Merino brand will allow us to do more.

We are breathing new life back into the Woolmark by giving it focus and investment. By more closely associating the Woolmark with Australian Merino, we believe that we can close the gap between the more negative consumer perceptions of wool and the positive consumer perceptions of Merino – the softer, more comfortable fibre that Australian woolgrowers produce today.

The Australian wool industry has a fantastic natural story to market. We have been telling our international retailers and brands that our farmers have the production systems, heritage and know-how to continue to offer the best wool in the world, long into the future. They, in turn, are telling the world's consumers.

Australian Merino woolgrowers are actively engaged in the creation and adoption of best practice production methods, environmentally responsible processing and supply chain transparency. Australia has the most visible and highly developed wool marketing system in the world. No other country has a trained and registered wool-classing workforce of 23,000 people that can prepare clean white wool for the world's processors. No other country has objective laboratory test results attached to nearly every bale that is exported.

AWI's Verification of Australian Merino (VAM) supply chain integrity offer is the world's best wool textile traceability system – from Australia's woolgrowers to retail brands, Australian wool can be traced. VAM relies on rigorous independent testing from the wool off the sheep's back to the finished garment. Using the VAM process, AWI has already verified the authenticity of over one million garments made from Australian Merino wool.

Now, while international textile manufacturers and retailers are welcoming Australian Merino wool as a great natural and versatile fibre, the feedback provided to me during my recent visit to the US is that they need confidence from the Australian wool industry that it will meet its commitment to phase out mulesing by 2010. AWI, as instructed by the Australian wool industry, is developing alternatives to support the industry's commitment.

An increasing range of alternatives are coming available to growers. These choices include animal husbandry techniques, clips, breeding and selection options, and intradermal injections including the two

new 'FSP' chemicals under investigation by AWI which could be available in 2009, none of which leave an open wound.

It is pleasing to see that an increasing number of woolgrowers are deciding on and implementing new flystrike management strategies. Surveys show that 68 per cent of producers are now actively tackling the issue, with 34 per cent of producers not mulesing any of their lambs in 2008 and another 34 per cent mulesing only a portion of their flocks. The amount of wool from non mulesed sheep is expected to rise in 2008/09 to 55.7 million kg greasy.

I fully understand that there is concern among growers about mulesing. I also acknowledge that there are concerns about other issues, such as declining sheep numbers, the price that you are being paid for your wool, and the fact that parts of the country are still in the midst of, or struggling to bounce back from, drought.

“The wool industry does face challenges. Your company, AWI, is up to these challenges but we will need your support. It is important that, here in Australia, members of the wool industry work together.”

AWI is an organisation that has changed dramatically in the past few years, especially this past year. Following the integration of The Woolmark Company into AWI in October, we are running an expanded global marketing company. AWI has transitioned from being an Australian R&D organisation into an international fibre research and marketing company.

Of course, we also still operate in the earlier parts of the wool supply chain, working with Australian woolgrowers to help them compete profitably in international markets through the development and adoption of on-farm innovations.

We are providing tools to help woolgrowers identify the best animals from which to breed to suit their needs; initiatives to improve the numbers, quality and productivity of shearers and wool handlers; better ways to help woolgrowers maintain healthy, productive animals; and improved information and products for growing healthier and more productive pastures.

But our main focus is to increase the demand for Australian Merino wool. Income earned from the licensing of the Woolmark will enable us to do more. We are providing our knowledge about wool through the supply chain to our business-to-business partners; our innovations are being 'pushed' into the market place from AWI or 'pulled', based on a request from within the supply chain; and we are providing product marketing support to companies wishing to highlight the intrinsic benefits of Merino.

We have made changes to our business to make sure that we can effectively compete on a global scale.

Our positive profit position for the year of \$5.5 million is a consequence of the capitalisation of the Woolmark brands. A value of \$10.0 million has been placed on the brands by independent experts Lonergan Edwards and validated by PricewaterhouseCoopers as part of the audit process.

I believe that we are now in a strong position to meet the challenge of building a new place for Australian Merino in the global marketplace, for the benefit of you, the Australian woolgrower.

As Chairman of AWI, I take very seriously the responsibility of managing and investing Australian woolgrowers' funds. Every woolgrower works very hard and capably to invest in the future and I have committed to extracting value from the supply chain through to the retailers, to make sure that your businesses have every opportunity to be profitable today and in the future.

One of the most important things for any company, especially a large international company like ours, is corporate governance. The Board has a major role to play in this respect and I thank my fellow Directors for their contributions. It is no secret that we have some differences on the Board, but it is really up to AWI's shareholders to elect Directors with the qualifications and professionalism required to run an international business.

I would also like to acknowledge the immediate past Chairman, Ian McLachlan, for his tremendous efforts between 2002 and 2008.

Finally, I also thank the management and staff for their hard work managing their way through a difficult year dominated by a challenging integration process.

***Brian van Rooyen
Chairman
Australian Wool Innovation
18 September 2008***



THE YEAR IN WOOL

Operationally, the company has been restructured this year in line with our focus on a business-to-business strategy to build the demand for Australian Merino wool.

This means that we can work more closely with our supply chain business partners – partners that can tell your story and help sell Australian Merino apparel effectively to consumers.

The AWI business is now predominantly overseas in the big consumer markets – we need to be able to operate to their timeframe, timelines and business expectations. Speed to the market, proximity to customers and support for licensees are all vital.

A handwritten signature in black ink that reads "Craig Welsh". The signature is fluid and cursive, with the first name "Craig" and last name "Welsh" clearly distinguishable.

Craig Welsh

This year, the company reached an historic milestone – our acquisition of the Woolmark brand. In supporting the acquisition, the Federal Government and you as shareholders and members of our wool industry, gave AWI a unique opportunity to reinvigorate our industry and the iconic Woolmark brand. We do not intend to waste that opportunity.

It is important that the positioning and allocation of our offices, services and staff geographically mirror our key markets and business demands.

While the core functions of the company, including our wool production role, continue to be based in Sydney, there is now a key account management structure in the three regions of Europe, the Americas and Asia. Key account management is our in-country sales force and they know the retailers and manufacturers – that is their business expertise.

Our marketing initiatives this year have included commemorating the 200th anniversary of the Australian wool trade – this occasion was marked by a series of special events around the world, as well as in Australia. Other high profile events included the launch of the annual Woolmark Prize, open to recently graduated, professionally active international fashion designers, and the L'Oréal Melbourne Fashion Festival Designer Award by Woolmark.

One of our most successful initiatives this year was the Protégé Project, in which some of the most influential personalities in the field of international fashion design – Karl Lagerfeld, Donatella Versace, Paul Smith, Francisco Costa for Calvin Klein, and Franca Sozzani (editor-in-chief of Italian Vogue) – each chose and mentored a young protégé in the creation of a collection of outfits made with Australian Merino wool. The final collections of these young, highly promising designers was launched at a special Gala Evening in January, and paraded on the catwalk before the most influential journalists, stylists and 'names' of the fashion world.

While these events have had most of the press this year, much of the work undertaken by AWI during the year has been aimed at steadily building direct business relationships with companies in the supply chain, from wool processors, to textile manufacturers, to retailers.

This business-to-business strategy has involved AWI working closely with the key decision makers in global clothing markets and targeting innovations towards market demand. We have been working with global businesses on everything from the development of innovative yarns and fabrics through to point-of-sale marketing materials for Merino products.

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

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

“It is important for woolgrowers to know that AWI will continue its strong research and development to drive down your on-farm costs.”

It is important for woolgrowers to know that AWI will continue its strong research and development to drive down your on-farm costs. This year we have continued to produce important and practical products for woolgrowers.

Of particular note was *Making More From Sheep* – the new best management practice package of information, tools and learning opportunities for Australian sheep producers. Almost 250 leading sheep producers and technical experts helped develop the 11 linked modules in the manual, which cover subjects ranging from soils and pasture to wool marketing, animal health, genetics and farm sustainability.

Another important set of products produced this year for woolgrowers across southern Australia are the ewe management guidelines from our Lifetime Wool project. Research has shown that managing ewe condition score through the reproductive cycle results in increased weaning percentages, increased progeny fleece weight and decreased fibre diameter, improved ewe health and survival and increased ewe wool production and tensile strength. These are traits that should be of interest to all woolgrowers.

Of course, developing alternatives to mulesing has been our primary on-farm goal this year. I am pleased to say that there has been good progress in the three potential solutions that AWI is investigating. Firstly, early trial results show that the clips are working towards producing an outcome similar to mulesing, and have significant benefits over mulesing in other animal management areas. Secondly, it is pleasing to see early results indicating significant potential for breeding to reduce breech wrinkle, increase natural bare area, and enhance resistance to breech blowfly strike – there are a growing number of commercial and seedstock producers in Australia who have made excellent progress in this area. And there has also been progress in developing the needleless intradermal injection.

I am heartened to see that more and more woolgrowers have been examining alternative strategies to combat flystrike. I appreciate that the transition is challenging, but we must keep our eye on the main game. The message that I consistently receive from international retailers is that they need confidence from the Australian wool industry that mulesing will be phased out by the end of 2010.

I would also like to acknowledge the contribution and support made throughout the year by the Australian Government to support the initiatives undertaken by the company for the benefit of Australian woolgrowers.

This is an exciting time for the Australian wool industry. Although we are all operating in a highly competitive and dynamic marketplace – all the way along the wool supply chain – over the next few years we have the real prospect of introducing our great product to a whole new generation of customers.

I hope the season turns out well for you.

***Craig Welsh
Chief Executive Officer
Australian Wool Innovation
18 September 2008***

BOARD

The directors of Australian Wool Innovation Limited, their qualifications, experience and special responsibilities as at 30 June 2008 are listed below.

**MR BRIAN P VAN ROOYEN,
CHAIRMAN**

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

Special responsibilities:

Chairman of AWI – Finance & Audit Committee member – Remuneration & Appointments Committee member

**DR CHRIS J ABELL
DIPL.MECH.ENG., BE (HONS), PH.D.**

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

Special responsibilities:

Chair, Finance & Audit Committee – Chair, Intellectual Property & Commercialisation Committee

**DR KEVIN J BELL
B.V.SC. (HONS), PH.D., AAAC (WA)**

Dr Bell is currently Professor of Animal Production Systems at Murdoch University in eastern Australia, involving teaching and research at undergraduate and post-graduate level. He has been a private consultant with sheep growers in south-western Australia since 1983 and he has long-standing experience in international livestock development and management projects as well as Australian sheep research promotion.

He is a practical and respected scientist familiar with the requirements of both farming and science communities. He was a sheep cereal zone consultant representative on the farmer advisory committees of the former Australian Wool Research and Promotion Organisation (AWRAP).

Special responsibilities:

AWI representative on Australian Wool Education Trust (AWET) – Intellectual Property & Commercialisation Committee member

**MR KEN BOUNDY
M.AGR. SC, MBA, FAICD, FAIM, FAIST
(APPOINTED 24 APRIL 2008)**

Mr Boundy is a professional non-executive director and strategy consultant, with particular expertise in international marketing. His last full time role embraced the international marketing of Australia as Managing Director of Tourism Australia. Ken is an agricultural scientist who spent the early part of his career as a Research Agronomist and Regional Director of Agriculture in Victoria. Subsequent leadership roles in the private sector have included global marketing and operations in the wine, food and building materials industries. He is currently a Director of Horticulture Australia, Dexion, Acelero and Tarkine Wilderness.

Special responsibilities:

Chair, Remuneration & Appointments Committee – Intellectual Property & Commercialisation Committee member

**MS ROBYN CLUBB
BEC, CA, F.FIN, MAICD
(APPOINTED 24 APRIL 2008)**

Ms Clubb has experience as a senior executive and company director in the finance and funds management sector. She is currently a director of Elders Rural Bank and the Beef CRC, the Deputy Chair of the Rice Marketing Board of NSW and holds other public and private sector directorships. She is a former managing director of AMP Banking in New Zealand and held a number of senior management roles within the AMP Group, Citibank, Prudential Assurance Company Australia Ltd and Hambros Australia Ltd. Her international experience also included assignments in China and the UK.

Special responsibilities:

Finance & Audit Committee member

**MR ROGER FLETCHER
(ELECTED 14 NOVEMBER 2007)**

Mr Fletcher is the Managing Director of Fletcher International Exports Pty Limited (Dubbo Abattoirs) New South Wales, and Fletcher International WA (Narrikup Abattoirs) Western Australia. He is Chairman of the Australian Processors Council (National and NSW State Export Lamb, Sheep and Goat Industries Council), and Director of the CRC for Sheep Industry Innovation, and Director of the Australian Meat Industry Council.

Special responsibilities:

Finance & Audit Committee member

**DR JOHN KENIRY
AM, BSC, PHD., FRACI, FTS, FAICD
(APPOINTED 24 APRIL 2008)**

Dr Keniry is one of Australian agribusiness's most experienced and respected company directors and brings global business experience to the Board. Among his many public and private sector board roles he is Chair of Ridley Corporation Limited, Biosignal Limited, The Institute for Trade Skills Excellence, the Sheep Industry Innovation CRC, and the Pork CRC, and a board member of the Australian Farm Institute, the NSW Environment Protection Authority and Innovation Australia. Among his previous roles, he is a Past-President of the Australian Chamber of Commerce and Industry, former Chair of The Australian Wine and Brandy Corporation and of the Australian Pesticides and Veterinary Medicines Authority, and is a former member of the Prime Minister's Science, Engineering & Innovation Council. He was a director of Woolstock Australia Limited, and chaired WoolPoll 2000, 2003 and 2006, and the 2005 Commonwealth Review of the Live Animal Export Industry. He owns a mixed farming and fine wool property in Central Western NSW.

Special responsibilities: Remuneration & Appointments Committee member

MR WALTER B MERRIMAN

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

Special responsibilities: Remuneration & Appointments Committee member

**MR CHARLES (CHICK) OLSSON
(ELECTED 14 NOVEMBER 2007)**

Mr Charles (Chick) Olsson is part of the Olsson family group of companies, known for their agricultural and salt mining interests throughout Australia. His business career has essentially been involved in business management and marketing roles. Mr Olsson runs fine wool Merinos at 'Royal Oak' Goulburn NSW.

Special responsibilities: Intellectual Property & Commercialisation Committee member

COMPANY SECRETARIES

The company secretaries are **Mr L Targ** (former Director, CEO and senior executive in the defence and aerospace industries with particular experience in strategic business development, mergers and acquisitions, contracting, finance and audit), **Mr C Chapman** (Barrister and Solicitor, Dip Law, Dip CM, Dip CD, FCIS, FAICD, MBA (UNE)) and **Ms S Palmer** (Barrister and Solicitor, Dip Law, MAICD).

Mr Brian P Van Rooyen



Dr Chris J Abell



Dr Kevin J Bell



AWI'S BOARD OF DIRECTORS

Mr Ken Boundy



Ms Robyn Clubb



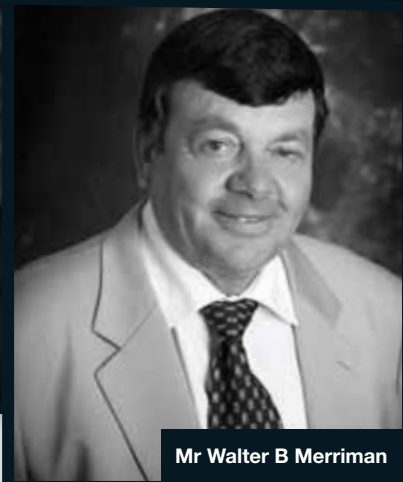
Mr Roger Fletcher



Dr John Keniry



Mr Walter B Merriman



Mr Charles Olsson



JULY

Fashion From Fleece exhibition

Celebrating 200 years of innovation by the Australian wool industry, the *Fashion from Fleece* exhibition opened to the public at the Powerhouse Museum in Sydney, followed by a global tour. The exhibition presented key moments of wool in fashion with pieces from the likes of Chanel, Yves Saint Laurent and Giorgio Armani.

AUGUST

Industry bicentenary celebrations

Woolgrowers, industry leaders and Government representatives attended an industry function at Parliament House in Canberra to commemorate 200 years of Australia's successful international wool trade.

New Sheep CRC launched

The new Cooperative Research Centre for Sheep Industry Innovation was launched, representing an \$111 million investment over seven years from government and industry including AWI.

SEPTEMBER

Merino wool showcased at SpinExpo

An innovative Merino knitwear collection was introduced at SpinExpo – a major and renowned global trade fair in Shanghai, China.

Merino at New York Fashion Week

Fashion designers Jayson Brunson and Thom Browne launched their Spring/Summer 2008 collections to buyers, media and the fashion industry during New York Fashion Week.



*Fashion designer
Jayson Brunson*

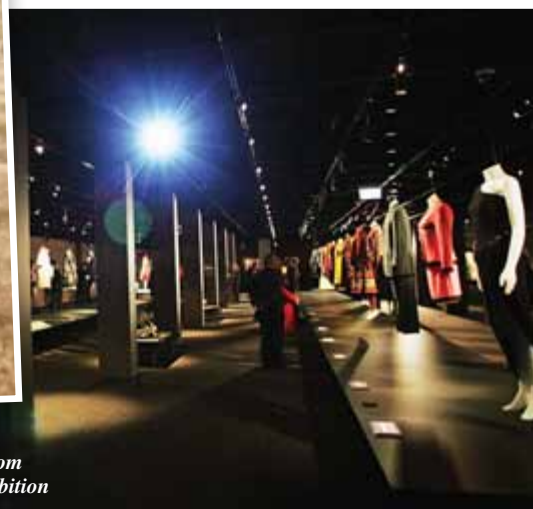


High lights

2007/2008



The new Sheep CRC will work closely with industry to increase the productivity and profitability of Australia's sheep industry



*Fashion From
Fleece exhibition*

OCTOBER

AWI acquires the Woolmark

AWI took control of the Woolmark brand by acquiring assets from Australian Wool Services; this expanded network gives AWI a great presence in front of the businesses that influence the apparel markets.



New markets secured in Vietnam

A range of major new projects in Vietnam's booming textile market were announced, aimed at increasing global demand for Australian Merino wool.



Merino showcased in the Protégé Project



PHOTOS: SIX6 PHOTOGRAPHY

NOVEMBER

Clips assist welfare

A comprehensive animal welfare assessment provided significant support for the use of the breech and tail clips as an alternative to mulesing.

Wool processing course builds lasting networks

More than 100 participants from Australia, China, India, Italy, Korea, Vietnam, Thailand and South Africa attended the Australian Wool Textile Training Centre training program to learn about processing Australian Merino wool.

DECEMBER

Bodies collaborate to provide drought tools

AWI and MLA collaborated on 'Stock Wise' to bring a range of drought tools, information and practical hands-on workshops to help drought affected sheep producers make the right decisions.

New online tool to combat lice

Controlling sheep lice was made easier with the launch of LiceBoss, a new online support tool created by scientists from across Australia.

JANUARY

Merino showcased in Protégé Project

Australian Merino wool was showcased in front of the world's fashion media when five talented young designers unveiled their collections at a fashion show event in Florence, Italy, as part of AWI's Protégé Project.



Wool warms the crowd at G'day USA promotion

AWI sponsorship at the G'day USA Australia Week increased consumer recognition of Australian Merino wool as a brand associated with affordable, quality and luxury.

FEBRUARY

Visual Sheep Scores booklet

A first-of-its-kind pocket guide was launched to provide sheep producers with a set of standardised visual scores – a new national language – to consistently describe, record and grade sheep for visual traits.



Best practice manual for sheep producers

Making More From Sheep, a best practice package of information, tools and learning opportunities for Australian sheep producers was launched by AWI and MLA; it covers subjects ranging from soils and pasture to wool marketing, animal health, genetics and farm sustainability.



MARCH

Woolmark award at Melbourne Fashion Festival

Emerging Australian designers were supported by AWI at the L'Oréal Melbourne Fashion Festival Designer Award presented by Woolmark in front of 300 key fashion industry representatives and media.

Intradermal research hones in on new compound

Research on the intradermal needleless injection alternative to mulesing took another important step forward with positive results from trials of the intradermal compound.

APRIL

Australian joins international protégés at Australian Fashion Week

One of Australia's rising fashion talents joined the world's best young designers to showcase Australian Merino wool at Rosemount Australian Fashion Week.

Australian Merino Woolmark Prize launched

AWI announced the launch of 'The Australian Merino Woolmark Prize'; this is a major step forward for the global wool industry in recognising emerging international talent from across the world.

MAY

AWI delivers wool quality training to Chinese processors

AWI ran hands-on training sessions in China for early stage processors in the Chinese textile industry to raise awareness of quality assurance measures.

Major Japanese marketing program launched

A \$1.4million marketing program involving five major Japanese retailers began to be rolled out to cover the market segments identified by AWI as having the best balance between volume and influence over the wider market.

JUNE

Bare breech trait proving highly heritable

Encouraging results were announced from AWI-funded research into breeding sheep with an enlarged naturally bare and wrinkle-free area around their breech.

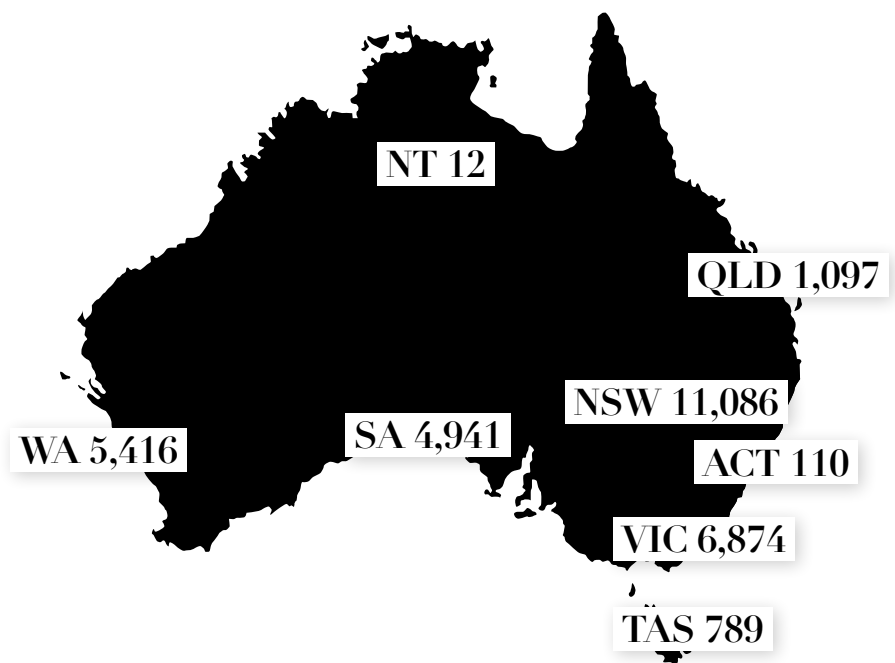
Japanese embrace Australian Merino wool

An innovative collection of men's clothing made from quality Australian Merino wool is tapping into the burgeoning Japanese demand for green products.



SHARING AUSTRALIA'S FUTURE

AWI is owned by its shareholders – over 30,000 Australian farmers.



Australian woolgrowers that have paid at least \$100 in wool levies in the past three years can become AWI shareholders. The shareholders are able to shape the decision making process of the company via their access to information and right to vote.

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 wide range of environments in Australia. Our 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 30,325 shareholders at 30 June 2008, an increase of 1093 shareholders over the past twelve months. The percentage of shareholders by state has remained relatively stable compared with last year.

AWI AROUND THE WORLD



building a global business

AWI's offices are strategically located to develop direct business relationships with global brands/retailers, textile manufacturers and fashion designers in key markets.

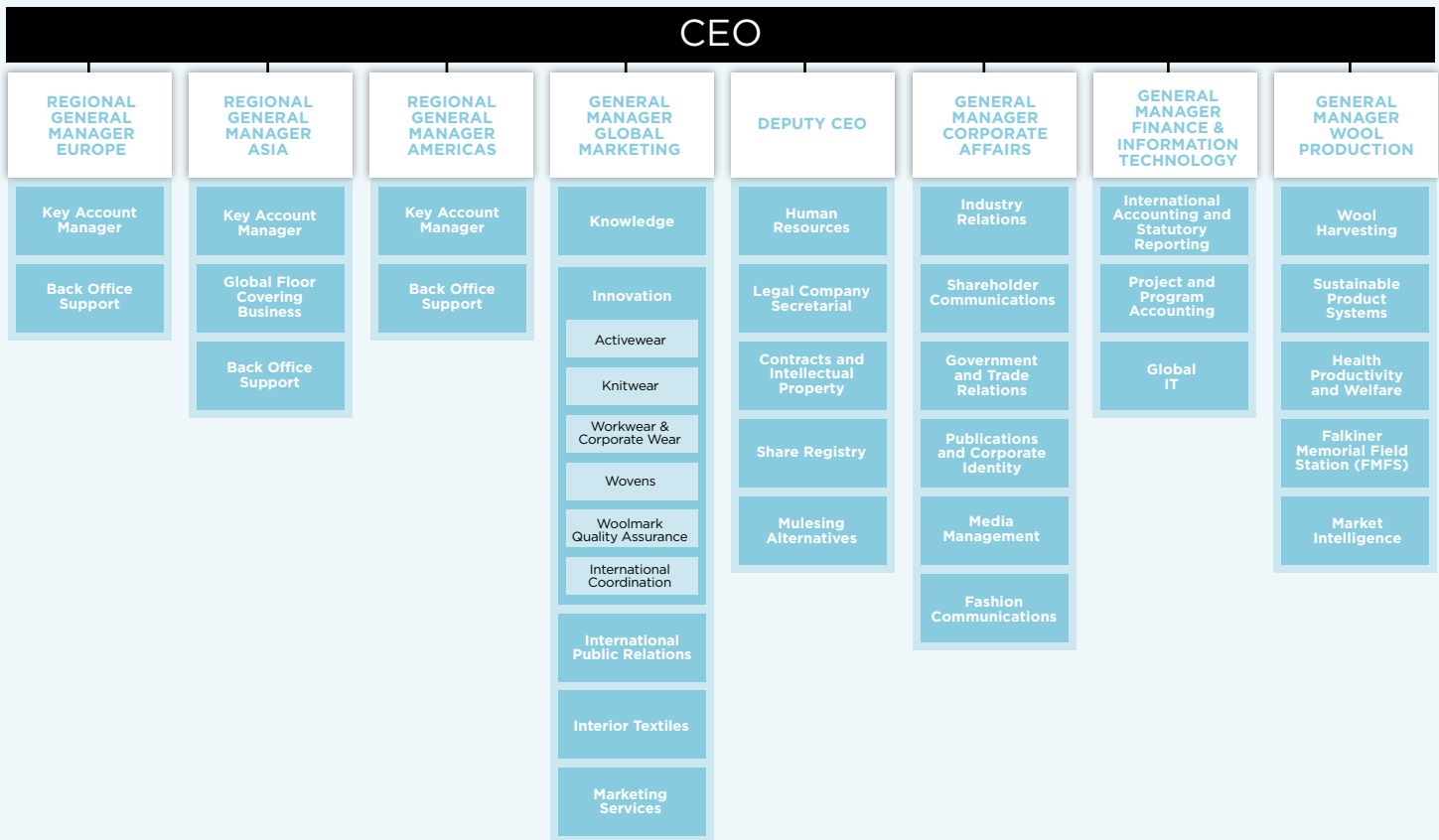
In addition, there are also local representatives and marketing agents in other countries and regions around the world that help the company in the licensing of the Woolmark brands.

AWI also owns and runs the Falkiner Memorial Field Station at Deniliquin, NSW – a best practice demonstration and research site for the wool industry.



AWI has offices located in key regions such as China – the wool processing and manufacturing powerhouse of the world – where over 60% of Australian wool is exported

AWI ORGANISATION JULY 2008



WORKING FOR WOOLGROWERS

Following the integration with The Woolmark Company in October 2007, the company has been restructured in line with our focus on a business-to-business strategy to build the demand for Australian Merino wool. This means that we can work more closely with our supply chain business partners – partners that can tell Merino’s story and help sell effectively to consumers.

AWI staff

While the core functions Marketing, Wool Production, Human Resources, Information Technology, Finance, Corporate Affairs and

Corporate Services will continue to be based in Sydney, the new business model now includes a key account management structure in the three regions of Europe, the Americas and Asia. Key Account Management (KAM) is our internal capability that will develop partnerships with businesses and deliver our Knowledge, Innovation and Marketing (KIM) proposition to retailers and manufacturers.

See the map on page 20 for further details about the location of AWI employees, as at 30 June 2008.

Following the acquisition of The Woolmark Company, AWI’s worldwide presence was significantly bolstered. As at 30 June 2008, AWI had a total of 185 staff members worldwide, with 84 in Australia, 55 in Asia, 41 in Europe, and 5 in the US.

The current structure of the company is depicted in the diagram above.

The success of the business model relies on the performance of our people through their capabilities and their understanding of how their role contributes towards increasing demand for Australian Merino wool. In order

to achieve this, human resource (HR) programs are to be aligned with the business strategy and new business model.

Some key HR programs on which the company is working are:

- Build a transparent performance management system that encourages a high performance culture
- Ensure the company retains staff by providing them with a complete induction to the company
- Provide ongoing feedback on employees’ performance
- Establish global policies that provide a robust employee framework
- Ensure AWI meets its obligations under local labour and occupational health and safety laws

The AWI executive team is committed to supporting the programs to ensure their staff have the right tools, knowledge and training in order to deliver the AWI message to its partners.

EXECUTIVE TEAM

CRAIG WELSH **CHIEF EXECUTIVE OFFICER**

Craig Welsh was appointed as CEO to position AWI and the Australian wool industry within the global apparel market place. The company has advanced into the business of marketing its post-farm innovations to its global business partners and Craig, with his business and marketing experience, will continue to drive this strategy to the benefit of Australian woolgrowers.

Craig has extensive executive experience covering wholesale, retail, research and development, supply chain, mergers and acquisitions. In 1986, Craig joined Puma Australia, where he quickly rose through the ranks to become National Marketing Manager. In 1999 he was approached to be the CEO of Clarks Shoes and in 2001 was appointed as Group General Manager of the Colorado Group's Dianna Ferrari, Jag and DKNY divisions. Prior to his appointment at AWI, he was most recently the General Manager of Marketing for Myer Stores Limited.

LES TARG **DEPUTY CHIEF EXECUTIVE OFFICER AND COMPANY SECRETARY**

Les Targ is responsible for developing and implementing the AWI corporate services of legal, contracting, IP management, company secretarial and human resources. Since April 2008, Les is also responsible for the team developing alternatives to mulesing.

Les has 25 years of senior management experience as a company director, CEO and senior executive. Prior to joining AWI, Les held senior executive positions in the Australian defence and aerospace industries, including ten years with ADI Limited, a high technology defence systems and engineering company.

JAMES BARRY **CA, BBS (HONS)** **GENERAL MANAGER FINANCE**

James Barry manages the company's Finance division and is also responsible for the corporate services of audit, risk management and IT.

James has twenty years experience in commercial accounting and six years in Audit and Risk Management with Deloitte and PricewaterhouseCoopers. He has worked in diverse industries such as retail, management consultancy and pharmaceuticals and held ultimate responsibility for the Finance function within Australia for Tie Rack, The University Co-operative Bookshop and across Asia for Galderma (a Nestlé/L'Oréal JV) and Kepner Tregoe a US Management Consultancy. James's family has been in the livestock industry for several generations.

MATTHEW FLUGGE **BBUS, GRAD CERT SUST AG** **GENERAL MANAGER CORPORATE AFFAIRS**

Matthew Flugge manages the Corporate Affairs portfolio, responsible for corporate and online communications and industry and government relations.

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

LU HOGAN **BACHELOR AGRICULTURAL SCIENCE (1ST CLASS HONOURS) (UNIVERSITY OF MELBOURNE)** **GENERAL MANAGER WOOL PRODUCTION**

Lu Hogan oversees the Wool Production portfolio which includes managing AWI investments in wool harvesting, pastures, animal health, genomics, environmental management, pests, weeds, education, training and the Falkiner Memorial Field Station.

Prior to her appointment as General Manager in June 2008, Lu held the position of interim General Manager from January 2008. Lu was previously the AWI Program Manager for Sustainable Production Systems. For 20 years prior to joining AWI in 2002, Lu was a partner and manager of a family farming operation at Hay, NSW – a fully diversified agribusiness producing wool and Merino sheep, beef, lamb and irrigated crops. Previously, Lu held economic and policy research positions at CSIRO and the Department of Agriculture and Rural Affairs in Victoria.

DAVID YARDLEY **BEC, EMBA** **GENERAL MANAGER GLOBAL MARKETING**

David Yardley is responsible for the global management of AWI's brand portfolio and supporting the key account management teams in each region to deliver our service promise.

David has over 20 years experience in the consumer goods industry. Prior to joining AWI in July 2008, David held roles ranging from brand manager to General Manager Marketing in companies such as Unilever, Fosters Group and Coca-Cola. David brings to AWI an extensive knowledge of consumer insight driven brand management and innovation.

REGIONAL GENERAL MANAGERS

NAGY BENSID **ESCP/EAP** **PARIS BUSINESS SCHOOL** **REGIONAL GENERAL MANAGER EUROPE**

Based in Paris, Nagy Bensid is responsible for building our capability through Europe to increase the demand for Australian Merino wool.

Nagy has extensive experience in the textile industry working for large European companies that specialise in the trading and processing of wool and so brings to AWI key relationships with European spinners, technical knowledge and appreciation of wool along with solid strategic and people management skills. Prior to joining AWI, Nagy was the Managing Director, Wool Division, of Chargeurs, an international textile group listed on the Paris Stock Exchange, and more recently of the Dewavrin group, a European company whose HQ is based in the north of France.

EDWIN NAZARIO **BUSINESS ADMINISTRATION AND MARKETING - QUEENS COLLEGE, NEW YORK** **REGIONAL GENERAL MANAGER AMERICAS**

Based in New York, Edwin Nazario is responsible for marketing post-farm innovations to increase the demand for Australian Merino wool throughout the Americas by developing strategic alliances and building relations among regional partners.

Edwin has over 20 years of experience in the distribution, production and strategic development of luxury apparel for men and women. Prior to joining AWI, Edwin was President of ENF Corporation where he oversaw all aspects of operations and fiscal management including sales and marketing. Edwin has served as President of North American Fashion Group, Vice President of sales and marketing for GFT Mexico – a subsidiary of Gruppo GFT Italy, and National Sales Director for the Giorgio Armani Division of GFT Canada. Previous experience includes account management for Giorgio Armani Fashion Corp USA.

PASCAL SENKOFF **REGIONAL GENERAL MANAGER ASIA**

Based in Tokyo, Pascal Senkoff is responsible for building our capability through Asia to increase the demand for Australian Merino wool.

Prior to his appointment as Regional General Manager, Pascal was the Apparel Product Development and Marketing Manager based in AWI Sydney. Pascal has 17 years experience in the wool textile trade and prior to joining AWI was Greater China General Manager for Chargeurs wool. He was responsible for industrial and trading activities for a region that included Greater China, Japan, Korea, Indonesia, India and Australia. Prior to working in China, Pascal was based at Chargeurs in Japan, where he was responsible for starting up the Chargeurs Interlining business.

WOOL ON THE WORLD STAGE



OUR AIMS

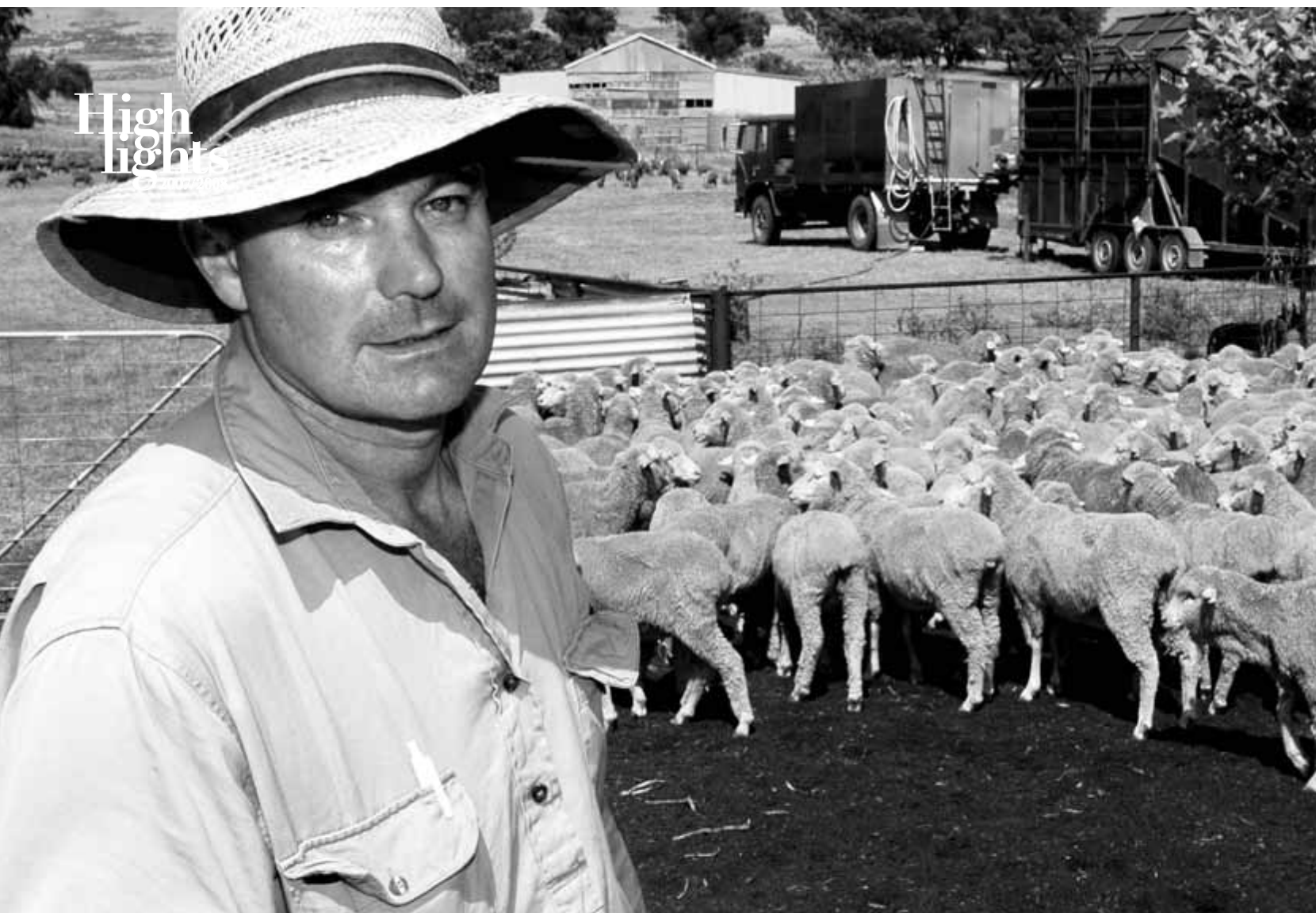
Wool Production

AWI's Wool Production department aims to build woolgrower pride in their industry and product and to improve the profitability of wool production systems in Australia by investing in research, development and innovation that will:

- build a culture of excellence throughout the industry and supply wool that meets customer needs in terms of quality, environmental and animal welfare standards*
- increase productivity, lower costs or address key industry threats*
- increase uptake of new innovations within the industry*



High
lights



Making more from sheep

A new guide to maximising production and profitability

A new management tool – Making More From Sheep – has been developed with the input of nearly 250 leading sheep producers and technical experts to help sheep producers increase their productivity, profitability and overall satisfaction with their farming businesses. AWI and Meat and Livestock Australia (MLA) joined forces to develop this best practice management package.

Released in January 2008, Making More From Sheep is a comprehensive guide based around 11 modules that cover all aspects of sheep management and production. In one handy reference the Making More From Sheep manual captures the experiences of leading sheep producers and technical specialists, together with the latest recommendations from research and development. It is intended to help users identify and improve the 20 per cent of

decisions that have 80 per cent of the impact on business profitability and risk control.

Since January 2008, over 2,000 producers have taken up the manual. The various modules in the manual are also available to be downloaded through the dedicated website www.makingmorefromsheep.com.au which has had approximately 15,000 individual visitors to date.

The manual aims to consolidate, for sheep producers, in one easy-to-use guide, a complete range of practices to reduce the cost of production on their farms. These innovative practices are in areas such as pastures and grazing, sheep health, and genetic technologies to breed more productive sheep. Each module contains critical 'must do' procedures, tools to get sheep producers started and signposts to further information and assistance.

The Making More From Sheep manual is designed as a stand-alone reference but

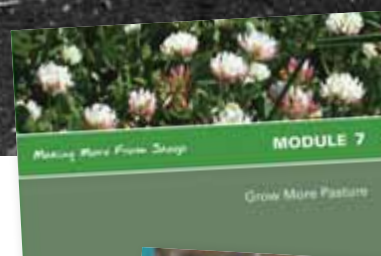




PHOTO: KELLIE PENFOLD

importantly it is supported by seminars, forums and training to assist sheep producers to ensure that they are applying the latest knowledge and tools to their businesses.

A national coordinator network has delivered 63 different workshops to over 1,100 producers. Of these, 98 per cent rated them as either useful or very useful, and 85 per cent reported that they would change practices as a result of what they learned. As a demonstration of the reach of these activities relative to the national flock, participants had an average flock size of around 4,000 sheep, and/or produce about 100 bales of wool each year. Making More From Sheep has exceeded its Year 1 targets for awareness, participation at events and manual sales.

More information:
AWI Helpline 1800 070 099
www.makingmorefromsheep.com.au



LIFETIME WOOL:

ewe nutrition guidelines

This year, the AWI-supported Lifetime Wool project has developed, demonstrated and communicated practical guidelines that allow allocation of feed resources to breeding ewes to optimise their wool production (quality and quantity) and the lifetime performance of their progeny. These ewe nutrition management guidelines are backed by rigorous science and economics to optimise ewe and lamb wool productivity and profitability.

The breeding ewe plays a pivotal role in the wool production system – she is the engine room of the wool business. It makes good sense to have her in the right condition at the right time as her condition affects reproduction levels and lamb survival, the wool she and her progeny produce and pasture utilisation and efficient use of feed resources.

Lifetime Wool is a national project, supported by wool producers through AWI and five state government departments, across southern Australia.

The key messages from Lifetime Wool, to keep ewes in condition score 2.5 or better, is now well known and targeted in the industry. The project has demonstrated by keeping ewes in optimal condition prior to and during pregnancy that:

- lambs are bigger, meaning survival is improved
- weaning weight is greater, meaning improved weaner survival

- progeny wool micron is finer and fleece weight greater
- ewe mortality at lambing is less
- ewe fleece weight is heavier, however micron is slightly broader

The project has engaged approximately 20,000 producers, consultants and extensionists since its commencement in 2001. To date, 3000 woolgrowers managing 7.7 million ewes have adopted Lifetime Wool principles with an average benefit of \$2 per ewe.

The Lifetime Wool website provides the ewe management guidelines, tools and tips, background research results with economic analysis, for sheep producers across southern Australia. In addition, the following key hard copy resources are available from the AWI Helpline, 1800 070 099:

- Ewe Management Handbook – there are separate cereal/sheep zone, high rainfall zone, and medium rainfall zone (WA annual pasture) editions
- Feed Budget Tables – for drought/dry conditions in southern Australia
- Feed Budget Tables – for green pastures in south-eastern Australia
- Feed Budget Tables – for the break of season in annual pasture systems of southern Australia

More information:
www.lifetimewool.com.au

High
lights
2007/2008

CLIPS:

alternative to mulesing

In 2007, three trials were established to determine the effectiveness of clips to prevent flystrike. The clips are attached to the flaps of skin around the breech and tails of lambs that would be removed during mulesing. The lack of blood supply causes the flap of skin to wither and typically fall off within a couple of weeks to leave a closed linear scar.

For the 'Clip Product Development and Testing (PDT) Trial', Australian woolgrowers were invited to take part in broad scale commercial trials of the clips – over 1100 woolgrowers responded with offers to trial the clips. AWI is currently immersed in the data entry and analysis process of information from 200 sites with almost one million items of data generated. The trial compared untreated animals with clipped animals.

Early indications are that the clips are working towards producing an outcome similar to mulesing, yet with welfare and productivity gains as lambs similar to untreated animals.

A 'Universal Clip Trial' comparing clip design and a 'Positive Control Mulesed Trial' comparing mulesed, unmulesed and clipped animals were also undertaken. Results have shown that breech and tail clips have advantages over the Universal Clip.

The two year 'Positive Control Mulesed' trial is being conducted on four wool-growing properties in three states. The study is designed to scientifically evaluate the performance of clips compared with mulesing compared with no treatment. At each location, a mob of 360 lambs at lamb marking was either clipped, mulesed or left untreated and measurements taken for breech and tail bare area, breech wrinkle, dag, urine stain, bodyweight gain, survival and flystrike and this will continue until the lambs are 24 months old.

Results at day 90 show clips have performed well in the following animal management areas (table right):

More information:
www.wool.com.au/2010

SURVIVAL

Compared to mulesed lambs, 4 in 100 more lambs survived when clipped
- Significant advantage of clips; clips same as untreated

FLYSTRIKE

Compared to mulesed lambs, 1 in 100 more lambs were struck by flies when clipped
- Slight advantage of mulesing; large advantage of clips compared to no treatment

BODY WEIGHT

Clipped lambs consistently had better daily weight gain and overall bodyweights
- Significant advantage of clips; clips same as untreated

WELFARE

Significantly less pain and stress for clipped lambs than mulesed lambs
- Significant advantage of clips to mulesing; clipped animals very similar to untreated

LICEBOSS™

ONLINE TOOL JOINS FIGHT AGAINST LICE



Feedback from growers has helped a team of pest management experts from across Australia to compile best practice information about lice treatments into a decision support tool that is accessible through the internet.

Called LiceBoss™, the computer tool aims to help with tricky lice-management issues while providing cost-benefit and chemical residue estimates that are associated with different treatment strategies. Issued in December 2007, it guides woolgrowers through the complex process of deciding what to do (when to shear, when to treat and with which product) when they discover lice on their sheep. It helps minimise the loss of production and the risk of chemical residues in wool.

LiceBoss™ was developed under an AWI-funded project with the help of scientists from the Queensland Department of Primary Industries and Fisheries, the Tasmanian Department of Primary Industries and Water, the Department of Agriculture and Food Western Australia, and the Victorian Department of Primary Industry.

The scientists integrated information across the spectrum of lice-control issues and produced a set of queries that guide the user through a minefield of inter-related risks, costs and benefits. To facilitate access, the database is divided into modules dealing with lice eradication in short wool, treatment in long wool, and strategies for pregnant ewes or ewes with lambs.

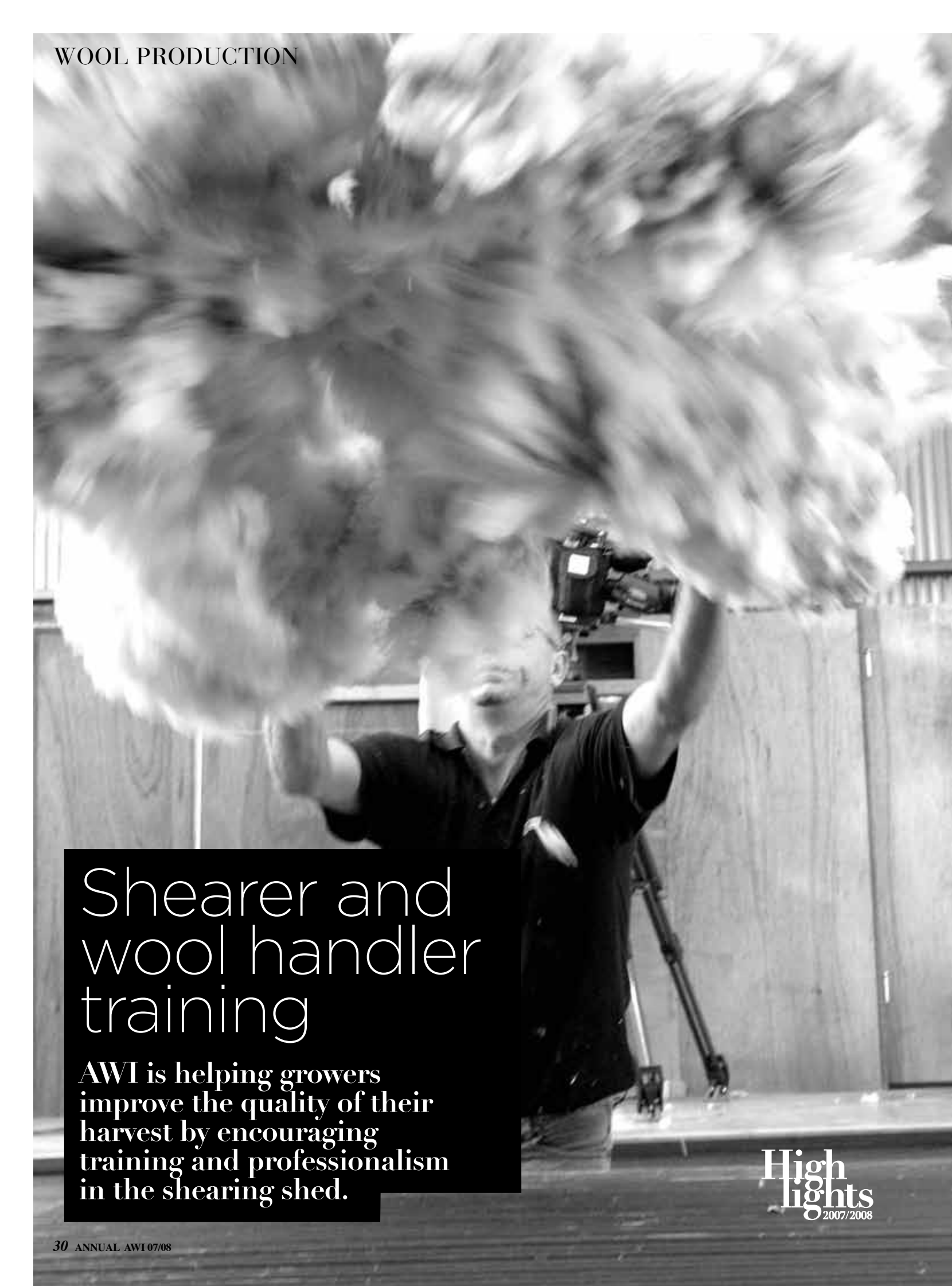
Throughout the development process, programmers never lost sight of on-farm realities, so that a support module is available covering the spectrum of registered lice-control products. A further tool is included that monitors the chemical residue impacts of various treatments, which is particularly valuable when aiming for residue-sensitive wool markets.

Choices made when working through LiceBoss™ can be further tested with the Treatment Assessment module. This checks the probability of achieving eradication from an on-farm treatment and provides suggestions for improving treatment technique and efficacy.

There is also a Rubbing Assessment tool, to determine whether rubbing is likely to be due to lice or other causes, which feeds into a way of estimating lice numbers by simply considering the amount of rubbing and fleece biting.

Complementing the tools is the Lice Info area containing the latest information about the economic impact of lice, chemical resistance and residues, in addition to on-farm biosecurity measures to prevent lice infestations.

More information:
www.liceboss.com.au



Shearer and wool handler training

**AWI is helping growers
improve the quality of their
harvest by encouraging
training and professionalism
in the shearing shed.**

**High
lights**
2007/2008

Skilled staff are seen by the Australian wool industry as being integral to the harvesting and preparation of the Australian wool clip. AWI's shearer and wool handler training program has aimed to:

- help the wool harvesting industry ensure the availability of competent workers through the delivery of industry relevant training programs and credible skill assessment
- attract and retain new entrants
- build the capacity of existing workers
- increase the profitability of woolgrowers
- maximise government funding and support for shearer and wool handler training

1842 shearers and 1213 wool handlers have been trained directly through the AWI program in 2007/08. Evaluation surveys have highlighted that 79 per cent of contractors and growers who witnessed the training considered it to be "excellent" – an increase of 10 per cent from the previous year.

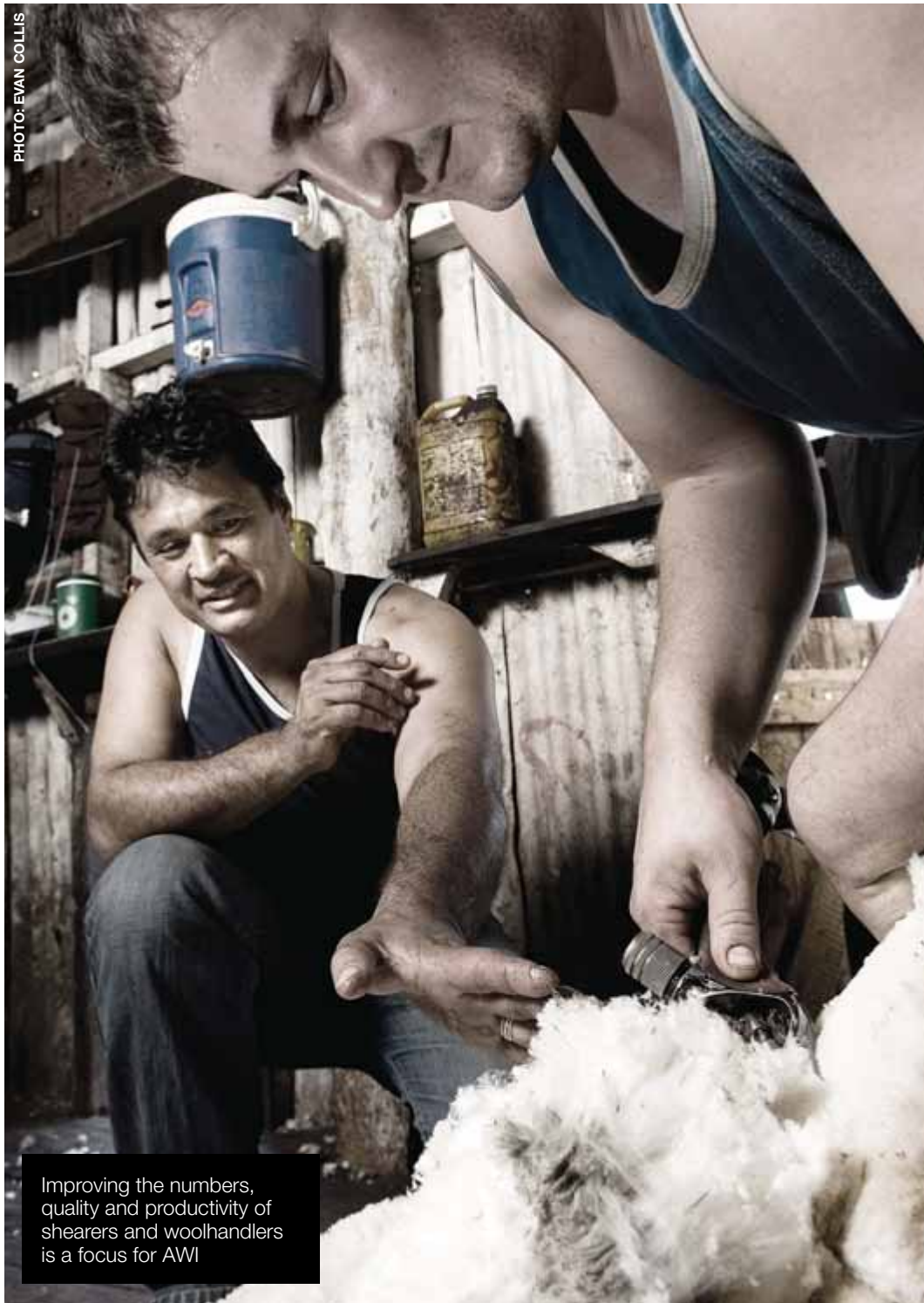
AWI has worked hard over the last twelve months to increase the Federal and State contributions to training delivery. The promotion of traineeships has been at the heart of this work. During 2007/08 AWI contributed \$834,000 to training delivery. State and Federal funding, across Australia, is estimated to total \$2,748,500, with traineeship funding estimated at \$943,000.

Overall the AWI funds invested in shearer and wool handler training have been leveraged 3.29 to 1. In 2003/04, prior to the establishment of the program, total funding contribution from Government was less than \$1 million.

A major outcome of the training program has been a gradual change in the culture which is occurring as high quality trainers are taking positive messages into working woolsheds.

More information: www.wool.com.au

PHOTO: EVAN COLLIS



Improving the numbers, quality and productivity of shearers and woolhandlers is a focus for AWI

AWI provides free training for improver and professional shearers as well as for novice and improver wool handlers within its regional coaching program.

This training provided by Registered Training Organisations focuses on skill development for those individuals who work as shearers or wool handlers. If you would like to find out more about the AWI training program and/or what government funded training initiatives are available please contact AWI's preferred training provider in your state:

STATE	TRAINING PROVIDER	CONTACT	PHONE
QLD	AACC	Jo Sheppard	0428 536 183
NSW	Western Institute of TAFE	David Crean	0419 422 340
VIC	SCAA	Stuart Grigg	0427 857 212
TAS	TAFE Tasmania	Luke Griffiths	0407 060 970
SA	TAFE SA	Bob Reid	0427 604 255
WA	CY O'Connor TAFE	Stephen Madson	0409 080 243

PROGRESS AGAINST ANNUAL TARGETS

TARGET	PERFORMANCE AGAINST TARGET
ANIMAL HEALTH & WELFARE	
<p>Continue the development and commercialisation of the clip and intradermal alternatives to mulesing.</p>	<p>Plans to launch the clip in 2009 continue following successful trials of the clip in 2007-08 to reduce flystrike and quantify the significant animal welfare benefits of the clip at lamb marking.</p> <p>Trials continue with Cobbett Technologies and their "Skintraction" Sodium Lauryl Sulphate intradermal and while at early stages in the R&D cycle it holds promise for limited commercialisation in 2010.</p> <p>Work on cetrimide and collagenase has ceased due to animal welfare outcomes similar to mulesing and reduced effectiveness against flystrike.</p> <p>Two new chemicals are under investigation by AWI – neither leaves an open wound.</p>
<p>Improved control of internal and external parasites.</p>	<p>Integrated Parasite Management principles further validated on 15 demonstration farms and extended by various means. WormBoss® and LiceBoss™ decision support tools provided in the interest of rational chemical use. Annual wool residue survey indicates that 40 – 50% of the Australian wool clip will meet minimum residue levels in environmentally sensitive markets. Blowfly genome project complete, expressions of interest invited for further research.</p>
<p>Meet AWI's commitments to the Invasive Animals Cooperative Research Centre (CRC) for research to improve feral dog and fox control and to the Sheep CRC for research to improve lamb survival.</p>	<p>Development of the new canid bait was held up (formulation difficulties and fox capture) but is now well underway to a registration application for a fox bait early in 2009 and a dog product a few months later. Funding of the Sheep CRC's lamb survival project continues as planned.</p>
SUSTAINABLE PRODUCTION SYSTEMS	
<p>Delivery of ewe management guidelines developed in Lifetime Wool.</p>	<p>Ewe nutrition management guidelines developed for 5 regions and delivered via lifetimewool.com.au. Economic analysis of the benefits of Lifetime Wool completed. During 2007/08, 3135 producers, consultants, extension officers and livestock scientists attended Lifetime Wool events. The project has engaged with 20,000 producers, consultants and extension specialists since its commencement in 2001.</p>
<p>Investment in the Evergraze project through the Future Farm Industries CRC, so as to develop more profitable pasture systems for the high rainfall zone, integrating native and improved pasture components.</p>	<p>Three Native Proof Sites and 45 Supporting sites are fully operational. Future Farm Industries CRC has contributed additional resources to support state extension which utilises the supporting site network and proof sites. 1800 producers are aware of Evergraze; 1000 producers participate in Evergraze.</p>
<p>Restructure of the extension network projects to provide a delivery mechanism for innovations developed within the four Wool Production programs, reducing duplication of extension effort.</p>	<p>Networks have been restructured to focus their delivery on three AWI innovations per year and to introduce a user pays culture within the programs. Co-investment with state and federal agencies and other industry bodies is sought in each state. Membership of the network projects totals 2700.</p>
<p>The key findings from the completed Land Water & Wool program to be incorporated into AWI's corporate and marketing messages demonstrating the wool industry's environmental credentials.</p>	<p>Land, Water & Wool key messages presented to APDM and messages incorporated into Natural, Biodegradable, Sustainable, (NBS) offering and marketing material included in industry recognised publications such as Wool Record and Eco Textiles.</p>
<p>The 'Making More From Sheep' best management package to provide a new mechanism for delivery of AWI and MLA innovations.</p>	<p>The Making More From Sheep manual, a best practice package of information, tools and learning opportunities for Australian sheep producers, was launched in January 2008.</p> <p>Over 2000 sheep producers have taken up the manual. 15,000 users visited the website www.makingmorefromsheep.com.au.</p> <p>1100 sheep producers participated in 63 workshops across Australia. 85% of participants reported that they would change practices as a result of what they learned. Workshop participants had an average flock size of approximately 4000 sheep, and/or produced around 100 bales of wool each year.</p>



TARGET

PERFORMANCE AGAINST TARGET

SUSTAINABLE PRODUCTION SYSTEMS (CONTINUED)

Collaborative investment with GRDC, MLA, DA and RIRDC in Pastures Australia with a focus on increasing adoption of pasture technology, development of genetic evaluation systems for pastures and closer collaboration with private seed and agronomy companies.

A revolutionary pasture pre-breeding and characteristic selection system, using pedigree information and estimated breeding values, is nearing completion. Negotiation commenced with two major international seed companies to undertake commercial development.

Lucerne breeding investment proposal designed to secure commercial replacement of GRDC funding developed and presented to industry. Five EOLs received.

A new red legged earth mite tolerant sub-clover released with commercialisation partner selected. Line has widespread national adoption potential.

Completion of breeding, selection and release of two new barrel medics with a pod holding trait incorporated. Prototype pasture selection tool developed with two industry workshops held to assess effectiveness.

Four programs undertaken by State agencies in NSW and WA, two in collaboration with farmer groups, to develop agronomy and management packages for new pasture legume varieties that are now commercially available.

Engagement with the Australian Seed Federation and individual seed companies to develop a pilot merit testing scheme.

Development of tools and knowledge to assist woolgrowers to adapt to climate change and increasing seasonal variability.

The Enrich project identified a number of native and exotic fodder shrubs that have the potential to reduce methane production and losses in dietary protein and energy in sheep and other ruminants, treat acidosis, and provide a degree of activity against intestinal worms under grazing.

A project with the Australian Farm Institute in identifying the potential costs and impacts of a carbon trading scheme for rural industries. This information will be provided to policy makers.

Investment in rabbit R&D to maintain the effectiveness of bio-control techniques.

Four projects were completed providing a sound basis to understand the current situation with rabbits and direct future investment. 2007/08 research indicated existing control methods (eg ripping, poisoning and fumigation) add significant value to RHD effectiveness and that rabbits have not developed resistance to such a level that they can withstand high virus challenge.

Leadership training for wool industry professionals.

2008 scholarships were awarded for both Australian Rural Leadership Program and the Nuffield Farming Scholars award. The Young Merino Stud Breeders Leadership Project provided leadership training for 20 young stud breeders.

Long term investment in post graduate education.

12 AWI scholarship students are continuing with their studies. Three students completed their PhDs during 2007/08.

Eight postgraduate scholars commenced studies with the Sheep CRC during 2007/08.

SHEEP PRODUCTIVITY

Delivery and extension of breeding tools to stud and commercial growers through the Sheep Genetics national genetic evaluation scheme.

The target of 50% of Merino rams sold with ASBVs by 2012 is unlikely to be met due to drought and lower ewe numbers. 160 Merino breeders are currently members of MERINOSELECT. Through ongoing industry liaison and targeted workshoping, the number of studs and commercial producers joining MERINOSELECT, providing data and selling rams with data continues to grow. An increasing number of influential studs are joining MERINOSELECT.

Development of additional tools that enhance or improve the existing breeding tools.

A national set of visual sheep scores for wool quality, conformation and other production traits has been developed and is being adopted through industry as a breeding and selection tool. The Visual Sheep Scores are enabling the collection of data in preparation for generating wool quality and breech trait ASBVs.

The integration of the first DNA markers from SheepGenomics (SGP) into ASBVs is on track with the application of the 60,000 markers DNA test (SNP chip) which has been developed in collaboration with the International SNP Consortium (ISGC).

PROGRESS AGAINST ANNUAL TARGETS

TARGET	PERFORMANCE AGAINST TARGET
SHEEP PRODUCTIVITY (CONTINUED)	
Discovery of the next generation of breeding tools using outcomes from genomics research.	<p>AWI investment in the Sheep CRC has enabled the establishment of the Information Nucleus Flocks located around Australia. These flocks are currently collecting data for validating the genotype/phenotype associations generated through Falkiner Memorial Field Station (FMFS) and SheepGenomics (SGP) investments. The 60,000 markers DNA test (SNP chip) developed by SGP is scheduled to commence production in September 2008 and the first of the genotyping data from FMFS (and the Sheep CRC) using the SNP chip is on track for delivery in early 2009 with the first associations generated by mid 2009.</p> <p>The work directed towards the development of a parasite resistance/susceptibility prognostic test is on track to deliver data for a final analysis by June 2009. These data, including the FMFS/SGP phenotype database, will reside with Sheep Genetics and an integrated industry commercialisation plan is currently being discussed with MLA, Sheep Genetics and the CRC.</p>
WOOL HARVESTING	
Successfully assist in commercialising at least one single stand upright posture shearing platform (UPSP) that meets the performance, OH&S, price and other specifications required by the wool industry.	Two UPSPs are now commercially available in Australia – the ShearEzy UPSP from Peak Hill Industries and the Hecton Highlander.
Develop a mobile multi stand modular UPSP, combine this with ancillary wool handling and other advanced technology, and then subsequently assist in making this commercially available to the wool industry.	The ShearEzy UPSP is now available and is both modular and transportable. Eight units have been sold to the end of June 2008.
Fund fundamental and applied research into biological harvesting methods that show potential for a cost effective alternative to mechanical severance for all sheep types.	Significant success has been achieved in the identification of two alternative chemical actives that could lead to biological harvesting approaches that could reduce the cost of harvesting. This research has been supplemented with R&D to test an alternative method for fleece removal.
Develop and commercialise handpiece safety devices.	<p>The handpiece safety device has not reached commercialisation due to technical difficulties. This is now expected in October 2008.</p> <p>A commercial manufacturer has now developed and commercialised a 'handpiece on a string' after being introduced to the concept by AWI.</p>
Increase the productivity and quality of shearers and wool handlers trained by AWI funds.	1842 shearers and 1213 wool handlers have been trained directly through the AWI program in 2007/08. Evaluation surveys have highlighted that 79% of contractors and growers who witnessed the training considered it to be "excellent" – an increase of 10% from the previous year.
An increase in the number of novice shearers and wool handlers trained by all funded sources.	AWI has worked hard over the last twelve months to increase the Federal and State contributions to training delivery. The promotion of traineeships has been at the heart of this work. During 2007/08 AWI contributed \$834,000 to training delivery. State and Federal funding, across Australia, is estimated to total \$2,748,500, with traineeship funding estimated at \$943,000. Overall the AWI funds invested in shearer and wool handler training have been leveraged 3.29 to 1. In 2003/04, prior to the establishment of the program, total funding contribution from Government was less than \$1 million.

Australian Merino wool is well specified and has a high reputation for clean white wool



OUR AIMS

Apparel Product Development & Marketing

AWI's Marketing department aims to manage AWI's brand portfolio and support the key account management teams in each region to deliver our service promise.

We aim to:

- reposition the Woolmark business and brand*
- position and launch 'Australian Merino' as a premium brand*
- provide knowledge, innovation and marketing services via key account management teams*
- position Australian Merino wool as the ethical fibre of choice*

We will continue to work with top level influential retailers/brands to re-position Australian Merino wool in the marketplace, and mid level high street retailers/brands to increase demand for Australian Merino wool.

DESIGN AND DESIRE



APPAREL PRODUCT DEVELOPMENT & MARKETING



North Face: Outdoor leader welcomes back wool

In August 2007 the world's premier supplier of technically innovative outdoor apparel and equipment, The North Face, released a new clothing collection made from Australian Merino wool into northern hemisphere retail markets.

As the outdoor fashion industry's quintessential master of form and function, The North Face promotes its products as high-performance, versatile and athlete-tested.

The new collection included two ranges: the 'Summit Series' lightweight performance items and the 'Extreme Wool' styles, which can be either layered under The North Face technical shells or worn as an outer layer.

The 'Summit Series' included layering garments made from 100 per cent Australian, 18.5-micron Merino wool. Colour and styling was used to create a sporty fashionable look while still giving the wearer a comfortable next-to-skin garment.

The 'Extreme Wool' styles were created with a blend of 90 per cent Australian Merino wool and 10 per cent nylon, to give the outer garments more stretch. The addition of a Teflon® finish gave additional weather protection.

AWI first approached The North Face in December 2005 in the US, knowing they were a global brand leader and innovator in the outdoor apparel and accessory market. AWI introduced them to the benefits of Australian Merino wool and they analysed a number of Merino fabrics, then made and field-tested some garments. Based on the successful results of those trials, The North Face placed orders for Australian Merino products.

AWI subsequently worked with The North Face to support the product launch by providing additional help with product development, supply chains and marketing support.

More information:
www.merinoinnovation.com





High lights

2007/2008

Marketing collateral from the MERINOfresh™ project that enables woven products, such as suits, trousers and skirts, made from Merino wool to be simply cleaned and refreshed using a domestic shower at home



alliance with top indian clothing label

High
lights
2007/2008

AWI is working with key manufacturers and retailers in India to introduce innovative Merino products to the knitwear and woven apparel market. India is Australian Merino wool's fourth largest customer. With Australian exports to India increasing by 27 per cent annually over the past five years, AWI recognises the importance of this market now and in the future.

One of the projects that has borne fruit is a collaboration with textile manufacturer Raymond Ltd, owner of India's largest men's wear brand, Park Avenue. Launched in 1986, Park Avenue is one of India's premium lifestyle brands, presenting the market with the latest in international fabric, styling, colour and fashion trends.

The result is a range of men's clothing, including a machine-washable wool suit, which was released in April 2008 to meet the rising demand for quality, 'easy-care' clothing. The suit also has good environmental credentials, as it eliminates the need for chemical dry cleaning.

The company has created a special finishing application for the suit, using a 60/40 wool/polyester blend to create the machine-washable properties. AWI is also working with Raymond Ltd to produce a high-performance travel suit.

Park Avenue is sourcing innovative knitwear products through AWI and working with three Hong Kong-based knitters to produce a range

of mercerised, easy-care and easy iron knitwear products for the local market later this year.

Another large Indian textile manufacturer, Jayashree, with support from AWI, has developed a fine Merino wool linen blend fabric for shirts, jackets and trousers, which combines the coolness of linen with the fall and lustre of wool, making linen more acceptable to business consumers.

AWI is working with some of the leading retailers and brands in the country, such as Rage, Madura Garments, Arvind Brands, ITC Lifestyle and Benetton to add value to their business while, at the same time, introducing new products in Merino wool and blends for discerning consumers at the high end of the market. Other collaborations are a woollen 'kid's wear' range, with Monte Carlo, and a wool-silk sari with Satya Paul.

More information:
www.merinoinnovation.com

AWI IN JAPAN

THE JAPANESE MARKETING PROJECT

AWI began rolling out a \$1.4 million marketing program this year involving five major Japanese retailers through to March 2009. The program's aim is to create nearly one million kilograms of new demand over the next three years for Australian Merino wool.

Japan is a priority strategic market for increasing demand for Australian Merino wool. It is a sophisticated market, which is well represented by a small range of retailers. Five of the leading retail apparel groups in Japan have joined with AWI to promote the 'Excellence in Australian Merino Wool' marketing campaign.

Educating the market is particularly important as the attitudes of young Japanese consumers have become more evident since the mid-1990s. Young consumers who did not experience the previous wool-marketing campaign in Japan will be introduced to the positive attributes of wool clothing.

Japan is the second-largest wool apparel consuming country in the world after China, with an estimated retail market of 80 million kilograms. There has been an absence of a targeted wool marketing campaign in Japan for more than a decade, and Japan has a large influence on global superfine wool demand with its consumer preference for suits.



The retail partners in the campaign are:

- **Isetan** – the fourth-largest department store for apparel sales in Japan and a market leader in retail fashion
- **Onward Kashiwama** – the largest apparel manufacturer and wholesaler in Japan, ranked first in men's wear sales and second in women's wear sales and the number-one supplier to most department stores in Japan
- **Sanyo Shokai** – ranked second in national men's wear sales in Japan and sixth in women's wear; servicing mainly department stores. Sanyo Shokai carries a wide range of successful local and international brand licences

- **Aoyama Trading** – Japan's largest men's wear chain store, ranked first among total men's apparel retailers in Japan. Its impact on national wool consumption is the largest of all apparel business in Japan with its high concentration on men's business suits
- **Flandre** – known as a market leader in young women's apparel in Japan, the company's turnover has grown six-fold in the past 10 years and it is currently ranked eighth-largest in all women's apparel manufacturers in Japan

These partners were selected on the basis of their market influence, reputation for consumer marketing, and commitment to increasing the volume of wool merchandise during the course of the program.

The program will offer the retailer in-store displays; swing tags – branding, description of the product and the fibre story; 'point of purchase' collateral, such as posters and banners; advertising templates for each collection and for the program as a whole; training kits for retail staff on Australian Merino wool; in-store events and campaign; sales staff training; website resources; and direct mail advertising.

More information:

www.merino.jp

THE SUIT YOU CAN CLEAN IN THE SHOWER

For the time-poor smart dresser in Japan, the ultimate in easy care was released this year: a suit that washes clean in the shower and dries in time for another day.



And it needs no ironing. It is the world's first wool, non-iron suit, which can be rinsed under a normal shower stream to remove all the dirt, stains and odours accrued during everyday wear.

The rinse and clean suit was a joint product development between AWI and pioneering suit retailer Konaka & Co. Ltd. The suit was unveiled in February 2008 at Konaka Group stores in Japan, in time for the coming spring/summer 2008 season.

AWI and Konaka were also jointly responsible for other laundry-busting innovations such as the Rain Suit, which repels water and oil, the Super Non-Wrinkle Suit, and the Air-Fit Suit, which is light, warm and comfortable. These products have already begun building a growing following among busy business people.

The suits are particularly futuristic because of their remarkable capacity to allow dirt to be rinsed off in a warm shower without detergent. Hung up to dry, the suit can be worn again without ironing, still retaining the original wool texture and the suit's fabric quality and fit.

Their environmental credentials are further enhanced by the fact it does not need dry cleaning and can be cleaned quickly, with minimal water use. Smog, dirt, smoke, smells and stains from food and drink rinse away after just a few minutes under a 40°C shower.

The suits have a hollow fabric structure that allows air to pass through and embody a blend of fabrics – one made of pure wool and the other containing wool and polyester at the ratio of 83:17.

Water repellent is added to the suits, while an eco-super 3D processing is used to maintain shape. The final finish uses the natural amino acid L-cysteine – found in hair, nails and skin – to maintain the suit's shape.

The suits were designed by Japanese designer Kansai Yamamoto and British designer John Pearse and are marketed under the brand names Kansainan Collection and John Pearse.

More information:

www.merinoinnovation.com

www.konaka.co.jp/item/01/top_shower

MERINO & THE PROTÉGÉ PROJECT

In an initiative designed to knit together leading fashion designers and Australia's finest Merino wool, AWI unveiled the one-off collections of five up and coming fashion designers from around the globe in front of the world's fashion media at an exclusive event in Florence in January 2008.



PHOTO: SIX6 PHOTOGRAPHY



**High
lights**
2007/2008

Backstage with a model
wearing a Sandra
Backlund design



***Protégé Project:
Launched in early
2007 by AWI, the
Protégé Project
appointed Versace,
Lagerfeld, Costa,
Smith and Sozzani
to select and
introduce an up
and coming protégé
of their choice.
The challenge
presented to the
protégés was to
create a collection
of garments
with Australian
Merino wool.***

The collections, all created with Australian Merino wool as the primary fibre, were the result of the Protégé Project – an idea that saw fashion industry icons Donatella Versace, Karl Lagerfeld, Francisco Costa for Calvin Klein, Paul Smith and Franca Sozzani (Editor, Vogue Italia) identify and mentor five promising, talented protégés over the last few months.

To cement Australian Merino wool's position on the lucrative international fashion stage, the five protégés showcased their collections at an exclusive Gala evening held during the Pitti Immagine Uomo exhibition at the Palazzo Corsini, Florence. The event offered a unique opportunity to see how one of Australia's leading exports is used by the international fashion elite to get to its final destination.

Launched in early 2007 by AWI, the Protégé Project appointed Versace, Lagerfeld, Costa, Smith and Sozzani to select and introduce an up and coming protégé of their choice. The challenge presented to the protégés was to create a collection of garments with Australian Merino wool.

After months of hard work and dedication, by both the designers and their protégés, the collections presented were highly commended by all attendees.

The purpose of the Project Protégé was to not only showcase some of the most beautiful and luxurious Merino yarns and fabrics that Australia produces, but to also pave the way for and support young talent – a passion greatly shared by those who have put fleece or fashion at the heart of their lives and who understand the importance of ensuring a future for Merino wool in the fashion world.

The Protégé Project generated significant positive PR for Australian Merino wool.

***More information:
www.future.wool.com***



After months of hard work and dedication by the protégés, the collections presented were highly commended by all attendees. This design is by Kristian Aadnevik.

PHOTO: SIX6 PHOTOGRAPHY

APPAREL PRODUCT DEVELOPMENT & MARKETING



**High
lights**
2007/2008

AWI is building relationships with the world's leading brand manufacturers at international trade shows, at which it showcases new products and innovations containing Australian Merino wool



THE SPINEXPO TRADE FAIR

An innovative Merino knitwear collection was introduced at SpinExpo in September 2007 by AWI in Shanghai, China. SpinExpo is a renowned global trade fair which embraces a complete expression of textile ranges and fashion information for all those visitors interested in the knitwear sector.

With over fifteen product developments, the AWI product showcase highlighted the true versatility and durability of the Australian Merino wool fibre. By working with a number of renowned spinners, knitters and textile manufacturers, supported by strong research and development, Australian Merino wool has been adapted for multiple applications.

The collection ranged from ultra-lightweight textiles, through to aromatherapy treated fabrics to ensure the wearer feels revived or relaxed. New knitting and spinning techniques play a large part in creating total easy care fabrics, vibrant new colours, and remarkable visual textures.

The innovative knitwear collection demonstrated AWI's commitment to bringing Australian Merino wool innovations to the market, and continuing to provide retailers, designers, and manufacturers with luxurious and high-quality knits that meet customer demands and complement forecasted trends.

AWI again worked with innovations under three marketing areas: Merino Care, Merino Soft and Merino Visual.

The Merino Care innovations included: anti-bacterial Merino, anti-moth Merino, moisturising Merino, cool Merino, aromatherapy Merino, easy-iron Merino, anti-odour Merino, easy-care Merino, quick-dry Merino and Klimeo Merino.

In the Merino Soft marketing area, there was mercerised Merino, soft classic Merino, soft lambswool Merino, aqua Merino (treated fabric that can absorb moisture to give a cool effect) and ultra-light Merino.

For Merino Visual there was spectrum Merino (multicoloured effects), textured Merino and vintage Merino.

SpinExpo is a renowned global trade fair which embraces a complete expression of textile ranges and fashion information for all those visitors interested in the knitwear sector.

*More information:
www.merinoinnovation.com*

WOOL QUALITY TRAINING
TO CHINESE PROCESSORS



In direct response to concerns raised by Chinese processors, AWI in partnership with AWEX and AWTA presented two 2-day workshops last year.

Nearly 200 members of the Chinese textile industry received hands-on training at Zhangjiagang, China, in September 2007; delivered by the Australian wool industry in an effort to raise awareness of quality assurance measures.

AWI in association with the AWEX and AWTA provided information on classing standards, measurement and certification, presale information on wool quality and the roles of the grower, classer, broker and buyer. The workshop delivered programs aimed at improving the knowledge and use of Australian wool quality systems.

There was a strong emphasis on hands-on learning, with AWEX conducting skirting demonstrations and presale clip inspection procedures with an in-depth explanation of 107 wool sale lots and the corresponding catalogue information. Additional sessions by AWTA on objective measurement, certification and dark and medullated fibre testing were very well received. Overall one hundred per cent of participants said the course improved their understanding of Australian Merino wool.

Importantly, the information and training reached participants who rated their knowledge of Australia's wool quality systems as either basic or no prior knowledge. The participants ranged from young, factory floor technicians through to enterprise managers. Over 75 per cent of the participants also said they saw opportunities to use more Australian Merino wool, following the workshop.

AWI, AWEX and AWTA ran another workshop in April 2008 in Zhangjiagang. The 2008 training was more targeted than the previous session. It covered progress on the development of dark and medullated fibre detection, International Wool Test Organisation (IWTO) test certificate changes relating to clip preparation status, improving fibre selection, effluent management and other environmental issues for early stage processing.

In addition, information about mulesing and an understanding of corporate social responsibility (CSR) requirements in major export markets such as North America and Europe were provided. Germany based social and environmental risk management company Global Sustainable Management were involved in this training.

The April training was attended by 80 participants from some of the largest wool processors in the world. These seminars are a low-cost and effective means to get key messages about the fibre to the processors.

Improved and continuing communication with China's early stage processors on a range of issues is helping to lift standards in the key wool export market and processing hub that China has become.

More information:
www.merinoinnovation.com

PROGRESS AGAINST ANNUAL TARGETS

TARGET

PERFORMANCE AGAINST TARGET

KNOWLEDGE SERVICES

To provide information services to AWI stakeholders including:

- B2B partners
- other industry entities
- AWI Innovation and Marketing Services

These knowledge services encompass provision of technical information relating to the unique attributes of Australian Merino, technical developments, fibre sourcing advice, and development and implementation of fibre specifications. Market research information collected is used to assist target and prioritise AWI investments.

In this program, AWI aims to become the global one-stop-shop for Australian Merino information services, including:

- market intelligence
- technical advice and training
- supply chain support

During the 2007/08 financial year Knowledge Services provided ad hoc, structured and bespoke supply chain information in the following mediums:

- Five technical seminars with retail buyers in Hong Kong and Taiwan, covering the following topics: pilling, total easycare knitwear, quality assurance in knitwear and a proactive information session on mulesing and the implications for retailers. Each technical seminar attracted over 190 participants.
- In direct response to concerns raised by Chinese processors in January 2007, AWI in partnership with AWEX and AWTA presented two 2-day workshops. September 2007's workshop aimed to increasing awareness and understanding of the quality assurance systems the Australian wool industry has in place. Over 140 early stage processors participated. The focus of the April 2008 workshop was increased efficiency in mill management and moving towards managing scouring effluent as a valuable resource rather than an environmentally damaging byproduct. Over 90 early stage processors attended.
- November 2007 saw the second delivery of the Australian Wool Textile Training Centre (AWTTC). These short courses were delivered over two weeks at CSIRO Textile and Fibre Technology, Belmont. This year 19 out of 103 attendees were from China, India and Italy. This training is a collaboration between AWI, AWEX and International Fibre Centre (IFC).
- Technical manuals to facilitate transfer the following innovations were created and distributed to partners: MERINOfresh, MercerizedMERINO, MERINOCare, MERINOsoft, MERINOvisual.

Supply chain support was delivered through the following initiatives:

- The production of a preliminary life cycle analysis by the CSIRO Textile and Fibre Technology division. This models the water, carbon and energy usage of the following scenarios:
 - pastoral zone wool production to manufacture knitted outerwear garments
 - sheep wheat zone mixed farming production to produce a man's suit
 - high rainfall specialist wool production to produce fine, next-to-skin knitwear

The analysis is currently (August) going through CSIRO's internal referee protocol.

- The refinement of Australian Merino's 'environmental credentials', allowing AWI to position the entire Australian Merino wool clip as the preferred natural fibre choice in an economy where "conscious consumerism" is an important factor for consideration for retailers. Merino's natural, biodegradable and renewable attributes form an integral portion of the upcoming marketing drive at key trade industry events as well as the re-launched Woolmark brand. An example of this approach's success can be found in the partnership Onwards Kashiya (Japan) and Australian Land Management's to develop and promote MyEMS an online environmental management tool.

Supply chain verification and traceability: It is becoming necessary for the Australian supply chain to be able to supply accurate and credible information connected to Merino products, whether it is information flowing from farm to auction or from spinner to knitter, AWI has proactively invested in technologies and systems which facilitate this information transfer:

- The Verification of Australian Merino content (VAM) system has been welcomed by the market and will be a key component of the new Woolmark standards. Formally this system was a medium-sized project focused in the Japanese market. To facilitate the upscaling of VAM to all markets, AWI has worked closely with B2B partners and Australian Wool Testing Authority (AWTA) to develop an online data collection and transfer site.
- AWI is funding research into a woolen tracer fibre which when integrated into a product can be detected under a UV light source. This long-term project will allow AWI to identify and address fraudulent content claims along the entire supply chain.

APPAREL PRODUCT DEVELOPMENT & MARKETING

TARGET

PERFORMANCE AGAINST TARGET

INNOVATION

Working with key manufacturers (top makers, spinners, weavers and making-up companies and knitters), primarily in Asia, AWI will develop and transfer technology to ensure that the manufacturing supply chains are established, that new products are technically and commercially acceptable and that the new products are easily accessible and available.

The key to success for AWI is the delivery of product ideas that:

- add value to a B2B partners business
- are directed by consumer demand
- are technically assured
- have established supply chains and are commercially available
- are commercially and environmentally acceptable

A range of new and updated 'MERINO Care' innovations was launched by AWI. MERINO Care is a range of apparel knitted products that are practical for the consumer, easy to care for, and processes that care for the environment. Included in the range during the year were:

- Easy Care Merino: Easy Care Merino knitted apparel products have been made to meet the needs of the busy consumer.
- Moisturising Merino: This is part of a new range of cosmetic textiles – clothes that look and feel great whilst providing a sense of well-being for the wearer.
- Easy-iron Merino: This technology makes domestic ironing easier after laundering. In some cases it avoids the need for ironing altogether.
- Anti-Bacterial Merino: This is a highly effective anti-bacterial treatment based on nanotechnology. Certain scientific tests show a 99.9% reduction in the growth of two of the most common harmful bacteria found on the human skin.
- Anti-Moth Merino: This provides effective and safe protection against moth damage for Australian Merino wool knitted garments.
- Cool Merino: Cool Merino is the result of extracting natural substances such as Menthol and Myrtilol and adding them to Australian Merino wool knitted garments to enhance the innate ability of Merino to cool the wearer.
- Aromatherapy Merino: These garments help relax or energise the wearer. A range of aromatherapy treatments can now be applied to Merino wool knitted fabrics.

A range of new and updated 'MERINO Soft' innovations was launched by AWI. New processing technologies have been developed and adopted to further improve the softness of products. Included in the range during the year were:

- Soft Classic Merino: This technology is for consumers who desire the traditional classic look but are no longer prepared to accept the coarse hand feel associated with such products.
- Mercerised Merino: Mercerised Merino provides luxurious handle and appearance whilst still offering enhanced fluidity, drape and comfort.
- Aqua Merino: Australian Merino wool is known for its ability to absorb and release water quickly, whilst still ensuring the garment remains soft and comfortable to wear.
- Soft Lambswool Merino: The treatment used to create Soft Lambswool Merino results in a garment that looks and feels as though it has been made using wool which is between 2-3 micron finer.
- Ultra-light Merino: Consumers today demand garments that can work across all seasons. Specially produced ultra-light Merino yarns enable garments to be up to 30% lighter in weight, whilst still retaining their durability, structure, and style.

A range of new and updated 'MERINO Visual' innovations was launched by AWI. MERINO Visual applies a range of new technologies and processes to Australian Merino wool knitwear. The result is a wide range of exciting multi-coloured, multi-textural and distressed effects. Included in the range during the year were:

- Vintage Merino: This is a collection of visual effects which have been developed in response to the need for product differentiation.
- Spectrum Merino: Today, colour multiplicity helps gain consumer interest.
- Textured Merino: Texture adds a unique effect to any knitted garment – consumers today are attracted by unique and individual garments.

MARKETING SERVICES

AWI's business to business (B2B) strategy aims to develop the brand image of AWI as the partner and service provider of choice for brands, retailers and manufacturers seeking to develop a commercial edge by using Australian Merino wool. It will do this by establishing commercial partnerships with textile market leaders and trend setters around the world in both the manufacturing and retail brand sectors.

The B2B strategy enables AWI to link its innovations to the market, so building demand for Australian Merino wool.

AWI will provide marketing support to B2B companies wishing to highlight either:

- the intrinsic benefits of Merino which exist in their current range; or
- the innovative benefits that exist in a product range created in conjunction with AWI

AWI's successful increase of demand for Australian Merino wool will be delivered via a mixture of product, tactical and regional marketing strategies.

AWI continued to form direct business relationships with top level influential retailers/brands to reposition Australian Merino wool in the marketplace and increase demand for Australian Merino wool. A selection of this year's business-to-business relationships included:

- Major Japanese marketing program launched – A \$1.4million marketing program involving five major Japanese retailers began to be rolled out to cover the market segments identified by AWI as having the best balance between volume and influence over the wider market.
- Japanese embraced Australian Merino wool – An innovative collection of men's clothing made from quality Australian Merino wool by Onward Kashiya tapped into the burgeoning Japanese demand for green products.
- New markets secured in Vietnam – A range of major new projects in Vietnam's booming textile market were announced, aimed at increasing global demand for Australian Merino wool.
- AWI teamed up with leading activewear manufacturer Sugoi – AWI and Sugoi teamed up to introduce the new 'Walloo' line of Merino activewear to North American retailers. This is the first time in Sugoi's history that the company has used natural fibre in one of its lines.
- New collection of 'Super 100's' fabrics – Berkeley Apparel, an AWI partner, continued as a local market leader in Australian Merino wool suits with the launch of Studio Italia's latest suit innovation, the Money Market Suit™. The suits offer high quality and design at a moderate cost.
- King Gee launched a new corporate garment range – Australian Merino wool jumpers, vests and cardigans were this year an addition to Australian workwear company King Gee's winter corporate garment range.
- Red Island activewear range launched – Originally developed by AWI, the Red Island range of activewear is now being driven and produced by the highly regarded fabrics company Charles Parsons.
- New range of seamless Merino sport and body garments – AWI collaborated with one of Europe's most prominent makers of seamless apparel products, Memteks, to release a new range of seamless Merino sport and body garments.

MARKETING SERVICES (CONTINUED)

- Air-conditioned suits a hit in Japan – A new summer wool suit that breathes like a t-shirt and helps the environment captured attention in Japan. Developed by Japanese clothing company Aoyama Trading, in collaboration with AWI, the Su-Su-Suit is a lightweight garment with a new, high level of air permeability.
- Nautica launched Merino collection in Shanghai – AWI, in cooperation with the celebrated American sports and leisurewear brand Nautica, launched a new Australian Merino wool collection for the northern hemisphere's 2007 autumn/winter season.
- Sportwool™ range continued to evolve – The North Queensland Cowboys rugby league team had a new 'weapon' this season: Sportwool™ jerseys to keep them cool under pressure.
- Direct business relationship with Hong Kong Wins Dyeing and Laundry Co. Ltd – This company has traditionally been a dyed cotton jeans manufacturer, but through a partnership with AWI, wool is finding its way into its machines.
- Driza-Bone's first fashion show – Australian Merino featured prominently in Driza-Bone's first fashion show in its 110-year history at Sydney's Darling Harbour in August. All three of Driza-Bone's 2008 winter collections use 100 per cent Australian Merino.

AWI builds relationships with the world's leading brand manufacturers by exhibiting Australian Merino wool innovations at major international trade shows and seminars. A selection of events attended this year include:

- Merino wool showcased at SpinExpo – An innovative Merino knitwear collection was introduced at SpinExpo, a major and renowned global trade fair in Shanghai, China.
- New product technologies launched by AWI at 'Outdoor Retailer' – AWI launched 15 new product technologies at the event held in Salt Lake City, including its new Merino Active range of Classic, Ultimate, and Performance products, its Moisturizing Merino range, plus the Nu-Yarn technology.
- Wool warms the crowd at G'day USA promotion – AWI sponsorship at the G'day USA Australia Week increased consumer recognition of Australian Merino wool as a brand associated with affordable, quality and luxury.
- AWI presented the 'Australian beach' – a beach scene in which models wore swimwear/beachwear made from Australian Merino wool was showcased to the Italian fashion press to teach them more about the fibre's qualities.
- Wool past and present in Japan – Australian Merino wool went on show at the Japan Imported Textiles Agency Council (JITAC) trade fair, which presented an opportunity for the textiles trade to see where world fashion trends are heading.
- AWI exhibited Merino wool at the JFW Japan Creation – Tokyo's influential and comprehensive textile trade show, the JFW Japan Creation is a collaboration between Japan Creation and Japan Fashion Week in Tokyo that provides opportunities for worldwide buyers to explore high-value Japanese products.
- Seminar shows Hong Kong industry the farm – Everything about Merino wool, from breeding to top making, was on the menu for the Hong Kong industry representatives who attended AWI's seminars this year.

Due to their influences in setting trends, AWI works with fashion designers to help showcase Australian Merino on the all-important world fashion stage. Initiatives this year included:

- Merino showcased in Protégé Project – Australian Merino wool was showcased in front of the world's fashion media when five talented young designers unveiled their collections at a fashion show event in Florence, Italy, as part of AWI's Protégé Project
- Australian joins international protégés at Australian Fashion Week – One of Australia's rising fashion talents joined the world's best young designers to showcase Australian Merino wool at Rosemount Australian Fashion Week.
- Australian Merino Woolmark Prize launched – AWI announced the launch of 'The Australian Merino Woolmark Prize'; this is a major step forward for the global wool industry in recognising emerging international talent from across the world.
- Woolmark award at Melbourne Fashion Festival – Emerging Australian designers were supported by AWI at the L'Oréal Melbourne Fashion Festival Designer Award presented by Woolmark in front of 300 key fashion industry representatives and media.
- Merino at New York Fashion Week – Fashion designers Jayson Brunsdon and Thom Browne launched their Spring/Summer 2008 collections to buyers, media and the fashion industry during New York Fashion Week.
- Fashion From Fleece exhibition – Celebrating 200 years of innovation by the Australian wool industry, the Fashion from Fleece exhibition opened to the public at the Powerhouse Museum in Sydney, followed by a global tour. The exhibition presented key moments of wool in fashion with pieces from the likes of Chanel, Yves Saint Laurent and Giorgio Armani.
- Fashion media meets wool's Italian connection – TV, magazine and newspaper journalists from Australia toured the facilities of Zegna Baruffa Lane Borgosesia, a world leader in the production of fine yarns.
- Students shine at The Australian Wool Fashion Awards – The awards this year once again showcased the use of Merino wool by local and international fashion designers and students.

OUR AIMS

Corporate Affairs

AWI's Corporate Affairs department aims to provide effective company and industry communication and reputation management between AWI and its key domestic and international stakeholders.

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

A CORPORATE AFFAIR



Shannon Noll talking up
Australian wool at
January's 'G'day USA'
Australia Week in New
York, sponsored by AWI

future.wool.com

NEW FORMS OF COMMUNICATING ONLINE

As AWI transitions from being a R&D focused company to an international innovation and marketing company, the company has been further integrating electronic communication into its industry and communication strategies.

AWI has traditionally embraced online media, including newsletters, websites and online decision support tools, but the organisation has this year been producing more modern online solutions to communicate to its stakeholders, such as microsites and 'social media' such as YouTube™ channels.

AWI initially focused on one particular area, the fashion area, in order to contain the investment and maximise the learning from the experience. The aim is to showcase the company's commitment to the future of fashion, via young designers, through engagement with the fashion community including trade buyers.

An example was the Future of Fashion Interactive Media Room (IMR) (www.future.wool.com) that focused on AWI's Protégé Project. This IMR provided easy access to video clips and image galleries of the protégés



and their apparel collections during the campaign and also acts as a consumer resource now that the campaign is finished.

Another example was the AWI Merino Wool YouTube™ channel (www.youtube.com/user/AWIMerinoWool). This channel allows AWI to upload videos onto YouTube™ – the world's most popular video sharing site. The videos on this site can be found and watched by visitors

interested in fashion; they can also be easily embedded in other webpages, included in posts by bloggers who want to highlight these videos.

AWI has recently added a second YouTube™ website AWI Wool Production available at www.youtube.com/user/AWIWoolProduction. We will be progressively adding videos of interest for woolgrowers and the wider community.

The percentage of woolgrowers that have access to the internet – approximately 69% – is on par with Australia's national average. Nearly half of the woolgrowers with internet access have broadband, indicating that this is by-and-large a connected group and one that can take full advantage of AWI's push into new forms of online communication.

More information:

www.woolinnovation.com.au

www.future.wool.com

www.youtube.com/user/AWIMerinoWool

www.youtube.com/

[userAWIWoolProduction](http://www.youtube.com/user/AWIWoolProduction)

BEYOND THE BALE



AWI's bi-monthly magazine *Beyond the Bale* is AWI's flagship publication which is strongly supported as the main vehicle of communicating directly with AWI shareholders and other stakeholders along the wool supply chain. It is a valuable brand in its own right.

The magazine aims to inform Australian woolgrowers of products and practices to reduce the cost of production on their farms through innovation in areas such as pastures and grazing, sheep health, genetic technologies to breed more productive sheep, and shearing. Equally, the magazine also aims to increase awareness of initiatives in textile innovation and fashion to increase the demand for Australian Merino wool.

The main audience of *Beyond the Bale* is AWI shareholders. The magazine has become an important information resource for woolgrowers, delivering AWI considerable grower appreciation and support. The magazine is distributed to over 25,000 AWI shareholders – a very diverse range of woolgrowers across the whole of Australia – and over 2500 industry stakeholders (including media, students, researchers, retailers, designers).

This year *Beyond the Bale* was made available on the internet in a new "real-view" magazine style format at <http://digital.wool.com.au>. An increasing number of woolgrowers and stakeholders along the wool supply chain

are choosing to read *Beyond the Bale* online.

Six editions were issued last year, plus three (16-page) supplements on the subjects of:

- 'Road to 2010' – to help woolgrowers prepare for the phase-out of mulesing
- 'Eco-trends' – to show that Australia is well placed to capitalise on growing consumer demand for environmentally assured wool
- 'Breeding for profit' – to show the tools available for breeders and woolgrowers to improve genetic gain and lift profitability across the industry

Revenue from advertising in last year's six editions of *Beyond the Bale* raised \$39,052, which has been reinvested into the magazine. The decision to include advertising was taken as a demonstration of AWI's commitment to provide the best service to its shareholders at minimum cost. The increase in advertising is also a demonstration of the credibility that the magazine now has within the wider industry.

More information:

www.wool.com.au/beyondthebale



World champion shearer
Shannon Warnest demonstrates
his skills to the audience at
the AWI Wool Unlimited forum
in November

PROGRESS AGAINST ANNUAL TARGETS

TARGET	PERFORMANCE AGAINST TARGET
PUBLICATIONS	
<p>Provide AWI product-related and corporate publications to shareholders and other Australian and international key stakeholders, so as to help them improve on-farm productivity and profitability and keep them informed of AWI investments to build the demand for Australian Merino wool.</p>	<p>AWI's flagship publication Beyond the Bale was published six times during 2007/08 and distributed to over 25,000 shareholders and 1,000 other stakeholders.</p> <p>Three supplements to Beyond the Bale were distributed during the year on the subjects of 'Road to 2010', 'Eco-trends' and 'Breeding for profit'.</p> <p>Beyond the Bale has this year been released in a new online 'magazine-style' format at http://digital.wool.com.au</p> <p>Over 250 publications, factsheets, brochures and reports that have been produced by the company were also available on request from the AWI helpline on 1800 070 099. Publications were also distributed at industry events and most publications are available electronically on the AWI website wool.com.au.</p> <p>By the end of June 2008, over 500 shareholders had made requests for publications via the AWI helpline.</p>
ONLINE COMMUNICATIONS	
<p>Using online communications, provide AWI's shareholders and stakeholders with information, resources and tools to improve their businesses, and communicate AWI products and activities to a targeted global audience.</p>	<p>Online woolgrower-targeted websites continue to perform well. An additional decision support tool, Liceboss.com.au, was launched in September 2007 and is building a steady audience. The revamped Timerite website was also launched.</p> <p>An interactive media room to support the Protégé Project went live in April 2008 and served as a prototype for future online support of offline campaigns.</p> <p>A 'user feedback' survey was implemented to capture anonymous comments from users. This feedback will inform the future direction of the websites.</p> <p>Integration with The Woolmark Company has presented many challenges in the online communications area and the Online Communications team now manages 18 websites, with four being multilingual versions. A further four sites were merged into existing websites as part of a consolidation program.</p>
MARKETING COMMUNICATIONS	
<p>Collaborate with AWI staff and external stakeholders to market the benefits of AWI products and activities to shareholders and their businesses at AWI and other key industry events, and help in product launches and other marketing campaigns.</p>	<p>AWI staff or Board members presented at over 50 industry forums and events around Australia during 2007/08. Events of particular note were:</p> <ul style="list-style-type: none"> - 'Stock Wise' workshops - to help producers make smart decisions about their business during drought - 'Making More from Sheep' program - workshops on the new best management practice package - 'Road to 2010' forums - to help woolgrowers prepare for the phase out of mulesing - Agribusiness Livestock Updates - the foremost events for the sheep industry in WA <p>Also of note was AWI's attendance and provision of information at the major wool shows of the Australian Sheep and Wool Show (Bendigo, Vic), Wagin Woolorama (Wagin, WA), New England Wool Expo (Armidale, NSW), and Sheepvention (Hamilton, Vic).</p>
MEDIA MANAGEMENT	
<p>Monitor and provide reports on Australian and international media for stories relevant to AWI and industry, to assist with issues management plus development and evaluation of media strategies and campaigns.</p>	<p>Media is an important communication tool for AWI, and media releases, advertisements and television were used to gain widespread coverage for AWI projects and initiatives.</p> <p>There was wide coverage in the rural and regional media, as well as in the metropolitan media, and international textile and trade media. AWI research and innovation initiatives were also featured in the Landline rural TV show and Today Tonight broadcast across Australia.</p>
GOVERNMENT RELATIONS	
<p>Facilitate an effective dialogue and two-way communication between AWI and Government, ensuring that AWI is regarded as transparent, accountable and delivering value on RDI and marketing investment.</p>	<p>AWI has undertaken quarterly meetings with the Department of Agriculture, Fisheries and Forestry as required under the Statutory Funding Agreement with the Government. These meetings are used to provide the Government with an update on developments within the company's business, performance against the company's plans, issues impacting the industry and discussion on Government rural policies impacting on the company.</p> <p>In May 2008, AWI held an industry consultation workshop on the AWI Strategic Plan. The workshop was attended by key government representatives.</p>



TARGET

PERFORMANCE AGAINST TARGET

TRADE DEVELOPMENT

Continue to progress the completion of the China FTA; monitor progress of other tariff and non-tariff barriers and measures to allow Australian wool to be traded freely.

AWI supports and works with the Australian Wool Industry Free Trade Committee to ensure that the interests of the Australian wool industry are well represented by the Australian Government and that market access issues for wool in its key global markets are addressed. The tenth and eleventh rounds of China-Australia free trade negotiations were held in November 2007 and June 2008 respectively, however overall progress of the negotiations has been very slow. AWI and the Trade Committee have been working with the Department of Foreign Affairs and Trade to ensure that wool, as Australia's second largest export to China, is strongly featured on the agenda.

In July 2007, China's Ministry of Commerce announced that the quota for wool imports into China had been fully allocated for 2007. To address issues of market speculation and uncertainty, the Trade Committee implemented an intensive engagement strategy with the Chinese wool processing industry, Chinese Government and Australian Government. This resulted in improvements to the quota administration rules and transparency of their implementation.

AWI has implemented an Australian Government funded Agricultural Technical Cooperation (ATC) Programme project in China - Improving the Chinese fine wool marketing system to increase returns for households in the Western pastoral region. The program seeks to strengthen the already close relationship between Australia and China in agriculture and provides an opportunity for Australia to share its expertise and capacity in areas relevant to China's needs. The value of this project to woolgrowers is that it demonstrates the commitment of the Australian wool industry and Government to working with the Chinese to deliver a free trade agreement that removes tariff restrictions and barriers to trade.

INDUSTRY AFFAIRS

Ensure that industry stakeholders regard AWI as transparent, accountable and delivering value on RDIM investment as measured by an annual industry stakeholder survey.

An annual stakeholder survey was conducted to gauge the perceptions, expectation and level of satisfaction with AWI. An important achievement this year was an overall increase in the level of satisfaction in which industry stakeholders view the company. Importantly, more than 85% of stakeholders surveyed believe AWI adds value to the industry while more than 90% believe that establishing partnerships with international companies will help increase demand.

Industry stakeholders rank building good working relationships with industry stakeholders as being of the highest importance in terms of their expectations. In this regard AWI has actively engaged with stakeholders through regular industry information exchanges and roundtable meetings with representatives from key industry bodies.

AWI representatives attended and in some cases participated in annual conferences and wool committee meetings of the state farming organisations and wider industry groups.

GOOD BUSINESS





AWI'S CORPORATE VALUES

AWI actively pursues the highest standards of corporate social responsibility, which is reflected in its corporate values.

Integrity

We are ethical in all our dealings, we comply with all laws and we act in a socially responsible and transparent way.

Service

We develop and provide high value adding services to help our woolgrower shareholders, our licensees and our trade and retail partners to be successful.

Quality

We are committed to adopting the highest professional standards to our operations.

Innovation

We will continuously pursue fresh approaches and ideas in marketing and product development to be adopted throughout the supply chain.

Sustainable product

We encourage and assist the entire supply chain to adopt environmentally sustainable and ethical production methods in compliance with a corporate social responsibility standard.

Staff

We promote safe, respectful and stimulating employment where collaboration and teamwork are valued.

Furthering this commitment to social responsibility, AWI is currently conducting an audit to assess our own environmental impact as part of a company-wide initiative to reduce our carbon footprint.



RUNNING A GLOBAL BUSINESS

Corporate governance

The Board of AWI has instilled and will continue to instil a strong corporate governance culture throughout the organisation. The Board believes that this will enhance and improve AWI's performance, maximise the organisation's ability to achieve its primary objective of increasing the profitability of its Australian wool growing shareholders and protect the interests of its other stakeholders such as the Australian Government.

The Board acknowledges that it is responsible for the internal control framework of AWI. It recognises that no cost effective internal control system will preclude all errors and irregularities, but an effective corporate governance system will reduce these risks to a minimum. The system is based upon written procedures, policies and guidelines and upon organisational structures that provide an appropriate division of responsibility and the careful selection and training of qualified personnel.

Corporate governance principles

AWI has adopted the Australian Stock Exchange (ASX) Corporate Governance Principles and Recommendations second edition August 2003 (Corporate Governance Principles) for use by the organisation.

While the Corporate Governance Principles are not binding on AWI as a non-listed public company, the Board wishes to apply them to the greatest extent and highest standards practicable.

The purpose of the Corporate Governance Principles are to:

- lay solid foundations for management and oversight by recognising and publishing the respective roles and responsibilities of the Board and management
- structure the Board to ensure that it is of effective composition, size and commitment to adequately discharge its responsibilities and duties

- promote ethical and responsible decision-making by the implementation of and compliance with the Codes of Conduct adopted by the Board
- safeguard the integrity of financial reporting
- make timely and balanced disclosure of all material matters concerning AWI
- respect the rights of shareholders and facilitate the effective exercise of those rights
- establish a sound system of risk oversight and management internal control
- encourage enhanced performance by fairly reviewing and actively encouraging Board and management effectiveness
- remunerate fairly and responsibly by ensuring that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined
- recognise legal and other obligations to all legitimate stakeholders

Corporate governance obligations

AWI's corporate governance obligations are found in the following documents available on the AWI website at www.wool.com.au/CorporatePublications

- AWI's Constitution, approved by shareholders 21 November 2003
- Statutory Funding Agreement, signed on 28 June 2007
- Corporate Governance Policy, approved by the Board 17 June 2004, amended 24 April 2008
- Code of Conduct – Obligations to Stakeholders, approved by the Board 17 June 2004, amended 24 May 2006
- Board Charter, approved by the Board, 17 March 2005, amended 24 April 2008
- Code of Conduct – Directors and Officers, approved by the Board, 17 March 2005
- Charters of the Committees of the Board, approved by the Board, 17 March 2005, amended 15 June 2006, amended 24 April 2008
- Communications Strategy, approved by the Board, 16 February 2006
- Rules and Procedures governing election of Directors, approved by the Board 17 February 2005, amended 24 May 2006, amended 14 August 2008
- Financial Authorities, approved by the Board, April 2005, amended September 2007 (not on website)

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

The Board of AWI

The Board continued to meet regularly during 2007/08, concentrating on core functions including:

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

On 24 April 2008, the Board passed a resolution to increase the size of the AWI Board from seven to ten directors to bring a better balance of global business, finance, marketing and product innovation experience to the Board. The AWI Board also passed a resolution to appoint the following directors to fill the new Board positions: Mr Ken Boundy, Ms Robyn Clubb and Dr John Keniry.

The AWI constitution allows for a Board of up to 10 directors. Directors may be appointed to the Board at anytime. In line with AWI's constitution, the new directors are required to seek shareholder endorsement at the next AWI annual general meeting.

Board committees

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

At 30 June 2008, there were three Board committees:

Finance and Audit Committee – chaired by Chris Abell

The Committee's main role is to:

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

Intellectual Property and Commercialisation Committee – chaired by Chris Abell

The Committee's major role is to provide policy direction for the management of AWI's Intellectual Property (IP) portfolio; see the schedule of IP on page 67.

Remuneration and Appointments Committee – chaired by Ken Boundy

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

Audit

AWI continues to maintain a strong focus on accountability and on its internal control environment, and engages the services of three of Australia's leading professional services firms.

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

Deloitte Touche Tohmatsu conducts a regular cycle of internal audits as part of a three year program, reporting on risk, internal controls, processes and the day-to-day management of AWI to the Finance and Audit Committee.

Ernst & Young provide advice on taxation, integration and other related matters to AWI management.

Government funding and research priorities

The Australian Government is a major investor in the Australian wool industry by providing statutory levy collection power plus taxpayer funds.

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

The SFA for 2004-2007 expired on 1 July 2007. A new SFA for 2007-2010 was signed on 28 June 2007 which came into effect on 1 July 2007. The main change to the SFA was to expand it to include marketing activities as per the outcome of WoolPoll 2006. Various other changes were also made as a consequence of the Department of Agriculture, Fisheries and Forestry standardising certain aspects of all its SFAs with rural research and development corporations (RDCs). The new SFA is available on the AWI website www.woolinnovation.com

AWI gratefully acknowledges the funds provided by the Australian Government to support the initiatives undertaken by the company for the benefit of Australian woolgrowers. AWI believes that it is using the funds in an effective way to maximize the creation and adoption of R&D and innovation along the global Merino wool supply chain.

AWI takes into account the Government's National Research Priorities (NRPs) and Rural Research and Development Priorities (RRDPs) when planning and reporting on its programs.

National Research Priorities

The Government's NRPs aim to highlight areas of particular social, economic and environmental importance to Australia, and where a whole-of-government focus has the potential to improve research and broader policy outcomes. They are broadly based, thematic and multi-disciplinary in nature. The Government's NRPs are:

- Frontier Technologies for Building and Transforming Australian Industries – to stimulate the growth of world-class Australian industries using innovative technologies developed from cutting-edge research
- Promoting and Maintaining Good Health – to promote good health and well being for all Australians (including strengthening Australia's social and economic fabric)
- An Environmentally Sustainable Australia – to transform the way Australia utilises its land, water, mineral and energy resources through a better understanding of human and environmental systems and the use of new technologies
- Safeguarding Australia – to secure Australia (including protecting Australia from invasive diseases and pests)

Further information about the NRPs is available on the Department of Education, Employment and Workplace Relations website: www.dest.gov.au

Rural Research and Development Priorities

In the 2007-08 Federal Budget on 8 May 2007, the Government announced revised RRDPs that 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 Government's new RRDPs are:

- Productivity and Adding Value – to improve the productivity and profitability of existing industries and support the development of viable new industries
- Supply Chain and Markets – to 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 – to support effective management of Australia's natural resources to ensure primary industries are both economically and environmentally sustainable
- Climate Variability and Climate Change – to build resilience to climate variability and adapt to and mitigate the effects of climate change
- Biosecurity – to protect Australia's community, primary industries and environment from biosecurity threats
- Innovation Skills (a supporting RRDP) – to improve the skills to undertake research and apply its findings
- Technology (a supporting RRDP) – to promote the development of new and existing technologies

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



Alignment of AWI programs to Government research priorities

This table summarises how the programs undertaken by AWI during 2007/08 align with the RRDPs and the NRPs. Each AWI program is aligned with more than one research priority. Figures relate to 'external costs' i.e. represent payments to suppliers.

NATIONAL RESEARCH PRIORITIES (NRP)	FRONTIER TECHNOLOGIES FOR BUILDING AND TRANSFORMING AUSTRALIAN INDUSTRIES			
	INNOVATION SKILLS (SUPPORTING RRDP)		TECHNOLOGY (SUPPORTING RRDP)	
RURAL RESEARCH & DEVELOPMENT PRIORITIES (RRDP)	\$'000	%	\$'000	%
Sustainable Production Systems, Sheep CRC	1114	22.7	825	13.4
Sheep Productivity, Genetic Improvements	990	20.2	1768	28.7
Animal Health And Welfare, Mulesing	1369	27.9	1369	22.2
Wool Harvesting	278	5.7	320	5.2
Knowledge	-	-	-	-
Innovation	528	10.7	1240	20.1
Marketing Services	-	-	-	-
Corporate Affairs	634	12.9	634	10.3
TOTAL	4913	100	6156	100

Note: allocations are approximate: % figures may not total due to rounding. This does not form part of the audited financial reports.



PROMOTING AND MAINTAINING GOOD HEALTH (INCLUDING STRENGTHENING AUSTRALIA'S SOCIAL & ECONOMIC FABRIC)				AN ENVIRONMENTALLY SUSTAINABLE AUSTRALIA				SAFEGUARDING AUSTRALIA	
PRODUCTIVITY & ADDING VALUE		SUPPLY CHAIN & MARKETS		NATURAL RESOURCE MANAGEMENT		CLIMATE VARIABILITY & CLIMATE CHANGE		BIOSECURITY	
\$'000	%	\$'000	%	\$'000	%	\$'000	%	\$'000	%
1950	17.1	284	2.3	948	91.1	167	78.4	284	28.9
1768	15.2	425	3.4	-	-	-	-	-	-
3074	26.9	336	2.7	-	-	-	-	698	71.1
278	2.4	284	2.3	-	-	-	-	-	-
-	-	694	5.6	92	8.8	46	21.6	-	-
1240	10.9	514	4.1	-	-	-	-	-	-
2169	19.0	8679	69.7	-	-	-	-	-	-
937	8.2	1278	10.2	-	-	-	-	-	-
11,416	100	12,444	100	1040	100	213	100	982	100

Forming relationships and collaborating financially and intellectually with other organisations along the wool supply chain is an important and fundamental part of AWI strategy. Collaboration helps ensure AWI delivers the best return for Australian woolgrowers.

Collaboration

From the start of the supply chain...

Towards the beginning of the wool pipeline, AWI is involved in a significant number of collaborations with research bodies including rural research and development corporations (RDCs), government departments of agriculture, CSIRO, universities and commercial partners.

Major collaborations in the area of sustainable pasture production and utilisation in which AWI made a significant co-investment during the year included Grain & Graze, a research and extension program for mixed farms in southern Australia with Meat & Livestock Australia (MLA), the Grains Research and Development Corporation (GRDC) and Land & Water Australia; Pastures Australia, an investment in pastures with MLA, Dairy Australia, GRDC and the Rural Industries Research and Development Corporation; and the EverGraze project to help producers in the high rainfall zone develop new farming systems, with MLA and the CRC for Plant based Management of Dryland Salinity.

Key collaborations in animal health projects during the year included the blowfly genome project with the University of Melbourne and Massey University (NZ); WormBoss with the CRC for Sheep Industry Innovation and leading Australian parasitologists, researchers and consultants; and integrated parasite management with the University of New England, Department of Agriculture and Food Western Australia, the University of Melbourne and the Department of Primary Industries and Fisheries Queensland.

Other significant collaborations included Sheep Genetics with MLA which aims to enable breeders to achieve higher rates of genetic gain in their flocks; the Sheep Genomics program, with MLA and nine other partners aiming to discover sheep genes and their functions, and to provide new tools to producers; the Lifetime Wool project providing practical guidelines for the nutritional management of the breeding ewe, with five state departments of agriculture (Vic, WA, NSW, SA and Tas), CSIRO and farmer co-operators across southern Australia. The production and roll-out of the Making More From Sheep best practice manual and workshops was another considerable collaboration with MLA during the year.

AWI collaborated at various events held for woolgrowers during the year. Most notably, AWI partnered with MLA and departments of agriculture to conduct 'Stock Wise' drought forums, and with state industry organisations on 'Road to 2010' to help woolgrowers prepare for the phase out of mulesing.

... to global apparel markets

Further down the supply chain, a key strategy of AWI has been to work directly with key processing, manufacturing and retail apparel companies around the world to increase the demand for Australian Merino wool. AWI has the knowledge, innovation and market know-how to help apparel companies get an edge in the marketplace using Australian Merino wool.

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

AWI is building partnerships with these companies, the decision-makers in world apparel, and encouraging them to take-up new Australian Merino fabrics, yarns and products that will give their business an edge. AWI is working closely with the retail industry and aligning our activity with the apparel development calendar. This change is being driven through our global network.

AWI also collaborated in 2007/08 with scientists, researchers and companies in fundamental wool science and new wool processing technologies to improve efficiency and the quality of the end product. These organisations included CSIRO and AgResearch in New Zealand. Research in this area underpins a whole range of technical developments in wool processing and textile design.

For a full list of AWI projects including collaborating partners, refer to our Project List for 2007/08 on page 108.

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 know

-how and contractual rights. Many of these assets are owned jointly with other organisations, including Government departments, statutory corporations, CSIRO and commercial research and development (R&D) companies.

In addition to the above IP assets, on 5 October 2007 AWI acquired all of the IP assets of The Woolmark Company Pty Limited (TWC) which included the WOOLMARK logo and WOOLBLEND logo which are registered in over 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.

Revenue from IP is not the main priority for AWI, but when projects do generate revenue, AWI expects to receive royalties in proportion to its investment.

Royalty income from IP assets owned by AWI, excluding TWC assets contributed \$395,504.48 to AWI in 2007/08.

Income from IP assets owned by TWC, via the certification of the WOOLMARK brand contributed US \$5.7million during the 2007/08 license year which runs from 1 May 2007 to 30 April 2008.

The number of licences issued by TWC to entities certified to use the WOOLMARK brand was over 1,300 for the 2007/08 license year.

During 2007/08, AWI acting solely or jointly with various research partners, lodged or acquired twelve trademarks. A table of registered IP which is owned by AWI (including TWC) or in which AWI has an interest is included in the table below.

During 2007/08 AWI signed 18 commercial contracts with industry and commercial entities for use of its IP. The following is a summary of some of the objectives of these commercial contracts:

- Support the establishment of a self-funding Lucerne program
- Enable the commercial availability of an upright posture shearing platform
- Application of the "Red Island" trade mark on particular goods
- Further research into the application of the blowfly genome
- Commercialisation of the Heated Garment system
- Further develop Natural Easy Care wool fabrics processing



IP ASSETS OWNED BY AWI AND ITS ASSOCIATED ENTITIES

BELOW IS A LIST OF IP ASSETS OWNED BY AWI AND ITS ASSOCIATED ENTITIES, AS AT 30 JUNE 2008.

PATENTS

(registered in Australia and overseas)

* Altered Wool & Hair Fibres * Chemically assisted protein annealing treatment * Control circuit for a power driven tool and touch activated shearing system incorporating same * Control of wool growth in sheep and related animals * Device for sampling liquids * DNA encoding ovine adenovirus and its use as a viral vector * Doffing animal coats and fleece removal * Fitting Animal Coats * Gene therapy using ovine adenoviral vectors * Improved process apparatus for stretching slivers of animal fibre * Iron regulated promoter * Method for administering a composition to an animal * Method for separating keratinous proteins from materials * Non Surgical Mulesing * Plasma Treatment of Wool-Apparatus and Method * Raised Shearing Platform * Saponin Adjuvant Composition * Shearing Platform * Sorting pneumatically conveyed material * Treatment of sheep to reduce flystrike * Heated Wool Garment System * Optim technology

PATENTS

(registered overseas – not in Australia)

* Annual Rye Grass Toxicity * Deadman Switch * Detection and isolation of, and protective immunisation against, the phomopsis mycotoxins * Detection of Parasites * Drenchrite-Larval development assay * Heated Wool Textile * Semi Synthetic Material * Sheep Shear * Site-specific chromosomal integration system * Vaccine and assay

PATENTS

(registered overseas – not in Australia)

* Enzyme Based Bioremediation * Handpiece for shearing equipment * Head restraint for use in treating or shearing animals * Instrument for on-line detection of coloured contaminants in white fibre mass * Leg restraint for use in treating or shearing animals * Malathion Carboxylesterase * Method of harvesting wool * Sheep handling and manipulation for automated shearing * Stretching of Wool Fibre

REGISTERED DESIGNS

(registered in Australia and overseas)

* Breech Clip * Dog Bone Clip * Hockey Stick Clip * Liquid sample collection card

TRADEMARKS

(registered in Australia and overseas)

a Device * Arcana * Australian Wool Innovation * Merino Active * Merin02 * Merino Travel * Red Island * Sportwool * Sportwool Pro * Woolblend * Optim * Cool Wool * Woolmark, Pure Merino Wool * Wool Science * Wormboss

TRADEMARKS

(registered in Australia – not overseas)

* Bestprac * FutureFleece * Merino Innovation * Merino To Go * Rampower * Rural Connect * School Wool * SGP * Timerite * Triple P * Wool Profit Map * Woolcheque * Woolmark Cool Wool & Device * Wool Poll * Wool Pro * Grass Gro * Siromark * Siromin * Livestock Library

TRADEMARKS

(registered overseas – not in Australia)

* Active Wool * Arnhem Land * Born To Be Worn * Device Mark * Heartmark * IWS * IWS-Superwash * Laine Superlavable * Lana Creativa * Merino 2nd Skin * Merino Extrafine Wool * Merino Rich * Merion Exelana * Neva-Shrink * New Wool 100% * Pura lana Virgine merino extrafine & Woolmark Device * Pure Merino Wool * Pure New Wool * Portugal & Woolmark Blend Device * Posh Merino * Siroset * Solospun * Super Crimp * Super S * Super-Wash * Superlavabile * Superlavabile Superwash * Superwash & Woolmark Blend Device * Superwash & Woolmark Device * Superwash Maskintvattbar Ren Ny Ull & Woolmark Device * Superwash Pura Lana Virgen & Woolmark Device * Superwash Wool & Woolmark Device * Superwash Wool Machine Washable Handknitting Yarn & Woolmark Device * Take Comfort In Wool * Total Easy Care Wool * Vivalana * Wollsielgel * Wool in heart * Wool Plus * Wool Rich Blend * Wool The Heart of a good & Device * Wool The Heart of a good carpet * Woolmark (Stylised) * Woolmark pure merino wool & Device * Woolmark Sleep In Merino * Woolscientific & Device

TRADEMARKS

(registered Globally)

* Woolmark * Woolmark 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-Margarita * French Serradella-Erica * Lucerne-Aquarius * Lucerne-Eureka * Lucerne-Genesis * Lucerne-Hallmark * Lucerne-Sceptre * Lucerne-Sequel * Lucerne-Venus * Melilotus-Jota * Mitchell Grass-Turanti * Mitchell Grass-Yanda * Persian Clover-Kyambro * 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-Wipena * Wallaby Grass-Bunderra * Wallaby Grass-Taranna

SOFTWARE

(registered in Australia – not overseas)

* Sirodec Software

NEW IP LODGED

OR ACQUIRED IN 2007/08

TRADEMARKS

(registered in Australia and overseas)

* Flyboss * Liceboss * Merino Active * Australian Merino * Australian Wool Innovation & Swirl Device * awi & Swirl Device

TRADEMARKS

(registered overseas – not in Australia)

* Merino Fresh * Merinoeasyclean * Merino Cool

NOTE: THE TERM 'REGISTERED' IS USED TO DESCRIBE AN ASSET THAT IS EITHER REGISTERED OR WHERE AN APPLICATION FOR REGISTRATION HAS BEEN FILED.

08
RUNWAY
REPORT



2007/2008 FINANCIALS



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, 30 June 2008.

Directors

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

Mr B P van Rooyen
Dr C J Abell
Dr K J Bell
Mr W B Merriman

Mr H P Nivison & Mr P S Sykes were both directors from the beginning of the financial year until 14 November 2007.

Mr R J Fletcher and Mr C R Olsson were both appointed directors on 14 November 2007 and continue in office at the date of this report.

Mr K A Boundy, Ms R Clubb & Dr J S Keniry were all appointed as directors on 24 April 2008 and remain in office at the date of this report.

Mr I M McLachlan resigned as Chairman of the Board on 24 April 2008 and as a director on 26 June 2008.

Mr B P van Rooyen became the elected Chairman of the Board on 24 April 2008.

Principal activities

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

Significant changes in the state of affairs

On 5 October 2007 Australian Wool Innovation Limited (AWI) purchased key assets of Australian Wool Services Limited (AWS), now known as Graziers' Investment Company Limited (GIC). Most notably, AWI became the owner of Woolmark, the world's best known textile fibre brand. AWI is now launching a new program to support Woolmark and introduce a new premium brand to help the company position Australian Merino wool as the highest quality fibre for apparel products. Following the integration in AWI of The Woolmark Company Pty Ltd, AWI is now operating as an expanded global marketing company. At the forefront of the global wool sector, AWI intends to lead the industry into an era of reinvention with its focus on innovation and marketing, from the production of the fibre through to the retail shelf.

REVIEW OF OPERATIONS AND RESULTS

	2008 \$'000	2007 \$'000
Revenue	90,836	63,964
Profit /(Loss) from ordinary activities	5,458	(11,489)

Matters subsequent to the end of the financial year

There were no matters subsequent to the end of the financial year.

Likely developments and expected results of operations

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

Company secretary

The company secretaries are Mr L Targ (former Director, CEO and senior executive in the defence and aerospace industries with particular experience in strategic business development, mergers and acquisitions, contracting, finance and audit), Mr C Chapman (Barrister and Solicitor, Dip Law, Dip CM, Dip CD, FCIS, FAICD, MBA (UNE)) and Ms S Palmer (Barrister and Solicitor, Dip Law, MAICD).

Meetings of directors

The numbers of meetings of the company's board of directors and of each board committee held during 30 June 2008, and the numbers of meetings attended by each director were:

	MEETINGS OF COMMITTEES							
	FULL MEETINGS OF DIRECTORS		FINANCE & AUDIT		REMUNERATION & APPOINTMENTS		INTELLECTUAL PROPERTY	
	A	B	A	B	A	B	A	B
Mr B P van Rooyen	13	13*	8	8	9	9	–	–
Dr C J Abell	13	13	8	8*	–	–	3	3*
Dr K J Bell	13	12^	–	–	–	–	2	1^
Mr W B Merriman	13	13	–	–	9	9	–	–
Mr R J Fletcher (Appointed 14 November 2007)	8	8	4	4	–	–	–	–
Mr C R Olsson (Appointed 14 November 2007)	8	8	–	–	–	–	2	2
Mr K A Boundy (Appointed 24 April 2008)	2	2	–	–	2	1^*	1	–^
Ms R Clubb (Appointed 24 April 2008)	2	1^	1	–^	–	–	–	–
Dr J S Keniry (Appointed 24 April 2008)	2	2	–	–	2	2	–	–
The Hon. I M McLachlan AO (Resigned 26 June 2008)	13	12^	–	–	7	6^	2	2
Mr H P Nivison (From 1 July 2007 - 14 November 2007)	5	5	5	5	–	–	1	1
Mr P S Sykes (From 1 July 2007 - 14 November 2007)	5	5	–	–	–	–	1	1

A = Number of meetings held when a director
B = Number of meetings attended by director

* = Denotes Chairman as at 30 June 2008
^ = Denotes leave of absence granted

Chairmanship

Mr I M McLachlan resigned as Chairman of the Board on 24 April 2008.

Mr B P van Rooyen was appointed Chairman of the Board on 24 April 2008 and was Chairman of the Finance & Audit and Remuneration & Appointments committees from 1 July 2007 to 29 May 2008.

Mr H P Nivison was Chairman of the Intellectual Property Committee from 1 July 2007 to 14 November 2007.

Remuneration report

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

- competitiveness and reasonableness
- acceptability to shareholders
- transparency

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

Directors' fees

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

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

Details of the nature and amount of each element of the emoluments of each director are set out in the Non-executive directors of Australian Wool Innovation Limited table on page 70.

DIRECTORS' REPORT (CONTINUED)

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 to the executive's choice of superannuation fund. Australian Wool Innovation Limited does not offer a defined benefits retirement plan.

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

Key management personnel compensation for the years ended 30 June 2008 and 2007 for executives are set out below. 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.

Directors are also classed as key management personnel, however the total remuneration of directors is separately disclosed in the non-executive directors of Australian Wool Innovation Limited table below.

The key management remuneration is reflected in the following table and excludes any director remuneration. Due to the acquisition of The Woolmark Company Pty Ltd on 5 October 2007, additional key management personnel are included in the remuneration totals for 2008.

	2008 \$	2007 \$
Short-term employee benefits	2,027,047	1,759,728
Post-employee benefits	119,969	140,964
Termination benefits	245,740	200,000
	2,392,756	2,100,692

NON-EXECUTIVE DIRECTORS OF AUSTRALIAN WOOL INNOVATION LIMITED

2008 NAME	SHORT-TERM EMPLOYEE BENEFITS		POST- EMPLOYMENT BENEFITS	TOTAL \$
	DIRECTOR'S BASE FEE \$	COMMITTEE FEES \$	SUPERANNUATION \$	
B P van Rooyen	89,262	17,641	9,621	116,524
C J Abell	56,051	13,816	6,288	76,155
K J Bell	56,428	2,800	4,912	64,140
W B Merriman	56,051	5,605	5,549	67,205
R J Fletcher	35,121	4,037	3,524	42,682
C R Olsson	35,121	3,230	3,452	41,803
K A Boundy	10,254	1,227	1,033	12,514
R Clubb	10,254	756	991	12,001
J S Keniry	10,254	605	977	11,836
I M McLachlan	101,926	10,000	10,074	122,000
H P Nivison	21,539	5,384	2,423	29,346
P S Sykes	22,896	-	2,523	25,419
Total	505,157	65,101	51,367	621,625

Executive Service Agreements

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

Insurance of officers

During the year, Australian Wool Innovation Limited paid an insurance premium of \$52,939 (2007:\$50,065) to insure the directors and officers of the entity against liability and professional indemnity.

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

Details of the amounts paid to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in note 26 to the Financial Statements.

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

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

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 72.

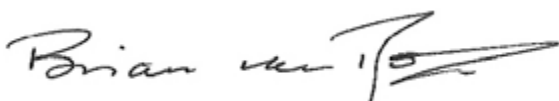
Rounding of amounts

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 B P van Rooyen
Chairman

Sydney
18 September 2008

AUDITORS' INDEPENDENCE DECLARATION

Auditor's Independence Declaration

As lead auditor for the audit of Australian Wool Innovation Limited for the year ended 30 June 2008, 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.



John Gordon
Partner
PricewaterhouseCoopers

Sydney
18 September 2008

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This financial report covers both Australian Wool Innovation Limited as an individual entity and the consolidated entity consisting of Australian Wool Innovation Limited and its controlled entities (as listed in Note 31 to the financial report). The financial report is presented in the Australian currency.

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

Level 30
580 George Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and principal activities is included with the review of operations and activities in the directors' report on page 68, which is not part of this financial report.

The financial report was authorised for issue by the directors on 18 September 2008. The company has the power to amend and reissue the financial report.

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

INCOME STATEMENTS

For the year ended 30 June 2008

	NOTES	CONSOLIDATED		PARENT	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revenue from continuing operations	3	90,836	63,964	78,099	63,964
Research, development & innovation expenses	5	(58,989)	(63,853)	(58,649)	(63,105)
Travel expenses		(1,192)	(644)	(655)	(644)
Legal and professional expenses		(2,456)	(2,422)	(1,807)	(2,422)
Employee expenses		(9,758)	(4,070)	(3,685)	(4,070)
Other expenses from ordinary activities		(8,516)	(3,264)	(3,612)	(3,251)
Raw materials and consumables used		(2,140)	-	-	-
Depreciation and other losses	4	(1,941)	(1,200)	(2,267)	(1,997)
Profit/(Loss) before income tax		5,844	(11,489)	7,424	(11,525)
Income tax expense	6	(386)	-	-	-
Profit/(Loss) from continuing operations		5,458	(11,489)	7,424	(11,525)
Profit/(Loss) attributable to:					
Members of Australian Wool Innovation Limited		5,458	(11,489)	7,424	(11,525)

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

BALANCE SHEETS

As at 30 June 2008

	NOTES	CONSOLIDATED		PARENT	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
CURRENT ASSETS					
Cash and cash equivalents	7	64,895	37,400	59,862	37,272
Current assets available for sale	8	–	45,000	–	45,000
Trade and other receivables	9	13,724	6,391	9,114	6,519
Inventories	10	961	–	–	–
Total current assets		79,580	88,791	68,976	88,791
NON-CURRENT ASSETS					
Property, plant and equipment	11	5,239	3,845	4,359	3,845
Investment in controlled entities	12	–	–	10,000	–
Intangible assets	13	10,000	–	–	–
Receivables	14	–	–	1,652	–
Deferred tax assets	15	40	–	–	–
Livestock	16	75	138	75	138
Other assets	17	1,041	–	223	–
Total non-current assets		16,395	3,983	16,309	3,983
Total assets		95,975	92,774	85,285	92,774
CURRENT LIABILITIES					
Trade and other payables	18	14,370	11,320	10,280	11,320
Provisions	19	1,206	561	613	561
Current tax liabilities	20	730	–	–	–
Deferred income	21	7,243	15,000	–	15,000
Total current liabilities		23,549	26,881	10,893	26,881
NON-CURRENT LIABILITIES					
Provisions	22	37	33	37	33
Other	23	1,071	–	1,071	–
Total non-current liabilities		1,108	33	1,108	33
Total liabilities		24,657	26,914	12,001	26,914
Net assets		71,318	65,860	73,284	65,860
EQUITY					
Contributed equity*	24	–	–	–	–
Retained profits	25	71,318	65,860	73,284	65,860
Total equity		71,318	65,860	73,284	65,860

*As at 30 June 2007 and 2008 contributed equity in the consolidated and parent entity was \$100.

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2008

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Total equity at the beginning of the financial year	65,860	77,349	65,860	77,385
Total recognised income and expense for the year	5,458	(11,489)	7,424	(11,525)
Total equity at the end of the financial year	71,318	65,860	73,284	65,860

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

CASH FLOW STATEMENTS

For the year ended 30 June 2008

	NOTES	CONSOLIDATED		PARENT	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Levy, licence, government grant and other receipts (inclusive of goods and services tax)		77,954	62,597	63,599	62,597
Payments to suppliers and employees (inclusive of goods and services tax)		(92,874)	(78,321)	(78,357)	(78,451)
		(14,920)	(15,724)	(14,758)	(15,854)
Interest received		5,056	4,786	4,971	4,786
Other revenue		690	486	677	488
One off restricted federal government grant		–	16,500	–	16,500
Income taxes paid		(386)	–	–	–
Net cash (outflow) inflow from operating activities	34	(9,560)	6,048	(9,110)	5,920
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		(1,855)	(810)	(1,648)	(810)
Proceeds from sale of property, plant and equipment		110	48	–	48
Payment for purchase of business, net of cash acquired	30	(6,200)	–	(10,000)	–
Net cash (outflow) inflow from investing activities		(7,945)	(762)	(11,648)	(762)
CASH FLOWS FROM FINANCING ACTIVITIES					
Funding to The Woolmark Company Pty Ltd		–	–	(1,652)	–
Net cash inflow (outflow) from financing activities		–	–	(1,652)	–
Net increase (decrease) in cash and cash equivalents		(17,505)	5,286	(22,410)	5,158
Cash and cash equivalents at the beginning of the financial year	7 & 8	82,400	77,114	82,272	77,114
Cash and cash equivalents at end of year	7 & 8	64,895	82,400	59,862	82,272

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

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with Australian equivalents to IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS).

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.

Critical accounting estimates

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

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.

There are no critical estimates or judgements.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Australian Wool Innovation Limited as at 30 June 2008 and the results of all controlled entities for the year then ended. Australian Wool Innovation Limited and its controlled entities together are referred to in this financial report as the consolidated entity.

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

(c) Segment reporting

As Australian Wool Innovation Limited is a not-for-profit entity, it is not required to disclose segment reporting and accordingly has not done so.

(d) 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 income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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

(iii) Group companies

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Revenue recognition

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

Revenue for the sale of goods is recognised when goods have been delivered to a customer and the risk of ownership has 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.

Wool levies and government grants are brought to account when received or receivable from the Federal Government.

Invoiced licence fees are capitalised and brought to account as revenue over the 12 months of the licence period.

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

(f) Government grants

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

(g) Income tax

(i) Parent entity

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

(ii) Consolidated entity

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, the deferred income tax is 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 reporting date 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 controlled entities where the parent entity 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Australian Wool Innovation Limited and its wholly-owned Australian controlled entities have not implemented the tax consolidation legislation.

(h) 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 income statement on a straight-line basis over the period of the lease.

(i) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(q)). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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.

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets

Goodwill and 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 is 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) 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.

(l) Trade receivables

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

(m) Inventories

(i) Raw materials and finished goods

Raw materials and finished goods 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.

(ii) Livestock

Livestock are carried on the balance sheet at the lower of cost and net realisable value. Costs of purchased livestock are determined after deducting rebates and discounts.

(n) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. 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 each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) 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 date which are classified as non-current assets. Loans and receivables are included in current trade and other receivables (note 9) and non-current receivables (note 14) in the balance sheet.

(iii) 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 reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. 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.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement

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

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when the Group's right to receive payments is established.

Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(o) 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. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 the income statement 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:

	2008	2007
Buildings	10 years	10 years
Furniture, fittings and equipment	2-10 years	2-10 years
Leasehold improvements	10 years	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(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(p) 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.

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Intangible assets

(i) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which varies from 3 to 5 years.

(ii) Certification mark

This represents the Woolmark certification mark acquired by the Group. No amortisation is being charged because the expected residual values and useful lives are considered to be of sufficient amount and length to render any amortisation charge immaterial.

(r) 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.

(s) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages, salaries and annual leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when 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 service leave

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

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

(t) Dividends

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

(u) 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 balance sheet.

(v) 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 report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price 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 the finance department under policies approved by the Board of Directors. 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 and investment of excess liquidity.

The Group and the parent entity hold the following financial instruments:

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
FINANCIAL ASSETS				
Cash and cash equivalents	64,895	37,400	59,862	37,272
Current assets available for sale	–	45,000	–	45,000
Trade and other receivables (excluding prepayments)	13,335	6,071	9,034	6,199
	78,230	88,471	68,896	88,471
FINANCIAL LIABILITIES				
Trade and other payables	14,370	11,320	10,280	11,320

(a) Market risk

(i) Foreign exchange risk

Following the acquisition, the Group now operates internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar.

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 exposure to foreign currency risk at the reporting date was as follows:

	30 JUNE 2008			30 JUNE 2007		
	CNY '000	EUR '000	USD '000	CNY '000	EUR '000	USD '000
Trade receivables	–	277	2,389	–	–	–
Bank accounts	12,081	594	827	–	–	–
Trade payables	–	(262)	(121)	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

Group sensitivity

Based on the financial instruments held at the 30 June 2008, had the Australian dollar weakened/strengthened by 10% against the main trading currencies with all other variables held constant, the Group's income statement exposure would have been effected as follows in the following table:

	30 JUNE 2008			30 JUNE 2007		
	CNY AUD EQUIV \$'000	EUR AUD EQUIV \$'000	USD AUD EQUIV \$'000	CNY AUD EQUIV \$'000	EUR AUD EQUIV \$'000	USD AUD EQUIV \$'000
GROUP						
10% Higher	167	92	301	-	-	-
10% Lower	(204)	(112)	(367)	-	-	-

Parent entity

The parent entity operates predominately in Australia and has no significant exposure to foreign exchange risk.

(ii) Cash flow and fair value interest rate risk

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

As at reporting date, the Group's exposure to interest rate risk and the effective weighted average interest rates are as follows:

	30 JUNE 2008		30 JUNE 2007	
	WEIGHTED AVERAGE INTEREST RATE %	BALANCE \$'000	WEIGHTED AVERAGE INTEREST RATE %	BALANCE \$'000
Cash on hand - interest bearing	6.32%	91	5.64%	1,270
Cash on hand - non-interest bearing*		4,985		11
Funds invested - term deposits	7.78%	59,819	6.58%	35,991
Funds invested - floating rate notes		-	6.58%	45,000
Net exposure to cash flow interest rate risk		64,895		82,272

* The majority of the non-interest bearing cash is held in overseas jurisdictions where restrictions for repatriation and low interest regimes exist.

Group sensitivity

At 30 June 2008, if interest rates had changed by +/-100 basis points from the year end rates with all other variables held constant, post tax profit for the year would have been \$598,000 lower/higher (2007 - change of 100 bps: \$810,000 lower/higher), mainly as a result of higher/lower interest income from cash and cash equivalents.

Parent entity sensitivity

The parent entity's main interest rate risk arises from cash and cash equivalents which includes current assets available for sale. At 30 June 2008, if interest rates had changed by +/- 100 basis points from the year end rates with all other variables held constant, post tax profit would have been \$595,000 lower/higher (2007 - change of 100 bps: \$810,000 lower/higher) as a result of lower interest income from these financial assets.

(b) Credit risk

The Group has no significant concentrations of credit risk and the credit risk is managed on a group basis. It arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to manufacturers and retailers, including outstanding receivables and committed transactions.

Australian Wool Innovation Limited's funds 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 securities or deposits with Standard and Poor's ratings AAA, AA and A for long term and A1 and A2 for short term.

Risk of loss due to adverse interest rate movements is minimised by investing in securities or deposits with a maximum term of 90 days.

Funds invested at 30 June 2008 were predominantly in Australian dollars thereby minimising any foreign exchange risk.

NOTES TO THE FINANCIAL STATEMENTS

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

As at 30 June, Australian Wool Innovation Limited had the following categories of funds invested:

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
FINANCIAL ASSETS				
Deposits and Floating Rate Notes (FRNs) with Australian Banks (rated A2 or better)	59,862	55,272	59,862	55,272
Deposits and FRNs with non-bank financial institutions (rated A/A1 or better)	–	24,000	–	24,000
FRN with overseas bank (rated AA)	–	3,000	–	3,000
Deposits with overseas banks	5,033	128	–	–
	64,895	82,400	59,862	82,272

The Group has policies in place to ensure that sales of products and services are made to customers with 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, having funding available and the ability to close-out market positions. Due to the dynamic nature of the underlying businesses, head office finance aims at maintaining flexibility in funding by keeping funds on call and term deposits with regular rolling maturity dates.

(d) Fair value estimation

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

3 REVENUE

From continuing operations

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
SALES REVENUE				
Licence fees	7,547	–	–	–
Government contributions	12,312	11,572	12,312	11,572
Sale of goods and services	4,198	329	376	329
Royalties	1,642	286	397	286
Wool levy	45,110	46,526	45,110	46,526
Other (includes an Australian Government \$15 million (excl GST) grant per note 30)	15,011	443	15,011	443
	85,820	59,156	73,206	59,156
OTHER REVENUE				
Rents and sub-lease rentals	14	–	–	–
Net gain on disposal of plant & equipment	24	–	–	–
Interest	4,978	4,808	4,893	4,808
	5,016	4,808	4,893	4,808
	90,836	63,964	78,099	63,964

NOTES TO THE FINANCIAL STATEMENTS

4 EXPENSES

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
DEPRECIATION				
Buildings	279	278	279	278
Plant and equipment	885	886	727	886
Leasehold improvements	127	–	127	–
Total depreciation	1,291	1,164	1,133	1,164
OTHER LOSSES				
Impairment - controlled entity investment	–	–	–	13
Impairment - plant and equipment	300	–	–	–
Impairment - controlled entity receivable	–	–	1,106	784
Foreign exchange losses (net)	350	36	28	36
Total other losses	650	36	1,134	833
RENTAL EXPENSE RELATING TO OPERATING LEASES				
Minimum lease payments	1,757	945	949	862
Defined contribution superannuation expense	1,127	735	661	735

NOTES TO THE FINANCIAL STATEMENTS

5 RESEARCH, DEVELOPMENT AND INNOVATION EXPENDITURE

CONSOLIDATED:	2008			2007		
	EXTERNAL COSTS \$'000	INTERNAL COSTS \$'000	TOTAL \$'000	EXTERNAL COSTS \$'000	INTERNAL COSTS \$'000	TOTAL \$'000
KIM*						
Knowledge	782	–	782	1,305	–	1,305
Innovation	3,522	–	3,522	11,773	–	11,773
Marketing	10,848	–	10,848	11,306	–	11,306
Internal costs	–	9,713	9,713	–	7,813	7,813
	15,152	9,713	24,865	24,384	7,813	32,197
WOOL PRODUCTION						
Animal Health & Welfare	2,420	–	2,420	5,222	–	5,222
Sheep CRC 2	1,257	–	1,257	–	–	–
Sheep Productivity	3,740	–	3,740	5,754	–	5,754
Sustainable Production Systems	4,315	–	4,315	8,484	–	8,484
Wool Harvesting	1,160	–	1,160	2,517	–	2,517
Internal costs	–	1,358	1,358	–	2,660	2,660
	12,892	1,358	14,250	21,977	2,660	24,637
SHEEP TECHNOLOGIES						
Genetic Improvements	1,211	–	1,211	–	–	–
Mulesing	4,426	–	4,426	–	–	–
Internal costs	–	425	425	–	–	–
	5,637	425	6,062	–	–	–
AWS Integration	3,118	5,000	8,118	807	–	807
Corporate Affairs**	3,483	2,211	5,694	4,313	1,899	6,212
Total RDI expenditure	40,282	18,707	58,989	51,481	12,372	63,853

*KIM refers to the knowledge, innovation and marketing support services that AWI offers its post farm gate partners – wool processors, manufacturers, designers and retailers – specifically developed to generate demand and enhance profits.

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

'External costs' represent payments to suppliers directly related to individual projects and programs. 'Internal costs' are the cost of staff who manage those projects and programs and their related expenses. This amount does not include executives or any allocations to support services, rent and similar items, and consists of the following items of expenditure (see page 88).

NOTES TO THE FINANCIAL STATEMENTS

5 RESEARCH, DEVELOPMENT AND INNOVATION EXPENDITURE (CONTINUED)

Internal costs

CONSOLIDATED:	2008			2007		
	RDI PROGRAM \$'000	RDI SUPPORT \$'000	TOTAL COST \$'000	RDI PROGRAM \$'000	RDI SUPPORT \$'000	TOTAL COST \$'000
Employee expenses	8,051	3,588	11,639	7,505	4,070	11,575
Redundancy costs (refer note 30)	5,000	–	5,000	–	–	–
Legal and professional expenses	2,260	1,807	4,067	1,295	2,422	3,717
Travel expenses	1,803	670	2,473	1,960	644	2,604
Depreciation and amortisation expenses	132	737	869	–	1,177	1,177
Other expenses from ordinary activities	1,461	3,371	4,832	1,612	3,287	4,899
	18,707	10,173	28,880	12,372	11,600	23,972

PARENT ENTITY:

As above except for \$1,106,000 expenditure incurred by Australian Wool Innovation LLC (100% owned US subsidiary) excluded from KIM internal costs plus \$766,000 controlled entity project consultant costs.

6 INCOME TAX EXPENSE

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(A) INCOME TAX EXPENSE				
Current tax	453	–	–	–
Adjustments for current tax of prior periods	(67)	–	–	–
	386	–	–	–
(B) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE				
Profit from continuing operations before income tax expense	5,844	(11,489)	7,424	(11,525)
	5,844	(11,489)	7,424	(11,525)
Tax at the Australian tax rate of 30% (2007 - 30%)	1,753	(3,447)	2,227	(3,458)
Tax exempt under section 50-40 of the Income Tax Assessment Act 1997	(2,227)	3,447	(2,227)	3,458
Tax losses and temporary differences not brought to account	892	–	–	–
Difference in overseas tax rates	(32)	–	–	–
	(1,367)	3,447	(2,227)	3,458
Income tax expense	386	–	–	–

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 and is seeking tax exempt status for other Australian controlled entities.

NOTES TO THE FINANCIAL STATEMENTS

7 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash at bank and in hand	5,076	1,409	362	1,281
Funds invested - term deposits	59,819	35,991	59,500	35,991
	64,895	37,400	59,862	37,272

Further details of funds invested are set out in note 8.

8 CURRENT ASSETS - AVAILABLE FOR SALE

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Funds invested - floating rate notes	-	45,000	-	45,000

	CONSOLIDATED	
	2008 \$'000	2007 \$'000
Cash and cash equivalents (note 7) and floating rate notes are restricted for future use as follows:		
Unrestricted	15,213	33,568
Restricted as security against guarantees issued by the company's bankers ^(a)	6,082	291
Restricted by the directors in respect of:		
Forward contract commitments ^(b)	22,200	-
Capital commitments	-	20,606
Emergency funds ^(c)	5,000	5,000
Operating funds ^(c)	16,400	7,935
Government grant for AWS purchase	-	15,000
	64,895	82,400

(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) Forward contract commitments of \$22.2 million has been created to cover forward commitments. Simultaneously the capital commitments ceased to exist as it provided no benefit.

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

NOTES TO THE FINANCIAL STATEMENTS

9 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
NET TRADE RECEIVABLES				
Trade receivables	8,474	1,035	3,729	1,035
Provision for doubtful receivables	(381)	–	–	–
	8,093	1,035	3,729	1,035
NET OTHER RECEIVABLES				
Accrued wool levy	2,895	4,443	2,895	4,443
Other receivables	420	490	1,589	1,402
Provision of intercompany receivable	–	–	(1,106)	(784)
Cash in transit, VAT and project receivables	1,927	103	1,927	103
	5,242	5,036	5,305	5,164
PREPAYMENTS				
Insurance	80	320	80	320
Other	309	–	–	–
	389	320	80	320
	13,724	6,391	9,114	6,519

10 CURRENT ASSETS – INVENTORIES

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Raw materials				
- at cost	13	–	–	–
Finished goods				
- at net realisable value	948	–	–	–
	961	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

11 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED	BUILDINGS \$'000	FREEHOLD LAND \$'000	PLANT AND EQUIPMENT \$'000	LEASEHOLD IMPROVE- MENTS \$'000	TOTAL \$'000
YEAR ENDED 30 JUNE 2007					
Opening net book amount	2,165	425	1,670	–	4,260
Additions	288	–	523	–	811
Disposals	(7)	–	(55)	–	(62)
Depreciation charge	(278)	–	(886)	–	(1,164)
Closing net book amount	2,168	425	1,252	–	3,845
AT 30 JUNE 2007					
Cost or fair value	2,913	425	4,220	–	7,558
Accumulated depreciation	(745)	–	(2,968)	–	(3,713)
Net book amount	2,168	425	1,252	–	3,845

CONSOLIDATED	BUILDINGS \$'000	FREEHOLD LAND \$'000	PLANT AND EQUIPMENT \$'000	LEASEHOLD IMPROVE- MENTS \$'000	TOTAL \$'000
YEAR ENDED 30 JUNE 2008					
Opening net book amount	2,168	425	1,252	–	3,845
Additions	4	–	494	1,356	1,854
Disposals	–	–	(66)	–	(66)
The Woolmark Company Pty Ltd acquisition	–	–	1,197	–	1,197
Depreciation charge	(279)	–	(885)	(127)	(1,291)
Impairment loss (note (a))	–	–	(300)	–	(300)
Closing net book amount	1,893	425	1,692	1,229	5,239
AT 30 JUNE 2008					
Cost or fair value	2,917	425	9,677	1,356	14,375
Accumulated depreciation	(1,024)	–	(7,985)	(127)	(9,136)
Net book amount	1,893	425	1,692	1,229	5,239

NOTES TO THE FINANCIAL STATEMENTS

11 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

PARENT	BUILDINGS \$'000	FREEHOLD LAND \$'000	PLANT AND EQUIPMENT \$'000	LEASEHOLD IMPROVE- MENTS \$'000	TOTAL \$'000
YEAR ENDED 30 JUNE 2007					
Opening net book amount	2,165	425	1,670	–	4,260
Additions	288	–	523	–	811
Disposals	(7)	–	(55)	–	(62)
Depreciation charge	(278)	–	(886)	–	(1,164)
Closing net book amount	2,168	425	1,252	–	3,845
AT 30 JUNE 2007					
Cost or fair value	2,913	425	4,220	–	7,558
Accumulated depreciation	(745)	–	(2,968)	–	(3,713)
Net book amount	2,168	425	1,252	–	3,845

PARENT	BUILDINGS \$'000	FREEHOLD LAND \$'000	PLANT AND EQUIPMENT \$'000	LEASEHOLD IMPROVE- MENTS \$'000	TOTAL \$'000
YEAR ENDED 30 JUNE 2008					
Opening net book amount	2,168	425	1,252	–	3,845
Additions	4	–	289	1,356	1,649
Disposals	–	–	(2)	–	(2)
Depreciation charge	(279)	–	(727)	(127)	(1,133)
Closing net book amount	1,893	425	812	1,229	4,359
AT 30 JUNE 2008					
Cost or fair value	2,917	425	4,460	1,356	9,158
Accumulated depreciation	(1,024)	–	(3,648)	(127)	(4,799)
Net book amount	1,893	425	812	1,229	4,359

(a) Impairment loss

An impairment loss of \$300,000 relating to an Optim Machine owned by The Woolmark Company Pty Ltd has been recognised in the consolidated income statement. This ensures the asset is carried in the consolidated balance sheet at its estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

12 NON-CURRENT ASSETS – INVESTMENT INCONTROLLED ENTITIES

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Investment in controlled entities	-	-	10,013	13
Provision for impairment of investment	-	-	(13)	(13)
	-	-	10,000	-

Australian Wool Innovation LLC was incorporated on 13 September 2005 in the USA with an initial capital contribution of \$13,000 (USD\$10,000.00), which represented 100% of the equity holding.

Woolmark Holdings Pty Ltd was incorporated on 28 February 2007 in Australia with an initial capital contribution of \$1.00 being 100% of the equity holding.

On 5 October 2007 Australian Wool Innovation Limited purchased key assets of Australian Wool Services Limited (AWS) for \$10 million (refer to note 30).

13 NON-CURRENT ASSETS - INTANGIBLE ASSETS

CONSOLIDATED	CERTIFICATION MARK \$'000
YEAR ENDED 30 JUNE 2008	
Opening net book amount	-
Additions	10,000
Closing net book amount	10,000
AT 30 JUNE 2008	
Cost	10,000
Net book amount	10,000

As part of the due diligence process, prior to the acquisition of The Woolmark Company Pty Ltd AWI commissioned Deloitte to undertake an independent valuation of the business. GIC separately commissioned a review by Grant Thornton. Both valuations arrived at a value in excess of \$10 million. Lonergan Edwards were commissioned to determine a purchase price allocation and confirmed a value of \$10 million for the Woolmark certification mark. On the basis of independent reviews and the Lonergan Edwards report, the directors consider it appropriate to allocate \$10 million to the Woolmark certification mark. Further, 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.

14 NON-CURRENT ASSETS - RECEIVABLES

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
NET RELATED PARTY RECEIVABLES				
The Woolmark Company Pty Ltd	-	-	1,652	-

NOTES TO THE FINANCIAL STATEMENTS

15 NON-CURRENT ASSETS - DEFERRED TAX ASSETS

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
THE BALANCE COMPRISES TEMPORARY DIFFERENCES ATTRIBUTABLE TO:				
Miscellaneous	40	-	-	-

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 and is seeking tax exempt status for other Australian controlled entities.

16 NON-CURRENT ASSETS - LIVESTOCK

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Livestock (sheep) value - at cost	75	138	75	138

Livestock are carried on the balance sheet at cost, with adjustment made to reflect net market value as appropriate.
The consolidated and parent entity closing sheep stock on hand as at 30 June 2008 was 2,300 (2007: 2,977).

17 NON-CURRENT ASSETS - OTHER ASSETS

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Lease deposits	1,041	-	223	-

18 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade creditors	6,154	5,437	3,742	5,437
Other payables – RDI contract payments accrued	5,136	3,994	5,136	3,994
Other creditors	3,080	1,889	1,402	1,889
	14,370	11,320	10,280	11,320

NOTES TO THE FINANCIAL STATEMENTS

19 CURRENT LIABILITIES - PROVISIONS

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Employee benefits - long service leave	213	-	-	-
Annual leave	993	561	613	561
	1,206	561	613	561

20 CURRENT LIABILITIES - CURRENT TAX LIABILITIES

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Income tax	730	-	-	-

21 CURRENT LIABILITIES - DEFERRED INCOME

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Government grants	-	15,000	-	15,000
Unearned licence income	7,243	-	-	-
	7,243	15,000	-	15,000

22 NON-CURRENT LIABILITIES - PROVISIONS

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Long service leave	37	33	37	33

23 NON-CURRENT LIABILITIES - OTHER

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Lease liability - 580 George St Fitout	1,071	-	1,071	-

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

NOTES TO THE FINANCIAL STATEMENTS

24 CONTRIBUTED EQUITY

	PARENT ENTITY		PARENT ENTITY	
	2008 SHARES	2007 SHARES	2008 \$	2007 \$
(A) SHARE CAPITAL				
Ordinary shares - fully paid	37,462	37,462	100	100

(B) MOVEMENTS IN ORDINARY SHARE CAPITAL:

DATE	DETAILS	NUMBER OF SHARES	\$
1 July 2006	Opening balance	37,462	100
30 June 2007	Balance	37,462	100
1 July 2007	Opening balance	37,462	100
30 June 2008	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.

(D) SHAREHOLDER STATISTICS

STATE	30 JUNE 2008	30 JUNE 2007
Australian Capital Territory	110	103
New South Wales	11,086	10,671
Northern Territory	12	9
Queensland	1,097	1,089
South Australia	4,941	4,755
Tasmania	789	775
Victoria	6,874	6,537
Western Australia	5,416	5,293
Balance	30,325	29,232

NOTES TO THE FINANCIAL STATEMENTS

25 RESERVES AND RETAINED PROFITS

Retained profits

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Retained surplus at the beginning of the financial year	65,860	77,349	65,860	77,385
Net surplus/(deficit) attributable to the shareholders of Australian Wool Innovation Limited	5,458	(11,489)	7,424	(11,525)
Retained surplus at the end of the financial year	71,318	65,860	73,284	65,860

26 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		PARENT	
	2008 \$	2007 \$	2008 \$	2007 \$
(A) AUDIT SERVICES				
Audit fees – domestic*	153,500	85,000	102,000	85,000
Audit fees – international*	151,317	–	–	–
Other audit services	53,413	20,000	31,500	20,000
Total remuneration for audit services	358,230	105,000	133,500	105,000
(B) NON-AUDIT SERVICES				
Audit-related services				
Advisory services	27,165	55,165	2,000	55,165
Taxation services				
Tax compliance services	74,746	–	–	–
Total remuneration for non-audit services	101,911	55,165	2,000	55,165
Total remuneration	460,141	160,165	135,500	160,165

*The increase in the remuneration of auditors compared to the prior year has arisen largely from the more complex legal structure associated with TWC. This includes increased consolidation and financial reporting requirements domestically as well as numerous TWC international subsidiaries which require separate statutory audits under their local regulations.

NOTES TO THE FINANCIAL STATEMENTS

27 CONTINGENCIES

(a) Contingent liabilities

The parent entity and Group had contingent liabilities at 30 June 2008 in respect of:

Completion accounts

Key net tangible assets of Australian Wool Services Limited (AWS) was acquired by Australian Wool Innovation Limited (AWI) on 5 October 2007 at an agreed value of nil. As part of the completion process AWI had the opportunity to contest the balance sheet values assigned by AWS to these assets and liabilities. The Share Purchase and Sale Agreement contained a provision whereby any disputes that could not be agreed by the parties would be referred to any independent expert for determination. Disputes with a maximum potential value of \$1.896 million were referred to Chapman Eastway on 1 August 2008.

As the annual accounts were being finalised a determination was received from Chapman Eastway. Discussions with GIC in relation to the settlement terms have not been finalised and therefore no classification changes made to the Balance Sheet. If reflected the major impact would be to reduce the value of fixed assets and increase cash.

The disputes are focused on the adequacy of the provisions and accruals. Any offsetting adjustment would be made against cash with a nil effect on net assets and no income statement impact.

AWI has currently adopted the values set out in the audited Completion Accounts by AWS. Should AWI be successful the impact would be a Balance Sheet reclassification with cash, provisions and accruals all increasing with a nil net impact on net assets.

Included in the disputed items are liabilities for tax in two Asian countries. If it is proven that a liability exists then the responsibility for settlement rests with Graziers' Investment Company Limited.

(b) Contingent assets

Japan tax losses

IWS Nominee Company Limited - Japan is receiving a tax deduction for pension payments to former staff associated with a Pension Scheme that was terminated in 1998. No deferred tax benefit has been recognised in the Completion Accounts as the amount is dependent on future performance of the Company's operations. The potential tax benefit is approximately \$2.4 million.

28 COMMITMENTS

(i) Research and development

	CONSOLIDATED		PARENT	
	2008 \$	2007 \$	2008 \$	2007 \$
Commitments in relation to research and development, technical proving and transfer and, the cost of various goods, services and acquisitions contracted for at the end of the reporting date but not recognised as liabilities, payable:				
Within one year	13,077	51,169	13,077	51,169
Later than one year but not later than five years	4,465	14,230	4,465	14,230
	17,542	65,399	17,542	65,399

(ii) Non-cancellable operating leases

	CONSOLIDATED		PARENT	
	2008 \$	2007 \$	2008 \$	2007 \$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	1,793	1,083	843	960
Later than one year but not later than five years	4,942	4,343	3,970	4,108
	6,735	5,426	4,813	5,068

29 RELATED PARTY TRANSACTIONS

(a) Parent entities

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

(b) Directors

The names of persons who were directors of the company at any time during the financial year are as follows: B P van Rooyen, C J Abell, K J Bell, W B Merriman, R J Fletcher, C R Olsson, K A Boundy, R Clubb, J S Keniry, I M McLachlan, H P Nivison and P S Sykes. All of these persons were also directors during the year ended 30 June 2007, except for R J Fletcher and C R Olsson who were appointed on 14 November 2007 and K A Boundy, R Clubb and J S Keniry who were appointed on 24 April 2008.

(c) Subsidiaries

Interests in subsidiaries are set out in note 31.

(d) Remuneration

Disclosures relating to directors and key management personnel remuneration are set out in the Directors' Report.

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

(i) Loan transactions and balances

There were no loan transactions or balances with directors and key management personnel or entities related to them during the year ended 30 June 2008.

(ii) Other transactions and balances

Mr I M McLachlan, a director, provided his Tupra property in New South Wales and sheep livestock during August 2007 for the conducting of clip design (alternative to mulesing) trials. Likewise, Mr W B Merriman, a director, provided his Merryville Stud property in New South Wales and sheep livestock during October 2007 for the conducting of a clip design trial. No benefit was derived by either director in participating in these trials.

Dr C J Abell has been involved in fly strike protection technology research on behalf of AWI. He has received no financial benefit and has made no claim in respect of intellectual property relating to the research.

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 2008.

There were no other transactions with key management personnel or entities related to them during the year ended 30 June 2008.

Other transactions relating to subsidiaries:

	CONSOLIDATED		PARENT	
	2008 \$	2007 \$	2008 \$	2007 \$
Loan to AWI LLC (US subsidiary)	-	-	1,176	913
Provision for impairment of intercompany receivable	-	-	(1,106)	(784)
	-	-	70	129

NOTES TO THE FINANCIAL STATEMENTS

30 BUSINESS COMBINATION

Current period

(a) Summary of acquisition

On 5 October 2007 the parent entity acquired 100% of the issued share capital of The Woolmark Company Pty Ltd. This acquisition was funded by an Australian Government grant totalling \$15 million, of which \$10 million was provided to acquire The Woolmark Company Pty Ltd. The remaining balance of \$5 million was to fund redundancy payments upon integration of the business into AWI.

The acquired business contributed revenues of \$13,502,555 and net loss of \$1,823,787 to the Group for the period from 5 October 2007 to 30 June 2008. If the acquisition had occurred on 1 July 2007, consolidated revenue and consolidated loss for the year ended 30 June 2008 would have been \$18,003,407 and \$1,823,787 respectively. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2007, together with the consequential tax effects.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	\$'000
Purchase consideration	
Cash paid	10,000
Fair value of shares issued	–
Direct costs relating to the acquisition	–
Total purchase consideration	10,000
Fair value of net identifiable assets acquired	10,000

(b) Purchase consideration

	PARENT	
	2008 \$'000	2007 \$'000
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	10,000	–
Less: Balances acquired		
Cash	3,800	–
Outflow of cash	6,200	–

30 BUSINESS COMBINATION (CONTINUED)

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	ACQUIREE'S CARRYING AMOUNT \$'000	FAIR VALUE \$'000
Cash	3,800	3,800
Trade receivables	4,368	4,368
Inventories	1,166	1,166
Other current assets	25	25
Non-current receivables	128	128
Plant and equipment	1,197	1,197
Deferred tax asset	209	209
Intangible assets: certification mark	–	10,000
Trade payables	(2,066)	(2,066)
Provisions	(990)	(990)
Current tax liabilities	(21)	(21)
Other current liabilities	(6,429)	(6,429)
Non-current provisions	(1,387)	(1,387)
Net assets	–	10,000
Net identifiable assets acquired		10,000

As a result of time constraints the initial accounting for The Woolmark Company Pty Ltd combination has been determined provisionally as at the acquisition date of 5 October 2007. The fair values assigned to the identifiable assets, liabilities or contingent liabilities may require adjustment as at acquisition date. Under AASB 3 Business Combinations any adjustments to those provisional values as a result of completing the initial accounting may be recognised within twelve months of the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

31 CONTROLLED ENTITIES

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

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING	
			2008 %	2007 %
SUBSIDIARIES CONTROLLED BY AUSTRALIAN WOOL INNOVATION LIMITED:				
Australian Wool Innovation LLC	USA	ORDINARY	100	100
Woolmark Holdings Pty Ltd	AUSTRALIA	ORDINARY	100	–
SUBSIDIARIES CONTROLLED BY WOOLMARK HOLDINGS PTY LTD:				
The Woolmark Company Pty Ltd	AUSTRALIA	ORDINARY	100	–
Australian Merino Pty Ltd	AUSTRALIA	ORDINARY	100	–
SUBSIDIARIES CONTROLLED BY THE WOOLMARK COMPANY PTY LTD:				
Woolmark International Pty Ltd	ENGLAND	ORDINARY	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
Secretariado Internacional De La Lana SA	MEXICO	N/A	100	100
International Wool Secretariat SA de C.V.	MEXICO	ORDINARY	100	100
Osterreichischer Wollsiegel-Verband des Internationalen Vollsekretariates	AUSTRIA	N/A	100	100
Wollsiegel Verband	GERMANY	N/A	100	100
IWS Marke AG	SWITZERLAND	ORDINARY	100	100
Woolmark (Italy) SRL	ITALY	ORDINARY	100	100
The Woolmark Company (HK) Limited	HONG KONG	ORDINARY	100	100
The Woolmark Company (Shanghai) Limited	CHINA	ORDINARY	100	100
Woolmark Services India Private Limited	INDIA	ORDINARY	100	100

NOTES TO THE FINANCIAL STATEMENTS

32 ECONOMIC DEPENDENCY

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

33 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

34 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Profit/(loss) from continuing operations	5,458	(11,489)	7,424	(11,525)
Depreciation and amortisation	1,591	1,164	1,133	1,164
Profit/(loss) on sale of property, plant and equipment	22	12	2	12
Net exchange differences	350	-	-	-
Change in operating assets and liabilities, net of effect from purchase of controlled entity				
Decrease (increase) in trade debtors	(2,957)	(440)	(2,694)	(440)
Decrease (increase) in prepayments	528	(151)	240	(151)
Decrease (increase) in other operating assets	(1,740)	187	(1,740)	188
Decrease (increase) in accrued wool levy	1,548	(1,451)	1,548	(1,451)
Decrease (increase) in other debtors	(380)	677	(579)	(200)
Increase (decrease) in provision of intercompany receivable	-	-	405	771
Decrease (increase) in investment in controlled entities	-	-	-	13
Decrease (increase) in inventories	347	-	64	-
Increase (decrease) in creditors	(3,492)	2,462	(3,492)	2,462
Increase (decrease) in provisions	2,638	77	2,508	77
Increase (decrease) in deferred income	(14,158)	15,000	(15,000)	15,000
(Decrease) increase in other operating liabilities	685	-	1,071	-
Net cash (outflow) inflow from operating activities	(9,560)	6,048	(9,110)	5,920

DIRECTORS' DECLARATION

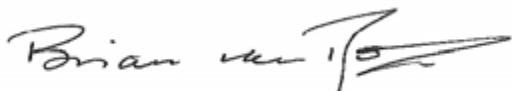
In the directors' opinion:

(a) the financial statements and notes set out on pages 8 to 37 are in accordance with the Corporations Act 2001, including:

- (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Mr B P van Rooyen
Chairman

Sydney
18 September 2008

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 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Australian Wool Innovation Limited and the Australian Wool Innovation Limited 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

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

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

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of Australian Wool Innovation Limited (the company) for the year ended 30 June 2008 included on Australian Wool Innovation Limited web site. The company's directors are responsible for the integrity of the Australian Wool Innovation Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Independence

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

We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Australian Wool Innovation Limited on 18 September 2008, would be in the same terms of provided to the directors as at the date of this audit report.

Auditor's opinion on the financial report

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

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

PricewaterhouseCoopers

John Gordon
Partner

Sydney
24 September 2008





AWI PROJECT LIST 07/08

AWI PROJECT LIST – 2007/2008

This list provides details of AWI projects with a full contract value greater than \$100,000 that were underway during 2007/2008.

Note: This project list does not form part of the audited financial reports. All figures in Australian Dollars.

WOOL PRODUCTION

PROJECT TITLE	PROVIDER	FULL CONTRACT VALUE	PAID IN 2007/2008	START DATE	FINISH DATE
SUSTAINABLE PRODUCTION SYSTEMS					
Australian Rural Leadership Program (ARLP)	Australian Rural Leadership Foundation Limited	230,700.00	46,000.00	21/11/2003	21/11/2008
The Sheeps Back – WA Extension Program	JRL Hall & Co	1,004,535.00	63,881.00	1/09/2004	1/11/2007
Scholarship and Studentship Program	Alexandra Doulman, Hannah Symons, Phillip Gray, Tim Salmon, The University of New England, University of Technology Sydney, University of Sydney, CSIRO Livestock Industry, Mark Alchin, LaTrobe University, University of Melbourne, Angus Winterlood, Sophie Curtis, Benjamin Thomas, Martin Long	2,554,000.00	405,100.00	1/07/2003	1/07/2009
Wool 4 Wealth – NSW Extension Program	Mike Stephens & Associates Pty Ltd	1,833,400.00	-300,000.00	8/11/2004	8/06/2008
Leading Sheep – QLD Extension Program	Dept of Primary Industries & Fisheries, QLD Government	998,785.00	142,342.60	30/09/2004	30/01/2008
Development and national delivery of multi media wool University degree units	Sheep CRC	415,481.00	35,789.10	1/10/2003	1/07/2007
Expansion, Operation and Promotion of the Sheep CRC and Beef CRC Livestock Library	Sheep CRC	200,000.00	41,500.00	1/03/2005	30/07/2008
Bestwool/Bestlamb – Vic Extension Program	Department of Primary Industries, Victoria	596,352.00	182,286.00	1/11/2005	1/09/2008
8x5 Wool Profit Program Phase II – Tas Extension Program	University of Tasmania	298,500.00	145,000.00	1/07/2006	1/07/2009
Making More from Sheep – Delivery Strategy	Jarrapool Project Management and Consulting Pty Ltd, Primary Industries And Resources SA, Department of Primary Industries and Water, Queensland Government Dept of Primary Ind, NSW Department of Primary Industries, Sefton & Associates Pty Ltd, L & L Communications Australia P/L trading as LCUBED, Meat & Livestock Aust, Paragon Australasia Group, Miller Hare Australia Pty Ltd, Nationwide Advertising Group, Stephographics	720,000.00	348,122.71	1/07/2006	1/07/2009
Extension Network Programs Project Manager 2007-08	Peter Hanrahan Consulting Pty Ltd	132,000.00	108,210.01	1/07/2007	1/10/2008
Bestprac 2007-2010 (Pastoral Extension Program)	Rural Directions Pty Ltd	450,000.00	50,000.00	1/02/2008	1/02/2011
Phalaris Improvement	CSIRO Plant Industry	610,720.00	35,778.00	31/12/2000	31/12/2007
Improved Farming System for Degraded Soil in High Rainfall Zone of SE Australia	NSW Department of Primary Industries	417,500.00	45,950.00	1/01/2004	1/08/2007
Increased Adoption of Timerite to Improve Feed Utilisation	Channel Enterprises Pty Ltd	223,980.00	3,084.62	18/03/2003	1/07/2007
Lifetime Wool Production	Department of Primary Industries, Victoria	6,740,592.00	299,588.00	13/10/2003	30/09/2008
Increased Investment in NAPLIP	SARDI	1,343,580.00	5,000.00	1/07/2003	1/07/2007
Developing new and innovative perennial Lotus species for grazing systems	NSW Agriculture	1,266,520.00	257,232.00	28/08/2002	27/02/2008
Validation and Communication of Evergreen Farming Systems	Evergreen Farming	528,000.00	44,000.00	1/05/2004	1/07/2007
Surface-applied lime to ameliorate acid soils – NSW Agriculture	NSW Department of Primary Industries	529,793.00	45,218.28	1/07/2004	1/12/2008
Facilitator – Decision support for grazing systems	CSIRO Plant Industry	550,311.00	65,060.00	1/04/2005	1/05/2008

AWI PROJECT LIST – 2007/2008

PROJECT TITLE	PROVIDER	FULL CONTRACT VALUE	PAID IN 2007/2008	START DATE	FINISH DATE
Plant Breeding Co-ordinator	Abbott Innovation Pty Ltd	120,200.00	2,077.54	1/09/2004	1/07/2007
Enrich – multi-purpose ‘healthy’ grazing systems using perennial shrubs	CRC for Plant based management of Dryland Salinity	150,000.00	75,000.00	18/07/2006	1/08/2008
Wool EMS Pathways Project	Miracle Dog P/L, DAFF, Curtin University of Technology, CSIRO Textile & Fibre, Elders Limited	668,748.36	156,336.71	12/10/2005	12/10/2007
Reliable establishment of non-traditional perennial pasture species	CRC for Plant based management of Dryland Salinity	160,000.00	40,000.00	1/08/2006	1/04/2010
Rabbits	Invasive Animals Cooperation Research Centre - University of Canberra, Meat & Livestock Aust	694,300.00	156,192.00	1/04/2006	1/07/2008
Evergraze	GR & SL Saul Trading as PSA Services, CRC for plant based management of Dryland Salinity, L & L Communications Australia P/L trading as LCUBED, Namoi Catchment Management Authority, South Coast Natural Resource Management Inc., Meat & Livestock Aust, SARDI, University of Tasmania, Central Highlands Agribusiness Forum, NSW Department of Primary Industries, Span Communications Pty Ltd	3,200,000.00	202,243.93	1/07/2006	1/07/2010
Biocontrol of Patersons curse	NSW Department of Primary Industries	150,000.00	60,000.00	15/06/2007	15/07/2010
Development of the interactive home page and of Pastures of Australia, a decision tool for farmers and advisors	CSIRO Sustainable Ecosystems	199,000.00	199,000.00	28/02/2007	28/08/2007
Commercialisation of the first subterranean clovers with cotyledon resistance to redlegged earth mite	Department of Agriculture of Western Australia (DAWA)	116,000.00	116,000.00	28/02/2007	28/06/2008
Working with growers to overcome the constraints to adoption of new annual pasture legumes in the medium and low rainfall areas of southern Australia	Department of Agriculture of Western Australia (DAWA)	1,263,000.00	533,000.00	28/02/2007	28/08/2010
Developing systems to exploit the newly released varieties of the biennial forage legume sulla (hedysarum coronarium)	SARDI	302,301.00	64,902.00	28/02/2007	28/02/2010
Breeding new pod holding medics	Willandra Pty Ltd T/A Pristine Forage Technologies	104,000.00	26,000.00	28/02/2007	28/10/2007
Landleader Project	Meat & Livestock Aust, DAFF, Miracle Dog P/L, Resourced Pty Ltd, The Bushka Family Trust trading as Dart Data Entry Services Pty Ltd, Roberts Evaluation Pty Ltd, L & L Communications Australia P/L trading as LCUBED, Axiom Databases Pty Ltd	164,000.00	-131,106.22	28/09/2007	28/06/2008
Drought Response 2007	Sefton & Associates Pty Ltd, JRW International Pty Ltd trading as Websalad, Meat & Livestock Aust, VIC Department of Primary Industries, Holmes Sackett Pty Ltd, Mike Stephens & Associates Pty Ltd, Rural Directions Pty Ltd, JRL Hall & Co, Online Business Radio P/L, Peter Hanrahan Consulting Pty Ltd, Solutions Marketing & Research Grp Pty Ltd, University of Tasmania, Primary Industries and Resources SA	125,000.00	9,815.95	27/09/2007	27/10/2007
Preparation of a business plan for integrated genetic improvement of pasture species	R&PA Barlow Pty Limited	159,000.00	63,470.58	10/01/2008	10/08/2008
Leading Sheep 2008-2011 (QLD Extension Program)	Queensland Government Dept of Primary Industry	450,000.00	50,000.00	31/01/2008	31/01/2011
Phase 2 – Pasture selection tool for Pastures Australia	CSIRO Land and Water	188,000.00	30,000.00	2/06/2008	2/06/2009

AWI PROJECT LIST – 2007/2008

PROJECT TITLE	PROVIDER	FULL CONTRACT VALUE	PAID IN 2007/2008	START DATE	FINISH DATE
SHEEP CRC					
Sheep CRC Wool Program Funding (APDM)	Sheep CRC	4,531,800.00	409,500.00	1/07/2007	1/09/2015
CRC for Sheep Industry Innovation - Program 4 - Information Nucleus	Sheep CRC	2,690,000.00	287,500.00	1/06/2007	1/06/2014
Postgraduate Training - CRC for Sheep Industry Innovation	Sheep CRC	700,000.00	100,000.00	1/07/2007	23/08/2014
SHEEP PRODUCTIVITY					
Wool follicle relationship identification of the founder cell population	University of Western Sydney	467,000.00	-22,500.00	1/03/2004	1/11/2007
Identification of therapeutic molecules for increasing follicle density and reducing follicle appendage formation	The University of Adelaide	391,000.00	-19,550.00	1/03/2004	1/04/2008
MLA Agent - Development of cellular resources to support expression profiling and proteomic studies in defined genotypes / Muscle and Energy Utilisation Sub-Program Project 4	Meat & Livestock Aust	158,571.00	24,683.00	1/06/2003	1/06/2008
Mutants and Genetic Extremes for Gene Discovery	The University of Adelaide	190,000.00	2,500.00	1/07/2004	1/05/2008
Secondary Wool Follicle Development	CSIRO Livestock Industry, Meat & Livestock Aust	265,000.00	-4,000.00	1/02/2004	1/05/2008
Crutchless Mutation	Brecon Breeders	186,450.00	120.00	10/12/2004	10/01/2008
Increased Resources for Mulesing Alternative Project and other High Priority Research Projects at the University of Adelaide	The University of Adelaide	848,924.00	50,000.00	7/03/2005	7/07/2010
QA Program Implementation AWEX - OFFM Phase two	Australian Wool Exchange Ltd	479,750.00	35,495.00	2/02/2004	2/07/2008
MLA Agent - Letter of Agreement - Personnel and travel expenses	Meat & Livestock Aust	218,074.93	36,329.80	1/06/2007	1/12/2007
Personnel and Travel expenses for Sheep Genomics	Meat & Livestock Aust	175,000.00	114,168.13	1/07/2007	30/06/2008
MLA Agent - MEUSP Proteomics	Meat & Livestock Aust	231,792.00	38,844.50	28/02/2004	28/04/2008
MLA Agent - SGP Sub-Program Leader Muscle and Energy	Meat & Livestock Aust	147,000.00	45,000.00	8/04/2005	30/06/2008
MLA Agent - Molecular dissection of muscle and growth related traits in sheep	Meat & Livestock Aust	237,500.00	118,750.00	1/01/2006	1/07/2008
MLA Agent - Muscle Sub-Program Phenotyping R&D	Meat & Livestock Aust	200,000.00	120,000.00	1/01/2006	1/07/2008
MLA Agent - Validation of DNA tests for the Australian Sheep Industry - CSIRO component	Meat & Livestock Aust	112,500.00	32,500.00	2/03/2007	2/08/2008
Discovering Genes for Susceptibility to Haemonchus contortus Infestation	University of Sydney, Meat & Livestock Aust	765,300.00	-63,775.00	1/03/2005	1/07/2008
Discovery of Genes Involved in Resistance to Gastro-intestinal Nematodes in Sheep, High Throughput Identification of Genes Involved in Resistance to GIN	CSIRO Livestock Industry	397,393.00	-43,393.58	1/07/2003	1/07/2007
SGP Sub-Program Leader HRIP	Meat & Livestock Aust	143,500.00	38,000.00	25/01/2005	25/05/2008
Discovering genes involved in resistance to gastrointestinal nematodes (GIN) in sheep - phase 2 in fine mapping	Meat & Livestock Aust	121,000.00	-87,500.00	1/03/2007	1/07/2008

AWI PROJECT LIST – 2007/2008

PROJECT TITLE	PROVIDER	FULL CONTRACT VALUE	PAID IN 2007/2008	START DATE	FINISH DATE
Identification of marker haplotypes for resistance to Haemonchus contortus II	Meat & Livestock Aust, University of Sydney	300,000.00	25,000.00	1/03/2007	1/08/2008
Identification of marker haplotypes for resistance to Haemonchus contortus III	Meat & Livestock Aust	125,000.00	-12,500.00	1/03/2007	1/08/2008
Development of a diagnostic tool using gene expression markers associated with gastrointestinal nematode infections	Meat & Livestock Aust, CSIRO Livestock Industry	400,000.00	0.00	15/01/2007	15/07/2008
Extension of Validating the effects of candidate genes and products on parasites	Monash University	140,000.00	108,000.00	22/02/2008	22/06/2008
Wool Biology SPL for SGP	The University of Adelaide, Meat & Livestock Aust	276,000.00	23,501.02	30/04/2005	30/06/2008
Enabling technology for Testing Gene Function in Wool Follicle Growth and Development	AgResearch, Meat & Livestock Aust	722,000.00	122,000.00	1/09/2005	1/07/2008
Discovery of genes for on farm control of wool follicle growth	AgResearch, Meat & Livestock Aust	479,547.50	39,962.25	30/09/2005	30/06/2008
Fleece rot genes	Meat & Livestock Aust, CSIRO Livestock Industry	200,000.00	168,500.00	1/06/2007	1/06/2008
Mapping of agouti locus	CSIRO Livestock Industry, Meat & Livestock Aust	135,000.00	-7,500.00	1/06/2007	1/06/2008
Foetal manipulations using therapeutics	Meat & Livestock Aust, The University of Adelaide	178,000.00	130,000.00	1/07/2007	1/10/2008
Extension of Expression Profiling and Gene Discovery in the Wool Follicle	The University of Adelaide, Meat & Livestock Aust	151,000.00	16,000.00	1/02/2007	1/01/2008
SG Mapping Flock Reproduction Traits	Meat & Livestock Aust	220,552.00	42,411.00	1/10/2007	1/10/2008
MLA Agent - Detection of genes which significantly influence parasite resistance and skin and wool attributes - Part 1 Gene Mapping	Meat & Livestock Aust	274,209.50	54,841.50	1/07/2003	1/05/2008
MLA Agent - SGP Sub-Program Leader Core Technologies	Meat & Livestock Aust	147,000.00	51,000.00	1/12/2004	1/05/2008
MLA Agent - Bioinformatics Integrated Databases	Meat & Livestock Aust	388,617.00	119,100.00	1/09/2005	1/07/2008
MLA Agent - Harnessing the bovine and other mammalian genomes for ovine research and applications	Meat & Livestock Aust	354,250.00	60,000.00	15/09/2005	15/07/2008
MLA Agent - Enhancing bioinformatics resources for sheep gene mapping	Meat & Livestock Aust	289,879.00	26,730.00	1/10/2005	1/07/2008
MLA Agent - Provision of a comprehensive integrated map and information on ovine single-locus traits	Meat & Livestock Aust	136,800.00	36,468.93	1/02/2006	1/07/2008
MLA Agent - Bioinformatics Coordinator	Meat & Livestock Aust	195,000.00	40,000.00	1/01/2006	1/07/2008
International Science Linkages (ISL) Grant	Meat & Livestock Aust	239,396.50	-150,896.50	1/06/2007	1/06/2009
MLA/AWI Mapping Flock FMFS	Falkiner Memorial Field Station (FMFS)	535,026.80	66,984.50	1/05/2006	1/07/2007
MLA Agent - SheepGenomics Biostatistics Support CSIRO	Meat & Livestock Aust	170,625.00	48,750.00	5/01/2007	5/08/2008
Visual Assessed Sheep Traits	Currie Communications P/L, Meat & Livestock Aust	103,680.00	24,293.84	2/03/2007	2/07/2008

AWI PROJECT LIST – 2007/2008

PROJECT TITLE	PROVIDER	FULL CONTRACT VALUE	PAID IN 2007/2008	START DATE	FINISH DATE
GENETIC IMPROVEMENTS					
Sheep Genetics	Meat & Livestock Aust	1,944,625.00	365,134.94	1/04/2004	1/07/2010
National Merino Bloodline Evaluation (Support, Analysis and Research)	Meat & Livestock Aust	444,637.00	-1,963.50	15/12/2004	30/06/2009
Reaping the rewards of the Qplu\$ Project.	NSW Department of Primary Industries	147,035.00	15,000.00	16/09/2005	16/10/2007
Breeding for Breech Strike Resistance	CSIRO Livestock Industry, Department of Agriculture and Food WA	1,978,368.00	144,000.00	1/07/2005	1/07/2010
Merino Superior Sires, June 2005 - June 2008	Meat & Livestock Aust, Australian Merino Sire Evaluation (AMSEA)	348,800.00	80,299.42	10/10/2006	10/04/2008
MULESING					
Project Management 'Alternative to mulesing' - Dr Jim Rothwell	Dr J Rothwell	288,900.00	4,714.87	7/06/2004	1/07/2007
Revisiting the mules operation	University of Sydney	270,552.00	31,684.00	17/05/2005	15/07/2008
Mulesing needleless applicator (Cobbett)	Claxton Consulting	147,500.00	4,811.12	1/09/2005	1/04/2008
Trials to evaluate field efficacy of current mulesing alternatives	Veterinary Health Research Pty Ltd	160,000.00	39,380.60	15/10/2005	15/11/2007
National Mulesing Accreditation Program	Mike Stephens & Associates Pty Ltd, Sefton & Associates Pty Ltd, Kondinin Group Limited,	250,000.00	65,748.63	1/04/2006	1/12/2007
June July national alternative to mulesing clip trial	Veterinary Health Research Pty Ltd, Paul Nicholls	300,000.00	51,220.00	1/06/2006	1/12/2008
Commercialisation of Alternative to Mulesing Technologies	Applidyne Pty Ltd, Veterinary Health Research Pty Ltd, MAC Stats & Analysis, Strategic Bovine Services, Elizabeth Cooper, Corporate Ambience Pty Ltd, Schuster Consulting Group Pty Ltd, Veterinary Health Research Pty Ltd, Warren Godson, Futura Kelpies, RE & JA Powell, Frog Hollow Limousin Stud, Mederberrin Estate Trust T/AS TJ and JA Watts, University of Melbourne, N J Campbell, Better Beef Solutions, Agrisearch Services Pty Ltd, Agrisearch Services Pty Ltd, SARDI, Kirsten M. Hunter, Nilown Farm Health, Scott Angel, Bill Clarke, B.J. Lenehan & R.D. Lenehan, Wambanumba Pty Ltd, Noble Management, C.A Eppelstun & C.J Eppelstun & K.J Eppelstun & K.T. Eppelstun, R. J & T.W. Pearce, JWG Contracting Pty Ltd, Lou Haynes, A.J. Harvie Family Trust T/As Dulstrom Pty Ltd, PJ & SK Jacka PL, M.W. Bellinger & P.J Bellinger, Richard Donald Carter, JA & KJ Treloar Contracting, Andrew McDermott, P Dickson & T.D Edson Trading as Ross Creed Stock Service, Steven Vincent and Heather Joan Mahoney, Anthony Faulk, Bill Hall, Lisa Virgona, PE & LM Jennings, Fred Mentha, Cox Inall Communications Pty Limited, Victoria Plain Sheep Husbandry, John Howard, M.A Paterson & M.A Paterson, Jamie Rowe, JS & SL King, M.W. Kessel & S.M. Kessel, Infopeople Pty Ltd, Neil Speed, Agrisearch Services Pty Ltd, Veterinary Health Research Pty Ltd, Allflex, WRL Engineering Pty Ltd, Te Pari Products, Tru-Test Pty Limited, Swingertag Tally Tags, Nationwide Advertising Group, Leader Products, Allflex, Tru-Test Pty Limited, G.A. Kuhl & D.K. Suto Trading As: S E Rural Contracting, Infodesign Pty Ltd, MP & DA Fenwicke Partnership	3,393,344.00	2,891,771.88	16/05/2007	16/01/2010
CSIRO Welfare assessment of intradermal alternative to mulesing	CSIRO Livestock Industry	245,000.00	245,000.00	28/06/2007	28/12/2007
National Mulesing Accreditation Program	Sefton & Associates Pty Ltd, Mike Stephens & Associates Pty Ltd	255,000.00	123,997.69	31/07/2007	31/07/2008
Mulesing Alternatives – review/investigate new options	Mt Bryan Veterinary Services Pty Ltd	140,000.00	41,310.97	11/08/2007	11/08/2008

AWI PROJECT LIST – 2007/2008

PROJECT TITLE	PROVIDER	FULL CONTRACT VALUE	PAID IN 2007/2008	START DATE	FINISH DATE
Cobbett Technologies Intradermal	Claxton Consulting, Cobbett Pty Ltd, Rainbow Displays	630,000.00	51,152.18	1/03/2008	1/02/2009
2008 Clip Trials	CSIRO Manufacturing & Materials Tech	444,000.00	6,000.00	1/06/2008	1/07/2009
Grower Awareness and Communications 2007/08	The Trustee for The Hodgson Family Trust	257,000.00	45,801.04	1/06/2008	1/07/2009
ANIMAL HEALTH AND WELFARE					
Enhancing Australia's Diagnostic and Surveillance Capabilities for Diseases (Sheep & Goat Pox) Caused by Capripox Viruses	CSIRO Livestock Industry	1,416,000.00	59,000.00	2/11/2003	2/11/2007
Environmentally friendly insecticides targeting the sheep blowfly ecdysone receptor	CSIRO Livestock Industry	1,615,000.00	380,700.00	8/05/2005	1/05/2008
Integrated parasite management for sheep (IPM-s)	The University of New England	2,710,814.00	50,000.00	15/08/2003	15/02/2008
Genomic analysis and transformation of Lucilia cuprina	University of Melbourne, Massey University	1,482,239.10	394,660.00	10/10/2004	10/02/2008
Eradication of virulent ovine footrot by sequential specific vaccination	University of Sydney	1,102,403.00	109,062.00	1/05/2005	1/05/2010
Commercialisation of Improved Footrot Diagnosis	The University of New England	444,461.00	62,733.00	15/03/2005	15/03/2009
GINTIP – MLA agent - Novel Approaches for Control of Sheep Nematode Parasites	Meat & Livestock Aust	425,003.00	45,002.50	1/01/2004	1/07/2007
Development of a vaccine against annual ryegrass toxicity	CSIRO Livestock Industry	415,882.00	108,299.00	25/06/2006	25/12/2008
Development of diagnostic assays for sheep nematodes based on faecal antigen detection	Meat & Livestock Aust	122,872.50	62,325.00	15/10/2005	15/07/2007
Worm diagnostic test using PCR technology	Meat & Livestock Aust	375,000.00	225,000.00	21/12/2006	21/12/2009
Integrated Parasite Management for Sheep II (IPMslI)	The University of New England	244,270.00	224,270.00	1/06/2007	1/02/2008
Fungal biopesticide for lice control	Queensland Government Dept of Primary Ind, Ruth Davis Consultancy	483,000.00	152,880.04	9/04/2007	9/04/2010
Identification and validation of new drug targets for control of gastrointestinal nematode parasites of sheep	Australian National University, Meat & Livestock Aust	968,372.00	304,783.50	15/02/2006	15/02/2010
Vaccine potential of surface antigens of Dichelobacter Nodusus	Claxton Consulting	665,000.00	2,436.27	1/09/2007	1/12/2007
Pesticide residues survey results 2007/08	CSIRO Textile & Fibre	120,000.00	79,650.00	1/07/2007	1/08/2008
WOOL HARVESTING					
Shearer and Woolhandler Training - NSW State Allocation Training/ Delivery 2006/07	TAFE NSW - Western Institute, TAFE NSW - New England Institute	206,000.00	17,006.50	30/06/2006	30/11/2007
Shearer and Woolhandler Training – VIC State Allocation Training/ Delivery 06/07	Primary Skills Victoria	171,000.00	3,400.00	30/06/2006	1/07/2007
Shearer and Woolhandler Training – WA State Allocation Training/ Delivery 06/07	Great Southern Regional TAFE, C Y OConnor College of TAFE	144,000.00	18,501.99	30/06/2006	1/07/2007
Shearer and Woolhandler Training – SA State Allocation Training/ Delivery 06/07	TAFE SA	116,000.00	34,519.00	30/04/2006	1/07/2007
Shearer and Wool Handler Training – NSW Training Delivery 07-10	TAFE NSW - Western Institute	203,530.00	137,959.45	1/07/2007	1/07/2008

AWI PROJECT LIST – 2007/2008

PROJECT TITLE	PROVIDER	FULL CONTRACT VALUE	PAID IN 2007/2008	START DATE	FINISH DATE
WOOL HARVESTING (CONTINUED)					
Shearer and Woolhandler Training – WA Training Delivery 07-10	C Y OConnor College of TAFE	162,000.00	128,110.45	1/07/2007	1/07/2008
Shearer and Woolhandler Training – VIC Training Delivery 07-10	SCAA Shearer Woolhandler Training Inc, Primary Skills Victoria	192,000.00	172,729.68	1/07/2007	1/07/2008
Shearer and Woolhandler Training – SA Training Delivery 07-10	TAFE SA	130,000.00	116,170.40	1/07/2007	1/07/2008
Shearer and Woolhandler Training – Project Management 07-10	Y & R Consulting Pty Ltd	149,000.00	139,273.68	1/07/2007	1/07/2008
Shearer and Woolhandler Training – Project Management 07-10	Y & R Consulting Pty Ltd	149,000.00	139,273.68	1/07/2007	1/07/2008
Handpiece safety – deadman switches – stage 2	Lyc0 Industries Pty Ltd	245,000.00	20,000.00	11/12/2005	11/12/2007
Opportunities for Research Investment into new Biological / Chemical Wool Harvesting Techniques	The University of Adelaide, PD Analytical Pty Ltd	259,200.00	24,835.67	1/04/2006	1/12/2007
Biological harvesting - screen alternative compounds (AgResearch)	AgResearch	121,073.00	34,017.65	15/10/2006	15/10/2007
Biological Harvesting Strategy 3 Weakening the Fibre - Phase 2	The University of Adelaide, Brooke and Mackenzie Pty Ltd	270,000.00	136,394.56	1/07/2007	1/07/2008
UPSP Adoption and Extension - Reimbursable expenses projects	BCS Agribusiness Solutions	119,557.21	105,758.21	1/07/2007	1/11/2007
Wool Production projects with a value of \$100,000 or less (147 projects)		6,420,563.67	2,105,350.23		

APPAREL PRODUCT DEVELOPMENT AND MARKETING

PROJECT TITLE	PROVIDER	FULL CONTRACT VALUE	PAID IN 2007/2008	START DATE	FINISH DATE
KNOWLEDGE					
China and Hong Kong training 2008	Clothing Industry Training Authority	120,000.00	938.36	1/05/2008	1/12/2008
Australian Wool Textiles Training Centre	Apical International Pty Limited, Fresh Web Solutions Pty Ltd, Richard McKellar Design, Australasian Textiles Publishers, International Trade Publications, World Textile Publications Limited, Reliance Industries Limited, China Textile Network Co Ltd, International Fibre Centre Limited	175,000.00	45,616.45	12/10/2005	12/12/2007
Wool on the web - Phase II	Christoe Consulting, Freshweb Solutions Pty Ltd	212,197.00	6,667.50	1/11/2005	1/01/2008
DMF Program Co-ordinator Position	Australian Wool Testing Authority Ltd, CSIRO Textile & Fibre	378,120.00	157,006.72	19/05/2005	19/07/2009
AWI/DWI Awards	DWI	145,875.00	8,209.02	20/09/2002	31/12/2007
Post Doctoral Fellowship – Dr Dong Ruan	Swinburne University of Technology	195,000.00	32,500.00	1/03/2005	1/03/2008
Relationship between greasy and processed DMF contamination levels	Australian Wool Testing Authority Ltd	272,660.00	57,621.00	15/09/2004	15/11/2007
Tasmanian Merino Brand Supply Chain in Japan	Roberts Limited	300,000.00	42,000.00	1/04/2006	1/10/2007
Random testing of 1% of the Australian Wool Clip	Australian Wool Testing Authority Ltd	443,269.60	136,477.70	1/07/2006	1/07/2008
DMF Instrument Commercialisation	Australian Wool Testing Authority Ltd, CSIRO Textile & Fibre	601,380.00	345,190.71	1/07/2006	1/07/2008
Organic / Eco Wool Strategy	CSIRO Textile & Fibre, Winemakers Federation of Australia, Hyder Consulting Pty Ltd, TM Organics, Nationwide Advertising Group	195,000.00	37,322.48	28/09/2007	28/08/2008
INNOVATION					
Low spirality fine count worsted yarns	CSIRO Textile & Fibre	109,000.00	109,000.00	1/07/2007	1/02/2008
Protection of Wool Products during Laundering	CSIRO Textile & Fibre	137,300.00	68,650.00	1/07/2007	1/07/2008
Merino Environmental Pathway	CSIRO Textile & Fibre	121,564.00	81,043.00	1/11/2007	1/07/2008
Development of a wool-based marker fibre	AgResearch Ltd - Textiles Group	127,800.00	10,000.00	1/04/2008	1/02/2009
Smart Yarn Development	TWC	676,285.00	18,951.24	15/04/2002	1/07/2007
Improvements to the Sirosett Process for Crease Stabilisation	TWC	537,037.00	26,851.85	1/10/2002	1/07/2007
Spunlace Wool Nonwovens	CSIRO Textile & Fibre	598,832.00	31,332.00	1/05/2004	1/07/2007
Causes and Consequences of Yarn Instability	CSIRO Textile & Fibre	1,168,900.00	95,749.00	1/08/2004	1/08/2007
Natural Machine Washable Wool Fabrics	AgResearch Ltd - Textiles Group	180,579.00	63,805.00	20/06/2005	20/05/2008
New Wool Micro-Fibre Blends	CSIRO Textile & Fibre	538,380.00	179,460.00	1/04/2005	1/06/2008
Engineering Enhancements to wool fabrics through commercial atmospheric plasma	Deakin University	192,053.00	62,053.00	19/09/2006	19/03/2008
Trans Seasonal Cool Touch Merino	CSIRO Textile & Fibre	481,064.00	75,766.00	1/03/2006	1/07/2007
Development of Washable Shape Memory Wool Garment	PolyU Technology & Consultancy Company Limited	463,000.00	133,900.00	7/07/2006	7/11/2007

AWI PROJECT LIST – 2007/2008

PROJECT TITLE	PROVIDER	FULL CONTRACT VALUE	PAID IN 2007/2008	START DATE	FINISH DATE
INNOVATION (CONTINUED)					
NuYarn Product Developments	AgResearch Ltd - Textiles Group	876,317.00	124,894.93	23/01/2006	23/01/2008
Waterproof, Windproof, Breathable Wool Garments	AgResearch Ltd - Textiles Group	698,428.00	123,742.00	1/03/2006	1/03/2008
Torque Free Singles Worsted Yarn Production Technology	PolyU Technology & Consultancy Company Limited	339,047.00	20,000.00	3/07/2006	3/11/2007
Fine ends development with Zegna Baruffa	Department of Agriculture of Western Australia (DAWA)	229,394.00	39,917.00	1/04/2006	1/10/2007
Development of Delay Cure Machine Washable Wool Garment Technology	TWC - Woolmark (Europe) Limited	168,283.00	5,500.00	15/07/2006	15/11/2007
Innovative Ladies Wear Merino Woven Fabrics for the Chinese Domestic Market Autumn/Winter 07	Global Textiles Associates Limited	147,395.00	-9,500.00	26/05/2006	1/07/2007
Wrinkle Resistant Extrafine Merino Wovens	TWC	150,000.00	150,000.00	1/04/2007	1/02/2008
CamoMerino Active Clothing	CSIRO Textile & Fibre, Geelong Textiles Australia, Zhejiang Xinao Textiles Group Co., Ltd.	188,561.00	68,951.50	21/12/2006	21/12/2007
Warp Knit Wool/Nylon and Wool/Nylon/Lycra Fabrics	CSIRO Textile & Fibre	176,277.39	58,759.00	15/03/2007	15/08/2008
Wool Delipidisation to improve coloration and batch shrink proofing of knitwear	University of Leeds	112,500.00	112,500.00	1/02/2007	1/08/2007
Development of Five Novel Fabric structures	AgResearch Ltd - Textiles Group	158,427.00	52,151.00	1/12/2006	1/03/2008
MARKETING					
M200 UK 07/08 FY	Susan McHugh Associates	500,000.00	499,822.68	1/07/2007	1/11/2007
B2B Partner Marketing Support & Collateral Development - All Regions	Devotion Group Unit Trust, Film Central, Catapult Graphics, Youngor Group Co.,Ltd., Kate de Brito, Relax, CBD Design and Print Management Group PTY Trading as Brand Logic, Zeme Bureau, Landor Associates Pty Ltd, Catapult Graphics, China Textile Resources (PuDong) CO., LTD, Storeworks, Trumble Master Printers, Studio Nuvu, Mannequin Hire Service, Digikidz Animations, Shoot Studios, SM Rayner and Co, Merryville Stud, Thai Formosa Plastic Industry Co Ltd, Glenleigh partnership, DO IJ and JJ Blewitt, Robert Peden, A McCormack, P Seaman, Shout Media, I.D.E.A.S. Pty Ltd, Berkeley Apparel Pty Ltd, Charles Parson & Co, Etchcraft	460,000.00	380,528.91	20/07/2007	20/06/2008
Brand and Product Marketing Communications	Publicis Mojo Pty Limited, Devotion Group Unit Trust, Film Central, Catapult Graphics, Relax, CBD Design and Print Management Group PTY Trading as Brand Logic, COJO, International Language Company, Australian Multi Lingual Services, Dobsons Printing Pty Ltd, Bee Dee Bags Australia, Media Networking Pty Ltd, Art Collection Design, Nationwide Advertising Group, Premium Fulfilment Services Pty Ltd, Design By Kite, Kirsten Tilgals, Studio Nuvu	450,000.00	437,015.71	20/07/2007	20/06/2008
Partner/Trade Education	Film Central, Catapult Graphics, Relax, CBD Design and Print Management Group PTY Trading as Brand Logic, Graham Meadows Limited, Flash Photobition, Studio Nuvu, Nationwide Advertising Group, Premium Fulfilment Services Pty Ltd, Woolmark International Pty Ltd, Star Promotional Products	250,000.00	236,516.26	20/07/2007	20/06/2008

AWI PROJECT LIST – 2007/2008

PROJECT TITLE	PROVIDER	FULL CONTRACT VALUE	PAID IN 2007/2008	START DATE	FINISH DATE
Merino Innovation Communications	Devotion Group Unit Trust, CBD Design and Print Management Group PTY Trading as Brand Logic, JRW International Pty Ltd trading as Websalad, Shanghai BC Consulting Co. Ltd, Studio Nuvu, Gettyimages, Zhao Heming, Sophie Stella, Eskimo Pty Ltd., Shoot Studios, Whitespace communications Limited	150,000.00	123,727.65	20/07/2007	20/06/2008
Consumer Insights / Trends 2007	Publicis Mojo Pty Limited, Catapult Graphics, Relax, Concept + Image	300,000.00	242,899.74	20/07/2007	20/06/2008
International Designer Support	Elias Brunsdon Pty Ltd, Thom Browne, FRIEDRICH GRAY	150,000.00	140,898.74	1/08/2007	1/02/2008
PR International 2007 (USA, Europe, UK)	GolinHarris, Attila & Company, Pietri I Publicis Consultants, Publicis Public Relations Consultants	355,063.00	353,884.45	1/07/2007	1/02/2008
The Australian Merino Woolmark Prize	Concept + Image, Le Palais de Tokyo	500,000.00	403,202.79	1/08/2007	1/06/2008
Publicis E-Business	Publicis Mojo Pty Limited	180,500.00	180,250.00	13/08/2007	13/12/2007
G'Day New York	Longina Phillips Designs Pty Ltd, Australian Consulate General, Charles Parson & Co, Bingo Pictures, Felicia Maine and Associates, Kaleidoscope Consulting, WoolTrain Pty. Ltd. / Allen White, Siegel Display, Manex France Display, Julius Poole Inc., Next Management LLC., Red, NY Models, Willalooka Tavern, Art and Commerce, Ford Models INC, Women Management	350,000.00	344,655.42	23/01/2008	23/02/2008
International PR	Aurea Filcrosa, LaForce and Stevens, Pietri I Publicis Consultants, GolinHarris	300,200.00	94,377.85	1/02/2008	1/02/2009
AWI Brand and Collateral Design and Origination	Landor Associates Pty Ltd, CHIC ARTIST Pty Ltd, Project 9 Pty Ltd, Purl Harbour	1,430,000.00	428,888.53	1/03/2008	1/01/2009
AWI Brand Launch Program	Loiseau Conseil	1,500,000.00	12,518.78	1/03/2008	1/01/2014
Woolmark Licensee Renewals - Trade Media Campaign	Margit Jandali, Hong Kong Trade Development Council, World Textile Publications Limited, TM Fashion Magazine, Conde Nast Publications, 21st Century Media Ltd, IWS Nominee Company Limited, Hong Kong Polytechnic University, Taiwan Textile Federation, Australasian Textiles Publishers, Yaffa Publishing Group Pty Ltd, OOO Ria Legprombisness, Publishing Company Textilnaja, IWS Nominee Company Limited	310,000.00	129,125.18	1/04/2008	1/07/2008
Brooks Brothers Joint Promotion	Film Central, Severn Mark Merinos	330,000.00	155,499.95	1/04/2008	1/12/2008
MERINOfresh - Global Product Development and Marketing in a new Business Model	I.W.S Nominee Co Ltd, Spruson&Ferguson	1,400,000.00	12,431.78	1/03/2008	1/04/2010
M200 Domestic Australian Program	Sefton & Associates Pty Ltd, Concept + Image, Powerhouse Museum, Random House Australia Pty Ltd, Studio Nuvu, Tina Kalivas, Abraham Moon & Sons Ltd, Akira Isogawa Designs, Creative Justice, Concept + Image, Kirsten Tilgals, Prudence Upton Photography, Studio Nuvu, Jane de Teliga, Powerhouse Museum, Jacksons Motor Inn, Definitive Group Pty Ltd, Gettyimages, Grace Fine Arts, Land Spiral Inc, Mark Graham Photo, Creative Justice	440,000.00	207,153.99	18/12/2006	18/12/2007
The Australian Wool Fashion Awards (TAWFA)	Australian Wool Fashion Awards Ltd	382,255.00	45,000.00	1/12/2004	1/12/2007
Launch of Driza-Bone range	Driza-Bone Pty Ltd	300,000.00	50,000.00	27/06/2006	27/09/2007
Consumer marketing of fine and superfine wool - test marketing in the USA	TWC - The Woolmark Company Pty Ltd	4,400,000.00	373,422.61	1/07/2007	1/12/2008

AWI PROJECT LIST – 2007/2008

PROJECT TITLE	PROVIDER	FULL CONTRACT VALUE	PAID IN 2007/2008	START DATE	FINISH DATE
MARKETING (CONTINUED)					
Market Intelligence Services by The Woolmark Company	TWC	1,084,870.00	787,258.00	1/07/2007	1/07/2007
AWI Newsletter Update and Content Sourcing	China Interactive Co. Ltd.	139,895.70	31,884.32	6/04/2006	6/03/2008
Market Development Manager – USA	DP Woodrow & Company	237,073.00	16,839.00	1/07/2006	1/07/2007
Trade Fairs 06/07	CBD Design and Print Management Group PTY Trading as Brand Logic, Well Link Consultants Ltd., Fair bright Consultants Limited, Nielsen, Well Link Consultants Ltd., Downing Displays, Eskimo Pty Ltd., Flash Photobition	508,000.00	245,969.42	1/07/2007	1/07/2008
PR International 06/07	Pietri I Publicis Consultants, GolinHarris, Attila & Company, Publicis Public Relations Consultants, MS&L Greater China, Flash Photobition, RXPR Consulting Co Ltd	500,000.00	195,296.23	7/11/2006	7/01/2008
Trade and Consumer Insights	Publicis Mojo Pty Limited, Northern Economics, Catapult Graphics, Axel Moline, Flash Photobition, Weave London, Fresh Web Solutions Pty Ltd	916,000.00	111,199.45	14/09/2006	14/01/2008
Development of Marketing Support Material	Catapult Graphics, Tim Connolly Photography	200,000.00	6,760.00	1/07/2007	30/08/2007
Image Library	CBD Design and Print Management Group Pty trading as Brand Logic	220,000.00	2,680.00	30/11/2006	1/07/2007
Australian Merino Brand Launch	Catapult Graphics	250,000.00	78,071.64	1/07/2007	1/01/2008
Marketing Communications	Publicis Mojo Pty Limited	150,000.00	7,847.50	7/11/2006	1/07/2007
Platform Promotional Videos	Media Networking Pty Ltd	270,000.00	9,258.00	7/11/2006	1/07/2007
Marketing Collateral	Catapult Graphics	400,000.00	150.00	7/11/2006	1/07/2007
M200 Commemoration (A)	Charlie Massy, Film Central, Clifton Clothing Pty Ltd.	300,000.00	52,718.09	1/12/2006	1/11/2007
M200 Europe (Gala, Protégé Collection, Vogue)	Attila & Company, Studio Nuvu	730,000.00	333,838.00	1/12/2006	1/01/2008
M200 Europe (Protégé Fashion Show)	Attila & Company	500,000.00	452,000.00	1/12/2006	1/07/2008
M200 Commemoration (B)	The British Wool Textile Export Corporation, Catapult Graphics, Kate de Brito, Publicis Mojo Pty Limited, Chargeurs Fashion, Charles Parson & Co, Clifton Clothing Pty Ltd., Harvest Art Australia Pty Ltd, Nationwide Advertising Group, Fragile Freighters Pty Ltd, Fresh Web Solutions Pty Ltd, The Fashion Group International of Sydney Inc, Knithouse Ltd, Pietri I Publicis Consultants, Studio Nuvu, Harrods Pty Ltd, Premium Fulfillment Services Pty Ltd, Sefton & Associates Pty Ltd, Attila & Company	360,000.00	263,405.43	1/07/2007	1/06/2008
M200 Trade Fairs (JITAC)	Attila & Company, Hangar Design Group, IWS Nominee Company Limited	280,000.00	244,103.00	1/07/2007	1/01/2008
M200 PR Support in the USA	Mike Da Silva Pty Ltd	129,500.00	125,789.84	31/10/2007	30/09/2008
Woolmark Re-positioning in USA	Nielsen	240,000.00	13,514.65	1/05/2008	1/10/2008
Marketing program for Fine and Superfine wool in Japan	Catapult Graphics, IWS Nominee Company Limited	1,400,000.00	159,265.91	1/10/2007	1/04/2009
PR International 2008 (Japan)	WAG.INC.	240,000.00	72,784.27	1/12/2007	1/12/2008
Apparel Product Development and Marketing projects with a value of \$100,000 or less (115 projects)		5,575,689.26	3,080,183.56		

CORPORATE AFFAIRS

PROJECT TITLE	PROVIDER	FULL CONTRACT VALUE	PAID IN 2007/2008	START DATE	FINISH DATE
Australian Wool Industry Free Trade	DAFF, ITS Global, S G Heilbron Pty Ltd, TWC, The University of Queensland, Cox Inall Communications Pty Limited	340,000.00	66,350.00	1/07/2007	1/07/2008
China FTA Negotiation	DAFF, AWEX, The University of Queensland	400,000.00	53,259.78	27/07/2006	27/01/2008
Consultancy for SG Heilbron re China FTA	SG Heilbron Pty Ltd	115,801.69	2,400.00	14/02/2006	1/07/2007
Wool Production Forecasting Committee I	TWC, Ecoservices Pty Ltd	865,923.00	28,252.63	1/02/2002	1/09/2007
Wool Production Forecasting Committee II	TWC, Miracle Dog P/L	184,000.00	24,672.24	1/07/2007	1/07/2008
Media Monitors - Australian and International	Media Monitors Australia Pty Ltd	105,000.00	73,990.76	1/07/2007	1/07/2008
AWI Websites	Hill & Knowlton Australia Pty Ltd, Realview Technologies Pty Ltd, Mangold Sengers Pty Limited	105,000.00	19,864.66	1/07/2007	1/07/2008
Beyond the Bale	Coretext Pty Ltd, Realview Technologies Pty Ltd	1,140,000.00	581,714.69	1/07/2007	30/07/2009
AWI Product Showcase	Australian Business Theatre P/L	104,568.00	63,007.00	1/07/2007	1/06/2008
AWI forums	Australian Business Theatre P/L	200,000.00	91,281.00	1/07/2006	1/07/2007
Technical on-farm workshops	Cox Inall Communications Pty Limited	148,000.00	26,028.48	1/07/2006	1/07/2007
Woolcheque Market Pricing Service	Australian Wool Exchange Ltd	538,000.00	130,334.00	1/07/2004	1/07/2008
Corporate Affairs projects with a value of \$100,000 or less (16 projects)		847,456.00	390,759.68		

Create an additional 20 million kilos per annum (clean) demand of Australian Merino wool.



Reduce wool's Cost of Production by \$0.40 c/kg/clean over 3 years through increased productivity and lower costs.



AWI FUTURE FORECAST

THE NEXT 3 YEARS



Maximise the price impact for woolgrowers by creating additional demand at the high end with retailers and brands.



Provide woolgrowers with alternatives to mulesing in support of the industry's commitment to phase the practice out by the end of 2010.

AWI recognises that its investments and activities in research, development, innovation and marketing must be geared to providing a tangible return to levy payers. While there are many factors that influence profit drivers for woolgrowers, AWI will develop and implement programs that, through adoption, extension and example over the years ahead will aim to reach these goals.



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This document has been produced according to sound environmental practices.

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

For more information:

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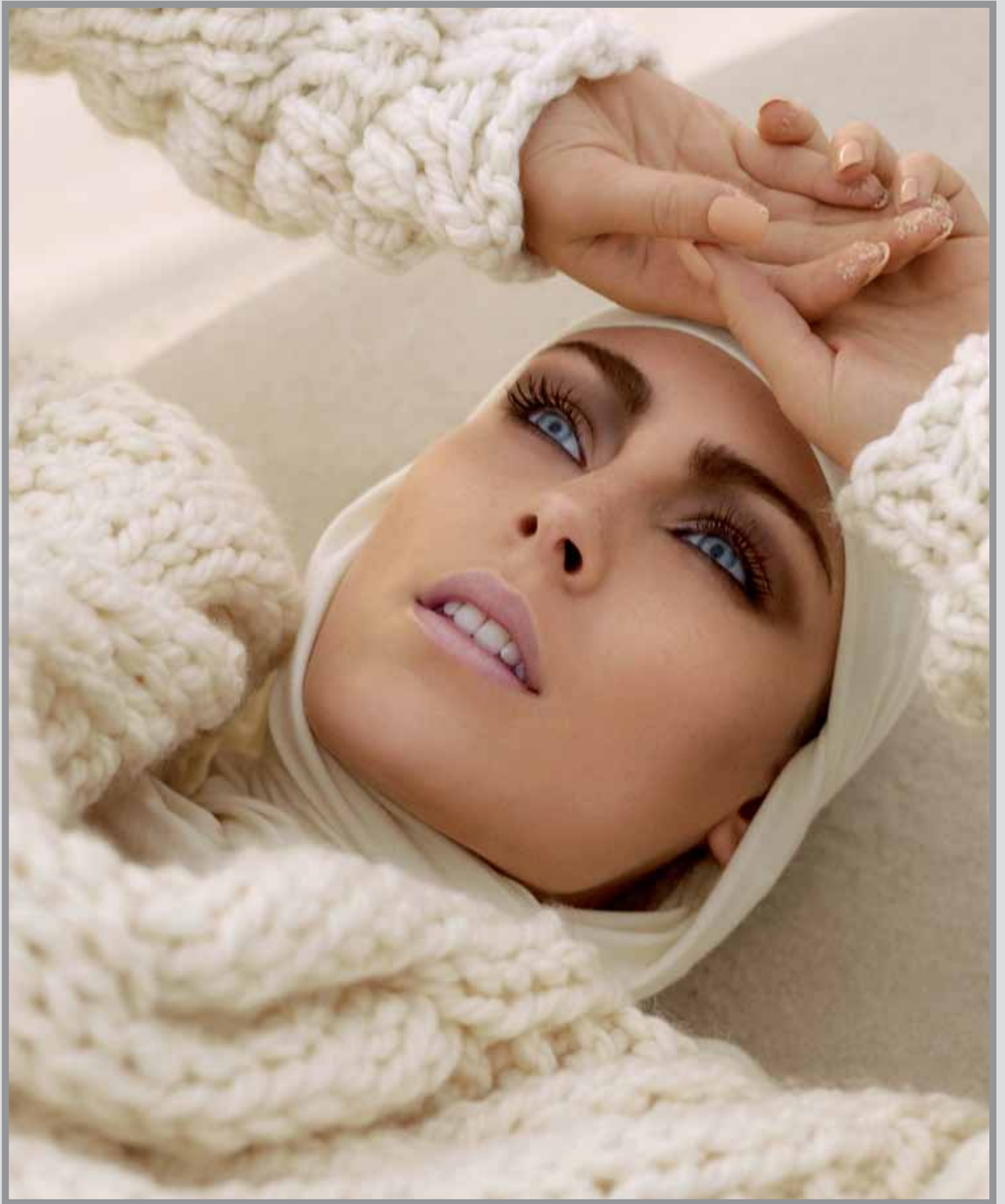
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