

AUSTRALIAN WOOL INNOVATION LIMITED



ANNUAL REPORT
2011/12



AWI Australian Wool
Innovation Limited

AWI'S MISSION

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

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

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ABOUT AWI

WHAT AWI DOES

Established in 2001, AWI is a not-for-profit company owned by over 27,000 wool levy payers who have registered as AWI shareholders.

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

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

AWI's goal is to help increase stable and sustained demand for wool through investments in marketing, innovations and R&D – from farm to fashion.

HOW AWI IS FUNDED

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

The sale of Woolmark licences contributes a further source of income for AWI, directly funding AWI's global business development network.

Woolgrowers vote every three years on the percentage of wool proceeds they would like to invest in industry research, development and marketing activities. In the most recent vote – WoolPoll 2009 – 73.13 per cent of votes cast were in favour of a levy of two per cent or more. The next vote runs from 21 September 2012 to 2 November 2012.

An agreement exists between AWI and the Australian Government, called the Statutory Funding Agreement, which defines the conditions under which AWI may invest levy and Government-matched funds. The latest three year Statutory Funding Agreement came into effect on 1 July 2010.

BUSINESS MODEL

In the WoolPoll conducted of woolgrowers in November 2009, our shareholders voted to continue the wool levy at two per cent, allocated with the Government's matching contribution for eligible R&D activities as follows:

Research & Development 50%		Marketing 50%
On-farm R&D 30%	Off-farm R&D 20%	Off-farm Marketing 50%
On-farm activities 30%	Off-farm activities 70%	

HOW AWI HAS EVOLVED

On 1 January 2001, Australian Wool Services (AWS) replaced the Australian Wool Research and Promotion Organisation (AWRAP), which had been operating since 1993. AWS was established with two subsidiaries: AWI and The Woolmark Company Pty Ltd.

On 30 April 2002 AWI separated from AWS to become a fully independent public company limited by shares.

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

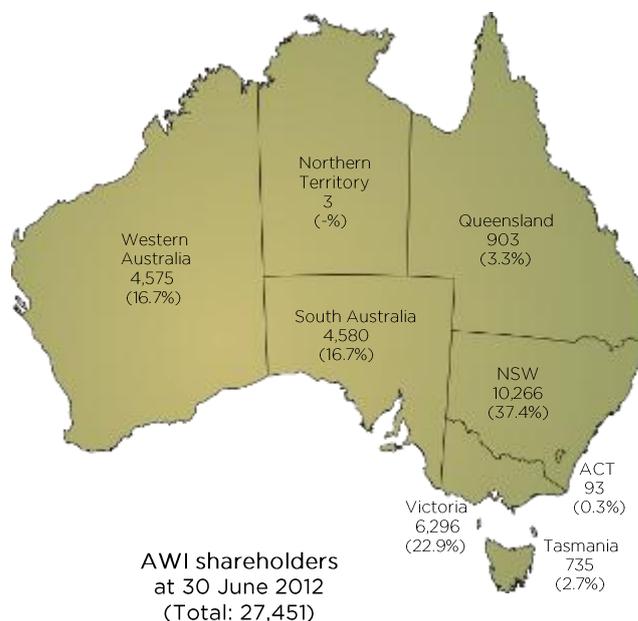
AWI SHAREHOLDERS

AWI has more than 27,000 shareholders who are Australian woolgrowers. The shareholders of AWI contribute to the wool levy. The shareholders are able to shape the decision making process of the company via their access to information and right to vote at Annual General Meetings.

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

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

AWI had 27,451 shareholders at 30 June 2012, a decrease of 1,019 shareholders over the past 12 months. There were a total of 52,185 wool levy payers at 30 June 2012, a decrease of 3,792 over the past 12 months.



STRATEGY FOR THE FUTURE

Since 1 July 2010, AWI has been operating under a three-year Strategic Plan for the years 2010/11 through to 2012/13.

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

1. Wool industry R&D – On-farm

Objective: To help build a sustainable Australian wool industry through improvements in productivity and profitability on-farm.

Strategy 1: Sheep health, welfare and productivity

Strategy 2: Wool harvesting and clip quality

Strategy 3: The environment, climate change and carbon

Strategy 4: Education and extension.

2. Wool industry R&D – Off-farm

Objective: To help increase demand for Australian Merino wool by recognising and addressing through off-farm R&D the product and process barriers to consumption at trade level through consumer-driven, targeted research, development and innovation programs.

Strategy 1: Quality assurance, eco and carbon management

Strategy 2: Health and environmental attributes and benefits of wool

Strategy 3: Performance apparel and safety attributes

Strategy 4: Fibre quality, innovation and textile development

Strategy 5: Interior textiles and floor coverings

Strategy 6: Marketplace extension of fibre knowledge and textile innovation.

3. Marketing Australian wool

Objective: To help increase demand for Australian Merino wool by recognising and addressing the information barriers to consumption at consumer and trade level, and informing people of the Merino wool fibre story.

Strategy 1: Fibre marketing partnerships

Strategy 2: Product partnership marketing

Strategy 3: Market intelligence.

4. Woolmark/International Sales Network

Objective: To review the role and value of the Woolmark brand, revitalise it and, where markets and partners permit, maximise the presence and income streams of the brand.

Strategy 1: Build Woolmark brand presence through partnership marketing

Strategy 2: Maximise income and royalties from AWI brands

Strategy 3: Evaluate feasibility of extending Woolmark into retail operations.

5. International trade and market access

Objective: To define threats and opportunities facing the wool industry, and build strategies and programs to ensure market access, sustainable production and improved trading environment across the supply chain.

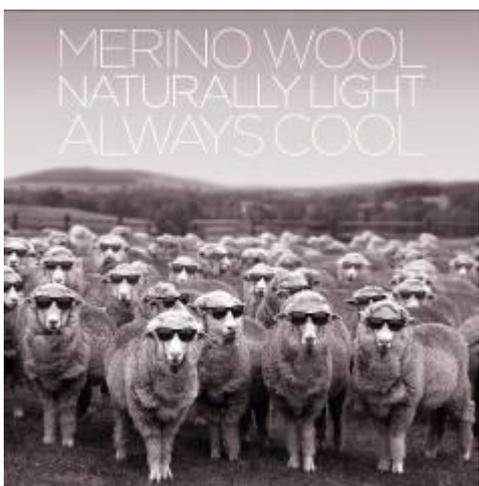
Strategy 1: Expand market access for Australian wool

Strategy 2: Identify and develop new markets for Australian wool.

HIGHLIGHTS OF 2011/12



The Campaign for Wool continued to generate significant success at retail.



New Woolmark specifications for trans-seasonal wool apparel were introduced.



2,190 shearers and wool handlers were trained through AWI training programs.

MARKETING AUSTRALIAN WOOL

Merino. No Finer Feeling™ campaign

AWI continued its five-year global "Merino. No Finer Feeling™" fibre education campaign to inform a new generation of consumers about the attributes and benefits of Merino wool. The campaign positions Merino wool as the premium, luxury fibre of choice.

Campaign for Wool success

The success of the Campaign for Wool continues to spread here in Australia as well as across the world, educating consumers about the fibre's unique natural benefits. Australian retailers came together for the Campaign's Wool Week which was held in April to coincide with the start of the mid-winter retail season.

International Woolmark Prize launched

AWI launched the International Woolmark Prize with Vogue as the global media partner. This is a global fashion design award to identify the world's foremost emerging designers and highlight the diverse interpretations of Merino wool within their collections.

Social media campaigns generate a buzz

AWI has this year boosted its use of "social media" on the internet to generate positive online conversation about wool and help reconnect a new generation of consumers with wool.

R&D OFF-FARM

Lightweight Cool Wool fabrics and yarns

AWI introduced new Woolmark specifications for trans-seasonal wool apparel, and initiated the new Cool Wool program that promotes lightweight Merino wool fabrics and yarns for the warmer seasons and environments.

The Wool Lab: seasonal trends inspiring buyers

AWI has created and launched an innovative new seasonal guide to the best wool fabrics and yarns in the world, to inspire companies in the textile industry to use wool in their apparel collections.

Study backs wool for a good night's sleep

Consistent with earlier science findings, an AWI-funded study has found that a better night's sleep is achieved when sleeping on or under wool. This is good news for woolgrowers whose clip is of a broader micron and crossbred wool.

R&D ON-FARM

Shearers and wool handlers trained

1,304 shearers and 886 wool handlers have been trained directly through the AWI shearer and wool handler training program in 2011/12. An additional 422 participants attended crutching and other introductory workshops.

Flystrike R&D continued

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

Lifetime Ewe Management delivers

The Lifetime Ewe Management program has enabled 1100 sheep producers to better understand ewe nutrition and to develop a successful and productive animal production system.

Combatting wild dogs

AWI invested over \$1.5 million in 2011/12, leveraged with funding from local governments and natural resource managers and woolgrowers, to reduce the negative impact wild dogs and help grower groups protect and rebuild their flocks.

For further information on AWI program operations during 2011/12, refer to the reports beginning on page 10.

FINANCIAL SUMMARY

REVENUE FOR 2011/12

Total revenue for 2011/12 was \$73,970,000, compared to \$72,698,000 in 2010/11. Sources of revenue are shown in the table below.

	2010/11 \$'000	2011/12 \$'000
Wool levy	47,026	48,089
Government contributions	11,342	12,454
Licence fees	7,380	5,901
Interest	4,413	5,510
Sales of goods and services	783	304
Royalties	1,410	1,504
Rents and sub-lease rentals	187	111
Other operating revenue	21	97
Other income	136	0
Total revenue	72,698	73,970

EXPENDITURE FOR 2011/12

Total expenditure in 2011/12 was \$66,162,000, a 36.96 per cent increase over total expenditure in 2010/11 of \$48,307,000. Expenditure is shown in the table below. More detailed information can be found in the Financial Report beginning on page 40.

	2010/11 \$'000	2011/12 \$'000
Global business development	8,903	9,082
Global marketing	16,179	25,588
Off-farm R&D	5,508	8,956
On-farm R&D	8,986	14,022
Corporate services	8,731	8,514
Total expenditure	48,307	66,162

FINANCIAL HISTORY AND FORECASTS

The company has been run in a leaner, commercially oriented manner in the past three years. AWI will invest future funds in line with its Strategic Plan, drawing on some of its reserves when appropriate.

	2004/05 \$'000	2005/06 \$'000	2006/07 \$'000	2007/08 \$'000	2008/09 \$'000	2009/10 \$'000	2010/11 \$'000	2011/12 \$'000	Forecast 2012/13 \$'000
Revenue	64,999	57,035	63,964	90,812*	61,716	62,437	72,698	73,970	72,429
Expenditure	78,497	82,678	75,453	85,354	78,577	45,687	48,307	66,162	78,476
Balance	(13,498)	(25,643)	(11,489)	5,458	(16,861)	16,750	24,391	7,808	(6,047)
AWI reserves	102,992	77,349	65,860	71,318	54,457	71,207	95,598	103,406	97,359

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

AUSTRALIAN WOOL PRODUCTION HISTORY AND FORECASTS

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

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	Forecast 2012/13
Market price EMI* (cents per kg clean)	856	948	793	872	1143	1198	1070 (f)
Flock size** (opening sheep numbers, in millions)	91.0	85.7	76.9	72.7	70.8 (e)	74.3 (f)	77.4 (f)
Wool production** (shorn greasy wool*** in millions of kg)	430	400	362	343	345 (e)	345 (f)	350 (f)

* Actual figures from AWEX. Forecast figure from ABARES.

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

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

(e) Estimate

(f) Forecast

AWI BOARD OF DIRECTORS



Mr Walter B Merriman



Mr Roger J Fletcher



Mr George B S Falkiner



Ms Colette Garnsey



Dr Meredith L Sheil



Mr Brian P van Rooyen



Mr David A A Webster

THE BOARD OF AWI

The Board continued to meet regularly during 2011/12.

The number of Board members increased from six to seven members during the year, following the election of Ms Colette Garnsey.

The AWI Board sets the Company's strategic direction and delegates responsibility for day-to-day management to the Chief Executive Officer (CEO). The Board is committed to governance systems that enhance performance and ensure AWI operates according to accountability provisions required by various Acts, Regulations and Guidelines. A report on corporate governance is on page 32.

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

Finance & Audit Committee

Chaired by David Webster

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

Remuneration & Appointments Committee

Chaired by Roger Fletcher

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

Science & Welfare Committee

Chaired by George Falkiner

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

Board Nomination Committee

Chaired by Jock Laurie

Established to assess the skills of those seeking election to the Board of AWI, the five-member Committee was introduced in 2011 in accordance with AWI's 2010-2013 Statutory Funding Agreement with the Federal Government. The Committee members comprise three external members and two AWI Board members: Mr Colin Bell, Executive Chairman of Bell Financial Group Ltd; Mr Jock Laurie, President of the National Farmers Federation; Mr Will Wilson, General Manager Sales & Marketing, Australian Securities Exchange, together with AWI Chairman Mr Wal Merriman and AWI Deputy Chairman Mr Roger Fletcher.

The objectives and responsibilities of the Board sub-committees are set out in the 'Charter of the Committees of the Board' and the objectives and responsibilities of the Board Nomination Committee are set out in the 'Board Nomination Committee Charter'. Both of these documents are available on the AWI website www.wool.com and from the AWI Helpline on 1800 070 099.

The Directors' Report is on page 41.

The Directors of Australian Wool Innovation Limited, their qualifications, experience and special responsibilities as at 30 June 2012 are listed below.

MR WALTER B MERRIMAN, CHAIRMAN OF AWI

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

Special responsibilities:

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

MR ROGER J FLETCHER, DEPUTY CHAIRMAN OF AWI

Mr Fletcher is the Managing Director of Fletcher International Exports Pty Limited (Dubbo Abattoirs (NSW) and Narrikup Abattoirs (WA), rail infrastructure and meat and grains export). He is also a wheat and wool farmer. He is Chairman of the National Export Lamb, Sheep and Goat Industries Council, Director of the Australian Meat Industry Council, and a Board Member of Infrastructure NSW.

Special responsibilities:

Chair, Remuneration & Appointments Committee
Finance & Audit Committee member
Board Nomination Committee member.

MR GEORGE B S FALKINER BCOMM, OPM (HARVARD BUSINESS SCHOOL)

Mr Falkiner is the Principal and Managing Director of Haddon Rig Pty Ltd, an extensive cropping and grazing property in Central NSW, and home to the renowned Peppin Merino Stud. Through Haddon Rig Pty Ltd, Mr Falkiner has assisted more than 300 professional woolgrowers in remaining industry competitive, with a focus on market specifications and efficiency. Mr Falkiner is a member of the NSW Government Agricultural Ministerial Advisory Committee, and a past Board member of Sotheby's auction house and George Brown electronics.

Special responsibilities:

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

MS COLETTE GARNSEY OAM

Ms Garnsey is recently appointed Core Brands Director at Premier Investments, previously Group General Manager at Pacific Brands. She is a board member of the L'Oréal Melbourne Fashion Festival (since 2006), a Committee member of the Textile, Clothing and Footwear (TCF) Innovation Council (since 2010) and a judge of the Veuve Clicquot Business Woman of the Year. She has had over 30 years' experience in retail and was formerly in senior management at David Jones Limited for over 20 years most recently holding the position of Group General Manager. Ms Garnsey has also had five years manufacturing, wholesale and distribution experience and spent three years in consultancy across design, retail and manufacturing for various companies

within the Textile, Clothing and Retail industries in addition to spending three years as an Advisory Board member of the CSIRO Textile, Clothing Footwear & Leather (TCF&L) Sector Advisory committee.

DR MEREDITH L SHEIL MBBS FRACP PHD

Dr Sheil is a specialist paediatrician with over 20 years experience working in intensive medicine and research with children. She is also a commercial woolgrower and a Medical and Veterinary Research Scientist who has extensive experience dealing with the health and welfare of children and animals undergoing surgical and non surgical procedures. Dr Sheil was responsible for inventing / developing a wound anaesthetic for lambs undergoing mulesing and, in conjunction with Sydney University Veterinary School, is currently pursuing research into the development of similar practical and affordable pain relief medications for on farm use in livestock industries. This work is supported by a linkage grant from the Australian Research Council. Dr Sheil is a local government councillor, and is an Honorary Associate of the University of Sydney Veterinary School.

Special responsibilities:

Science & Welfare Committee member.

MR BRIAN P VAN ROOYEN

Mr van Rooyen is currently Chairman of Australian Country Spinners Pty Ltd and a Director of Power Farming New Zealand Ltd, PFG Australia Pty Ltd and Cologix Inc, (USA). He has extensive experience in processing wool and synthetic fibres and marketing to retailers in Australia, South Africa, United States of America, Japan, Korea and Canada.

Special responsibilities:

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

MR DAVID A A WEBSTER

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

Special responsibilities:

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

COMPANY SECRETARY

The Company Secretary and General Counsel is Ms Sally Holmes GAICD, BSc., LLB (Hons), Dip Leg Prac, Unrestricted Legal Practising Certificate.

CHAIRMAN'S REPORT



AWI has worked hard over the past few years to ensure it is run in a cost-conscious and business-like manner – efficient, accountable and performance-based – the same as we all run our businesses.

The results of the independent 2009-2012 Review of Performance endorse this, highlighting AWI's commitment to Australian woolgrowers and its ability to continue to deliver

benefits for the industry.

The independent consultants that compiled the Review of Performance report said, and I quote, "the performance of AWI as judged by this year's review represents a significant turnaround from the company's performance as described in the 2009 Review. There is clear evidence of the very significant efforts of the Board and senior management to establish, document and communicate the processes and procedures consistent with good corporate governance."

This is very encouraging. However it is important to note that the very unsettled global economic conditions at the moment make our job of marketing Australian wool very challenging.

Increasing the demand for wool

Our major global marketing campaigns have grown and are now reaching more and more of our key consumer markets. We are using clever marketing, which means using targeted marketing, directed at the premium end of the market that is prepared to pay a higher price for their products. The basis for all our marketing programs is that we have to have leverage, product and measurement. These guidelines also apply to our research areas.

Our 'Merino Wool. No Finer Feeling™' campaign, which positions wool as a premium and desirable fashion fibre, is starting to get real penetration in the fashion markets. This program has been endorsed by over 30 worldwide high end brand partners and publishers. The brand partners include Ermenegildo Zegna, Loro Piana, Vivienne Westwood, Missoni, Benetton, Dolce & Gabbana, Jean Paul Gaultier; retailers Harvey Nichols and Bergdorf Goodman; publishers Condé Nast (with titles including Vogue, L'Uomo Vogue and GQ) and Hearst (with titles including Marie Claire and Esquire); and many other businesses. Never in my time in the wool industry have I seen such high end support for Merino wool.

The 'Campaign for Wool' which promotes the natural benefits of wool, has had good success and continues to be rolled out across important, large volume, northern hemisphere markets.

The domestic luxury market in China is very important for us and we will be putting renewed vigour into our Gold Woolmark campaign.

Our new Cool Wool program, which aims broaden the appeal of wool into warmer climates and shoulder seasons, has been rolled out to the trade this year and we will begin promoting it to consumers later this year.

Despite the challenging global economic conditions, we are seeing a re-emergence of wool in many consumer markets. Hopefully the economic climate will soon change to enable woolgrowers to reap more of the benefits of our marketing initiatives. The health of regional economies comes and goes over time; our job is to get wool in a good position and in stores.

On-farm profitability

It is pleasing to see Australian sheep numbers increasing again, albeit modestly. This is driven by seasonal conditions, which remain positive in many areas of Australia, and woolgrower sentiment to invest in wool and retain older ewes and ewe lambs for breeding purposes.

AWI is focusing its on-farm R&D efforts on issues that woolgrowers have told us are important to their businesses and need collective industry investment. These include flies, lice and worms; predation by wild dogs; wool harvesting; and extension. We've also been working on initiatives in relation to climate and carbon. Projects such as carbon sequestration and the lifecycle analysis of the industry show that wool sheep farming is part of the answer.

Flystrike remains the company's highest priority. We will continue to support all woolgrowers in their choice of best practice animal health and hygiene in flystrike control.

AWI remains committed to meaningful and relevant genetic and genomic research. Over the past decade AWI has committed \$26 million to genetic and genomic research. Further research projects are envisaged to provide practical tools and advice to woolgrowers.

The future

This year we significantly increased our investment of woolgrowers' funds, with expenditure growing by more than a third from the previous year. In 2012/13 we plan to invest even more, targeting strategically driven programs across marketing, on-farm R&D and off-farm R&D and drawing down on our reserves where appropriate.

We will continue our broad directional strategy in 2012/13 that was established by WoolPoll 2009. This year's WoolPoll is enabling woolgrowers to again consider where they want their levies spent and the direction of the company.

The wool industry continues to evolve and there are many young men and women joining the industry – they can see plenty of opportunities for wool not only at the farm level but also from a consumer perspective.

You have my commitment that AWI – your company – will continue to work hard to increase the demand for Australian wool and enhance the profitability and sustainability of the Australian wool industry.

Wal Merriman
Chairman, Australian Wool Innovation
24 August 2012

CEO'S REPORT



This past year has seen AWI continue investing in marketing and R&D in accordance with the wishes of woolgrowers. In 2012/13 we anticipate increasing our investments, and this has required AWI to increase its resources in the marketing area to enable our activities there to be carried out in a targeted, efficient and effective manner.

The company has matured. We have moved on from being the

largely domestic R&D organisation that we were when we acquired The Woolmark Company five years ago. We are now a fully established international marketing company backed up with R&D and science along the supply chain.

Marketing

To help build the demand for wool, AWI has maintained the use of its high value brands, most notably the Woolmark brand. We are continuing to build the brand's relevance to consumers through our major marketing initiatives.

The 'Merino. No Finer Feeling™' global marketing campaign continues to gain some real traction in the marketplace. It is being undertaken in partnership with manufacturers, brands, retailers and the media across much of AWI's marketing initiatives; it has also attracted the endorsement of many of the world's leading fashion designers. The campaign promotes the attributes and benefits of Merino wool to a new generation of consumers, and uses the new digital technology that young consumers use to help them make purchasing decisions.

The 'Campaign for Wool', with its patron His Royal Highness The Prince of Wales, continues to strengthen following its introduction into further lucrative northern hemisphere consumer markets. Now entering its third year, the campaign is capitalising on the global trend towards eco-consumption by educating consumers about wool's unique natural benefits. Retailers, manufacturers, fashion designers, woolgrowers and publishers are all supporting the Campaign. It's a successful campaign that I believe has longevity beyond its programmed five years.

The interest in the International Woolmark Prize from the fashion communities and media globally has been phenomenal. The awards, presented in partnership with Vogue and involving regional fashion councils from across the world, is helping put wool back on the agendas of fashion designers across the world, and consequently into retail stores for consumers to purchase. An important element of this prize is the commercialisation of Australian Merino wool products.

Off-farm R&D

AWI is ensuring trade partner support for wool through off-farm innovation and R&D.

The Wool Lab – AWI's seasonal guide to the best wool fabrics and yarns in the world – has quickly become a well-respected and widely recognised tool for companies in the apparel industry, inspiring them to use wool in their apparel collections.

AWI has been undertaking R&D this year as part of a strategy to build wool's health and wellbeing credentials. An AWI-funded study has shown that a better night's sleep is achieved when sleeping on or under wool, and another study has shown that that superfine Merino knitwear can reduce symptoms for sufferers of chronic skin conditions. These findings will assist commercial manufacturers and retailers in the marketing of their products.

AWI has also continued to develop and launch important new collections of wool innovations to inspire manufacturers and brands to work with Merino wool.

On-farm R&D

Through on-farm R&D, AWI is helping build and maintain a sustainable and profitable industry.

The Lifetime Ewe Management training course continues to go from strength to strength, providing materials and developing skills for woolgrowers to help improve animal nutrition, lambing percentages and weaning rates. Some 1100 sheep producers across Australia have now joined or completed the on-farm course.

To help woolgrower groups protect their sheep from wild dogs, and rebuild their flocks, AWI invested over \$1.5 million during 2011/12, leveraged with funding from local governments and natural resource managers.

Our commitment to shearer and wool handler training continued, with 1304 shearers and 886 wool handlers trained directly through AWI funded programs across Australia, with an additional 372 participants who attended crutching and other introductory shearing and woolhandling workshops.

Flystrike prevention of course remains AWI's highest on-farm research priority. We have continued to fast track our R&D program, including genetic research and breeding, and intradermals, to deliver welfare improved methods of flystrike prevention.

The future

The 2012 independent Review of Performance found that AWI's performance has greatly improved over the past three years, accurately demonstrating a return on investment for Australian woolgrowers. This will continue into the future.

You have my commitment that we will always operate in a cost effective, results-driven manner – from farm to fashion – to achieve our goal of increasing the demand for wool. We will continue to invest funds in line with our Strategic Plan, and draw on some of our reserves as appropriate.

Although we are working in challenging global economic conditions, I look forward to leading our staff of dedicated professionals in the year ahead to increase the profitability of Australian woolgrowers and ensure the sustainability of the industry.

Stuart McCullough
CEO, Australian Wool Innovation
24 August 2012

R&D ON-FARM

Objective: To help build a sustainable Australian wool industry through improvements in productivity and profitability on-farm.

GENETICS AND GENOMICS

AWI is committed to meaningful and relevant genetic and genomic research. Over the past decade AWI has committed \$26 million to genetic and genomic research, representing approximately 15 per cent of the total on-farm R&D investment. This amount is in addition to a similar contribution from Meat & Livestock Australia and the Federal Government.

Major genetics and genomics projects funded by AWI include:

- Sheep Genetics MerinoSelect – funded since 2005 – total AWI cost to date \$3 million; 2011/12 contribution \$250,000.
- Staple strength – funded since 2005 – total AWI cost to date \$680,000; 2011/12 contribution \$120,000.
- SheepGenomics “Falkiner” project – funded 2003-2010 – total AWI cost to date \$15 million.
- Merino Bloodline Performance: Wether and ewe trials contribution – funded since 2004 – total AWI cost to date \$590,000; 2011/12 contribution \$60,000.
- Sire Evaluation contribution – funded since 2003 – total AWI cost to date \$830,000; 2011/12 contribution \$50,000.
- Visual trait score guide – funded since 2005 – total AWI cost to date \$260,000; 2011/12 contribution \$30,000.
- Sheep CRC2 – funded since 2007 to 2014 – AWI committed \$10 million. Cost of INF to AWI approximately \$3 million.

In addition to the above genetics and genomics categorised projects, \$2.5 million has been spent (up to 30 June 2012) on Breeding for Breech Strike Resistance trials with another \$2.5 million approved for 2012-2015.



AWI is investing in the research, development and extension of breeding tools to improve genetic gain in Merino flocks and lift profitability across the industry.

BREECH FLYSTRIKE PREVENTION

AWI continues to fast track its R&D program to deliver welfare improved methods of flystrike prevention.

- **Genetic research and breeding:** Research over the past seven years based on the AWI-funded Armidale (CSIRO) and Mt Barker (Department Of Agriculture and Food WA) research flocks confirms that Australia does have the genetics to breed sheep that are highly resistant to flystrike. However, there are huge differences in breech strike susceptibility between sites and sires. Controlling flystrike in high dag country and seasons offers the greatest R&D challenge.
- **Intradermals:** AWI-assisted research continues with the Cobbett Technologies ‘Skintraction™’ option that involves using a needleless applicator and air pressure to apply the Skintraction™ product to the breech of lambs.
- **Pain relief:** Around the country, a large proportion of growers use best practice, welfare-enhanced surgery with pain relief. R&D continues into pre- and post-operative improvements.
- **Training:** AWI continues to support training for best practice mulesing.
- **R&D updates:** For the latest R&D updates, visit www.wool.com/flystrike

COMBATTING WILD DOGS

To reduce the significant negative impact wild dogs are having on the wool industry and the environment, AWI invested over \$1.5 million in 2011/12, leveraged with funding from local governments and natural resource managers and woolgrowers, to help grower groups protect and rebuild their flocks.

AWI has a broad approach to investments in wild dog control from risk management through research, development and extension to crisis management funding on-ground control activities.

Funding goes towards practical initiatives such as aerial baiting and establishing new producer groups.

A wild dog management planning campaign progressed with the South Australian Gawler Ranges Plan finalised (with funding provided for freezers, traps, lures and baits), 13 Granite Borders workshops undertaken (southern Queensland and northern NSW), two new dog groups in Victoria, six workshops in Queensland and two in WA.

AWI has invested via the Invasive Animals CRC in the development of the new wild dog bait PAPP. AWI also funds the National Wild Dog Facilitator position.

A national PestSmart Roadshow promoted the new PestSmart toolkit and new pest animal control products at venues across Australia. The Roadshow was run in conjunction with the CRC’s industry partners: AWI, MLA and the Murray-Darling Basin Authority.

LIFETIME EWE MANAGEMENT DELIVERS

The Lifetime Ewe Management (LTEM) program has enabled woolgrowers to better understand ewe nutrition and to develop a successful and productive animal production system.

Some 1100 sheep producers across Australia have now joined or completed the on-farm course that provides materials and develops skills to help improve animal nutrition, lambing percentages and weaning rates.

Overall, participants have lifted the number of lambs weaned per hectare by 30 per cent, achieved through a 15 per cent increase in ewe stocking rate, a 50 per cent reduction in ewe mortality and a 15 per cent increase in weaning rates.

Delivered in small groups of up to six farmers under the guidance of a professional facilitator, each participant monitors a mob of their own ewes to demonstrate the effects of nutrition and management in their environment.

LTEM is a nationally accredited, two-year course, developed and run by RIST (Rural Industries Skill Training) and supported by AWI and the Cooperative Research Centre (CRC) for Sheep Industry Innovation.

The large uptake of the course around Australia is an endorsement of its value. LTEM is a great agricultural learning success story. Backed by the Lifetime Wool research conducted some years ago (and co-funded by AWI), it has developed into a very practical and highly effective course.

LTEM is structured to maximise the retention of knowledge, development of skills and practice change across a number of key areas, including:

- Weaning and preparing ewes for next year's joining
- Setting up for joining: when and what to feed ewes to optimise ewe condition
- Linking ewe condition at joining with lambing potential
- Mid-pregnancy: managing nutrition for single and twin lamb survival
- Late pregnancy: optimising lamb survival and the future wool production of progeny
- Economic analysis of different feeding strategies.



Heinrich Joyce, Michael Ross, Jack Behncke, Ed Connelly and Shane Ewing of Dunkeld Pastoral LTEM group, western Victoria. In the foreground are Jason Trompf who helped develop LTEM, and LTEM Program Leader Darren Gordon.

SHEARER AND WOOL HANDLER TRAINING

Adequate numbers of highly skilled professional staff to harvest and handle a high quality Australian wool clip in a timely manner, are key to the profitability of the Australian wool industry.

In 2011/12 AWI funded training for shearers and wool handlers across a range of skill development activities. These included from learner to professional shearers and from novice to professional wool handlers. Provided by registered training organisations, the training focused on shearers and wool handlers in the shed, particularly on increasing their productivity and skill development. Training was also offered as short term, intensive "schools" across a range of skill levels.

1304 shearers and 886 wool handlers were trained directly through AWI funded programs across Australia in 2011/12, with an additional 372 participants who attended crutching and other introductory shearing and woolhandling workshops. These workshops serve an important role in introducing new participants to sheep handling and the operation of the shearing handpiece.

In 2011/12, AWI continued its focus on reduced operating costs in shearer and wool handler training, to allow more of its funding to be targeted directly to the training.

AWI has worked during the year on the expanded AWI Shearing Industry Development Program that aims to:

- continue to train shearers and wool handlers across a broad range of skills
- strategically fund training to complement state and federal training initiatives in a way which maximises leverage for woolgrower funding
- provide flexibility in funding to ensure that a continuous training pathway from beginner/novice to highly skilled professional is available in all wool growing states
- attract, induct and assist producers to retain new entrants to the shearing industry
- provided support to shearing competitions at local, state and national levels to promote excellence, and further development, within the shearing industry
- promote the shearing industry as a desirable career choice to the wider community including non-traditional areas
- increase the promotion of the shearing industry to young people at schools and tertiary institutions.

BREEDING LEADERSHIP

The next generation of leaders within the wool industry completed the 2012 Breeding Leadership Course, AWI's professional development course for young woolgrowers.

The 23 participants assembled in Clare, South Australia at the end of February for the four day intensive professional development course to discuss marketing, leading and managing people, corporate governance, succession planning, time management and strategic planning.

The confidence in the industry shown by the next generation is very encouraging. These men and women are seeking a challenge and can see plenty of opportunities for wool not only at the farm level but also from a consumer perspective. Already we can see them stepping up in the industry, with some taking leadership positions on AWI extension networks.

SOUTHERN LIVESTOCK ADAPTATION 2030

Information generated this year from the ground-breaking Southern Livestock Adaptation 2030 (SLA 2030) project aims to help livestock (sheep, beef and dairy) producers quantify the potential impacts of a changing climate on production and profitability.

While no one can accurately predict the future, it makes strategic sense for the livestock industry to “peer over the horizon” and examine the “what ifs” of future climate scenarios. Until now, we have not been able to tackle these questions, but the SLA 2030 project funded by AWI, MLA and the Department of Agriculture, Fisheries and Forestry has enabled us to do that.

While climate scenarios show that grazing systems will still be viable in southern Australia in 2030, they also show that with some adaptation these systems can be more profitable. The most advantageous adaptation strategies vary between regions. A combination will be needed – there is no silver bullet.

The majority of future climate scenarios suggest that much of southern Australia will potentially have higher temperatures and less rainfall, with higher growth rates in winter and early spring, but the spring growing season will contract, with an earlier onset of the dry summer period (and reduced stocking rates in order to maintain ground cover).

While sustainable stocking rates are set to decline, the lower stocking rates are partly balanced by increases in production per head due to higher pasture legume content and lower lamb mortality.

Importantly, the best strategies or practices are already known to many producers and are applicable today and in the future. Increasing soil fertility is the most effective and persistent adaptation option for woolgrowers.

LIFE CYCLE ANALYSIS

To help prove the environmental credentials of wool throughout the wool supply chain, AWI has instigated an on-farm life cycle assessment (LCA) for wool.

LCA is a useful tool for investigating system efficiency and identifying the environmental impacts (such as greenhouse gas emissions (GHG), energy use, water use and land use) associated with a product such as wool.

Agricultural LCA research is an evolving science, with a proliferation of studies appearing across a number of livestock species in the past 10 years.

The following two aspects of the project are completed: (1) a literature review of sheep and wool LCA studies; and (2) a scoping LCA assessment of two case study wool properties. Results from the scoping study provide a ‘first cut’ result and are only broadly indicative of the likely results from the next phase of the project when a larger number of case study farms are included.

The scoping study highlighted the importance of several modelling processes, namely the prediction of feed intake (a key determinant of enteric methane prediction), the prediction of nitrous oxide emissions from manure and pasture, the prediction of soil carbon sequestration and the prediction of evaporation losses from farm dams. These will be critical elements of the study.

Allocation was also found to be a highly sensitive process, resulting in a four-fold difference between the two methods most commonly accepted in LCA theory (system expansion) and practice (economic allocation).

Important preliminary findings have shown that by using the “system expansion” allocation method, the carbon footprint of wool is reduced by 80 per cent.

Grower groups in all regions are successfully being engaged, ensuring successful progress in the data collection stages of the project.

OPERATIONAL REPORT 2011/12 – WOOL INDUSTRY R&D ON-FARM

Strategy 1: Sheep health, welfare and productivity

Program	Progress
Sheep health, welfare and productivity	<p>Genetics and genomics</p> <ul style="list-style-type: none"> • Sheep Genetics, a joint venture between MLA and AWI, continues to produce Australian Sheep Breeding Values for nearly 20 traits. The number of MERINOSELECT animals assessed increased and the Dohne Breed also joined with over 16,000 animals per year. • Continuing funding for the Sheep CRC Information Nucleus Flock until 2014 continues to produce genomic associations with key traits with increasing accuracies. An AWI part-funded pilot trial of genomic enhanced ASBVs has taken place. • Co-funded pilot trials for SNP based pedigree and horn poll tests provided important information to industry and feedback to the CRC ahead of pre commercialisation trials. • Merino Superior Sires number 17 released by Australian Merino Sire Evaluation Association. • Ongoing support to the Merino Bloodline Performance project which every two years produces updated results from trial across Australia. • A trial with DAFWA is looking at finding better indirect methods for assessing staple strength which is an expensive trial to measure directly. • A genomic trial commenced assessing if DNA, SNP technology can assist in the identification of breech flystrike resistant or susceptible animals. • A review is taking place of the AWI and MLA Visual Score Guide released five years ago, with a Urine Stain score to be added.

OPERATIONAL REPORT 2011/12 – WOOL INDUSTRY R&D ON-FARM

Strategy 1: Sheep health, welfare and productivity (continued)

Program	Progress
Sheep health, welfare and productivity	<p>Reduce impact of flystrike</p> <ul style="list-style-type: none"> • Research based at Armidale (CSIRO) and Mt Barker (Department of Agriculture and Food WA) into the breeding of flystrike resistant sheep continued with further divergence between the resistant and susceptible lines. Breech Wrinkle, Dags and Urine Stain are the lead indicator traits although clearly there are other as yet undetermined traits influencing the risk of breech strike. Results are disseminated via newsletters, FlyBoss, breeder presentations and updates on the AWI website at www.wool.com/flystrike • Trials of the SkinTraction™ intradermal breech strike prevention method by Cobbett Technologies continued and look to have found the reasons for unexplained variations between earlier trials. It involves using a needleless applicator and air pressure to apply the SkinTraction™ product to the breech of weaners to significantly reduce breech wrinkle and reduce wool cover. • A trial with Mackinnon Project, University of Melbourne concluded that for high wrinkle sheep in high dag country unmulesed sheep had greater risk of flystrike than clipped sheep and clipped sheep had greater risk of flystrike than mulesed sheep. Clipped sheep need to be treated with long acting chemical similar to unmulesed sheep over the flyseason. • A review of the literature from the 1930s and 40s on optimum tail length for unmulesed sheep highlighted the evidence supporting the current recommendation for tail length for mulesed and unmulesed sheep immediately below the third palpable joint. • Extension of the outcomes of the research and how breeders can best address the risk of breech flystrike are available on the Sheep CRC's FlyBoss website and workshops and the AWI website at www.wool.com/flystrike. • Six monthly meetings with animal welfare groups continue allowing two-way feedback to occur. • Independent audits of AWI's Breech Flystrike program continue by the Australian Veterinary Association (four times per year) and by the Genetic Review (once per year). • There is ongoing communications with the global retailers and retailer associations. <p>Reduce impact of worm and lice infestation</p> <ul style="list-style-type: none"> • The WormBoss e-newsletter was distributed to about 2000 people each month during the year. To view past editions and to subscribe, visit www.wool.com/wormboss. WormBoss is a tool to help woolgrowers maximise the timing and effectiveness of drenching and other worm management practices. • The decision support system LiceBoss continued to be made available on the AWI website at www.wool.com/liceboss to help woolgrowers control lice more effectively, minimise pesticide residues and reduce the cost of lice control. • A project is under way to integrate the current WormBoss, LiceBoss and FlyBoss tools to reduce duplication and improve efficiencies. • Monthly wool residue surveys were funded and undertaken. • A contract dipping calendar has been produced for Victoria that allows woolgrowers to see when a dipping contractor is in their area. This is particularly useful for woolgrowers with small sheep flocks which don't have the numbers to justify contractors travelling large distances. The calendar is available at www.betswool.com <p>Reduce impact of dog predation</p> <ul style="list-style-type: none"> • AWI continues to fund the Invasive Animals CRC to trial development of the lethal trap device and the demonstration site in NSW to provide extension to dog control groups and a NSW DPI research project on aerial baiting with 1080. • AWI funded the National Wild Dog Facilitator position. Coordinators were appointed in South Australia and Queensland. • AWI supported the CRC's national PestSmart Roadshow that promoted the new PestSmart toolkit and new pest animal control products at venues across Australia. • A wild dog management plan extension campaign progressed with the South Australian Gawler Ranges plans finalised (with funding provided for freezers, traps, lures and baits), 13 Granite Borders workshops undertaken (southern Queensland and northern NSW), two new dog group in Victoria, six workshops in Queensland and two in Western Australia. • The new toxin option, para-aminopropiophenone, for control of wild dogs, and foxes, with faster, more humane action, has been submitted to the APVMA for registration. <p>General</p> <ul style="list-style-type: none"> • AWI is a signatory to the National Animal Welfare RDE Strategy and Implementation.

OPERATIONAL REPORT 2011/12 - WOOL INDUSTRY R&D ON-FARM

Strategy 2: Wool harvesting and clip preparation

Program	Progress
Shearer and wool handler training	<ul style="list-style-type: none"> 1304 shearers and 886 wool handlers were trained directly through AWI funded programs in 2011/12 across NSW, WA, Vic, SA, Qld and Tas. An additional 372 participants attended crutching and other introductory shearing and wool handling workshops. These workshops serve an important role in introducing new participants to sheep handling and the shearing handpiece. Shearing Industry Vocational Education and Training in Schools (SIVETS) workshops were introduced this year to encourage potential new shearers and wool handlers into the industry. 50 students participated. AWI continued its focus on reduced operating costs in shearer and wool handler training, to allow more of its funding to be targeted directly to the training. AWI provided support to 30 shearing competitions to a total of \$73,720. Part of AWI's support includes payment of entry fees for learner shearers and novice woolhandlers. The aims are to promote excellence within the shearing industry, encourage young people to join the industry, and encourage better techniques in shearing and woolhandling. AWI support also helped enable Australia's best shearers, woolhandlers and judges to represent their country in international competitions. Consistency workshops were conducted in June/July 2011 at Armidale (NSW) for Queensland and northern NSW trainers; Dookie (Vic) for southern NSW, Victoria, Tasmania and South Australia trainers and at Broome Hill (WA) for CY O'Connor College of TAFE and Great Southern Institute of Technology (WA) trainers. Consistency workshops are planned for August 2012 and will be conducted at Dubbo (NSW), Ballarat (Vic), Roseworthy (SA) and Rylington Park (WA).

Strategy 3: Environment, climate change and carbon

Program	Progress
Environment and climate change	<ul style="list-style-type: none"> The Southern Livestock Adaptation project concluded on 30 June 2012. Modeling directly involving producers was undertaken in 89 distinct locations across southern Australia. Major predictions are lower pasture production due to reduced rainfall. The extension and adoption phase of EverGraze continued with the development of decision making packages. Lotus cultivars: The Future Farm Industries CRC is advancing five varieties for commercialisation. Part 1 & 2 Plant Breeders Rights have been granted. Material is in the final field performance testing stage in Australia and Uruguay with PGG Wrightson as the commercial partner.
Carbon	<ul style="list-style-type: none"> The Wool Carbon Alliance met twice (December 2011 and March 2012) for robust discussions on carbon related to wool and make recommendations to AWI. An International Patent Application has been launched for an intra-ruminal device for measuring gases from ruminants. Investors in this device are AWI, Meat & Livestock Australia, Dairy Australia, Department of Agriculture, Fisheries & Forestry and CSIRO. The 'Carbon Credentials for the Australian Wool Industry' are being assessed to determine the relative contribution of wool in the landscape. This will assist AWI to demonstrate and market the industry's environmental stewardship. To do this, carbon stores and fluxes in the mixed sheep/cropping zone in Western Australia and the high rainfall specialist wool production regions in western Victoria will be assessed. Woolgrowers in the Eyre Peninsula, SA have taken the initiative to understand the role of wool in carbon capture and enhancing mixed farming productivity through increasing carbon stocks and soil health. AWI teams with Sheep Connect and Caring for Our Country to help deliver Future Farm Landscapes planning, workshops, and participation in carbon markets options for woolgrowers.
Provenance, verification and promotion of wool carbon eco-credentials	<ul style="list-style-type: none"> A wool lifecycle analysis (LCA) is under way. Important preliminary findings have shown that by using a "system expansion allocation" method, the carbon footprint of wool is reduced by 80 per cent. Two case study farms (one high rainfall farm near Armidale and one wheat/sheep belt farm in south west WA) are used. The findings have been communicated to the IWTO. Peer reviewed publication is under way. A woolgrower self-assessment tool is being developed which covers animal welfare, people and carbon among other things. In particular, the On-farm team is building robust science to support the carbon component of the tool to meet market requirements and provide credibility in a LCA and standards based framework.

OPERATIONAL REPORT 2011/12 - WOOL INDUSTRY R&D ON-FARM

Strategy 4: Education and extension

Program	Progress
Education and extension to woolgrowers	<ul style="list-style-type: none"> • AWI has continued to invest and grow its state based extension networks which have increased their membership base by nearly 50 per cent in 2011/12 to 7520 (up from 4000 in June 2011) as a result of the implementation of incentive based funding. Strong partnerships with state departments, private providers and woolgrowers have secured ongoing funds for Leading Sheep (Qld), Sheep Connect NSW, Bestwool/Bestlamb (Vic), SheepConnect Tas, Sheep Connect SA, The Sheep's Back (WA) and Bestprac (pastoral) networks. • The <i>Making More from Sheep</i> program has continued in partnership with Meat & Livestock Australia. 127 workshops have been delivered to 2445 producers. A strong emphasis has been placed on evaluation of the events and capturing changes of knowledge, skills, aspirations and attitude amongst participants. Nine <i>It's Ewe Time</i> forums were held across July and August 2011 under the <i>Making More from Sheep</i> banner, three in Western Australia, with the remainder in New South Wales, Queensland, Victoria and South Australia. A total of 915 participants attended the forums, with an average forum attendance of 102. • AWI commenced its Wool Clip series of events with local partners to provide growers an update on the outcomes of AWI investments at a local level. The first two events were held in June 2012: Inveresk, Tasmania partnering with Sheep Connect Tas and the Tasmanian Farmers & Graziers Association (88 attendees) and Esperance, Western Australia partnering with ASHEEP (74 attendees). • AWI supported the Lambex 2012 conference at Bendigo, Victoria in June 2012, where over 600 growers and industry participated in the two day event. AWI's conference session focused on reproduction and the on-going benefits and outcomes of AWI's past investments in Lifetime Wool. • 23 young wool industry participants were part of the Breeding Leadership program delivered in South Australia in March 2011. The five day program focused on leadership skills to enable participants to become enthusiastic, influential, dynamic and dedicated leaders within the wool industry and their communities. • AWI continued to invest in leadership opportunities for the industry including Mary Goodacre of Eugowra, NSW undertaking Course 19 of the Australian Rural Leadership Program and Nuffield Scholar James Walker of Blackall, Qld who is studying intensive breeding systems which maximise sheep production and fertility. • AWI continued its investment in future professionals of the industry through the Sheep CRC Postgraduate Program. In addition, AWI funded PhD scholarship recipient Felicity Cox completed her PhD at Charles Sturt University titled "Understanding sheep grazing of complex native grasslands to better manage natural resources and production outcomes". AWI supported undergraduate student Lauren Crothers who is studying at the University of Queensland, through the Horizon Scholarship program - a joint initiative of RDCs. • AWI supported the Art4Agriculture program which promotes agriculture and its industries through art for primary and secondary students in the eastern states.
Education and extension to stakeholders and the marketplace	<ul style="list-style-type: none"> • The National Wool Research Development and Extension (RD&E) Strategy was submitted to the Federal Government in July 2011. The National Wool RD&E working group held a two day forum with researchers in Sydney during November to form technical groups to design projects which meet the long-term vision of the Australian wool industry. The technical groups formed under the following themes: (1) Adaption of wool production systems, (2) Physical quality of the Australian wool fibre, and (3) Animal health and productivity. The technical groups have worked on project proposal concepts which were submitted to the working group for review prior to the proposals being submitted to funding bodies.
Wool forecasting and market feedback	<ul style="list-style-type: none"> • AWI has continued to drive the Australian Wool Production Forecasting Committee (AWPFC) process under the streamlined arrangements implemented in 2010/11, providing funding, analytical and secretarial support for the AWPFC, and providing the vehicle for grower and trade communication. As scheduled, four AWPFC reports were released in 2011/12 following the State and National Committee processes. The reports are made available on the AWI website at www.wool.com/forecasts. • AWI and MLA continue to collaborate in conduct of the joint "Sheepmeat and Wool" surveys of producers (quarterly). • AWI has continued to refine analytical tools for production forecasting purposes, such as the capacity to produce long-term (eg five year) forecasts of wool production based on ABARES and MLA sheep number outlooks.

R&D OFF-FARM

Objective: To develop a range of product and process innovations that address opportunities to increase the use of wool in apparel and interiors.

STUDY BACKS WOOL FOR A GOOD NIGHT'S SLEEP

As part of a strategy to build wool's health and wellbeing credentials, AWI is building on earlier research foundations by examining the impacts that sleeping with wool bedding and in wool sleepwear have on sleep quality.

Consistent with earlier science findings, an AWI-funded study undertaken by the University of Sydney has found that a better night's sleep is achieved when sleeping on or under wool. This is good news for woolgrowers whose clip is of a broader micron and crossbred wool.

In the pilot stage of this three-year study, eight volunteers participated in the study and were tested in varying temperatures using both wool and non-wool bedding product. Results were derived using polysomnography which is currently the standard technique where subjects have brain wave patterns measured and analysed.

According to this study, wool sleeping apparel and bedding increases total sleep time, promotes sleep onset and improves sleep efficiency.

In hot (29° Celsius) conditions, wearing wool sleepwear saw participants sleep significantly longer; reflecting faster sleep onset and waking up less frequently. In both cold (17° Celsius) and neutral (22° Celsius) conditions, the combination of wool sleepwear and bedding saw participants have a more efficient sleep compared to when tested using non-wool sleepwear and bedding.

By building the scientific credentials of wool bedding and sleepwear, AWI is assisting commercial manufacturers and retailers in the marketing of their products. It is pleasing to note that interest in wool bedding products is increasingly buoyant, according to Woolmark licensees that attended this year's large and influential Heimtextil interior textile trade show.



Dr Paul Swan of AWI tests out the specialist sleep research facility at the University of Sydney's Health Sciences Faculty campus, in Sydney.

THE WOOL LAB: SEASONAL TRENDS INSPIRING BUYERS

AWI has created and launched an innovative new seasonal guide to the best wool fabrics and yarns in the world, to inspire companies in the textile industry to use wool in their apparel collections.

Known as The Wool Lab, the new seasonal guide has been produced to offer a collective vision of the ultimate in wool trends for garment manufacturers, designers, brands and retailers.

It is organised by macro-trends, not only from fashion, but also from lifestyle, the world of design, pop culture and trends in consumer values across many other fields. The Wool Lab includes swatches, mood boards and presentations that tell a trend story and encourage retailers and brands to view and source wool as a premium fibre.

The Wool Lab contains quality wool fabrics and yarns made with the latest innovations in production techniques and special treatments. It also contains archive pieces expressing the long lasting and fascinating history of wool to be rediscovered and reproduced with a contemporary twist.

The collection is the result of intensive research. The fabrics and yarns in The Wool Lab have been selected by AWI from the collections of some of the world's leading textile companies. All the fabrics and yarns are commercially available to retailers and designers and feature Merino wool products from partner mills and spinners such as Zegna Baruffa and Botto Poala.

AWI is presenting The Wool Lab at the most important textile and fashion trade shows in the world, both inside AWI's exhibiting areas and also through special workshops.

The inaugural guide, for the autumn/winter 2012/13 retail season, was launched to the global apparel industry at the Pitti Immagine Uomo menswear fabric and yarn trade show in Florence, Italy in June 2011 and showcased over the following months to manufacturers, brands and retailers.

The guide has fast become an important tool for the fashion industry, including brands, retailers, manufacturers, spinners, weavers and the media, offering a collective vision of the ultimate in wool trends,

Following the success of the autumn/winter edition, a spring/summer 2013 edition was launched in January 2012. It shows the potential of Merino wool products in the warmer months; it helps challenge any preconceptions that Merino wool is only a winter and cool weather fibre. This spring/summer edition also boasts an innovative new section devoted entirely to sportswear.

The third edition of The Wool Lab – for the autumn/winter 2013/2014 season – was launched in June 2012.

LIGHTWEIGHT COOL WOOL FABRICS AND YARNS

AWI introduced new Woolmark specifications for trans-seasonal wool apparel, and initiated the new Cool Wool program that promotes lightweight Merino wool fabrics and yarns for the warmer seasons and environments.

While wool's natural 'breathability' and temperature regulation already make it a good choice to wear in the warmer seasons and environments, modern spinning and manufacturing techniques have enhanced the already incredible fineness of Merino wool to transform the fibre into a range of fabrics that are very light, smooth and soft.

Cool Wool garments are manufactured from lightweight Merino wool fabrics with a maximum weight of 190 g/m² and a maximum mean wool fibre diameter of 22.5 micron. Cool Wool fabrics and garments carrying the Woolmark logo are normally 100% Pure New Wool but can include blends of wool with fine animal fibres. For fabrics and garments where wool is blended with other natural fibres (cellulosic or silk), the Cool Wool label is used in conjunction with the Woolmark Blend logo.

To become part of the Cool Wool Guild of Manufacturers, a manufacturer must be a Woolmark licensee and produce fabrics or garments that meet the Woolmark Cool Wool specifications. These manufacturers can take advantage and leverage off AWI's media and advertising campaign, and benefit from PR and promotional opportunities through sponsored events and the Cool Wool website.

A trade campaign was launched in February with consumer campaigns planned for later in 2012, initially focused on Gulf markets.

For further information, visit www.coolwool.com



Advertising for the new lightweight Cool Wool fabrics and yarns for the warmer seasons and environments.

MINIMISING WOOL'S CARBON FOOTPRINT

AWI is investigating ways to reduce wool's carbon footprint post-farm gate in a number of areas.

AWI is working with the manufacturing sector to find ways for them to reduce the amount of energy used in several areas including scouring, dyeing and finishing. For instance, the dyeing process typically involves boiling the wool for about two hours, so AWI is investigating ways to reduce energy use by (1) dyeing at a lower temperature, and (2) mechanical means (eg insulation).

AWI is also working to find ways that will enable consumers to use less energy in the care of their wool products, ie reduce the energy used to wash, dry and iron their products.

A project is under way to develop a finish that will enable apparel to be washed in a washing machine in cold/cool water as effectively as at the regular 40°C. Another project has developed a quick dry finish that reduces drying time by 30 per cent. This will reduce the time needed for tumble drying – a form of drying that is very popular in colder northern hemisphere countries. AWI is also working on a project to produce finishes on wool apparel with a reduced need for ironing.

Studies are also under way to determine the best conditions (regarding temperature, soil type etc) to optimise biodegradability of wool after disposal. Although wool already decomposes in soil in a matter of years (in contrast to synthetic fibres that can be extremely slow to degrade), the studies hope to develop finishes that will accelerate the process of biodegradability.

R&D PRODUCES "EFFECTS" FOR THE CASUAL WEAR MARKETS

To enable wool to take advantage of the global trend towards a more informal style of dressing, AWI continues to work closely with the manufacturing industry to develop new processes that provide a range of unique and stylish effects on wool.

A number of new manufacturing processes, such as novel dyeing and finishing techniques, have been developed and commercialised, aimed at producing casual effects (visual and textural) on wool products, eg Vintage Merino, Sculpture Merino, Merino Retract and Soft Classic Merino. These collections have a stylish new "edge" targeted at the young fashion-conscious street wear and casual wear markets.

AWI's casual knitwear and wovenwear innovation collections for the autumn/winter 2012/13 season was presented at trade shows including SpinExpo Shanghai and Première Vision Paris. Follow-up meetings with retail HQs and their buying houses have taken place. Sampling for retailers has been undertaken, resulting in orders being made and apparel produced for sale at retail.

New developments are under way for AWI's casual knitwear and wovenwear innovation collections for the autumn/winter 2013/14 season which will be presented at trade shows from September 2012 and direct to interested brands and retailers.

For further information, visit www.woolmark.com/innovations

OPERATIONAL REPORT 2011/12 – WOOL INDUSTRY R&D OFF-FARM

Strategy 1: Quality assurance, eco and carbon management

Program	Progress
Quality assurance	<ul style="list-style-type: none"> All Woolmark Product Specifications and Test Methods were reviewed and amended/updated where relevant. These have now being released for implementation in 2013. A new system of policing products carrying the Woolmark label was implemented. 24 AWI authorised testing laboratories were reviewed and audited. Workshops have been held in China to further review testing by authorised laboratories and to evaluate feedback on procedures. Modifications to procedures have been adopted and the requirements for additional round trials have been identified as a result of these workshops. A partnership was established with Oeko-Tex® in relation to safety standards.
Sustainable and ecological processing – chemicals, dyes, water and energy	<ul style="list-style-type: none"> Information was collated and put together to inform and advise the manufacturing industry on options for reducing energy and water during dyeing and finishing. A project is under way aimed at (1) identifying chemicals in the wool manufacturing pipeline that have some degree of toxicity, and (2) exploring more environmentally friendly options. A project is under way aimed at developing a new shrink proofing process that does not use chlorine. A project to evaluate design for optimal end-of-life (disposal) is being developed and considered.
Off-farm carbon footprint, garment care, decomposition and recycling	<ul style="list-style-type: none"> A project is under way aimed at reducing wool's carbon footprint in the area of caring (laundering) of wool garments. AWI is working on a finishing which will enable wool to be cleaned successfully in cold water during machine washing. Consultation is under way with The Smith Family charity to develop ideas and strategies relating to recycling. A review of Life Cycle Analyses was completed and presented at the IWTO Round Table in November 2011. A communication strategy is being developed for Life Cycle Analysis information.
Increasing global processing capacity	<ul style="list-style-type: none"> AWI is in the final stages of planning regarding new projects in Vietnam, Bangladesh, Russia, Belarus and the Ukraine.

Strategy 2: Health and environmental attributes and benefits of wool fibre and products

Program	Progress
Consolidate, enhance and transfer knowledge regarding the health attributes of wool	<ul style="list-style-type: none"> AWI is collating scientific data to support marketing statements regarding the health attributes of wool. Two major projects are under way: <ul style="list-style-type: none"> Consistent with earlier scientific findings, an AWI-funded study under way through Australia's University of Sydney has found that sleep efficiency is increased when sleeping under, or in wool. The study is now in its second year, and involves an AWI-funded Ph.D. student, Mirim Shin. An AWI-funded research program with the Queensland Institute of Dermatology is exploring the use of Superfine Merino knits to alleviate the symptoms of chronic skin conditions such as atopic dermatitis. The early results indicate that, far from being a skin irritant, Superfine Merino knitwear can substantially reduce symptoms for sufferers of chronic skin conditions, through its moisture and temperature management properties.
Consolidate, enhance and transfer knowledge regarding the ecological and environmental advantages of wool	<ul style="list-style-type: none"> AWI is presently collating all the past R&D work relating to wool's ecological and environmental advantages. A review of Life Cycle Analyses was completed and presented at the IWTO Round Table in November 2011, and will be released publicly in early 2012/13. Through an international working group process convened by AWI, a communication and R&D strategy was developed for wool Life Cycle Analysis information. AWI is conducting a major study to assess which chemicals are being most used in the manufacturing chain, and if more environmentally friendly ones are commercially available.

OPERATIONAL REPORT 2011/12 – WOOL INDUSTRY R&D OFF-FARM

Strategy 3: Performance apparel and safety attributes

Program	Progress
Consolidate, enhance and transfer knowledge regarding the performance, thermal regulatory, odour and moisture management and fire safety attributes of wool	<ul style="list-style-type: none"> • A three-year plan for performance wear was developed and delivered stating three key product areas with the highest potential for volume growth: (1) Outdoor/Hiking, (2) Hunting/Fishing, (3) Health/Wellness. The key target brands and manufacturers for each category, and the desired positioning in the market place, were identified. • Ten Micro Climate Meter devices were developed to give Woolmark Key Account Managers the opportunity to easily and clearly show the moisture management properties of wool compared to competitive fibres. • Marketing of Merino Perform™ was undertaken during 2011/12, including at major international sports/outdoor trade shows such as ISPO in Munich, the world's biggest outdoor and sports apparel trade fair. Emphasis was expanded from base layers to mid and outer layers. AWI continues to collaborate with leading manufacturers and brands in this expanding market to promote the many natural benefits of wool. • The many natural attributes of wool and the benefits of these attributes were promoted on AWI's new websites for consumers (Merino.com) and the textile trade (Woolmark.com).

Strategy 4: Fibre quality, innovation and textile development

Program	Progress
Wool whiteness and colour absorbency	<ul style="list-style-type: none"> • AWI investment in the Sheep CRC "Whiter Lightfast Wool" project was terminated.
Next to skin comfort	<ul style="list-style-type: none"> • AWI invests in the Sheep CRC's ComfortMeter project. This project aims to develop and commercialise practical fabric measurement technology and related know-how to enable the production and marketing of wool garments meeting critical next to skin performance criteria for consumers in the key emergent wool apparel markets. The project is progressing to industrial scale proving trials during mid-2012 and, if successful, the machine will be commercialised in 2013. The AWI development of a business plan for commercialisation is under way. • AWI also invests in the Sheep CRC's HandleMeter project. While the ComfortMeter will measure the next to skin comfort a fabric, a separate machine, a HandleMeter, is being used to measure a fabric's handle – the way a fabric feels.
Casualisation	<ul style="list-style-type: none"> • A number of new manufacturing processes have been developed and commercialised, aimed at obtaining casual effects (visual and textural) on wool products, eg Vintage Merino, Sculpture Merino, Merino Retract and Soft Classic Merino. • AWI's casual knitwear and wovenwear innovation collections for the autumn/winter 2012-13 season was presented at trade shows including SpinExpo Shanghai and Première Vision Paris. Follow-up meetings with retail HQs and their buying houses have taken place. • Sampling for retailers has been undertaken, resulting in orders being made and knitwear produced for sale at retail. • New developments are under way for AWI's casual knitwear and wovenwear innovation collections for the autumn/winter 2013-14 season which will be presented at trade shows and direct to interested brands and retailers.
Improved aesthetics	<ul style="list-style-type: none"> • AWI's Mercerised Merino knitwear collection was presented at trade shows. The collection comprises commercial apparel made from super-soft yarns and fabrics that provide a touch of luxury in an affordable knitted garment. Follow-up meetings with retail HQs and their buying houses have taken place. AWI continues to transfer and commercialise the technology.
Womenswear	<ul style="list-style-type: none"> • AWI developed a range of wool/TENCEL® products, in conjunction with the Lenzing Group (a world market leader in man-made cellulose fibres). The products were in both knitted and woven wear aimed at the womenswear market in China.

OPERATIONAL REPORT 2011/12 – WOOL INDUSTRY R&D OFF-FARM

Strategy 4: Fibre quality, innovation and textile development (continued)

Program	Progress
Wool for all seasons	<ul style="list-style-type: none"> New specifications for transeasonal wool apparel were introduced and the new Cool Wool program initiated – see page 17. Cool Wool garments are manufactured from lightweight Merino wool fabrics with a maximum weight of 190 g/m² and a maximum mean wool fibre diameter of 22.5 micron. The fabric/garment surface is clean and smooth. Cool Wool fabrics and garments carrying the Woolmark logo are normally 100% Pure New Wool but can include blends of wool with fine animal fibres. For fabrics and garments where wool is blended with other natural fibres (cellulosic or silk), the Cool Wool label is used in conjunction with the Woolmark Blend logo. The inclusion of elastane-type filaments to impart stretch characteristics to the fabric is permitted.

Strategy 5: Interior textiles and floor coverings

Program	Progress
Increase consumer awareness and preference for wool in interior textiles and floor coverings.	<ul style="list-style-type: none"> Woolmark licensees that attended the 2012 Heimtextil international trade show for interior textiles in January have reported buoyant interest in wool products for the interiors sector. Over 70,000 trade visitors from 61 countries attended the four-day trade show in Frankfurt, Germany. AWI and eight licensees exhibited in the Woolmark Wool Arena – a hub where AWI and the licensees showcased to visitors the natural benefits of interior textile products made from wool. The interior textiles sector – including bedding, carpets and furnishing – supports woolgrowers whose clip is broader micron and crossbred wool. In addition to Heimtextil in Frankfurt, AWI attended other interiors trade shows including Intertextile Shanghai Home Textiles and Hometextile Intertextile in China.

Strategy 6: Marketplace extension of fibre knowledge and textile innovation

Program	Progress
Trade fairs	<ul style="list-style-type: none"> AWI attended various international trade shows to launch its new product developments to brands and retailers and inform them about the benefits of wool. Trade shows attended during 2011/2012 included: <ul style="list-style-type: none"> SpinExpo (Shanghai) for knitting yarns and knitwear Première Vision (Paris) for woven fabrics and wovenwear ISPO (Munich) for sports and outdoor wear Outdoor Retailer (Salt Lake City) for outdoor wear. Milano Unica (Milan) for high end fashion Pitti Uomo (Florence) for high end menswear apparel. <p>The target audience at each of these trade shows is retail buying teams, designers and manufacturers.</p>
Retail workshops	<ul style="list-style-type: none"> Following trade shows, workshops about AWI's innovation collections were held individually with retailers and brands. These took place in the US, Western Europe, India, China, Korea, Japan, Turkey and Australia. In addition workshops were held with retail buying offices which are mainly located in Asia, ie Hong Kong. Other general training of retail decision makers, such as the company's buyers, merchandisers, designers and technologists, was also undertaken, focusing on providing them with a 'toolkit' that both stimulates interest and builds their confidence to invest in wool product lines. It enables them to take full advantage of wool's technical and aesthetic properties. Retail workshops were held to help educate sales staff around the world about the natural properties and benefits of wool, so they can advise the consumer more appropriately. Retail store managers were also trained, who in turn train their own staff.
Market extension (product marketing) materials	<ul style="list-style-type: none"> New programs aimed at market extension where wool today has little or no presence have been initiated. These include AWI's "Mothers & Babies" and "Urban/Street" programs. Marketing materials were produced to support the launch of AWI's collections, including flyers, PowerPoint presentations and supplier listings.

OPERATIONAL REPORT 2011/12 – WOOL INDUSTRY R&D OFF-FARM

Strategy 6: Marketplace extension of fibre knowledge and textile innovation (continued)

Program	Progress
Seasonal trends	<ul style="list-style-type: none"> AWI has created “The Wool Lab” – a seasonal guide to the best wool fabrics and yarns in the world – see page 16. It has been produced to offer a collective vision of the ultimate in wool trends for the fashion industry, including brands, retailers, manufacturers, spinners, weavers and the media. AWI is presenting The Wool Lab at the most important textile and fashion trade shows in the world, both inside the company’s exhibiting areas and also through special workshops. The Wool Lab guide for the spring/summer 2013 retail season was launched at the Pitti Immagine Uomo trade show in Florence, Italy in January 2012. The Wool Lab guide for autumn/winter 2013/14 was launched in June 2012.
Consumer and trade education	<ul style="list-style-type: none"> Four Australian Merino Wool trade education courses were developed and published in 2011/12: Introduction to Knitwear, Introduction to Wovenwear, Men’s Suits, and Caring for your Merino Wool Sweater. These are aimed at training the buying teams at retailers and brands. By giving them more knowledge about wool, this will lead to an increase in confidence to develop and merchandise new lines made from wool. Work is now in progress to develop a further eight training and education packages aimed at the manufacturing industry during the 2012/13 financial year.

Strategy 7: Collection, dissemination and training on production, supply chain and market data

Program	Progress
Production forecasting	<ul style="list-style-type: none"> AWI has continued to drive the Australian Wool Production Forecasting Committee (AWPFC) process under the streamlined arrangements implemented in 2010/11, providing funding, analytical and secretarial support for the AWPFC, and providing the vehicle for grower and trade communication. As scheduled, four AWPFC reports were released in 2011/12 following the State and National Committee processes. The reports are made available on the AWI website at www.wool.com/forecasts. AWI and MLA continue to collaborate in conduct of the joint “Sheepmeat and Wool” surveys of producers (quarterly). AWI has continued to refine analytical tools for production forecasting purposes, such as the capacity to produce long-term (eg five year) forecasts of wool production based on ABARE and MLA sheep number outlooks.
Retail and trade market reports	<ul style="list-style-type: none"> AWI has continued its investment in maintenance of the Harvest database, which acts as a single global repository of production, price and trade data. Senior management across AWI has been provided with individual access to the Euromonitor Passport online trade database, for reports customised to AWI’s needs. Trade and market data subscriptions and reports have been centralised. A monthly Market Intelligence report has been produced and provided as part of AWI’s monthly electronic newsletter for Australian woolgrowers. The reports are made available on the AWI website at www.wool.com/marketIntelligence. A weekly wool market review produced by the Australian Wool Industries Secretariat was emailed each week by AWI to woolgrowers who have subscribed to the free service. The reviews are also available at www.wool.com/marketinformation.
Consumer insight and trend monitoring	<ul style="list-style-type: none"> AWI collected consumer insight and trend monitor information from a range of sources, including UK-based LS:N Global – these have been utilised by key staff in the AWI Marketing and Global Business Development areas. Planning and the conduct of an audit of consumer wardrobes in key markets have been undertaken to (a) derive information on garment wear life and disposal practices, and (b) establish a method for tracking wool consumption changes directly in target markets.
Global consumer apparel and fibre market research	<ul style="list-style-type: none"> The first of a planned series of consumer tracking surveys was conducted by The Nielsen Company in October-November 2011 – this survey addresses consumer attitudes and awareness to wool and Merino products, identifies barriers to increased consumption, identifies target segments among consumers, and their retail and information sourcing behaviors. Follow-on surveys are being conducted regularly. A study of consumer demographics as affecting clothing and footwear markets was commissioned and completed. Studies were commissioned and completed in relation to specific global consumer market categories – the apparel care and urban wear categories.

MARKETING AUSTRALIAN WOOL

Objective: To help increase demand for Australian Merino wool by recognising and addressing the information barriers to consumption at consumer and trade level, and informing people of the Merino wool fibre story.

CAMPAIGN FOR WOOL - AUSTRALIA

In celebration of the 2012 Campaign for Wool, retailers from across Australia came together for Wool Week, held from 23rd to 29th April to coincide with the start of the mid-winter retail season.

Wool Week involved a host of events and retail promotions. In true farm to fashion style, the events began with an 'urban farmyard' on the forecourt at Sydney's historic Queen Victoria Building (QVB) shopping centre. Sheep shearing demonstrations entertained the public; children marveled over adorable lambs in a pen underneath the grandiose QVB dome; and models mingled with the public, showcasing the latest wool fashions from retailers including Country Road, Karen Millen, Saba and Sportscraft.

Key apparel and interiors labels and retailers supported the Campaign by taking its messages to consumers with in-store promotions delivering increased awareness about the natural benefits of wool.



The shop window of a camilla and marc store during Wool Week innovatively showcasing a wool garment and the raw wool from which it is made.

CAMPAIGN FOR WOOL - INTERNATIONAL

Celebrations of wool unfolded across key consumer markets during the northern hemisphere autumn, when Wool Week 2011 was held in the UK, and the Campaign for Wool was introduced into Germany, Japan, the Netherlands, Spain and Norway.

The Campaign for Wool is a global campaign that encourages manufacturers, retailers and designers to choose wool and, in turn, educate consumers about the fibre's environmental benefits.

The UK Wool Week is the annual culmination of the Campaign for Wool's efforts in the UK to raise awareness among consumers of wool's natural benefits. A series of events was held across the country, with the highlight being the launch of the 'Wool Modern' exhibition in London, opened by Their Royal Highnesses The Prince of Wales and The Duchess of Cornwall. This ground-breaking exhibition takes a 21st century look at wool, showcasing the aesthetic, environmental and technical benefits of wool with stunning fashion pieces, installations and products. Over £6 million (\$9 million) worth of editorial value was achieved for the UK component of Campaign for Wool in 2011.

Celebrations of wool continued in October across the globe during International Wool Week with the Campaign for Wool being launched in other key northern hemisphere markets. Highlight events that captured the media and the public's imagination included:

- sheep in downtown Tokyo
- special wool fashion commissions in Amsterdam
- the Wool Modern exhibition hosted in Berlin
- Serrano Street in Madrid coming alive as 'The Avenue of Wool' by fashion designer Estrella Archs
- wool interiors making a stand in New York City; and
- local wool fashion and interior designs with key partners in Oslo.



Vivienne Westwood, Livia Firth, Colin Firth, His Royal Highness The Prince of Wales and Her Royal Highness The Duchess of Cornwall at the launch of the Campaign for Wool's 'Wool Modern' exhibition in London, England.

INTERNATIONAL WOOLMARK PRIZE LAUNCHED

AWI launched the new International Woolmark Prize which is a global fashion design award to identify the world's foremost emerging designers and highlight the diverse interpretations of Merino wool within their collections.

The initiative crosses borders and cultures by recognising outstanding new talent from emerging and established fashion hotspots around the globe. The competition is being held in the five key fashion and retail regions of Europe, Australia, India, China and the USA.

The International Woolmark Prize is in keeping with AWI's long tradition of supporting individual excellence in design, and aims to highlight the beauty of the Merino wool fibre at the hands of the world's fashion artisans.

The award increases the Woolmark brand's credibility within the international fashion community. This is an award for the new generation of designers, shifting the focus from glamour to true talent, which perfectly complements Merino wool's credentials as a quality, natural fibre with integrity.

Vogue is the global media partner of the International Woolmark Prize, which also involves the world's most important buyers, retailers and fashion councils.

An important element of this prize is the commercialisation of Australian Merino wool products within leading boutiques in each of the key regions.

The winner of the international final, to be held in London in February 2013, will receive financial support to assist their next fashion show. In addition, the international winner will have their collection commercialised through a series of international retailers associated with the project including Harvey Nichols in the UK, Joyce in China, Eickoff in Germany, Bergdorf Goodman in the USA and David Jones in Sydney.

For more information visit www.woolmarkprize.com



Fashion designer Dion Lee (right) with model wearing the design that won the Australian regional award.

MERINO. NO FINER FEELING™ CAMPAIGN

AWI continued its five-year global "Merino. No Finer Feeling™" fibre education campaign to inform a new generation of consumers about the attributes and benefits of Merino wool. The campaign positions Merino wool as the premium, luxury fibre of choice making a connection between how it feels to touch, and how it makes the wearer feel.

The second phase of the campaign was launched in September 2011. Concentrating on the concept of touch, the campaign showed that Merino wool is fine enough to be worn next to skin, and can be made into lightweight fabrics suitable for trans-seasonal use. The creative work of the campaign highlighted the reaction a beautiful young model has when she touches modern Merino wool against her body for the first time, and the positive, sensual feelings it can evoke.

The campaign included a short film, a behind the scenes film and seven images that appeared in international luxury magazines including Vogue, Vanity Fair, Harper's Bazaar, Tatler, Grazia, GQ, Wonderland and Man About Town.

The campaign also had a strong digital media element, including iPad, plus an industry leading iAd campaign within Apple applications on mobile devices in the USA, UK, France and Germany. The Merino.com website was also launched to support the campaign.

The campaign is being undertaken in partnership with manufacturers, retailers and the media over the next five years across all AWI's marketing initiatives. The campaign this year included endorsement by iconic brands such as Armani, Zegna and Loro Piana.



Print advertisement from the second phase of the 'Merino. No Finer Feeling™' global campaign.

MOTHERS AND BABIES PROGRAM

A critical part of AWI strategy is to find new markets for Merino wool – especially those markets that highly value Merino wool's natural attributes, and in which consumers are prepared to pay premium prices.

The market for baby and infant wear is an important example of such a lucrative market, and AWI's "Mothers and Babies" program has been set up to drive demand for Merino wool in this market.

The program works in three main areas: funding scientific research into Merino's health benefits, innovative product development and creating awareness of the fibre's benefits.

There is very little Merino wool used in this market at present, compared to the very large number of babies born each year. But there is a huge potential for growth in demand for Merino, plus it is an all-year-round market.

The key is the strong trend in this market towards natural and environmentally friendly products. Indeed the natural attributes of Merino wool are attracting new companies to set up business manufacturing and selling Merino apparel for babies.

Nonetheless, one of the main barriers stopping parents from dressing/covering their infants in wool is the strong perception that wool is scratchy and can cause allergies. This is one of the key areas of the scientific research being conducted in the Mothers and Babies category.

For this reason, a major focus of the AWI program is validating and communicating the health and wellbeing benefits of Merino products in this area – including scientific research addressing the misconception that wool is an allergen, and to deepen our understanding of the positive role wool plays in improving sleep outcomes.

Building on the science evidence of wool's inherent advantages, AWI is working to ensure wool is recognised as an integral part of a lifestyle of health and sustainability, from birth.

To this end, AWI and famed photographer Anne Geddes joined forces to launch AWI's "Mothers and Babies" program. AWI is partnering with Anne Geddes to put a trusted face to this sensitive and emotionally driven market, and present the story of wool and the health benefits associated with its use in this category.



AWI and famed photographer Anne Geddes joined forces to launch AWI's "Mothers and Babies" program

SUPPORTING YOUNG FASHION DESIGN STUDENTS

AWI is promoting the benefits of Australian Merino wool to the next generation of young fashion design students in key fashion regions around the world.

In the UK, AWI is keen to highlight the versatility and benefits of Merino wool to the country's leading textile students. AWI has joined forces with the UK's leading textile graduate design prize – Texprint – to sponsor a special Woolmark Texprint Award in support of The Campaign for Wool.

The award recognises design excellence in fabrics created with 60 per cent or more Merino wool, whether presented as printed, woven, knitted and/or mixed media fabric.

Texprint provides a vital bridge between the best of British textile design talent and the commercial world. It is run by industry professionals with the support of internationally recognised industry names such as Diane Von Furstenberg, Donna Karen and Sir Paul Smith.

In Hong Kong, world-class textile education facilities in attract key personnel from around the region, and their fashion shows attract support, sponsorship and raw materials from many of the region's key knitwear and apparel companies including AWI.

AWI sponsored "Best Use of Australian Merino" awards at major fashion shows in Hong Kong that attracted audiences including members of the region's apparel companies and media as well as the students.

By sponsoring awards at these fashion shows, AWI aims to raise awareness of the natural benefits of Australian Merino wool among the young generation of design talent in Hong Kong. The objective is that the designers will use Merino wool in their future collections.

In Australia, following on from the success of AWI's inaugural Wool4Skool competition last year, AWI launched a new Wool4Skool competition to continue to build knowledge about wool among school students. The real-life fashion design project has been planned carefully to fit within the Design and Technology curriculum in every state.

Students submit sketches for garments designed to incorporate the benefits of Merino wool. The sketches are accompanied by a mood board and a written statement of the inspiration, textiles and innovation used within the design. The project has been designed across an eight lesson plan for teachers to easily implement in the classroom.



2011 judges and the 24 winning designers at the UK's leading textile graduate design prize Texprint.

SOCIAL MEDIA CAMPAIGNS GENERATE A BUZZ ABOUT WOOL

AWI has this year boosted its use of “social media” on the internet to help reconnect a new generation of consumers with the natural wonders of wool.

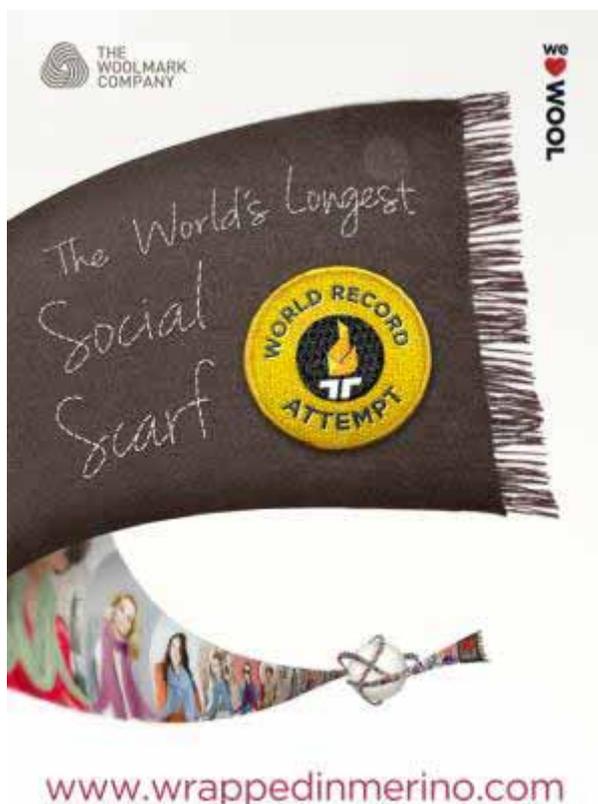
The company is helping drive the agenda for wool on Facebook and other social platforms to generate positive online conversation about wool.

The ‘We Love Wool’ fan page on Facebook (www.facebook/welovewool), launched by AWI in June 2011, is now a global hub for consumers, growing awareness of the fibre and its benefits. At 30 June 2012, there were more than 150,000 fans with a reach (friends of fans) of more 47 million.

Campaigns run during 2011/12 included “Find Fashion by Feelings”, which enabled the wool loving and fashion savvy public from across the globe to upload and share a photo of themselves wearing their favourite wool garment, and “Wrapped in Merino”, which set a world record for the longest social scarf.

To connect with AWI’s social media initiatives, visit:

- Find Fashion by Feelings microsite www.fashionbyfeelings.com
- Wrapped in Merino microsite www.wrappedinmerino.com
- We Love Wool page on Facebook www.facebook.com/welovewool
- We Love Wool on Twitter www.twitter.com/welovewool
- Woolmark page on Facebook www.facebook.com/woolmark
- Woolmark channel on YouTube www.youtube.com/woolmarkonline



AWI used “social media” to help a new generation of tech-savvy consumers reconnect with wool.

WOOLMARK.COM WEBSITE TO INFORM THE TEXTILE TRADE

AWI launched a new website that provides an authoritative source of wool-related information for textile businesses around the world.

The aim of the website is to inspire companies along the textile production chain to choose wool, in preference to other fibres, in the manufacture of their products.

Woolmark.com delivers comprehensive information from fibre to fashion, for the whole textile pipeline, including spinners, weavers, knitters, designers, brands and retailers. The website provides users with information at the click of a button from a source they can trust.

The easy-to-use website offers the latest information on markets, trends and innovations including weekly price reports and the latest from the catwalks of Paris, London and Milan.

Innovations pave the way forward for the Merino industry, allowing it to be a dynamic one that is forever changing, reaffirming Merino wool as versatile, cutting-edge and a clever, natural alternative to other fibres.

There is a section providing comprehensive information about how to work with wool along each stage of the production pipeline, broken down into topmaking, dyeing and finishing, knitting, spinning, weaving and making up.

There are also pages dedicated to how the fibre can be used in various market sectors including fashion apparel, interior textiles and sportswear. On top of this there are also articles featuring examples of how individuals and companies are using and endorsing woollen products.

There is a section on the world-famous Woolmark brand and information on the Woolmark Licensing Program as well as exclusive content for Woolmark licensees.



Woolmark.com provides the textile trade with an authoritative source for all wool-related information.

OPERATIONAL REPORT 2011/12 – MARKETING AUSTRALIAN WOOL

Strategy 1: Fibre advocacy and partnership marketing

Program	Progress
Consumer education	<ul style="list-style-type: none"> • AWI continued its global fibre education campaign “Merino. No finer feeling” to inform a new generation of consumers about the attributes and benefits of Merino wool. The campaign positions Merino wool as the premium, luxury fibre of choice. This year the campaign focused on the concept of touch, showing that Merino wool is fine enough to be worn next to skin, and can be made into lightweight fabrics suitable for trans-seasonal use. The campaign worked across traditional and digital print, video and multimedia and in-store, and included endorsement by iconic brands such as Armani, Zegna and Loro Piana. • The Campaign for Wool continued its success this year, educating consumers about the fibre’s unique natural benefits and building a lasting profile for the fibre. At the start of the northern hemisphere’s autumn/winter retail season, the campaign was introduced internationally across key established markets including Japan, Germany, The Netherlands, Spain and Norway. In the UK, the groundbreaking Wool Modern exhibition was opened by the Patron of Campaign for Wool, HRH The Prince of Wales. Australia held a successful Wool Week in April to coincide with the start of the autumn/winter retail season. Australian retailers around Australia highlighted their support for wool in their own fashion lines. • AWI launched a China Luxury Market campaign in December 2011 aimed at reinforcing Merino wool’s premium credentials and building the market share for wool in the rapidly expanding Chinese women’s wear segment. The marketing campaign utilised multiple media channels to drive the message of Merino wool to Chinese women: through television, radio, print, online, social media and in store promotion. • The International Woolmark Prize was launched. This is a global campaign focusing on discovering emerging fashion designers and emerging markets and educating the next generation of fashion leaders about Merino wool. • The Woolmark fashion parades returned to the Sydney Royal Easter Show in 2012, bridging the gap from farm gate to front row. Nearly one million visitors attended the Easter Show this year. Showing daily for a week during April, the new look runway presentation delighted people of all ages and were incorporated with the always entertaining live shearing demonstration. • AWI boosted its use of “social media” to generate online conversation about wool and help reconnect a new generation of tech-savvy consumers with the natural wonders of wool. The “We Love Wool” page on Facebook has over 150,000 fans. Campaigns run during 2012/13 included the “Find Fashion by Feelings” and “Wrapped in Merino” campaigns. The Woolmark brand also has a page on Facebook and a channel on YouTube. • A Cool Wool campaign was launched promoting lightweight Merino fabrics and yarns for the warmer seasons and environments. It is a trade and consumer campaign, initially focused on Gulf markets. The campaign has been enabled by new manufacturing techniques and the efforts of woolgrowers to grow finer wool – see page 17. • 3,000 plus rights owned images, video and fibre promotional items were generated for distribution and use in marketing communications activities. • AWI continued to use iPad Apps to market wool, including an app for The Wool Lab – see page 16.

OPERATIONAL REPORT 2011/12 – MARKETING AUSTRALIAN WOOL

Strategy 1: Fibre advocacy and partnership marketing (continued)

Program	Progress
Online presence, search engine management and optimisation	<ul style="list-style-type: none"> • Engaging content continued to be uploaded onto the Merino.com website to share information about the benefits of this premium natural fibre, so that consumers and fashion designers are inspired to discover and enjoy its unique properties. Information focused on fashion, activewear and babywear, as well the benefits and provenance of the fibre itself, were added. The website was made available in Chinese, Japanese and German languages. Further languages are planned. • AWI launched a new website Woolmark.com to inspire companies along the textile production chain to choose wool, in preference to other fibres, in the manufacture of their products. The new website provides an authoritative source of wool-related information for Woolmark licensees and other textile businesses including spinners, weavers, knitters, designers, brands and retailers. • A common landing page at www.wool.com was developed that points to AWI's key websites that target AWI's three key stakeholder groups: woolgrowers (Wool.com), the textile trade (Woolmark.com) and consumers (Merino.com). • Wool.com continued to be updated with relevant information for woolgrowers. Due to the development of Merino.com and Woolmark.com, Wool.com is being redeveloped to make the content more woolgrower-centric and navigable. • Various e-newsletter and email campaigns (including a monthly update e-newsletter for woolgrowers, WormBoss e-newsletter, weekly market review e-newsletter, event and media release updates) were undertaken, pointing to information on the Wool.com website. • An online presence was established for specific marketing projects that were undertaken, such as International Woolmark Prize, Cool Wool and Wool4Skool. • A Search Engine Optimisation campaign continued, primarily for Merino.com.
Trade education tools	<ul style="list-style-type: none"> • Marketing, sales, training and market intelligence materials were added to the AWI's internal Dashboard iPad App to assist AWI Key Account Managers communicate with trade customers in the most timely and cost-effective manner irrespective of location. • A range of brochures, manuals and other tools have been produced to educate the textile trade about AWI innovations, knit and woven manufacturing techniques, caring for wool apparel, and the benefits of wool. • The Woolmark.com website that was launched this year educates companies along the textile production chain about wool. The website provides information on markets, trends and innovations, information about how to work with wool along each stage of the production pipeline, broken down into topmaking, dyeing and finishing, knitting, spinning, weaving and making up. There are also pages dedicated to how the fibre can be used in various market sectors including fashion apparel, interior textiles, babywear and sportswear, plus apparel care. • A monthly Woolmark.com e-newsletter has been launched highlighting recent key news and information added to the Woolmark.com website. The e-newsletter is distributed to Woolmark licensees and others in the wool supply chain that have chosen to subscribe. • Images and videos were acquired and made available via the AWI Digital Library to AWI Key Account Managers for use by trade and supply chain partners; brands, retailers and the media. • The <i>InTouch</i> magazine was produced twice during the year and distributed to Woolmark licensees. The <i>Beyond the Bale</i> magazine, produced four times during the year, was also sent to stakeholders in the wool supply chain (as well as AWI shareholders). • A 3-D animation was produced that explores the naturally inspiring journey a wool fibre takes from a sheep's back along the wool pipeline to a fashion house.
Brand rationalisation	<ul style="list-style-type: none"> • A complete review of the graphics and brand standards for AWI's suite of the brands (including the Woolmark brand) was undertaken and completed. Brand Guidelines were produced. An extensive collateral library was created containing on-brand images and videos. • The Woolmark brand equity was enhanced through its presence in all consumer and supply chain facing activities and materials. • Rationalisation of non-core brands was completed in 2011.

OPERATIONAL REPORT 2011/12 – MARKETING AUSTRALIAN WOOL

Strategy 1: Fibre advocacy and partnership marketing (continued)

Program	Progress
Public relations – fibre publicity	<ul style="list-style-type: none"> • Reports on international fashion weeks and wool on the catwalks was leveraged outside their local market to provide a global reach. • AWI supported leading textile graduate design prizes, such as the UK's Texprint award and Hong Kong PolyU Institute of Textiles and Clothing's graduation award. This is part of AWI's strategy to educate early career textile designers about the benefits of working with Merino wool. • PR agencies delivered educational content on the Merino fibre on a per project basis. • The AWI Marketing team supported the AWI presence at trade shows and the publicity of the wools benefits by providing marketing collateral, from trade show backdrops to brochures and posters. • AWI formed international media partnerships with media owners globally, including Condé Nast (which owns magazines/brands such as Vogue, GQ and WWD), Apple Inc and others. • AWI supported the L'Oréal Melbourne Fashion Festival business seminar. • AWI engaged a professional media monitoring service so that the company could review whether it was achieving the optimal level and targeting for its PR activities.

Strategy 2: Product partnership marketing

Program	Progress
Trade and consumer product promotion	<ul style="list-style-type: none"> • Numerous local market initiatives supported AWI's global programs . There were a large number of smaller scale projects conducted in key markets to generate incremental sales of wool, or increase the price points at which wool products are sold. • A number of Apps for use on smartphones and tablets were produced and distributed. • Following on from the success of AWI's inaugural Wool4Skool competition last year, AWI has launched a new Wool4Skool competition to continue to build knowledge about wool among Australian school students. The fashion design project has been planned carefully to fit within the Design and Technology curriculum in every state. • All key international editions of Vogue magazine had a multi-page editorial showcasing Giorgio Armani's use of Merino wool for men's and women's apparel. The promotion was part of the "Merino. No finer feeling" campaign and featured the Woolmark logo. AWI in partnership with Armani launched two high profile in-store events to showcase Armani's autumn/winter 2011/2012 collection. • Consumer education and retail promotional campaigns were undertaken with Studio Italia. • AWI and Ermenegildo Zegna continue the long-standing relationship between the Australian wool industry and this leading luxury menswear brand. The two companies launched a joint advertising campaign to help inform and educate consumers about the unique qualities of Merino wool. • AWI's "Mothers and Babies" program has been set up to drive demand for Merino wool in the market for baby and infant wear. The program works in three main areas: funding scientific research into Merino's health benefits, innovative product development and creating awareness of the fibre's benefits. • AWI and famed photographer Anne Geddes joined forces to launch the latest AWI research and marketing program addressing the needs of the emerging "mother and baby" sector of the global apparel market. • A three-year plan for performance/active wear was developed and delivered stating three key product areas with the highest potential for volume growth: (1) Outdoor/Hiking, (2) Hunting/Fishing, (3) Health/Wellness. • The Woolmark Apparel Care program helped provide quality laundering technology to consumers, enabling the very best care options for wool garments. The program allows for the Woolmark brand to be licensed for use on washing machines, tumble driers, irons, detergents, fabric softeners and bleaches for domestic use. • A new "Urban" program has been set up to drive demand in the young fashion-conscious street wear and casual wear markets – where very little wool is currently used – and to take advantage of the global trend towards a more informal style of dressing,

OPERATIONAL REPORT 2011/12 – MARKETING AUSTRALIAN WOOL

Strategy 2: Product partnership marketing (continued)

Program	Progress
Woven volume defence	<ul style="list-style-type: none"> • A Cool Wool trade campaign was launched in February and a consumer campaign launched in July, initially focused on Gulf markets. The Cool Wool campaign promotes lightweight Merino wool fabrics and yarns for the warmer seasons and environments – see page 17. • A commercialisation project was developed for wool/TENCEL® products, in conjunction with the Lenzing Group (a world market leader in man-made cellulose fibres) on an “all natural” platform. The products are in both knitted and woven wear aimed at the womenswear market in China.
Public relations – product publicity	<ul style="list-style-type: none"> • AWI promoted the use of wool to the global fashion industry, working closely with local and international designers to source and develop fabrics and knitwear made from quality Merino. • AWI launched the new International Woolmark Prize which is a global fashion design award to identify the world’s foremost emerging designers and highlight the diverse interpretations of Merino wool within their collections. The initiative crosses borders and cultures by recognising outstanding new talent from emerging and established fashion hotspots around the globe. The competition will be held in the five key fashion and retail regions of Europe, Australia, India, China and the USA. Vogue is the global media partner of the awards. An important element of this prize is the commercialisation of Australian Merino wool products in each of the key regions.
Brand standards and quality control	<ul style="list-style-type: none"> • Enforcement of Woolmark brand standards across all activities is increasing. This outcome is also a function of the other AWI programs.

Strategy 3: Market intelligence

See *Strategy 7: Collection, dissemination and training on production, supply chain and market data* in the Off-farm R&D section on page 21.

BUSINESS DEVELOPMENT

Objective: To review the role and value of the Woolmark brand, revitalise it and, where markets and partners permit, maximise the presence and income streams of the brand.

REVITALISED TICKETS AND LABELS

The roll out of the new design tickets and labels continued this year. The SML Group is the preferred global supplier for all Woolmark tickets and labels.

Countries within Asia, USA and Europe have transitioned from the old design tickets/labels through to the new supplier.

Take up of the new design has received positive reactions from manufacturers and retailers who have welcomed the refreshed design and refined offer.

Year on year usage has improved in the past year and is attributed to the increased marketing programs being carried out at consumer level for “Campaign for Wool” and “Merino. No Finer Feeling”.

During 2011/12 over 60 million tickets and labels were ordered by licensees for use on Woolmark, Woolmark Blend and Wool Blend approved products.

OPERATIONAL REPORT 2011/12 – INTERNATIONAL BUSINESS DEVELOPMENT

Strategy 1: Build Woolmark brand presence through partnership marketing programs

Program	Progress
Fibre partnership marketing programs – Woolmark presence	<ul style="list-style-type: none"> AWI has been building the awareness of the Woolmark brand through major marketing initiatives such as the “Merino. No Finer Feeling” campaign (which included the Woolmark logo in all its marketing collateral) and the “Campaign for Wool” (where a stylised green Woolmark logo was used to reinforce the ‘eco’ credentials of wool). See the Marketing Australian Wool section beginning on page 22.
Product partnership marketing programs – Woolmark presence	<ul style="list-style-type: none"> The Woolmark brand has presence on a number of partnering companies’ advertisements, collateral and in-store presence in relation to the above “Merino. No Finer Feeling”, “Campaign for Wool” and other campaigns around the world.

Strategy 2: Leverage the market presence and value of the Woolmark through identifying and maximising Woolmark revenue streams, license income and royalties

Program	Progress
Brand licensing	<ul style="list-style-type: none"> Category managers have been appointed for the following AWI programs: Mother and Baby, Activewear, Interiors, Urban and Apparel Care. AWI will leverage the market presence and value of the Woolmark brand in these sectors by identifying and maximising Woolmark revenue streams. A new Woolmark, Woolmark Blend and Wool Blend licence agreement was introduced in December 2011 globally, which became effective from 1 May 2012. The new licence agreement put in place improved quality assurance measures for the licensing program and increased fees for the first time in nine years.
Additional endorsements	<ul style="list-style-type: none"> Several licenses are under negotiation for new products to be added to the Apparel Care program. During 2011/12 Woolmark licensee Philips launched globally the first ironing product to receive the Woolmark Apparel Care- Gold branding.

Strategy 3: Retail and e-commerce feasibility

Program	Progress
Feasibility study – Woolmark branded retail outlets	<ul style="list-style-type: none"> A feasibility study has been completed into Woolmark branded retail outlets. Consumer awareness testing and acceptance of the Woolmark retail concept has also been completed.
Feasibility study and development strategy – Woolmark e-commerce business	<ul style="list-style-type: none"> A decision to create an e-commerce facility that provides Woolmark licensees with a way of paying their license fees online was trialed during the billing period for the 2012/13 licence year, with licensees in select countries able to pay their annual licence fee via the new Woolmark.com website from March 2011.

MARKET ACCESS

Objective: To define threats and opportunities facing the wool industry, and build strategies and programs to ensure market access, sustainable production and improved trading environment across the supply chain.

NEW MARKETS FOR WOOL

AWI has been investigating new processor and retail markets for Australian wool.

Apart from the obvious benefit of potentially increasing demand for wool products, there is also a risk management element to this strategy, due to Australia's current reliance on China as the major buyer of Australian wool, plus our traditional (western) markets continuing to be at risk from recession. AWI has been investigating growth markets such as:

- Vietnam processing market – to put in place an “Out of Vietnam” project, similar to AWI’s “Out of Bangladesh” project.
- Russia – as a potential retail market, due to its increased wealth, large population, and extreme weather: the “To Russia with Wool” project.
- Central and South America processing market – which already has a large textile infrastructure and is close to the lucrative USA retail market.



AWI has been helping penetrate new and profitable markets such as Vietnam.

OPERATIONAL REPORT 2011/12 – MARKET ACCESS & INTERNATIONAL TRADE

Strategy 1: Market access

Program	Progress
Develop and implement market access strategies and programs to ensure ongoing access to key processor markets for Australian wool	<ul style="list-style-type: none"> • AWI has been exploring new processor markets for Australian wool in new regions. This is necessary due to potential risks, such as (1) too much reliance on a single buyer (China) of Australian wool, and (2) increased manufacturing costs in China that could result in a downturn in China’s manufacturing base. • AWI is liaising with manufacturers in growth processing markets, such as south-east Asia (eg Vietnam and Cambodia), Belarus, and Central and South America to help increase their production of wool products.
Develop and implement market access strategies and programs to ensure ongoing access to retail markets for Australian wool	<ul style="list-style-type: none"> • AWI has been exploring new retail markets for Australian wool in new regions. This is especially important due to our traditional (western) markets continuing to be at risk from recession. • AWI is liaising with retailers in growth retail markets, such as Russia, to help increase their selling of wool products.
Enhance trade advocacy activities at all levels of our industry and across the supply chain to achieve optimal trade outcomes	<ul style="list-style-type: none"> • AWI explored the benefits and possibilities of a Free Trade Agreement between Australia and India – an important growth market for Australian wool. Three rounds of Australia-India Comprehensive Economic Cooperation Agreement negotiations were held between Australia and India in 2011/12.

Strategy 2: New market development

Program	Progress
Additional demand for broad micron wools	<ul style="list-style-type: none"> • AWI attended interiors trade shows including Heimtextil in Frankfurt. • See the above Strategy 1: Market access.
Evaluation of “new” markets for Australian wool	<ul style="list-style-type: none"> • See the above Strategy 1: Market access.

GOOD BUSINESS

CORPORATE GOVERNANCE FRAMEWORK

Governance principles

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

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

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

Corporate governance documents

AWI corporate governance documentation may be found on the AWI website at www.wool.com, and includes:

- Constitution (last amended 18 November 2011)
- Statutory Funding Agreement 2010 - 2013
- Board Charter
- Charter of the Committees of the Board
- Board Nominations Committee Charter
- Code of Conduct - Directors and Officers
- Code of Conduct - Obligations to Stakeholders
- Corporate Governance Policy
- Conflicts of Interest Policy
- Communications Strategy
- Rules and Procedures Governing the Election of Directors

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

Conflict of interest policy

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

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

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

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

Risk Management Policy and Framework

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

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

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

Fraud Control Plan

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

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

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

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

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

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

AWI'S STAKEHOLDER LINKS

Stakeholder engagement

The nature of the Australian wool industry is such that there is no one single organisation that represents all woolgrowers, nor one group that represents all domestic industry organisations (see Figure 1 below). Consequently, AWI's Statutory Funding Agreement (SFA) requires it to "meet with key industry representative bodies at not less than six-monthly intervals to review industry priorities for R&D and marketing investments and report on its performance against its plans".

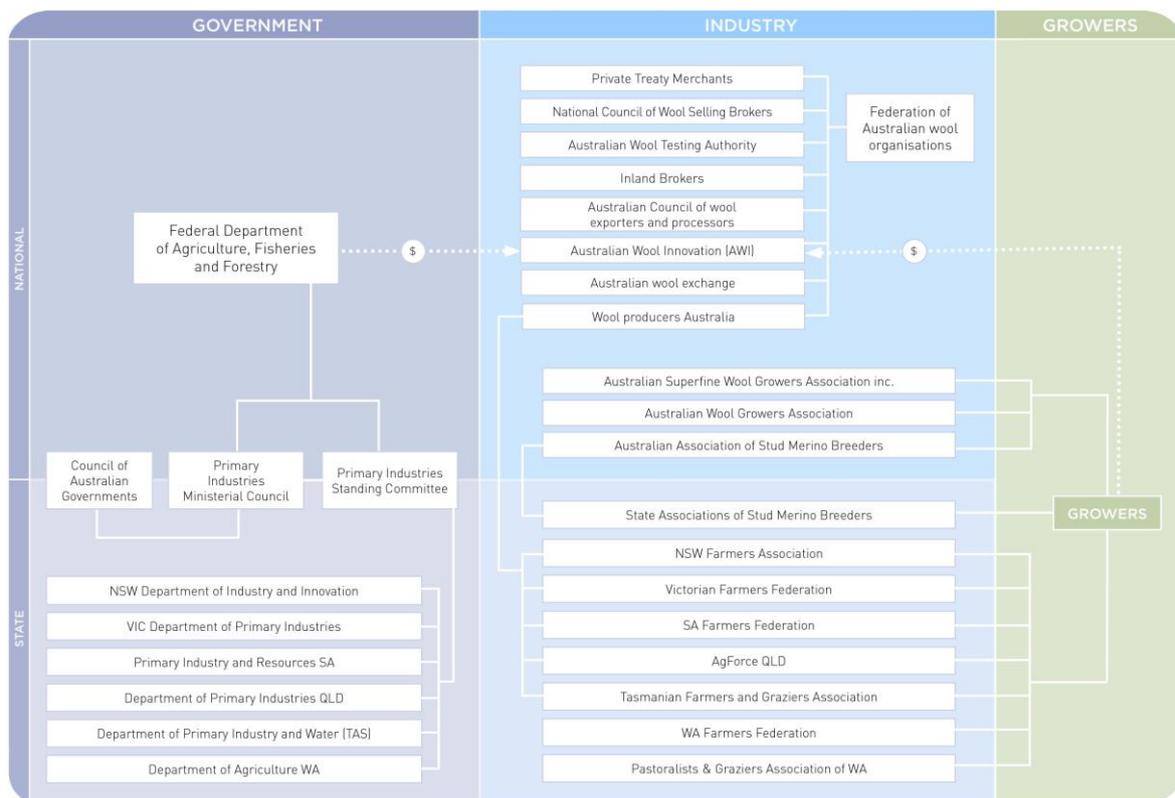
To ensure the views of AWI shareholders (woolgrowers and the Federal Government) and other key stakeholders are considered and incorporated in AWI's planning and operations, AWI has developed a comprehensive stakeholder engagement strategy. This strategy encompasses individual woolgrowers, woolgrower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

To ensure AWI effectively engages this wide range of stakeholders, AWI implemented significant changes across the business in 2011/12 to improve engagement with woolgrowers, supply chain partners, industry and government.

This included strengthening and formalising existing consultative processes such as the bi-annual Woolgrower Forum, AWI's Woolgrower Industry Consultative Committee (ICC) and Animal Welfare Forum. These forums were formalised as part of the Annual Planning and Consultation Cycle, which was fully integrated across the business over the past 18 months ensuring all stakeholder groups have a greater understanding of AWI's role as the R&D and marketing provider for the Australian wool industry and the ways in which their views are incorporated in AWI activities.

Building on the important engagement with woolgrower representative groups through the ICC, in 2011/12 AWI re-established formal engagement with State Farm Organisations.

Figure 1: Wool industry organisational chart



Working in partnership with the wool industry

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

In 2011/12 AWI developed and implemented an industry engagement strategy to establish and nurture relationships with woolgrowers to improve awareness of AWI's activities, promote two-way exchanges of information, and ensure stakeholder views are incorporated into key corporate planning and activities.

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

Examples by which AWI engaged stakeholders during 2011/12 include:

- Wool Grower Forums Woolgrower Industry Consultative Committee meetings
- State Farm Organisations (SFOs)
- Regular meetings with woolgrower representative bodies and key processors
- Numerous forums with woolgrowers in wool producing areas
- Trade and retail partner consultation forums
- Retailer and brand workshops and roadshows
- Woolmark licensee workshops and meetings
- Meetings with manufacturers and media partners in key markets
- Outreach publications – primarily the quarterly *Beyond the Bale* magazine, AWI's online newsletter and the AWI website (www.wool.com).

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

Government partnership

In 2011/12 AWI reviewed and implemented its government relations strategy to strengthen relationships with government stakeholders. As one of fifteen rural RDCs, AWI's engagement with the Australian Government is underpinned by the SFA, a contract which governs AWI's expenditure of levy and matching government funding for eligible R&D activities. In 2011/12 AWI's relationship with the Australian Government was marked by successful implementation and compliance with the new SFA.

Examples by which AWI engaged government during 2011/12 are:

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

In 2011/12 AWI also engaged state government agencies at a corporate level, ensuring this important stakeholder group is aware of key operational issues and is updated on AWI's R&D and marketing activities.

Partnership outcomes

As a result of its strong links with its stakeholders in 2011/12 AWI is strongly positioned to:

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

AUDIT

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

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

Ernst & Young and **WHK Howarth** provide specific advice on taxation and other related matters pertaining to AWI and TWC respectively, as required.

GOVERNMENT FUNDING AND RESEARCH PRIORITIES

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

National RD&E Framework

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

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

AWI participates in an annual forum of researchers and industry stakeholders to identify R&D or extension projects. AWI has committed to fund one project of the two presented to date.

AWI participates in CCRSPI and its affiliate research programs such as "Filling the Gaps" in relation to efficient livestock production. AWI links to the National Sheepmeat Production RD&E Strategy through the National Wool RD&E Strategy in cofunding sheep research.

Beyond project investment, AWI is collaborating on improving the efficiency of the management of research through harmonisation of research contracts.

National Wool RD&E Framework

AWI has participated in the development of the National Wool RD&E Strategy. While the Strategy incorporates the AWI Strategic Plan 2010-2013, it does go beyond it because the investment base for wool RD&E includes state governments and other sources such as the CSIRO and the universities. Within the National RD&E Framework, investors and providers identify themselves as taking either major, support or linking role in aspects of the Strategy allowing for organisations to specialise in particular areas of the program framework.

Proposals developed from research themes (identified through the previous year's grower consultation process) at the National Wool RD&E Strategy Forum held 7-8 November 2011 in Sydney were progressed through Technical Groups of researchers. The key difference in the proposals received from this process was the collaboration between research providers across the country rather than AWI receiving competing proposals.

AWI reviewed these proposals and provided comments to the Steering Committee of the three major supporters of the Wool Strategy (DAFWA, NSW DPI and AWI) who provided advice on improvements to the proposals to the Strategy's Working Group of all participants (eg CSIRO, all state departments and universities).

The comments improve all aspects of the quality of the proposals from research through development, extension and commercialisation to then be resubmitted to AWI for funding.

R&D collaboration during 2011/12

R&D collaboration with other organisations during 2011/12 made AWI investments more efficient and effective by reducing duplication, maximising leverage and providing a greater platform for adoption. Collaboration, especially with other RDCs, also helped AWI and the collaborating parties address the Government's National Research Priorities (NRPs) and Rural Research and Development Priorities (RRDPs) - see the following section.

Given that the primary ruminant at the heart of AWI's R&D and marketing efforts (ie sheep) is also of interest to a number of other RDCs, AWI has a demonstrated history of collaborating on R&D projects with other members of the RDC family.

During 2011/12, AWI was involved in a significant number of collaborations with research bodies such as RDCs, government departments of agriculture, industry organisations, CSIRO, universities and commercial partners. Major collaborations during 2011/12 include:

- WormBoss, which is helping producers with worm management practices (with the CRC for Sheep Industry Innovation and leading Australian parasitologists, researchers and consultants)
- FlyBoss, which is helping producers with worm management practices (with the CRC for Sheep Industry Innovation, MLA and the state departments of primary industry)
- helping to overcome predation by wild dogs and foxes, and helping to develop new control options for rabbits (with the Invasive Animals CRC and NSW DPI)
- Sheep Genetics, which is enabling breeders to achieve higher rates of genetic gain (with MLA);
- EverGraze, which is helping high rainfall producers increase the profitability of grazing systems (with MLA and the Future Farm Industries CRC)
- shearer and wool handler training with Registered Training Organisation providers around Australia
- a number of projects with the CRC for Sheep Industry Innovation
- Making More From Sheep, which is the best practice manual plus ongoing workshops for sheep producers (with MLA)
- Extension activities with state and regional based organisations and departments of agriculture, including BESTWOOL/BESTLAMB (Vic), Sheep Connect NSW, The Sheep's Back (WA), Bestprac (Pastoral), Sheep Connect SA, Leading Sheep (Qld), Sheep Connect Tas.

Research priorities

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

National Research Priorities

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

The priorities are:

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

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

Rural Research and Development Priorities

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

The RRDPs and related objectives are:

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

The supporting RRDPs and related objectives are:

- **Innovation Skills:** To improve the skills to undertake research and apply its findings.
- **Technology:** To promote the development of new and existing technologies.

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

Alignment of AWI programs to Government research priorities

The table below summarises how the programs undertaken by AWI during 2011/12 align with the RRDPs and the NRPs. Each AWI program is aligned with more than one research priority.

ALIGNMENT OF AWI PROGRAMS TO GOVERNMENT RESEARCH PRIORITIES						
National Research Priorities (NRP)	Rural Research & Development Priorities (RRDP)	AWI program	Global Marketing	Off-farm R&D	On-farm R&D	TOTAL
Promoting and Maintaining Good Health (including strengthening Australia's social & economic fabric)	Productivity and Adding Value	\$'000 %	132 1.6	15 0.2	7,855 98.2	8,002 100.0
	Supply Chain and Markets	\$'000 %	33,078 86.1	4,959 12.9	383 1.0	38,420 100.0
An Environmentally Sustainable Australia	Natural Resource Management	\$'000 %	- -	- -	182 100.0	182 100.0
	Climate Variability and Climate Change	\$'000 %	- -	- -	549 100.0	549 100.0
Safeguarding Australia	Biosecurity	\$'000 %	- -	- -	1,868 100.0	1,868 100.0
Frontier Technologies for Building and Transforming Australian Industries	Innovation Skills and Technology (supporting RRDPs)	\$'000 %	- -	4,585 59.2	3,165 40.8	7,750 100.0
TOTAL (external)		\$'000	33,210	9,560	14,001	56,771

Note: Figures may not add due to rounding

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. Some of these assets are owned jointly with other organisations, including Government departments, statutory corporations, CSIRO and commercial R&D companies.

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

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

Royalty income from IP assets owned by AWI, excluding TWC assets contributed \$542,070.13 in 2010/11 representing income earned in the 2009/10 year. Income earned in the 2011/12 year will not be realised until midway through the 2012/13 financial year.

During 2011/12 AWI signed 11 commercial contracts with industry and commercial entities for use of its IP.

IP ASSETS OWNED BY AWI AND ITS ASSOCIATED ENTITIES

This is a list of registered IP owned by AWI (including TWC) or in which AWI has an interest, as at 30 June 2012:

PATENTS (registered in Australia and overseas)

* Treatment of sheep to reduce flystrike

PATENTS (registered in Australia - not overseas)

* Semi Synthetic Material

PATENTS (registered overseas - not in Australia)

* Leg restraint for use in treating or shearing animals * Head restraint for use in treating or shearing animals * Twisting Device * Heated Garment System

REGISTERED DESIGNS (registered in Australia and overseas)

* Breech Clip * Dog Bone Clip * Hockey Stick Clip

TRADEMARKS (registered in Australia & overseas)

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

TRADEMARKS (registered in Australia - not overseas)

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

TRADEMARKS (registered overseas - not in Australia)

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

TRADEMARKS (registered globally)

* Woolmark * Woolmark Blend * Wool Blend * Australian Merino

PLANT VARIETIES (registered in Australia - not overseas)

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

NEW IP LODGED OR ACQUIRED IN 2011/12

TRADEMARKS (registered in Australia & overseas)

* WOOL4SKOOL

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

FINANCIAL REPORT

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Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Australian Wool Innovation Limited and the entities it controlled at the end of, or during, the year ended 30 June 2012.

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 W B Merriman (Chairman)
 Mr R J Fletcher (Deputy Chairman)
 Mr G B S Falkiner
 Dr M L Sheil
 Mr B P van Rooyen
 Mr D A A Webster

Ms Colette Garnsey (elected 18 November 2011).

Principal activities

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

Review of operations and results

	2012 \$'000	2011 \$'000
Revenue	73,970	72,562
Profit from continuing operations	7,979	23,872

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

There has been no matter or circumstance which has arisen since 30 June 2012 that has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

By actively and efficiently marketing wool and its attributes through investments in marketing and R&D - from farm to fashion - AWI aims to achieve its goal of increasing the demand for wool. In 2012/2013 AWI will continue its broad directional strategy of the 50%:50% split in expenditure between marketing and R&D programs. However it will pursue stronger and more strategically driven programs. Specifically, in its on-farm R&D, AWI will target fewer programs with greater impact. Secondly, in the off-farm area, AWI will assess markets for investment more strictly on their potential yield for Australian woolgrowers. Thirdly, AWI will simplify and align its marketing activities to address three core, pervasive trends:

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

AWI will continue to operate in a cost effective manner.

Directors' report (continued)

Company secretary

The Company Secretary and General Counsel is Ms Sally Holmes GAICD, BSc., LLB (Hons), Dip Leg Prac, Unrestricted Legal Practising Certificate.

Meetings of directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2012, and the numbers of meetings attended by each director were:

Director	Committees							
	Full meetings of directors		Finance & Audit		Remuneration & Appointments		Science & Welfare	
	A	B	A	B	A	B	A	B
Mr W B Merriman	11	11*	5	5	7	7	8	8
Mr R J Fletcher	11	11	8	7	7	6*	-	-
Mr G B S Falkiner	11	10	8	8	-	-	8	8*
Ms Colette Garnsey (elected 18 th November)	5	5	-	-	-	-	-	-
Dr M L Sheil	11	11	-	-	-	-	8	8
Mr B P van Rooyen	11	11	8	8	7	6	8	8
Mr D A A Webster	11	11	8	8*	7	7	5	5

A = number of meetings held when a director

B = number of meetings attended by director

* = denotes Chairman as at 30 June 2012

Chairmanship

Mr W B Merriman was reappointed Chairman of the Board on 18 November 2011.

Mr R J Fletcher was reappointed Deputy Chairman of the Board on 18 November 2011.

Insurance of officers

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

Proceedings on behalf of the company

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

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

Non-audit services

The Group may decide to 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 23.

Dividends Paid

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

Environmental regulation

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

Statutory funding agreement obligations

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 44.

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*.



Mr W B Merriman
Chairman

Sydney
24 August 2012

Auditor's Independence Declaration

As lead auditor for the audit of Australian Wool Innovation Limited for the year ended 30 June 2012, 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 and the entities it controlled during the period.



Peter Buchholz
Partner
PricewaterhouseCoopers

Sydney
24 August 2012

Financial Report – 30 June 2012

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This financial report covers the consolidated financial statements of the consolidated entity consisting of Australian Wool Innovation Limited and its controlled entities as listed in note 27 to the financial report. The financial report is presented in Australian dollars.

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

Level 30, 580 George Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and principal activities is included with the review of operations and activities in the directors' report on page 41, which is not part of this financial report.

The financial statements were authorised for issue by the directors on 24 August 2012. The directors have the power to amend and reissue the financial statements.

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

Consolidated statement of comprehensive income

For the year ended 30 June 2012

		Consolidated	
	Notes	2012 \$'000	2011 \$'000
Revenue from continuing operations			
Operating revenue	3	68,349	67,962
Other revenue	3	5,621	4,600
		73,970	72,562
Other income / (Loss)	4	(668)	136
Expenses			
Project expenditure	5,6	(40,529)	(24,280)
Global business development		(8,204)	(9,101)
On-farm research & development		(1,333)	(1,120)
Global marketing		(3,972)	(2,561)
Off-farm research & development		(2,732)	(2,712)
Corporate services		(8,514)	(8,731)
Profit before income tax		8,018	24,193
Income tax expense	7	(39)	(321)
Profit from continuing operations		7,979	23,872
Profit for the year		7,979	23,872
<i>Other comprehensive income for the year, net of tax</i>			
Exchange differences on translation of foreign operations	21(a)	(171)	519
Other comprehensive income / (expense) for the year, net of tax		(171)	519
Total comprehensive income for the year is attributable to:			
Members of Australian Wool Innovation Limited		7,808	24,391

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

Consolidated balance sheet

As at 30 June 2012

		Consolidated	
	Notes	2012 \$'000	2011 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	14,521	5,255
Trade and other receivables	10	11,022	10,866
Inventories	11	17	17
Held-to-maturity investments	9	82,692	84,084
Total current assets		108,252	100,222
Non-current assets			
Property, plant and equipment	12	1,838	1,925
Intangible assets	13	10,000	10,535
Other assets	14	630	555
Total non-current assets		12,468	13,015
Total assets		120,720	113,237
LIABILITIES			
Current liabilities			
Trade and other payables	15	9,462	10,067
Provisions	16	787	1,378
Deferred income	17	6,170	5,198
Total current liabilities		16,419	16,643
Non-current liabilities			
Provisions	18	415	368
Other	19	480	628
Total non-current liabilities		895	996
Total liabilities		17,314	17,639
Net assets		103,406	95,598
EQUITY			
Contributed equity*	20	-	-
Reserves	21(a)	107	278
Retained earnings	21(b)	103,299	95,320
Capital and reserves attributable to owners of Australian Wool Innovation Ltd		103,406	95,598
Total equity		103,406	95,598

*As at 30 June 2011 and 2012 contributed equity in the consolidated entity was \$100.

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

Consolidated statement of changes in equity

For the year ended 30 June 2012

Consolidated	Notes	Attributable to owners of Australian Wool Innovation Limited			Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	
Balance at 1 July 2010		-	(241)	71,448	71,207
Profit for the year	21	-	-	23,872	23,872
Other comprehensive income	21	-	519	-	519
Total comprehensive income for the year		-	519	23,872	24,391
Balance at 30 June 2011		-	278	95,320	95,598
Balance at 1 July 2011		-	278	95,320	95,598
Profit for the year	21	-	-	7,979	7,979
Other comprehensive income	21	-	(171)	-	(171)
Total comprehensive income for the year		-	(171)	7,979	7,808
Balance at 30 June 2012		-	107	103,299	103,406

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

Consolidated cash flow statement

For the year ended 30 June 2012

	Notes	Consolidated	
		2012 \$'000	2011 \$'000
Cash flows from operating activities			
Levy, licence, government grant and other receipts (inclusive of goods and services tax)		75,399	70,493
Payments to suppliers and employees (inclusive of goods and services tax)		(72,816)	(51,937)
		2,583	18,556
Interest received		5,348	3,975
Income taxes paid		(40)	(321)
Net cash inflow (outflow) from operating activities		7,891	22,210
Cash flows from investing activities			
Payments for property, plant and equipment	12	(616)	(355)
Proceeds from sale of property, plant and equipment		34	21
Proceeds from finalisation of purchase of business		-	-
Payments for held-to-maturity investments		-	(28,747)
Redemption of held-to-maturity investments		1,392	30
Net cash inflow (outflow) from investing activities		810	(29,051)
Net increase (decrease) in cash and cash equivalents		8,701	(6,841)
Cash and cash equivalents at the beginning of the financial year		5,255	11,382
Effects of exchange rate changes on cash and cash equivalents		565	714
Cash and cash equivalents at end of year	8	14,521	5,255

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

Notes to the financial statements

30 June 2012

NOTE 1: Summary of significant accounting policies

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

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

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

(a) Basis of preparation

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

(i) Compliance with Australian Accounting Standards - Reduced Disclosure Requirements

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

(ii) Historical cost convention

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

(iii) Critical accounting estimates

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

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

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

(1) Estimated impairment of the Woolmark certification and ordinary trademarks

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

(2) Provisions

The Group has provided for restructure and make good costs per note 16 and note 18 of the Financial Report. These estimates have been made in accordance with the accounting policy note 1(q). The restructure provision includes an estimate of incentive costs relating to the proposed exit of the 580 George St lease which makes assumptions based on current market information.

(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 2012 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 or the Group.

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

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

NOTE 1: Summary of significant accounting policies (continued)

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the transaction at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the consolidated statement of comprehensive income.

(iii) Group companies

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

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

(d) Revenue recognition

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

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

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

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

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

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

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

(e) Income tax

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

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

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in 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.

Notes to the financial statements

30 June 2012

(continued)

NOTE 1: Summary of significant accounting policies (continued)

(e) Income tax (continued)

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

(f) Leases

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

(g) Business combinations

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

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

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

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

(h) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. As a not-for-profit organisation, value in use may be assessed on the basis of depreciated replacement costs for a similar asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units).

(i) Cash and cash equivalents

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

(j) Trade receivables

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

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

NOTE 1: Summary of significant accounting policies (continued)

(k) Inventories

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

(l) Investments and other financial assets

Classification

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

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in current trade and other receivables (note 10) and receivables in the consolidated balance sheet.

(ii) Held-to-maturity investments

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

Recognition and derecognition

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

Measurement

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

(m) Property, plant and equipment

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

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

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

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

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

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

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

Notes to the financial statements

30 June 2012

(continued)

NOTE 1: Summary of significant accounting policies (continued)

(n) Leasehold improvements

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

(o) Intangible assets

(i) Research and development

Research expenditure is recognised as an expense as incurred.

(ii) Trademarks

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

(p) Trade and other payables

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

(q) Provisions

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

(r) Employee benefits

(i) Short-term obligations plus other benefits

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

(ii) Long-term employee benefit obligations

The liability for long service leave is recognised in provisions and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

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

(s) Dividends

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

(t) Goods and Services Tax (GST)

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

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

(u) Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial 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.

(v) Parent entity financial information

The financial information for the parent entity, Australian Wool Innovation Limited, disclosed in note 30 has been prepared on the same basis as the consolidated financial statements, except investments in subsidiaries which are recorded at cost in the financial statements of Australian Wool Innovation Limited.

NOTE 2: Financial risk management

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

Risk management is carried out by 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.

(a) Market risk

(i) Foreign exchange risk

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

The Group's foreign exchange management policies include wherever possible creating natural hedges with the collection of licence income in the same currencies as the expenditure being incurred. The Group also purchased foreign exchange contracts during the year to minimise the exposure to fluctuations in the currency markets based on a proportion of budgeted cash flows. The Group had no outstanding foreign exchange hedges at 30 June 2012 or 30 June 2011.

(ii) Cash flow and fair value interest rate risk

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

(b) Credit risk

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

Australian Wool Innovation Limited's 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 deposits with Standard & Poor's ratings AAA, AA+, AA and AA- for long term and A.1+ for short term.

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

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

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

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

(c) Liquidity risk

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

(d) Fair value measurements

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

Notes to the financial statements

30 June 2012

(continued)

NOTE 3: Revenue

	Consolidated	
	2012	2011
	\$'000	\$'000
From continuing operations		
<i>Operating revenue</i>		
Licence fees	5,901	7,380
Government contributions	12,454	11,342
Sale of goods and services	304	783
Royalties	1,504	1,410
Wool levy	48,089	47,026
Other	97	21
	68,349	67,962
<i>Other revenue</i>		
Rents and sub-lease rentals	111	187
Interest	5,510	4,413
	5,621	4,600
	73,970	72,562

NOTE 4: Other income / (loss)

	Consolidated	
	2012	2011
	\$'000	\$'000
Net foreign exchange gains / (loss)	(668)	136

NOTE 5: Expenses

	Consolidated	
	2012	2011
	\$'000	\$'000
<i>Depreciation and amortisation</i>		
Depreciation - buildings	70	5
Depreciation - property, plant and equipment	408	393
Depreciation - leasehold improvements	209	206
Amortisation - intangible assets	159	173
Total depreciation and amortisation	846	777
Net loss on disposal of property, plant and equipment	7	51
Net loss on disposal / impairment of website development costs	376	-
Rental expense relating to operating leases	1,726	1,530
Defined contribution superannuation expense	964	926
<i>Impairment losses - financial assets</i>		
Trade receivables	(351)	(153)

NOTE 6: Research, development and marketing expenditure

Consolidated:	2012			2011		
	External costs \$'000	Internal costs \$'000	Total \$'000	External costs \$'000	Internal costs \$'000	Total \$'000
Global business development	-	8,204	8,204	-	9,101	9,101
Global marketing	21,616	3,972	25,588	13,618	2,561	16,179
On-farm research & development	12,689	1,333	14,022	7,866	1,120	8,986
Off-farm research & development	6,224	2,732	8,956	2,796	2,712	5,508
	40,529	16,241	56,770	24,280	15,494	39,774
Corporate services	-	8,514	8,514	-	8,731	8,731
Total RDI expenditure	40,529	24,755	65,284	24,280	24,225	48,505

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

Internal costs

Consolidated:	2012 \$'000	2011 \$'000
Contractor, legal & professional fees expenses	2,698	2,593
Employee expenses	13,871	13,571
Infrastructure expenses	3,714	3,544
Travel expenses	1,418	1,400
Other expenses from ordinary activities	3,054	3,117
	24,755	24,225

NOTE 7: Income tax expense

	Consolidated	
	2012 \$'000	2011 \$'000
(a) Income tax expense		
Current tax	78	394
Adjustments for current tax of prior periods	(39)	(73)
	39	321
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	8,018	24,193
Tax at the Australian tax rate of 30% (2011 - 30%)	2,405	7,258
Tax exempt under section 50-40 of the <i>Income Tax Assessment Act 1997</i>	(4,966)	(8,607)
Tax losses and temporary differences not brought to account	2,656	1,798
Difference in overseas tax rates	(17)	(55)
Adjustments for current tax of prior periods	(39)	(73)
Income tax expense	39	321

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

Notes to the financial statements

30 June 2012

(continued)

NOTE 8: Current assets – Cash and cash equivalents

	Consolidated	
	2012	2011
	\$'000	\$'000
Cash at bank and in hand	14,521	5,255

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

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

	Consolidated	
	2012	2011
	\$'000	\$'000
Term deposits	82,692	84,084

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

Unrestricted	57,313	54,339
Restricted as security against guarantees issued by the company's bankers ^(a)	2,500	2,700
Restricted by the Directors in respect of:		
Forward contract commitments ^(b)	13,700	8,100
Emergency funds ^(c)	5,000	5,000
Operating funds ^(c)	18,700	19,200
	97,213	89,339

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

(b) A reserve of \$13.7 million has been created to cover contracted forward commitments.

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

NOTE 10: Current assets – Trade and other receivables

	Consolidated	
	2012	2011
	\$'000	\$'000
Net trade receivables		
Trade receivables	2,157	2,266
Provision for doubtful receivables	(209)	(560)
	1,948	1,706
Net other receivables		
Commonwealth matching funds & wool levy accruals	6,372	6,630
Other receivables	2,356	2,267
	8,728	8,897
Prepayments		
Insurance	144	81
Other	202	182
	346	263
	11,022	10,866

NOTE 11: Current assets – Inventories

	Consolidated	
	2012	2011
	\$'000	\$'000
Raw materials - at cost	17	17
	17	17

Notes to the financial statements

30 June 2012

(continued)

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

	Buildings \$'000	Freehold land \$'000	Plant and equipment \$'000	Leasehold improvements \$'000	Total \$'000
At 1 July 2010					
Cost or fair value	616	425	6,692	1,475	9,208
Accumulated depreciation	(363)	-	(6,031)	(514)	(6,908)
Net book amount	253	425	661	961	2,300
Year ended 30 June 2011					
Opening net book amount	253	425	661	961	2,300
Exchange differences	-	-	(47)	(6)	(53)
Additions	-	-	355	-	355
Depreciation charge	(5)	(178)	(393)	(206)	(782)
Closing net book amount	248	247	576	749	1,820
At 30 June 2011					
Cost or fair value	551	425	6,184	1,420	8,580
Accumulated depreciation	(303)	-	(5,677)	(675)	(6,655)
Net book amount	248	425	507	745	1,925
Year ended 30 June 2012					
Opening net book amount	248	425	507	745	1,925
Exchange differences	-	-	23	3	26
Additions	-	-	441	175	616
Disposals	-	-	(42)	-	(42)
Depreciation charge	(70)	-	(408)	(209)	(687)
Closing net book amount	178	425	521	714	1,838
At 30 June 2012					
Cost or fair value	551	425	5,043	1,586	7,605
Accumulated depreciation	(373)	-	(4,522)	(872)	(5,767)
Net book amount	178	425	521	714	1,838

NOTE 13: Non-current assets – Intangible assets

	Certification trademarks \$'000	Website development costs \$'000	Total \$'000
At 1 July 2010			
Cost	10,000	867	10,867
Accumulated amortisation and impairment	-	(159)	(159)
Net book amount	10,000	708	10,708
Year ended 30 June 2011			
Opening net book amount	10,000	708	10,708
Amortisation charge*	-	(173)	(173)
Closing net book amount	10,000	535	10,535
At 30 June 2011			
Cost	10,000	867	10,867
Accumulated amortisation	-	(332)	(332)
Net book amount	10,000	535	10,535
Year ended 30 June 2012			
Opening net book amount	10,000	535	10,535
Amortisation charge*	-	(159)	(159)
Disposal	-	(376)	(376)
Closing net book amount	10,000	-	10,000
At 30 June 2012			
Cost	10,000	-	10,000
Accumulated amortisation	-	-	-
Net book amount	10,000	-	10,000

*Amortisation of \$159,000 (2011 - \$173,000) is included in Global Marketing in the consolidated statement of comprehensive income.

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

NOTE 14: Non-current assets – Other assets

	Consolidated	
	2012 \$'000	2011 \$'000
Lease deposits	630	555

Notes to the financial statements

30 June 2012

(continued)

NOTE 15: Current liabilities - Trade and other payables

	Consolidated	
	2012	2011
	\$'000	\$'000
Trade payables	910	3,455
Project payables and accruals	5,444	2,489
Other payables	3,108	4,123
	<u>9,462</u>	<u>10,067</u>

NOTE 16: Current liabilities - Provisions

	Consolidated	
	2012	2011
	\$'000	\$'000
Restructuring - carrying amount at the end of year	787	1,378

NOTE 17: Current liabilities - Deferred income

	Consolidated	
	2012	2011
	\$'000	\$'000
Unearned sub-lease income	20	25
Unearned licence income	6,150	5,173
	<u>6,170</u>	<u>5,198</u>

NOTE 18: Non-current liabilities - Provisions

	Consolidated	
	2012	2011
	\$'000	\$'000
Long service leave	242	195
Make good - 580 George St	173	173
	<u>415</u>	<u>368</u>

NOTE 19: Non-current liabilities - Other

	Consolidated	
	2012	2011
	\$'000	\$'000
Lease incentive - 580 George St fitout	480	628

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

NOTE 20: Contributed equity

	2012 Shares	2011 Shares	2012 \$	2011 \$
(a) Share capital				
Ordinary shares - fully paid	37,462	37,462	100	100

(b) Movements in ordinary share capital:

There was no movement in ordinary share capital during the year

Date	Details	Number of shares	\$
1 July 2010	Opening balance	37,462	100
1 July 2011	Opening balance	37,462	100
30 June 2012	Balance	37,462	100

(c) Ordinary shares

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

(d) Shareholder statistics

Details	30 June 2012	30 June 2011
Australian Capital Territory	93	95
New South Wales	10,266	10,600
Northern Territory	3	2
Queensland	903	955
South Australia	4,580	4,733
Tasmania	735	751
Victoria	6,296	6,499
Western Australia	4,575	4,835
	27,451	28,470

NOTE 21: Reserves and retained earnings

	Consolidated	
	2012 \$'000	2011 \$'000
(a) Other reserves		
Foreign currency translation reserve	107	278
Movements:		
<i>Foreign currency translation reserve</i>		
Balance 1 July	278	(241)
Exchange differences on translation of foreign operations	(171)	519
Balance 30 June	107	278

Notes to the financial statements

30 June 2012

(continued)

NOTE 21: Reserves and retained earnings (continued)

(b) Retained earnings

	Consolidated	
	2012	2011
	\$'000	\$'000
Retained surplus at the beginning of the financial year	95,320	71,448
Net surplus attributable to the shareholders of Australian Wool Innovation Limited	7,979	23,872
Retained surplus at the end of the financial year	103,299	95,320

NOTE 22: Key management personnel disclosures

(a) Key management personnel compensation

	Consolidated	
	2012	2011
	\$	\$
Non-executive directors		
Short-term employee benefits	567,246	555,302
Post-employment benefits	52,963	49,977
	620,209	605,279
Other key management personnel		
Short-term employee benefits	1,760,957	1,694,884
Post-employment benefits	160,087	137,847
Termination benefits	66,431	475,514
	1,987,475	2,308,245

The key management personnel of Australian Wool Innovation Limited includes those executives who have the authority and responsibility for offices of the company, either directly or indirectly, being 10 individuals.

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

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

(b) Remuneration principles and policies

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

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

- competitiveness and reasonableness
- acceptability to shareholders
- transparency

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

(ii) Directors' fees

All directors are non-executive, and fees and payments to directors reflect the demands which are made on, and the responsibilities of, the directors. All directors' fee payments are reviewed by the Board. The Chairman's fees are determined independently to the fees of directors based on comparative roles in the external market. Both the Chairman and non-executive directors receive additional fees for their membership on committees.

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

NOTE 22: Key management personnel disclosures (continued)

(b) Remuneration principles and policies (continued)

(iii) Executive pay

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

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

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

(iv) Executive Service Agreements

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

(c) Details of remuneration

(i) Non-executive Directors of Australian Wool Innovation Limited

2012	Short-term employee benefits		Post-employment benefits	Total
	Directors' base fees paid	Committee fees paid	Superannuation	
Name	\$	\$	\$	\$
Mr W B Merriman	114,315	17,672	11,879	143,866
Mr R J Fletcher	85,736	14,811	9,049	109,596
Mr G B S Falkiner	57,157	18,576	6,816	82,549
Ms C Garnsey (elected 18 November 2011)	35,648	-	5,118	40,766
Dr M L Sheil	57,157	7,728	5,840	70,725
Mr B P van Rooyen	57,157	21,872	7,113	86,142
Mr D A A Webster	57,157	22,260	7,148	86,565
Total	464,327	102,919	52,963	620,209

2011	Short-term employee benefits		Post-employment benefits	Total
	Directors' base fees paid	Committee fees paid	Superannuation	
Name	\$	\$	\$	\$
Mr W B Merriman	112,000	12,600	11,214	135,814
Mr R J Fletcher	84,000	14,000	8,820	106,820
Mr G B S Falkiner	56,000	18,200	6,678	80,878
Mr C R Olsson (resigned 6 May 2011)	46,667	11,200	5,208	63,075
Dr M L Sheil	51,333	4,667	5,040	61,040
Mr B P van Rooyen	56,000	18,200	6,678	80,878
Mr D A A Webster	56,000	14,435	6,339	76,774
Total	462,000	93,302	49,977	605,279

Notes to the financial statements

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NOTE 23: Remuneration of auditors

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

	Consolidated	
	2012	2011
	\$	\$
(a) Audit services		
Audit fees – domestic	172,000	136,750
Audit fees – international	78,219	84,070
Other assurance services	27,082	67,131
Total remuneration for audit and other assurance services	277,301	287,951
(b) Non-audit services		
<i>(i) Taxation services</i>		
Tax compliance services	17,519	19,937
<i>(ii) Other services</i>		
Advisory services	37,104	104,330
Total remuneration of network firms of PwC Australia	54,623	124,267
Total auditors' remuneration	331,924	412,218

NOTE 24: Contingencies

Contingent liabilities

The Group had a contingent liability at 30 June 2012 in respect of a potential tax liability in one asian country. If proven, the majority of the liability pre-dates the acquisition of The Woolmark Company Pty Ltd and therefore would be the responsibility of the former owner, Graziers' Investment Company Limited.

NOTE 25: Commitments

(i) Research, development and marketing

	Consolidated	
	2012	2011
	\$'000	\$'000
Commitments in relation to research, development and marketing	5,444	7,148

(ii) Non-cancellable operating leases

	Consolidated	
	2012	2011
	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	1,543	1,601
Later than one year but not later than five years	3,342	3,400
	4,885	5,001

NOTE 26: 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 are as follows: W B Merriman, R J Fletcher, G B S Falkiner, C Garnsey, M L Sheil, B P van Rooyen, and D A A Webster.

(c) Subsidiaries

Interests in subsidiaries are set out in note 27.

(d) Remuneration

Disclosures relating to directors and key management personnel remuneration are set out in note 22.

(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 2012.

(ii) Other transactions and balances

No director, or director-related entity entered into a contract or had any other transactions other than normal terms and conditions with Australian Wool Innovation Limited during the year ended 30 June 2012.

(f) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2012	2011
	\$	\$
<i>Sales of goods and services</i>		
Sales of services relating to marketing and wool testing activities to key management personnel of the entity*	16,187	19,109
<i>Purchases of goods</i>		
Purchases of services relating to marketing and wool testing activities from key management personnel of the entity*	186,193	221,294

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

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

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

	Consolidated	
	2012	2011
	\$	\$
<i>Current receivables (sales of services)</i>		
Key management personnel of the entity	4,568	13,957
<i>Current payables (purchases of services)</i>		
Key management personnel of the entity	1,409	4,367

Notes to the financial statements

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(continued)

NOTE 27: 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	
			2012 %	2011 %
Subsidiaries controlled by Australian Wool Innovation Limited:				
Australian Wool Innovation LLC	USA	Ordinary	-	100
Woolmark Holdings Pty Limited	Australia	Ordinary	100	100
Woolshare Nominees Pty Limited	Australia	Ordinary	100	100
Subsidiaries controlled by Woolmark Holdings Pty Ltd:				
The Woolmark Company Pty Ltd	Australia	Ordinary	100	100
Australian Merino Pty Ltd	Australia	Ordinary	100	100
Subsidiaries controlled by The Woolmark Company Pty Ltd:				
Woolmark International Pty Ltd	England	Ordinary	100	100
IWS Nominee Company Limited	England	N/A	100	100
Woolmark (Americas) Inc.	USA	N/A	100	100
Stichting International Wool Secretariat	Netherlands	N/A	100	100
Osterreichischer Wollsiegel-Verband des Internationalen Vollsekretariates	Austria	N/A	100	100
Wollsiegel Verband	Germany	N/A	100	100
IWS Marke AG	Switzerland	Ordinary	-	100
Woolmark (Italy) SRL	Italy	Ordinary	100	100
The Woolmark Company (HK) Limited	Hong Kong	Ordinary	100	100
The Woolmark (Shanghai) Company Limited	China	Ordinary	100	100
Woolmark Services India Private Limited	India	Ordinary	100	100

NOTE 28: Economic dependency

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

NOTE 29: Events occurring after the reporting period

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

NOTE 30: Parent entity financial information**(a) Summary financial information**

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

	2012 \$'000	2011 \$'000
Balance sheet		
Current assets	107,426	94,081
Non-current assets	36,550	17,872
Total assets	143,976	111,953
Current liabilities	7,359	7,887
Non-current liabilities	875	996
Total liabilities	8,234	8,883
Net Assets	135,742	103,070
<i>Shareholders' equity</i>		
Contributed equity	-	-
Reserves	1	1
Retained earnings	118,382	103,069
	118,383	103,070
Profit for the year	17,359	28,691
Total comprehensive income	17,359	28,692

(b) Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2012 or 30 June 2011.

Directors' declaration

30 June 2012

In the directors' opinion:

- (a) the financial statements and notes set out on pages 45 to 69 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its 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 W B Merriman
Chairman

Sydney
24 August 2012

Independent auditor's report

30 June 2012

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 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Australian Wool Innovation Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.



PricewaterhouseCoopers



Peter Buchholz
Partner

Sydney
24 August 2012

REPORT ON COMPLIANCE WITH THE SFA

As a demonstration of AWI's transparency and good governance, AWI is including in this annual report, the report below by PricewaterhouseCoopers regarding AWI's compliance with the Statutory Funding Agreement between the Commonwealth of Australia and AWI, and the efficacy of AWI's accounting systems, processes and controls during the 2011/12 financial year.

To the Directors of Australian Wool Innovation Limited

Report on compliance with the Statutory Funding Agreement

We have performed assurance procedures with regards to the compliance and operating effectiveness of Australian Wool Innovation Limited (the Company) with the requirements of section 6 (Management of Funds) and 7 (Application of the Funds) of the Statutory Funding Agreement dated 29 June 2010 (the "Agreement") between the Commonwealth of Australia (the "Commonwealth") and the Company, as measured by the criteria outlined in Sections A and B below.

Use of Report

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

A. Reasonable Assurance on Compliance with the Agreement

Respective Responsibilities

Management of the Company are responsible for compliance with the Agreement as measured by paragraphs 6.1, 6.4, 7.1, 7.2 and 7.3 of the Agreement. Our responsibility is to express a conclusion on compliance with the Agreement as measured by the paragraphs 6.1, 6.4, 7.1, 7.2 and 7.3 of the Agreement, in all material respects.

Our audit has been conducted in accordance with applicable Standards on Assurance Engagements (ASAE 3100 *Compliance Engagements*) to provide reasonable assurance that Australian Wool Innovation Limited has complied with the Agreement as measured by the criteria in paragraphs 6.1, 6.4, 7.1, 7.2 and 7.3 of the Agreement for the year ended 30 June 2012.

Our procedures included examining, on a sample basis, information to provide evidence supporting the compliance with clauses 6 and 7 of the Agreement. These procedures have been undertaken to form a conclusion as to whether Australian Wool Innovation Limited has complied in all material respects, with the Agreement, as measured by paragraphs 6.1, 6.4, 7.1, 7.2 and 7.3 of the Agreement for the period from 1 July 2011 to 30 June 2012.

Inherent Limitations

Because of the inherent limitations of any internal control framework, it is possible that fraud, error or non compliance may occur and not be detected. An audit is not designed to detect all instances of non compliance with the Agreement as measured by paragraphs 6.1, 6.4, 7.1, 7.2 and 7.3 of the Agreement, as an audit is not performed continuously throughout the period and the audit procedures performed in respect of compliance with the Agreement as measured by paragraphs 6.1, 6.4, 7.1, 7.2 and 7.3 of the Agreement are undertaken on a test basis. The audit conclusion expressed in this report has been formed on the above basis.

Conclusion

In our opinion, Australian Wool Innovation Limited has complied, in all material respects, with Sections 6 and 7 of the Agreement as measured by paragraphs 6.1, 6.4, 7.1, 7.2 and 7.3 of the Agreement for the period from 1 July 2011 to 30 June 2012.

REPORT ON COMPLIANCE WITH THE SFA (continued)

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

Respective Responsibilities

Management of the Company are responsible for the efficacy of the accounting systems, processes and controls to comply with paragraph 6.1 of the Agreement. Our responsibility is to express a conclusion regarding the operating effectiveness of the accounting systems, procedures and controls in accordance with the requirements of paragraph 6.1 of the Agreement.

Our review has been conducted in accordance with applicable Standards on Assurance Engagements (ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*) to provide limited assurance that Australian Wool Innovation Limited has complied with the Agreement as measured by paragraph 6.1 of the Agreement. Our procedures included examining, on a sample basis, information to provide evidence supporting the operating effectiveness of the accounting systems, processes and controls with paragraph 6.1 of the Agreement. These procedures have been undertaken to form a conclusion, that nothing has come to our attention that causes us to believe that the systems, processes and controls related to the management of funds were not operating effectively, in all material respects, in accordance with the requirements of paragraph 6.1 of the Agreement for the period from 1 July 2011 to 30 June 2012.

Inherent Limitations

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

A review is not designed to detect all weaknesses in operating effectiveness as measured by paragraph 6.1 of the Agreement as it is not performed continuously throughout the period and tests performed are on a sample basis. Also, a review does not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

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

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accounting systems, processes and controls of Australian Wool Innovation Limited related to the management of funds, were not operating effectively, in all material respects, in accordance with the requirements of paragraph 6.1 of the Agreement for the period from 1 July 2011 to 30 June 2012.



PricewaterhouseCoopers



Peter Buchholz
Partner

Sydney
24 August 2012

PROJECT LIST 2011/12

This list contains details of AWI projects in which payments to providers made during 2011/12 totalled more than \$75,000 or more for each project.

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

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

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

ON-FARM R&D PROJECTS

Project title	Key providers*	\$ Paid in 2011/12
Aerial Baiting for Wild Dogs	NSW Department of Primary Industries	97,200
Australian Farmer of the Year 2012 - Sponsorship	Australian Year of the Farmer	360,000
AWI Consultation Workshops	City of Sydney, The Grace Hotel	129,722
AWI Wool Clip	Various	96,179
Bestwool/Bestlamb 2011-2014 (VIC Extension Program)	Department of Primary Industries, Victoria	167,000
Breech Flystrike Genomics Project	CSIRO Livestock Industry	210,000
Carbon Credentials for the Australian Wool Industry	CSIRO	279,465
Cobbett Technologies - SkinTraction Intradermal - Phase 3	Cobbett Pty Ltd	92,291
Cobbett Technologies - SkinTraction Intradermal - Phase 4	Cobbett Pty Ltd	501,188
Enhanced Breeding for Breech Flystrike Resistance - DAFWA & CSIRO	CSIRO Livestock Industry, Department of Agriculture of Western Australia (DAWA)	332,462
Environmental Assessment of Australian Wool Production Using Life Cycle Assessment	Feedlot Services Australia Pty Ltd	116,740
Environmentally Friendly Insecticides - Phase 2	CSIRO Food & Nutritional Sciences	352,753
EverGraze IV 2012 - 2014	Future Farm Industries CRC	602,684
Eyre Peninsula Agricultural Research Foundation	Department of Primary Industries & Resources SA	76,557
Facilitating the Strategic Management of Wild Dogs in Australia.	Invasive Animals Cooperation Research Centre - University of Canberra	192,548
Flystrike Prevention RD&E Strategy - International Supply Chain Extension, Training & Communications	Various	113,020
Grazing Management For Efficient and Sustainable Production	NSW Department of Primary Industries	180,426
Impact of Bacteria and Coccidia on Scouring & Productivity in Sheep (Sheep Scouring Proposal)	Meat & Livestock Australia	76,900
Implementation Plan for Scoping Research Topics	Various	127,873
Improving Staple Strength	Department of Agriculture of Western Australia (DAWA)	114,544
Leading Sheep 2011-14 (QLD Extension Program) - QDEEDI	Department of Employment, Economic Development & Innovation Qld	151,973
Lifetime Ewe Management & High Performance Weaner Training	Rural Industries Skill Training Centre Inc	200,000
Making More from Sheep Phase 2 (2010-2013)	Meat & Livestock Australia	302,559
Merino Bloodline Performance	NSW Department of Primary Industries	111,128
National Wool Residue Survey	AWTA Product Testing	88,663
Novel Breech Strike - Proof of Concept	Various	108,778
Novel Breech Strike Prevention Technique	Various	83,221

ON-FARM R&D PROJECTS (continued)

Project title	Key providers*	\$ Paid in 2011/12
NSAID for Sheep - Analgesia for Painful Husbandry Procedures	CSIRO	116,045
On-farm Extension Communication Project Management Support	MJA Rural Services	147,679
On-farm Printing Budget and Promotions	Various	116,838
Participation and Support of Regional Events 2011/2012	Agriculture Publishers Pty Ltd, Belgair Graphics Pty Ltd, Dubbo National Ram Sale Assoc Inc, Hamilton P & A Society, Rural Press Regional Media (W.A.) P/L, Agricultural Society Inc.	164,473
RHD Boost - Rabbit Bio-control	Invasive Animals Cooperative Research Centre	78,000
Shearer & Wool Handler Training - NSW Training Delivery 2011/2012	TAFE NSW - Western Institute	246,000
Shearer & Wool Handler Training - QLD Training Delivery AACC 11/12	Australian Agricultural College Corporation	77,400
Shearer & Wool Handler Training - Regional Competitions 11/13	Various	77,101
Shearer & Wool Handler Training - SA Training Delivery TAFESA 11/12	TAFE SA Regional	124,720
Shearer & Wool Handler Training - SIVETS 11/12	C Y OConnor College of TAFE, National Trust of Australia (Victoria), Primary Skills Victoria	80,551
Shearer & Wool Handler Training - VIC Training Delivery SCAA 11/12	Primary Skills Victoria , SCAA Shearer Woolhandler Training Inc	183,050
Shearer & Wool Handler Training - WA Training Delivery CYO 11/12	C Y OConnor College of TAFE	181,328
Sheep CRC 2 - Postgraduate Training - CRC for Sheep Industry Innovation	Sheep CRC	140,000
Sheep CRC 2 - Project 4 1 1 Information Nucleus - Design and Analysis	Sheep CRC	210,000
Sheep CRC 2 - Project 4 2 1 Information Nucleus - Operations	Sheep CRC	353,483
Sheep Connect 2008-2011 (NSW Extension Program)	NSW Department of Primary Industries	148,230
Sheep Connect South Australia 2011-2014	Department of Primary Industries and Regions SA	162,000
Sheep Connect Tasmania 2009-2012	University of Tasmania	154,156
Sheep Genetics/MerinoSelect Database Management 2010-2015	Meat & Livestock Australia	511,685
Strategic Approach to Integrated Wild Canid Management for Agricultural Benefit.	Invasive Animals Cooperation Research Centre - University of Canberra	101,495
Technical Assistance for Performance Incentives Development - AWI Extension Networks Contracts	Peter Hanrahan Consulting Pty Ltd	95,153
The Sheep's Back 2011-14 (WA Extension Program) - ICON Ag	The Trustee for The Ritchie Family Trust	158,502
WA More Sheep Initiative - Extension Material	Dept of Agriculture of Western Australia	86,669
Wild Dog Co-Ordinator	Agforce Queensland, Department of Primary Industries and Regions SA, Department of Primary Industries, Victoria	304,842
Wild Dog On-ground Activities	Various	436,672
Wild Dogs Skills Training - Western Division NSW	Dept of Trade & Investment Regional Infrastructure & Services	136,935
Wool Production Forecasting - New Methodology	Meat & Livestock Australia, Miracle Dog Pty Ltd	130,528

OFF-FARM R&D PROJECTS

Project title	Key providers*	\$ Paid in 2011/12
AWI Investment Evaluations 2011/12	Agri Escondo Pty Ltd, BDA Economics & Environment Pty Ltd T/A BDA Group	178,494
Business Development Support - ISPO 2012	Various	96,728
Chemicals Energy and Water	Deakin University - DEAUNI, Global Textiles Associates Ltd	87,570
Desirable Wool Handle	Sheep CRC	188,000
Development & Production of Training Education Packages	Catapult Graphics, Gary Robinson, Powerhouse Museum	84,758
Digital Productions for Trade Education and Woolmark.com content	Circul8 Communicate Pty Ltd	91,022
Global Apparel Research	Feedlot Services Australia Pty Ltd, International Wool Textile Organisation, John Powell T/A Optimal ICM	104,398
Image Content Creation for Online, Still and Video Presence	SoDUS Pty Ltd	162,520
Improving the Merino Wool Profile of the Indian Sub-continent (India & Bangladesh)	Various	112,030
Market Intelligence & Trade Reporting - Monitoring Key Markets and Impacts of AWI Marketing Expenditure - Part 1: Establishment of Consumer Benchmarks & Segmentation	ACNielsen Research Pty Limited	155,176
Market Intelligence and Trade Reporting - Online Tools	Antares International Pty Ltd T/A Antares Solutions Euromonitor International Ltd	101,514
Market Intelligence & Trade Reporting - Retail and Trade Market Data, Aggregation and Analysis	Marek T/A MGG consultancy services, Global Demographics Ltd	215,576
Market Intelligence and Trade Reporting - Wardrobe audits and ethnographies - Pilot Study	ACNielsen Research Pty Limited	100,000
Merino Fibre Processes - Iconic Trade Education Imagery	SoDUS Pty Ltd	90,691
Merino Perform	Elliot Sourcing, Gang Apparel Accessories, H.Y International Trading Pty Ltd, Singtex Industrial Co. Ltd, The Icehouse Pty Ltd, Zhejian Xinao	117,110
Milano Unica (Milan) - Trade Shows 2011	Various	125,162
Optim-Plus Nanshan Development	Shandong Nanshan Fabric and Garment Co., Ltd	116,283
Preparation of Contents for Toolkit (Educational Information and Materials) - Phase 1	praxMatrix Pty Ltd, Global Textiles Associates Ltd	127,446
Sheep CRC - Project 2.9 Co-ordination of Program 2	Sheep CRC	96,786
Skin Comfortmeter for Knitted Wool Fabrics	Sheep CRC	410,964
Technical and Scientific Testing Components for Luxury Merino Growth Strategy - Mother, Baby and Wellness Product Categories	University of Sydney, Elizabeth Jean Woodhams, TIG (2) Pty Ltd, Queensland Institute of Dermatology	684,277
The Wool Lab - Spring 2013 & Autumn/Winter 2013/14	Riccardo Rami Studio (Italy), Remix Vision Design Consultant, Grafiche Abi2ue srl	533,298
Thermophysiological Comfort of Stop-go Sports Apparel	Royal Melbourne Institute of Technology University	88,481
Trade Education and Category Specific Content Production	Circul8 Communicate Pty Ltd, Keelgum Pty Ltd, SoDUS Pty Ltd	230,218
Trade Shows 2011 - SpinExpo (Shanghai)	Creative Promotions Pty Ltd, Gang Apparel Accessories	89,220
Urban Market Research	Future Lab - Brand Expansion	91,477

MARKETING PROJECTS

Project title	Key providers*	\$ Paid in 2011/12
2012-13 Creative Development	SoDUS Pty Ltd, The Mindset Department	147,574
Anne Geddes 2014 Iconic Merino Wool Calendar - TWC sponsored	Geddes Group Holdings Pty Limited	100,000
Apps Development	Big Tin Can Pty Ltd	79,400
Art Direction and Concept Generation for Online, Still and Video Presence	SoDUS Pty Ltd	196,574
Australian BTB2C Program	Belgair Graphics Pty Ltd, Green and Gold Printing, New Bale Clothing Pty Limited T/A M.J. Bale, Target Australia Pty Ltd	186,792
Australia Wool Week 2012	Various	341,301
AWI Website Digital Library and Website Hosting and Maintenance	Anchor Systems Pty Ltd, DataBasics Pty Ltd, Euro RSCG Australia Pty Ltd, Hyro Australia Pty Ltd, Open Text Pty Ltd	191,517
AWI Website Redevelopment (Merino.com) and Business Process Models	Euro RSCG Australia Pty Ltd	207,512
B2B Collaboration with Lacoste Japan	Lacoste	125,424
Beyond the Bale 2011-12	D&D Mailing Services, Newstyle Printing Co. Pty Ltd	127,473
Business & Marketing Strategy & Planning	Various	83,750
Business Development	Various	147,593
Brooks Brothers/Esquire Magazine	Esquire	171,586
Campaign for Wool 2011 - International Wool Week	Various	608,850
Campaign for Wool 2012 - Collateral and Ancillaries	Mission Media, Harring Woods	310,786
Campaign for Wool 2012/2013	Various	155,630
Campaign for Wool / IWTO Strategy Support	Peter Ackroyd	280,607
Campaign for Wool Partnership - 2011	Various	152,653
Competition, Sponsorship and Permit Applications	Anchor Systems Pty Ltd, Circul8 Communicate Pty Ltd, EMU Australia	80,200
Consumer Marketing for the Extrafine Merino Suits and Separates	Various	137,626
Cool Wool 2012/13	Various	110,890
Cool Wool Re-Launch - Stage 1 Collateral 2011/12	Amanda O'Connor, Jamie Stephenson	307,532
Cool Wool Womenswear Apparel Campaign	Jamie Stephenson	75,673
Corporate Promotional Items	Various	166,279
Euro RSCG Retainer Services 2011/2012	Euro RSCG Australia Pty Ltd	255,314
Fashion & Communications - Strategic Consultant	Ashdown Consulting Pty Ltd	157,300
Fibre of Our Nation	Agriculture Publishers Pty Ltd, Green and Gold Printing, SoDUS Pty Ltd	89,764
Freelance Creative and Media Talent	Jenny White, Phil Beazley, SEC Creative Limited, The Mindset Department	209,040
Global Consumer Fibre Education Campaign 1. Concept Development and Production	Euro RSCG Australia Pty Ltd, Jamie Stephenson, Jenny White, SEC Creative Limited	186,523
Global Consumer Fibre Education Campaign 3. Initial Media Support of New Campaign (EU, USA)	Apple Inc, ETN Communications Pty Ltd, Media Planning Limited	292,203
Global PR Agency Support	Creative Justice Pty Ltd, Pilcher & Co Pty Ltd, The Lock Group International	137,469
Global Reports on International Fashion Week (London, NY, Milan, Paris)	Samuel Schler, Tim Blanks	88,171
Implementation of the Italian Strategy	Fabrizio Servente	352,937
International Industry Partnerships	Collette Dinnigan, Frank Tell, Jayson Brundson International, Jenny Kee, OSS Digital Pty Ltd	116,241
International Woolmark Prize	EOS Management Pty Ltd, Megara, News Life Media Pty, SoDUS Pty Ltd	492,951

MARKETING PROJECTS (continued)

Project title	Key providers*	\$ Paid in 2011/12
Local Industry Partnerships	Ellery and Land Pty Ltd, JB International Pty Ltd, Josh Goot Pty Ltd, Romance Was Born, Toby Maclean T/A Flowers for a vagabond	98,412
Marketing Partnership with E Zegna	E Zegna	358,146
No Finer Feeling 2 - Apple iAds France	Apple Inc	95,079
No Finer Feeling 2 - Apple iAds Germany	Apple Inc	94,838
No Finer Feeling 2 - Apple iAds UK	Apple Inc	189,991
No Finer Feeling 2 - Apple iAds USA	Apple Inc	208,846
No Finer Feeling 2011/2012 Print Advertising Production	Camilla Lowther Management	188,915
No Finer Feeling A/W 2011/12 - Year 2: Global Media Spend	Camilla Lowther Management, Media Planning Limited, Mediacom Holdings Limited	2,635,170
No Finer Feeling Freelance and Creative Campaign Development - 2012/2013 - Year 3	SEC Creative Limited	150,175
No Finer Feeling Video Production	Camilla Lowther Management	149,406
Nurture by Nature - B2B Partnerships	Various	112,459
Outline of the Collaboration Project Between Australian Wool Innovation, Condé Nast and Giorgio Armani	Armani	969,077
Partnership with Loro Piana	Loro Piana S.p.A	190,000
Premium Merino Wool Marketing Platform with Mitsukoshi / Isetan	Isetan Mitsukoshi Ltd	155,205
Premium Women's Wear in France 2011-12	Vogue	226,003
Public Relations Marketing Activities	Colin McDowell, Display Systems Australia, Glue Pot Productions, Pollard Productions	132,308
Retailer Conference USA - May 2012	Various	156,138
Retail Strategy and International Business Development	Various	142,776
Social Media Campaign Component - We Love Wool Facebook Community	Circul8 Communicate Pty Ltd	76,860
Social Media Strategy and FY 2011 Campaigns	Circul8 Communicate Pty Ltd	76,866
Social Media - Wrapped in Merino	Circul8 Communicate Pty Ltd	192,517
SoDUS Graphic Standards, Digital Capabilities, and Enhancement	SoDUS Pty Ltd	82,258
Sports/Active Marketing Europe & US 2011/12	Green and Gold Printing	87,422
Sportscraft Campaign- Winter 2012	The apparel group	100,000
Strategic Cooperation with Anne Geddes	Geddes Group Holdings Pty Limited	446,347
Student Education Support - Tertiary & Secondary	The Australian Wool Fashion Awards	82,035
Studio Italia in Conjunction with Woolmark	Berkeley Apparel Pty Ltd	95,300
Sydney Royal Easter Show 2011/2012	Et Cetera Marketing Communication Events Pty Ltd	217,616
Technical, Marketing and Strategic Support of Woolmark Mobile Platform Initiatives	Big Tin Can Pty Ltd, Rohan Myles Peterson	114,877
Trade Show Support	Confycar, Cubeo Productions, Golden Ridge Animal Farm, L'Oreal Melbourne Fashion Festival - LORMEL, Mixer Video	86,114
Vivienne Westwood Ambassador Partnership	Vivienne Westwood	920,069
Wool Celebration: Consumer Education Program	Various	195,798
Wool.com Additional Functionality and Website Translations	ABCWellservices Di Amanada Calleril, Euro RSCG Australia Pty Ltd, Language First Corporation Limited	88,994
Woolmark.com Development and E-commerce Functions Stage 1 Define and Design	Hyro Australia Pty Ltd	235,927
Woolmark Gold Women 2011/2012 (Season 2)	Various	1,182,238
Woolmark Licensee Collateral	Artvue Printing Pty Ltd, Green and Gold Printing, SoDUS Pty Ltd	144,537
Woolmark Prize International Design Award - Australia	SoDUS Pty Ltd	96,019
Woolmark Retail Concept	Graeme Peter Maher, Solutions Marketing & Consulting Pty Ltd Sonia Wong, Yasmin Sewell Ltd	313,461

SUPPORT PROJECTS

Project title	Key providers*	\$ Paid in 2011/12
New AWI Business System	Extend Technologies	2,310,288

Australian Wool Innovation Limited

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

Printed in Australia by
Belgair Graphics Pty Ltd.

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

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