



**awi** Australian Wool  
Innovation Limited

# AUSTRALIAN WOOL INNOVATION LIMITED



## ANNUAL REPORT 2016/17



**awI** Australian Wool  
Innovation Limited

## AWI'S MISSION

AWI's mission is to make strategically targeted investments to:

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

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# ABOUT AWI

## WHAT AWI DOES

Established in 2001, AWI is a not-for-profit company owned by more than 23,000 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 highly valued contributor to a vibrant, profitable and sustainable Australian wool industry.

**AWI's goal** is to increase the profitability, and support the sustainability of the Australian wool industry through strategically targeted investments in research, development and marketing designed to optimise return on investment. In working towards this goal AWI always strives to deliver an appropriate return on woolgrowers' and Government's investment of levies.

AWI invests in Research, Development, Extension and skills training from farm to fashion; Marketing; and Global Business Services.

AWI is not a peak industry body, does not create or execute industry policy, and is not an advocate on issues outside its core functions.

## 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 gross national value of wool production. The sale of Woolmark licences is a further source of income for AWI.

Woolgrowers vote every three years on the percentage of wool proceeds they would like to invest in industry research, development and marketing activities. In WoolPoll 2015, woolgrowers voted in favour of a two per cent levy. The next WoolPoll vote is in 2018.

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.

## BUSINESS MODEL

In both WoolPoll 2012 and Wool Poll 2015, wool levy payers voted to continue the wool levy at two per cent for the three-year periods 2013/14–2015/16 and 2016/17–2018/19 respectively. The current allocation of funds is as follows:

<b>RESEARCH &amp; DEVELOPMENT</b> 40%	<b>MARKETING</b> 60%
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## HOW AWI HAS EVOLVED

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

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

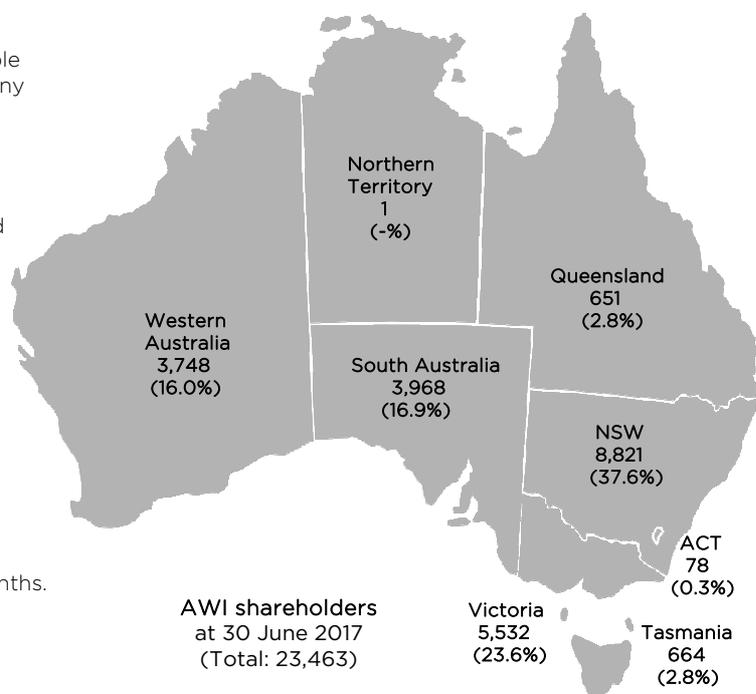
## AWI SHAREHOLDERS

AWI has more than 23,000 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 23,463 shareholders at 30 June 2017, a decrease of 596 shareholders during the past 12 months. There were a total of 49,964 wool levy payers at 30 June 2017, a decrease of 1,097 during the past 12 months.



## AWI'S NEW STRATEGIC PLAN

Since 1 July 2016, AWI has been operating under a three-year Strategic Plan for the years 2016/17 through to 2018/19.

The AWI 2016/17-2018/19 Strategic Plan is available in PDF and interactive versions on the AWI website at [www.wool.com/consultation](http://www.wool.com/consultation)

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

Marketing
<p><b>Objective:</b></p> <ul style="list-style-type: none"> <li>Increase demand for Australian wool</li> </ul> <p><b>Strategies:</b></p> <ul style="list-style-type: none"> <li>Fashion</li> <li>Sportswear</li> <li>Global campaigns</li> </ul>

Sheep Production
<p><b>Objective:</b></p> <ul style="list-style-type: none"> <li>Increase the profitability and sustainability of woolgrowing</li> </ul> <p><b>Strategies:</b></p> <ul style="list-style-type: none"> <li>Healthy productive sheep</li> <li>Farm automation &amp; software development</li> <li>Feedbase &amp; fibre advocacy</li> </ul>

Woolgrower Services
<p><b>Objective:</b></p> <ul style="list-style-type: none"> <li>Increase woolgrower profitability</li> <li>Provide cost effective services to woolgrowers and other parties on their behalf</li> </ul> <p><b>Strategies:</b></p> <ul style="list-style-type: none"> <li>Training &amp; technology uptake</li> <li>Consultation</li> </ul>

Processing Innovation & Education Extension
<p><b>Objective:</b></p> <ul style="list-style-type: none"> <li>Increase the profitability and sustainability of wool processing</li> </ul> <p><b>Strategies:</b></p> <ul style="list-style-type: none"> <li>Processing innovation</li> <li>Education extension</li> </ul>

Business Services
<p><b>Objective:</b></p> <ul style="list-style-type: none"> <li>Enable AWI to operate cost effectively through the efficient provision of a range of cross-company support services</li> </ul> <p><b>Strategies:</b></p> <ul style="list-style-type: none"> <li>Corporate services</li> <li>Woolmark</li> <li>Digital services</li> </ul>

# HIGHLIGHTS OF 2016/17



*Collaborations with premium global brands like Max Mara helped build demand for wool in key consumer markets.*



*Tennis ace Rafael Nadal fronted a Tommy Hilfiger campaign, wearing three Woolmark-certified Australian Merino wool suits.*



*AWI-funded Lifetime Ewe Management (LTEM) courses provided hands-on on-farm training to maximise reproduction efficiency.*



*The RHDV1 K5 virus was released at more than 550 sites across Australia in March 2017 to boost long-term rabbit biocontrol.*

## OFF-FARM

### Collaborations drive wool demand at retail

AWI partnered with renowned and credible international and domestic brands – such as Tommy Hilfiger, Max Mara, Marks & Spencer and Country Road – to position wool as a premium fibre, influence the broader market, and drive the sales volume of wool products. See page 11.

### Increasing presence in the sports and outdoor market

AWI continued to promote wool's presence in the sports and outdoor sector, collaborating with leading apparel manufacturers and brands. A highlight was the release by brands of innovative water and wind resistant products made from 100% Merino wool Optim fabric. See page 16.

### International Woolmark Prize

The International Woolmark Prize showcased the versatility and quality of Merino wool to the fashion industry, with design talent across the globe having their premium wool apparel stocked in some of the world's most influential retailers. See page 18.

### The Wool Lab

AWI's The Wool Lab – the seasonal guide to the best wool fabrics and yarns in the world – continued to be a global success and an important tool for the fashion industry, including brands, retailers, manufacturers, spinners and weavers. See page 46.

### Digital communications enhanced

AWI boosted its digital and social media communications and engagement with its three key stakeholder groups: consumers, the textile trade and woolgrowers. See page 15.

### Campaign for Wool

The Campaign for Wool, which educates consumers about the environmental benefits of wool, continues to drive new demand for wool of all microns in global consumer markets. See page 20.

## ON-FARM

### Lifetime Ewe Management (LTEM) training

AWI continued funding hands-on on-farm LTEM training for producers in the management and nutrition of breeding ewes to maximise reproduction efficiency. There were more than 600 new enrolments during 2016/17. See page 28.

### Wild dog control

The total number of current and past wild dog control groups supported by AWI has risen to 160, comprising 43 current groups and 117 past groups. The groups are getting bigger with increasing coverage and scale. See page 26.

### Rabbit control

A strain of rabbit calicivirus (RHDV1 K5) new to Australia was released in March at 550 sites across the country. The initiative boosts biocontrol activity to combat rabbits and helps woolgrowers increase their productivity. See page 27.

### Flystrike R&D continued

AWI continued to fast track its R&D program, including genetic research and breeding, to deliver welfare improved methods of flystrike prevention. See page 23.

### AWI-supported extension networks

The networks continue to provide opportunities for woolgrowers to get involved in practical programs that focus on making positive changes to on-farm production and management practices. The groups have seen another successful year, with increases in participation and the reported benefit by woolgrowers. See page 36.

**For further information on AWI program operations during 2016/17, refer to the reports beginning on page 10.**

# FINANCIAL SUMMARY

## REVENUE FOR 2016/17

Total revenue for 2016/17 was \$88,026,000, compared with \$79,317,000 in 2015/16. Sources of revenue are shown in the table below.

	2015/16 \$'000	2016/17 \$'000
Wool levy	50,331	<b>60,211</b>
Government contributions	13,424	<b>14,742</b>
Licence fees	8,063	<b>7,611</b>
Interest	2,354	<b>2,376</b>
Royalties	1,998	<b>1,790</b>
Sales of goods and services	2,918	<b>1,153</b>
Rents and sub-lease rentals	204	<b>113</b>
Other operating revenue	25	<b>30</b>
<b>Total revenue</b>	<b>79,317</b>	<b>88,026</b>

## EXPENDITURE FOR 2016/17

Total expenditure in 2016/17 was \$70,829,000 compared with \$76,641,000 in 2015/16. Expenditure is shown in the table below. More detailed information can be found in the Financial Report beginning on page 64.

	2015/16 \$'000	2016/17 \$'000
Sheep Production	10,966	<b>10,827</b>
Woolgrower Services	8,347	<b>7,878</b>
Processing Innovation & Education Extension	8,395	<b>7,025</b>
Marketing	35,210	<b>32,148</b>
Digital Services	3,550	<b>3,386</b>
Support & Administration	10,173	<b>9,565</b>
<b>Total expenditure</b>	<b>76,641</b>	<b>70,829</b>

## FINANCIAL HISTORY AND FORECASTS

AWI will invest future funds in line with its 2016/17–2018/19 Strategic Plan, drawing on some of its reserves when appropriate.

	2009/10 \$'000	2010/11 \$'000	2011/12 \$'000	2012/13 \$'000	2013/14 \$'000	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	Forecast 2017/18 \$'000
Revenue	62,437	72,698	73,970	69,257	68,639	74,282	79,317	<b>88,026</b>	82,087*
Expenditure	45,687	48,307	66,162	75,262	82,694	71,119	76,641	<b>70,829</b>	92,087
Balance	16,750	24,391	7,808	(6,005)	(14,055)	3,163	2,676	<b>17,197</b>	(10,000)
AWI reserves	71,207	95,598	103,406	97,401	83,346	86,509	89,185	<b>106,382</b>	96,382

\* This forecast revenue includes levy income forecast based on an EMI of 1325c/kg clean. This figure differs from the 1445c/kg clean forecast by ABARES (see table below).

## 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).

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	Forecast 2017/18
Market price EMI* (cents per kg clean)	1198	1034	1070	1099	1254	<b>1408</b>	1445 (f)
Flock size** (opening sheep numbers, in millions)	73.1	74.7	75.5	72.6	70.9	<b>70.1 (f)</b>	69.4 (f)
Wool production** (shorn greasy wool*** in millions of kg)	342	352	341	346	325	<b>339 (f)</b>	340 (f)

\* Figures derived from AWEX data. Forecast figure from ABARES (June 2017 Agricultural Commodities).

\*\* Figures from the Australian Wool Innovation Production Forecasting Committee (April 2017 report).

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

(f) Forecast

# AWI BOARD OF DIRECTORS

The Directors of Australian Wool Innovation Limited, their qualifications, experience and special responsibilities as at 30 June 2017 are listed below.



**MR WALTER B MERRIMAN**  
CHAIRMAN OF AWI

**Experience and expertise:** Mr Merriman is Managing Director of the Merryville Stud. He oversees extensive commercial pastoral interests giving him broad farming and grazing experience. Mr Merriman has

served on several industry boards, including National Woolgrower Forum, Major Woolgrowers Group and is past president of both NSW and Australian Stud Merino associations. Mr Merriman also has strong links with the Italian wool industry.

**Special responsibilities:**

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



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

Paul Cocking has over 25 years' experience in the wool industry. He previously owned and managed Riverina Wool Testers Pty Ltd and an animal nutrition business. He also manages his own commercial wool growing

properties in southern NSW. Mr Cocking is a member of the Australian Institute of Company Directors and has previous board experience including a Regional Development Board. He has a broad knowledge of key stakeholders in the wool industry and extensive industry experience. He strongly believes in a profitable and sustainable wool industry and delivering shareholders value for money, accountability, transparency along with enhanced grower engagement. Mr Cocking is a strong supporter of Research and Development and believes in its ongoing importance to the long term prosperity of the wool industry.

**Special responsibilities:**

Remuneration & Appointments Committee member  
Science & Welfare Committee member.



**MS COLETTE GARNSEY**  
OAM

**Experience and expertise:** Ms Garnsey is Executive Director at Premier Investments' The Just Group. She is a member of the Trade & Investment Policy Advisory Council (TIPAC). Ms Garnsey has previously been a board member of the Melbourne

Fashion Festival (since 2006), a judge of the Veuve Clicquot Business Woman of the Year, a Committee member of CEW, and also a Committee member of the

Textile, Clothing and Footwear (TCF) Innovation Council (since 2010). She has had more than 30 years' experience in retail and was formerly in senior management at Pacific Brands, and David Jones Limited for more than 20 years holding the position of Group General Manager. Ms Garnsey has had many years of manufacturing, wholesale and distribution experience. She has spent several years in consultancy across design, retail and manufacturing for various companies within the Textile, Clothing and Retail industries in addition to spending three years as an Advisory Board member of the CSIRO Textile, Clothing Footwear & Leather (TCF&L) Sector Advisory committee.

**Special responsibilities:**

Chair, Remuneration & Appointments Committee



**MR JOCK LAURIE**

**Experience and expertise:** After working as a jackaroo in Victoria and southern NSW, Mr Laurie returned to the family grazing business in 1979, and continued working in it until 2000. Since then, he and his family have been operating a farming business that consists of wool, lamb, beef and grain on properties at Walcha,

Bendemeer and Gunnedah. Mr Laurie has also been actively involved in agricultural policy and lobbying since 2000. He spent four years as President of the NSW Farmers Association and two and a half years as President of the National Farmers Federation. During this period, he gained experience and training in both corporate governance and as a director. Through his role at the National Farmers Federation, he was exposed to international trade negotiations that are very important to the profitability of Australian agriculture. Mr Laurie has long term experience in the agriculture industry, and also ten years of board and agricultural policy experience. He aims to direct his skills at driving profitability in the wool industry.

**Special responsibilities:**

Finance & Audit Committee member  
Science & Welfare Committee member.



**MR JAMES MORGAN**

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

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

industrial producers a raw material which is both cost effective and eco-friendly.

**Special responsibilities:**

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



**DR MEREDITH L SHEIL**

MBBS FRACP PhD GAICD

**Experience and expertise:**

Dr Sheil is a specialist Paediatrician, Medical and Veterinary Research Scientist, Honorary Associate of the Sydney University Veterinary School, and a Commercial Woolgrower. Dr Sheil is a founding director of Medical and Animal Ethics R&D,

responsible for inventing / developing a wound anaesthetic for lambs undergoing mulesing and is currently pursuing research into the development of similar practical and affordable pain relief medications for livestock, companion animals and humans. Dr Sheil is a local government councillor, member of the board of NSROC (North Shore Regional Organisation of Councils) and a Graduate of The Australian Institute of Company Directors.



**MR DAVID A A WEBSTER**

**Experience and expertise:**

Mr Webster has spent his working life putting together a wool growing, livestock and cropping enterprise. A keen student of economics, he is a strong advocate of private enterprise commerciality and competition.

He advocates upholding the rights of farmers without undue regulation and impediments to running their businesses. Mr Webster places a high priority on giving value to shareholders, particularly for compulsory levy payers. Mr Webster is Chairman of iron ore resources company Athena Resources Limited. He is also a Director of Australian Wool Testing Authority Ltd.

**Special responsibilities:**

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

**COMPANY SECRETARY**

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

**THE BOARD OF AWI**

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

The Board has several committees that monitor and guide specific activities. These committees assist the Board to effectively implement, monitor and enforce appropriate corporate governance throughout the Company.

**Finance & Audit Committee**

*Chaired by David Webster*

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

**Remuneration & Appointments Committee**

*Chaired by Colette Garnsey*

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

**Science & Welfare Committee**

*Chaired by James Morgan*

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**

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 Statutory Funding Agreement with the Australian Government. It convenes in each Director's election year. The Committee members comprise three external members and two AWI Board members. The Chair is one of the external members. For 2017, the members of the Board Nomination Committee will be: Ms Katrina Hodgkinson, a Member of the NSW Legislative Assembly from 1999 to 2017, and has served in several ministerial portfolios including Primary Industry; Mr Brian van Rooyen, who served as a director of AWI from 2002 until his retirement from the board in 2015 and has also served on the boards of several bodies with interests in the wool industry; Mr Rob Ashby, past President of the World Federation of Merino Breeders, and Member of the Order of Australia; and AWI Directors Wal Merriman and Meredith Sheil.

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](http://www.wool.com).

# CHAIRMAN'S REPORT



2016/17 was a very good year for woolgrowers, with the average EMI for the year climbing to more than 1,400c/kg, and in the latter months regularly exceeding more than 1,500c/kg. The finer microns have performed particularly well. These robust prices are fundamentally a result of a strong and consistent demand for our

fibre. AWI's marketing in key northern hemisphere markets has been successfully cementing Australian wool as a premium fibre for which consumers are willing to pay a premium price.

The high prices that woolgrowers in Australia have been receiving for their wool contrasts with less favourable prices that wool producers in many other wool-growing countries are receiving. This demonstrates the high regard that buyers across the world have for Australian wool in particular, which is something that growers of this quality fibre across our nation can be justifiably proud.

Merinos have long been the foundation of the national flock, and they are now as important to the sheep industry as ever. Growers who have shown commitment to the breed are now taking advantage of the higher demand-driven wool prices. As confidence continues to return to the industry, it has proven to be very profitable for woolgrowers to retain older Merino ewes and ewe lambs for breeding purposes, to continue to rebuild their flocks, and invest in Merino wool.

Producers who run mixed enterprises are also finding that wool fits into their business very well and is an increasingly important and profitable enterprise. Given the high input costs of cropping and variable seasonal conditions, producers in the wheat-sheep zone and low rainfall areas are seeing the financial benefits of having a wool enterprise to manage their risk.

## Accountability

The AWI Board, along with management and our staff across the world, is acutely aware that it manages a significant investment by Australian wool levy payers and the Federal Government. Woolgrowers are central to everything AWI does, be it R&D or marketing. Everything the company undertakes is aimed at increasing the profitability of Australian woolgrowers and enhancing the international competitiveness and sustainability of the Australian wool industry.

It is individual growers that vote every three years at WoolPoll to determine the wool levy rate. It is AWI shareholders, rather than political appointments made by government or agri-political groups, that directly elect Directors to the AWI Board. Furthermore, AWI consults year-round with woolgrowers to identify their priorities and guide AWI's activities.

Activities are reported to woolgrowers and government on a regular basis through *Beyond the Bale*, e-newsletters, The Yarn podcast, the Wool.com website and the Annual Report. AWI also attends each year more than 50 sheep and wool industry events across the country that enable woolgrowers to directly consult with and provide feedback to the company. In addition, there is the AWI Woolgrower Industry Consultative Committee (ICC), which is a formal mechanism for AWI to consult with national woolgrower industry organisations; this includes an observer from the Australian Government.

AWI also reports to the Government every six months on its compliance with the Statutory Funding Agreement (SFA) to ensure AWI is operating in line with levy payers' and the Government's expectations.

## Delivering results

The past year was the first year covered by our new three-year Strategic Plan, for the period to 30 June 2019, and we have delivered positive results for Australian woolgrowers.

In the marketing area, we have worked with some of the big global names in fashion and textiles – from Tommy Hilfiger to adidas – to build demand amongst consumers for Australian wool products. Despite ongoing economic uncertainty in several markets around the world, this healthy demand for premium products made from Australian wool is reflected in the prices that Australian woolgrowers are receiving for their wool.

In the on-farm R&D area, we continue to address production issues, such as through the Merino Lifetime Productivity project and our funding to combat wild dogs and rabbits. We also continue to encourage grower practice change to improve profitability, through programs such as Lifetime Ewe Management and our state-based grower extension networks.

I have always been adamant to provide my commitment to you that this company – your company – will continue to operate for the benefit of woolgrowers. I have dedicated my life to this great industry of ours, and I once again assure you that AWI will continue to be driven by woolgrowers, delivering for woolgrowers.

Wal Merriman  
Chairman, Australian Wool Innovation  
1 September 2017

# CEO'S REPORT



The 2016/17 year was the first year covered by the three-year 2016/19 AWI Strategic Plan, and I am pleased to report to woolgrowers that the company this year made significant progress in its endeavours to achieve the targets in the Plan.

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

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

As per the voting at the 2015 WoolPoll, we stated in the Strategic Plan that AWI would invest 60% in marketing and 40% in R&D, and I am happy to announce that our investments in the first year covered by the new Plan resulted in almost exactly that ratio, specifically a 61% and 39% split.

I said in my report last year that my aim going forward was to ensure that the EMI is sustained in the short-term above 1,200c/kg and increases even further in the future. So I am delighted that in 2016/17 we have achieved an average price of more than 1,400c/kg which has been financially rewarding for many woolgrowers. We hope that these prices can be sustained over the long-term to reward the hard work and loyalty that growers have demonstrated to the fibre. Importantly the gross value of production has lifted from \$1.9 billion in 2009/10 to \$3.3 billion in 2016/17 and, with prices in this range, \$3.5 billion in 2017/18.

I believe the strong prices are due to a consistent and steady long-term shift in consumer sentiment towards the fibre and appreciation for its premium natural qualities.

## Marketing

Our Marketing portfolio has partnered with many world-renowned brands and invested in targeted campaigns – through both traditional and digital channels – to help create demand for Australian wool amongst consumers in key markets across the world, and thereby increase returns to woolgrowers.

This has been undertaken during 2016/17 under the new management structure introduced in March 2016 overseeing our international offices – with two new General Manager roles regionally segmented into the Western Hemisphere and Eastern Hemisphere.

As well as our menswear and womenswear fashion programs, a key part of AWI's marketing strategy is to place a large focus on increasing Merino wool's presence in the sports and outdoor market. We have been increasingly collaborating with leading manufacturers and brands in these sectors to promote the natural benefits of wool as a performance fibre, and we shall continue to do so because there is still further significant potential for the fibre in these sectors and also in the increasing market for 'athleisure'.

Australian wool has a wonderful and authentic story to tell, so it is pleasing and not surprising that the source of Australian wool and the stories of the woolgrowers that grow the fibre are increasingly being used by industry partners in their marketing to consumers.

The interest in the International Woolmark Prize from fashion communities and media globally continues to be phenomenal which is important to help increase the global demand for Australian wool. It is helping put wool back on the agendas of fashion designers across the world, and consequently into retail stores for consumers to purchase.

The Campaign for Wool, which aims to raise awareness about the unique, natural, renewable and biodegradable benefits offered by the fibre, has continued to reconnect consumers with its myriad uses – from luxurious fine Merino wool apparel through to beautiful hardwearing interior products for the home.

## Research and Development

Investment by AWI in on-farm R&D has continued to deliver a range of targeted tools, skills and knowledge to help woolgrowers improve their on-farm productivity and profitability.

For example, Lifetime Ewe Management training has been extensively funded by AWI to help increase producers' understanding of the influence of ewe nutrition and management on overall reproduction rates and lamb and ewe survival. The Merino Lifetime Productivity is a major project that aims to increase the understanding of the genetics, and economic interactions, of a diverse range of Merino types delivering high quality wool, lambs and meat through life. In the area of wild dog control, the total number of current and past control groups supported by AWI has risen to 160, comprising 43 current groups.

For 12 years now AWI has increased the investment in projects to identify a practical and effective alternative to mulesing. AWI is the only company globally doing any work in this important space and we remain committed completely.

In the off-farm R&D area, published research funded by AWI has demonstrated that wearing superfine Merino wool next to the skin is therapeutic for those suffering from eczema. This adds to a growing number of research findings supporting the health and wellbeing benefits of wool products.

Overall in 2016/17, AWI invested \$71 million in 398 projects with 140 partners. I am very proud of the progress that AWI has made during the year and I am confident that we can build on these gains into the future.

Stuart McCullough  
CEO, Australian Wool Innovation  
1 September 2017

# MARKETING

## OBJECTIVE

To help increase demand for Australian wool.

## OUTCOMES

- New and sustainable demand for Australian wool.
- Australian Merino wool positioned as the premium fibre for luxury apparel and sportswear.
- Enhanced consumer awareness of the benefits of Australian wool as a fibre of choice in apparel wear.
- AWI/The Woolmark Company is a well-respected and sought-after co-marketing partner with brands and retailers.

## STRATEGIES

<p>FASHION</p>	<p>Develop and implement co-marketing campaigns in Fashion, targeting Menswear and Womenswear that builds demand in key consumer markets for fashion apparel where the ingredient is Australian Merino wool. Support this program with AWI marketing services that help deliver value to partner brands, maximise AWI cost-efficiency and maintain a cutting edge digital infrastructure.</p>	<p><b>PROGRAMS:</b></p> <ul style="list-style-type: none"> <li>• Menswear</li> <li>• Womenswear</li> </ul>
<p>SPORTSWEAR</p>	<p>Take advantage of the explosive growth in demand for sportswear and activewear, and in particular the opportunity for wool as a technical fibre to meet increasingly demanding consumer needs for comfort and performance. We will target running, outdoor activities and the emerging 'athleisure' markets and work with major brands to introduce wool to new categories of demand.</p>	
<p>GLOBAL CAMPAIGNS</p>	<p>Implement global campaigns, utilising all consumer-relevant communications channels and tools, in the apparel market. These will consist of the International Woolmark Prize and the Campaign for Wool and we will continue to build on the past success of these programs.</p>	<p><b>PROGRAMS:</b></p> <ul style="list-style-type: none"> <li>• International Woolmark Prize</li> <li>• The Campaign for Wool</li> </ul>

# FASHION

## STRATEGY EXPENDITURE DURING 2016/17

\$7,255,000 project expenditure

### MENSWEAR AND WOMENSWEAR

#### INVESTMENT FOCUS

##### Co-branded Partnerships

It is important to promote Merino wool through the most renowned and credible brands. The selection of these partners is done in order to have only the most suitable in terms of positioning, broader market influence and sales volume. Co-branded partnerships would include advertising featuring the Woolmark logo or other AWI assets, in-store activations and a global PR and digital campaign supported by both the partner brand and The Woolmark Company.

##### TWC-originated Projects

Projects which are initiated and originated through our internal network will aim to drive brand awareness, inform and educate the consumer by highlighting a

consistent and globally recognisable image for the company, reinforcing the benefits of wool and highlighting the fibre's environmental benefits in a world which is being consumed by fast fashion.

##### Brand Positioning

Projects undertaken purely to raise the profile of wool and the Woolmark brand will be undertaken in key regions to ensure the messaging is reaching target audiences from trade through to consumers. As the global authority on wool, The Woolmark Company's presence at industry events such as trade fairs and fashion events is essential for networking purposes and to reinforce brand credibility.

#### MENSWEAR STRATEGIC TARGETS

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
1. 2.5 million kgs of new demand over this strategic period.	On target.
2. 6 new global partnerships.	On target.

#### WOMENSWEAR STRATEGIC TARGETS

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
1. 2.0 million kgs of new demand over this strategic period.	On target.
2. 6 new global partnerships.	On target.

#### KEY RESULTS DURING 2016/17

##### Western hemisphere

- AWI partnered with **Tommy Hilfiger** for its latest THFLEX campaign as part of the high-end brand's Tailored Collection for Spring/Summer 2017 - with tennis ace Rafael Nadal as the face of the collection. The campaign took suiting to innovative new heights, unveiling three lightweight, high-performance, Woolmark-certified suits crafted from Australian wool. Tommy Hilfiger is one of the world's most recognised premium designer lifestyle groups, with an extensive distribution network in more than 115 countries and more than 1,600 retail stores throughout North America, Europe, Latin America and the Asia Pacific region.
- Leading American fashion designer **Jason Wu** presented lightweight Merino wool in his collection at New York Fashion Week Spring/Summer 2017. Wu's collection of wool pieces not only demonstrated his innate ability to dress a woman, but more importantly highlighted the trans-seasonal properties of Merino wool in luxury fashion. Wu's collection marks a close relationship with AWI, which started when he presented his unique take on wool for his Autumn/Winter 2016 collection.



Tennis ace Rafael Nadal was the face of Tommy Hilfiger's lightweight wool suit campaign with AWI.



During the northern hemisphere winter 2016/17 season, leading UK retailer and Woolmark licensee Marks & Spencer stocked more than three million wool products.

- As the largest UK retailer of wool products, **Marks & Spencer** is a key brand with which AWI works collaboratively to help promote wool products. This continued during the 2016/17 northern hemisphere autumn/winter season, with M&S introducing a new marketing campaign in October titled 'The New Wool Edit', across print, digital and social media platforms. The campaign was run in 70 M&S stores across the UK at almost no cost to AWI other than both product and Woolmark ticket and labelling advice, with the Woolmark logo front and centre in its store windows and across its stores.
- AWI partnered with renowned fashion designer **Raf Simons**, with Australian Merino wool looks sent down the runway at his Autumn/Winter 2017 show during New York Fashion Week Men's in February. Simons is one of the world's most celebrated fashion designers, with *Vogue* citing him as "the most exciting, the most innovative and ultimately the most important designer working in menswear today". By aligning the Woolmark brand with one of the world's most respected designers, AWI continues to elevate the Woolmark brand's positioning in the luxury market.
- AWI helped support the marketing of outerwear by **Woolrich John Rich & Bros** that uses Loro Piana's 100% Merino wool Storm System® fabric. Storm System® consists of a double barrier: the water-repellent Rain System®, and the exclusive hydrophilic membrane that is resistant to water, windproof and allows the skin to breathe. With support from AWI, Woolrich John Rich & Bros undertook an advertising campaign in high-profile magazines, a digital campaign and dedicated store windows to promote this product across the world.
- **Z Zegna** unveiled its TECHMERINO™ Spring/Summer 2018 collection, in collaboration with AWI, at the Pitti Uomo trade show in Florence in June. TECHMERINO™ is a fusion of the best attributes of Merino wool with the most sophisticated wool processing and finishing techniques. The result is a breathable waterproof fabric that adapts to the ambient temperature and is quick drying. The collection will be available globally from February 2018 during which the shop windows of 120 Zegna flagship stores will be set up to highlight the exclusive features of Merino wool.

- A three-day media tour to some of the finest mills of Biella in Italy, by Dutch suiting brand **Suitsupply** and supported by AWI, highlighted wool as the ultimate ingredient for premium apparel. The tour was supported by AWI to increase the media's appreciation of Australian Merino wool and help increase consumer demand for the fibre. Media from *GQ Korea* and *GQ USA*, *Esquire*, *Men's Health* and *New York Observer* were just a handful of those in attendance, each treated to a behind-the-scenes look at Vitale Barberis Canonico and Reda.
- AWI and leading Italian childrenswear brand **Il Gufo** continued their healthy partnership that started in 2012. Il Gufo's Autumn/Winter 2016/17 knitwear collection comprised more than 50 garments (jumpers, dresses and cardigans), 70% of which are made with a 100% Merino extra fine yarn, produced by top Biella-based company LANECARDATE. The common goal of AWI and Il Gufo is to raise awareness of the use of Merino wool as the fibre of choice for children and babies.
- Laundry appliance manufacturer **AEG** launched a call to action for consumers to learn how to care for wool garments and change the misconception that these garments cannot be washed and dried in a machine. Part of the Electrolux Group, AEG is also spreading the word on more sustainable clothing care habits through its Care Label Project, along with key partners from the fashion industry, including AWI.
- **Max Mara** and AWI together developed an innovative Wool Denim line for Max Mara's wool-rich Autumn/Winter 2017 collection, celebrating the unique qualities of Australian Merino wool. Max Mara has utilised innovative 100% Wool Denim fabrics that replicate the look and style of traditional denim – retaining the traditional 3/1 weave – but have added benefits thanks to the natural qualities of Merino wool, including increased softness, warmth and resistance to wrinkles.



AWI this year elevated its relationship with leading Italian fashion business Max Mara. Pictured are AWI consultant Fabrizio Servente with Max Mara Fashion Director Laura Lusuardi and Chairman Ignazio Maramotti.

### Eastern hemisphere

- Chinese fashion label **Comme Moi** – headed up by International Woolmark Prize judge and former supermodel Lu Yan – launched its Autumn/Winter 2016 collection, including a five-piece sub-collection developed alongside AWI. The China Rouge collection was stocked at retailers including Lane Crawford and Dong Liang as well as Comme Moi's own stores. The collection includes a sleeveless dress, long skirt, tailored trousers, a pea coat and high-neck sweater.
- A delegation comprising influential Chinese menswear fashion designers, media, retailers and brands – in support of the AWI's **Woolmark Gold campaign** – visited a leading Australian wool-growing property, spent time with key AWI staff, and met with various fashion, design and retail interests. The Woolmark Gold campaign continues to position Australian Merino wool as the prestigious fibre of choice in the rapidly growing Chinese domestic market for luxury apparel. The 15 delegates were keen to experience the origin of Australian wool and learn about the versatility of Australian Merino wool.
- AWI collaborated with three luxury Chinese menswear labels to unveil the latest **Woolmark Gold collection**, under the theme The Gentleman's Guild. The Spring/Summer 2018 menswear collection brought together tailoring labels Beautyberry, TRANDS and UPPER. Each piece in the collection was made with premium Woolmark Gold fabrics and will be commercially available from late-2017.
- AWI, in collaboration with *T Magazine* China, created a striking new campaign, called **Her Era, Her Power**, to promote the naturally inspiring benefits of Merino wool to Chinese female consumers. Enlisting the help of some of China's most inspiring women – Olympic gymnast Liu Xuan, supermodel Pei Bei and actress Chen Ran – the campaign showcased the standout wool looks from the autumn/winter 2016 collections of 10 Chinese brands and designers. The campaign demonstrated the versatility of Australian-grown Merino wool and its natural properties – its technical brilliance, multi-faceted application, and luxuriousness – as worn by the leading women in their respective fields in the China region.

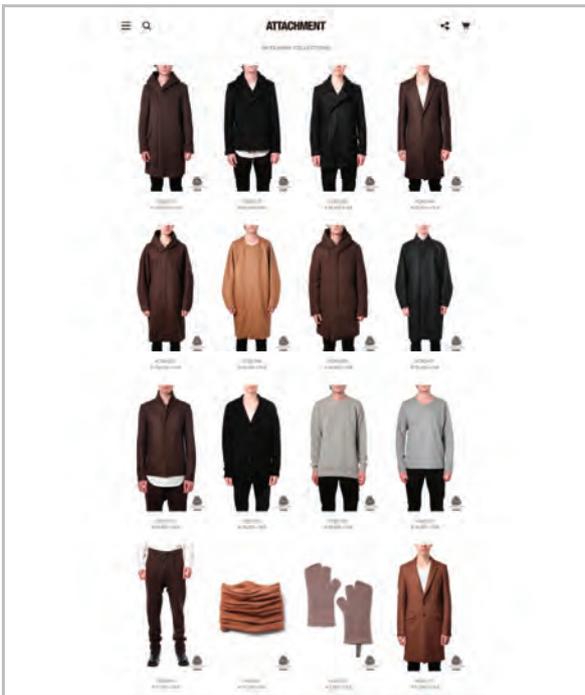


Chinese supermodel Pei Bei, actress Chen Ran and Olympic gymnast Liu Xuan with host Linda Li at the 'Her Era, Her Power' launch in Beijing, which promoted the benefits of Merino wool to Chinese female consumers.



Korean merchandising representatives from Rogatis and Lotte learning about Merino wool in Tasmania – which resulted in a men's suit retail promotion across 27 Lotte department stores in South Korea 2016/17.

- A retail campaign – promoting suits made from Tasmanian Merino wool – by Korean men's suiting brand **Rogatis** and the **Lotte** department store ran September through to December 2016 at 27 Lotte branches across South Korea, with support from AWI. Alongside the suiting in the stores, there was point-of-sale collateral and video, produced by the AWI videography team and Roberts Ltd, that showcased the natural benefits of Merino wool. There was also social media and online PR activities to boost market awareness of the Merino wool suits. Following the completion of this consumer promotion for the autumn/winter season, the brands subsequently launched a Cool Wool campaign from April 2017.
- Six influential Chinese designers collaborated to produce Cool Wool collections, which were available to buy from multi-brand concept store Dongliang in early-2017. The **Cool Wool** collaboration aimed to highlight the trans-seasonal and lightweight properties of Merino wool and extend the retail season for wool apparel into spring and summer, thereby increasing the demand for Australian Merino wool. The designers each created their own unique interpretations of Cool Wool fabrics, ranging from 17.5 microns to 21.5 microns.
- Many items of wool clothing can be machine washed and tumble dried – a fact showcased to Chinese media at an **Apparel Care event** in Shanghai organised by AWI. The most up-to-date innovations were showcased to media and guests, along with information on machine-washable wool. Partnering with whitegood manufacturer and Woolmark Apparel Care partner Haier, the event showed key media representatives just how easy it is to wash wool in domestic washing machines.
- AWI undertook a marketing campaign titled **Grown in Australia, Made in India** that highlighted to Indian consumers the origins of Australian Merino wool and also the craftsmanship of the artisans in India that use the fibre. The campaign brought together a number of Indian fashion designers, each creating wool-rich collections to be commercialised by major retailers. The campaign also brought together industry insiders and high-profile media publications at a one-day wool seminar, in partnership with India Fashion Forum, with Honourable Textile Minister Smt. Smriti Irani, Australian Deputy High Commissioner Mr Chris Elstoft and India's leading retailers and manufacturers in attendance.



Japanese menswear label Attachment released a 24-piece Merino wool collection, also available online.

- AWI partnered with Japanese menswear label **Attachment** to create a wool collection on sale throughout Attachment's stores and stockists across Japan, and online shop. Attachment's capsule collection comprised 24 pieces in a variety of colours, including thick wool melton coats, a specialty of the label, as well as wool flannel pants and knitwear, all showcasing the beautiful texture of Merino wool.
- In partnership with **GQ Japan**, AWI visited the studios of six renowned Japanese menswear designers as part of a web series titled 'Wool and Japanese Designers'. The six-part series interviewed each of the leading fashion designers, with **GQ Japan's** website hosting a different interview each month. The exclusive interviews, conducted by **GQ Japan** editor-in-chief Masafumi Suzuki, highlighted the designers' passion for wool and how wool is incorporated into their designs.
- **Nano Universe**, one of the largest Japanese retailer brands, ran a large-scale men's knitwear campaign in collaboration with AWI. Taking place throughout 50 stores across Japan during September and October, the campaign focused on Woolmark-certified, 100% Australian Merino wool items of 16.2 micron. 21,000 pieces were for sale, available in four styles and six colours. Famed Japanese actor **Tori Matsuzaka** fronted the campaign, driving the message of luxury and comfort.
- During February, a group of nine representatives from Japanese retailers **Aoyama**, **Aoki**, **Haruyama**, **Konaka** and **Futata** received a whole-of-pipeline education about the Australian wool industry and the virtues of the fibre. This annual education program has been led by the **All Japan SiroSet Processors Cooperative Association** for the past 16 years. The SiroSet process, which was developed by CSIRO in the late 1950s and is still widely used in the industry, enables the permanent creasing and pleating of wool fabrics.

## Australia

- AWI continued its relationship with International Woolmark Prize alumni designer **Dion Lee**, supporting the development of his latest line by providing supply chain and sourcing assistance for production channels. Crafted from 100% Australian Merino wool, the womenswear capsule collection comprised the architectural qualities for which Dion Lee's brand is well known. Offering a modern wardrobe for the professional woman, the new line took traditional tailoring of Merino wool to the next level.
- Using Merino wool for the first time, Bondi fashion brand **Ten Pieces** showcased its fifth instalment of wardrobe essentials at Mercedes-Benz Fashion Week Australia in Sydney in May. Collaborating with AWI, the design duo created a Merino wool jersey collection with knitted Cashwool® pieces. Through working with AWI, Ten Pieces connected with one of the world's most important spinners, **Zegna Baruffa Lane Borgosesia**.
- To help educate a new generation of Australian consumers about the benefits of wearing **Merino wool in summer**, AWI created a 20-page notebook for its key suit suppliers in Australia explaining why wool is the ultimate fibre for warmer climates. As well as highlighting the benefits of wearing wool, this point-of-sale collateral is also full of helpful tips such as how to clean a wool suit and how to look good while travelling.
- **Country Road's** Winter 2017 collection featured garments crafted with Woolmark-certified Australian Merino wool. The brand's campaign leveraged the farm to fashion story by highlighting three of the many people who work to produce wool: a woolgrower, a shepherd and a shearer. The provenance of Australian wool continuing to be of great relevance to many brands, retailers and consumers.
- High profile Channel 7 sports presenter **Hamish McLachlan** featured in a **Fibre of Football** video produced in-house by AWI. The video aired on the Channel 7 Game Day program hosted by Hamish and joins a long line of Fibre of Football videos that have been seen on Channel 7. Similar background videos featuring AFL champions **Nat Fyfe**, **Luke Breust** and **Bernie Vince** have all been shown on Channel 7. Meanwhile, AWI's Fibre of Football campaign enjoyed another stellar year with sales of men's and women's woollen jumpers, scarves, beanies and gloves exceeding expectations.



Hamish McLachlan and father Angus on the family farm at Mount Pleasant, South Australia, featured in a Fibre of Football video produced by AWI.

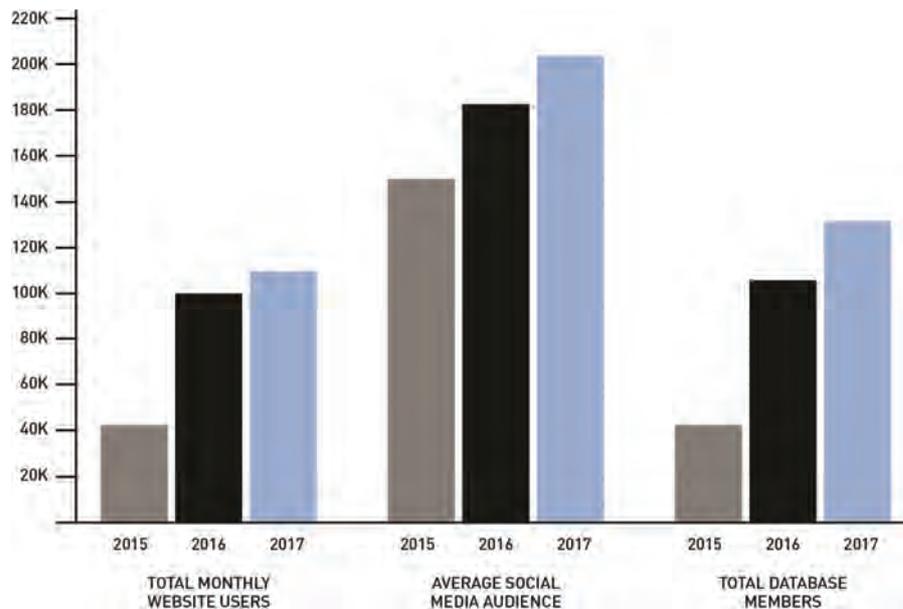
### Digital communications

- AWI continued to enhance its online communications to consumers, designers, the textile trade and woolgrowers – via web (Merino.com, Woolmark.com and Wool.com, plus websites for specific marketing projects, such as Woolmarkprize.com and Wool4school.com), social media and e-newsletters. **Audiences across web and social media as well as database numbers have grown** for the third year in a row – see graph opposite.
- AWI has begun a project to **relaunch its Woolmark.com website** to better reflect the overall business, reflecting developments in innovation, communications and marketing. This new website will form the centre piece of AWI's digital eco-system and provide personalised content for a range of business stakeholders.
- **China, Japan and Korea** will have new web platforms delivered that account for local variations in digital best practice (ie local search engine requirements) and language. These will initially provide a content marketing tool for AWI to build our audiences in these key markets to help support the local AWI offices.
- AWI is **rebuilding its back-end systems** to both simplify and future proof its digital ecosystem, ensuring it is able to remain agile to change as the market dictates in the future. This has also identified significant cost savings that AWI can now deploy on a project by project basis.
- AWI is **implementing best digital practice** across the business, including the deployment of Artificial Intelligence, virtual reality, apps and technical innovation. These innovations have led to direct partnerships with a variety of leading brands as well as an increased perception of AWI's capabilities within this field, making us a more inviting partner to potential collaborators.

*Note: For further information, see the Digital Services program report on page 51.*

### Content and editorial

- AWI regularly **produced engaging content for its Merino.com and Woolmark.com websites** about the latest in wool fashion, textiles, trends and products – and the benefits of wool – so that consumers are inspired to discover and enjoy its unique properties. The **WOOL e-newsletter** was also produced and distributed monthly to consumers and the textile trade.
- The **WOOL magazine** for consumers, one of AWI's primary communication tools, continued in 2016/17. Six editions were produced during the year including one on interiors and one previewing the International Woolmark Prize 2016/17 finalists. The magazine was available hard copy, with the articles also available online. Through its inspiring shoots, interviews, profiles, video and practical guides, it showcases the benefits and qualities of Australian



*AWI digital audience users growth during the past three years.*

Merino wool in a high-end fashion and lifestyle context. WOOL is being renewed in 2017/18 as a larger-format, biannual publication. The edition for autumn/winter 2017/18, was released in September 2017 in English and Japanese language variants.

- AWI engaged a professional media monitoring service so that the company could review and track that it was achieving the optimal level and targeting for its PR activities. **Total editorial value** for 2016/17 was \$80.2 million.
- Various communications were sent to woolgrowers – see page 37 for further information.

### Graphic design, video production and imagery

- AWI has in-house graphic design and video production resources to produce content and collateral. The utilisation of these in-house resources has provided **considerable cost savings** to the business. It has also provided a more efficient workflow, reduced turnaround, and more consistent and effective output.
- During the 2016/17 financial year, AWI's in-house **Graphic Design team completed more than 517 jobs** including brochures, flyers, factsheets, magazines, info-graphics, corporate plans, posters/billboards, promotional items, press ads, training manuals, trade-stand design and many other forms of printed and digital collateral. Of these jobs, many marketing and off-farm R&D related jobs were also translated in up to 16 different languages for our global audience.
- AWI's in-house **Video Production team produced more than 90 videos** in relation to marketing, covering our major campaigns and global brand partnerships, and on-farm and off-farm R&D and extension. AWI has also produced video content for brands and media networks globally to use in their own advertising campaigns.
- AWI undertook **photoshoots** to provide a continuous supply of new rights-owned images for use in its marketing collateral and also by trade and supply chain partners, brands, retailers and the media.

## SPORTSWEAR

### STRATEGY EXPENDITURE DURING 2016/17

\$2,438,000 project expenditure

### INVESTMENT FOCUS

#### Consumer Focus

Through co-marketing and endorsement with key global influencers in the form of commercial partners, celebrities, successful teams and authoritative sports entities, AWI will define and create co-marketing opportunities to showcase Australian Merino wool and its diverse benefits in high energy sports.

#### Communication Channels

Our marketing activity, combined with this type of partnership, will necessitate engagement using the widest variety of communication channels. Specifically advertising, PR/editorial, events, online, social and instore. In most cases these channels will consist of both AWI and partner opportunities.

#### Partner Engagement

Collaborating with genuine “Run” sports brands/retailers, AWI will focus on “high intensity” activities where wool is put to test with potential partners such as Nike, Adidas, Ashmei, Asics, Rapha, Pearl Izumi. Our key “Outdoor” sportswear partners include Adidas, HellyHansen, Musto, The North Face, Cutter & Buck, Fjallraven, Millet, and Nike. In the emerging “Athleisure” area our key partners would range from premium fashion entrants like Zegna/Zegna Sport, Burberry; volume sport/leisure brands such as Adidas, Lacoste; through “Commuter” Apparel brands like Rapha and Yoga brands like Lululemon. Partnerships with other fibre manufacturers will be explored.

### STRATEGIC TARGETS

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
1. 20 new partners working with AWI.	On target.
2. 2 million kgs new demand for Australian wool over this Strategic period.	On target.

### KEY RESULTS DURING 2016/17

- At **sports and outdoor trade shows** attended by AWI, including ISPO in Munich and Outdoor Retailer in Salt Lake City, AWI continued to promote wool's presence in the sports and outdoor market, collaborating with leading apparel manufacturers and brands. The number of products incorporating Merino wool across a variety of sports of varying intensity levels continues to increase at these shows. A majority of the world's leading outdoor brands now incorporate Merino wool innovations in their collections – and brands' designers and developers have continually **sought AWI's advice and assistance** in incorporating or extending their product ranges with Merino wool.
- Optim fabric** was promoted by AWI and has been incorporated by major sports/outdoor brands (eg Devold and Ibex) into their new collections. The fabric is constructed at very high levels of thread density in warp and weft using fine Merino wool yarns. After optimising the spinning, weaving and finishing processes, the fabrics have enhanced water and wind resistant properties (while retaining all Merino wool's fine properties such as breathability) and are also machine washable, without any chemical treatments. The fabric was developed by the Wool Development Centre (WDC) which was set up in Shandong Province, China, in 2013 by AWI along with one of China's leading woollen textile enterprises, The Nanshan Group. The fabric was used in the **Woolmark Optim WR jacket** that was sold at a discount price to Australian wool levy payers this year so they could experience the benefits of Merino wool in an innovative way.



Norwegian outdoor brand and Woolmark licensee Devold won a 2017 ISPO award for its Trollkyrkja jacket made from 100% Merino wool Optim fabric.



The adidas half-zip (left) and dip dye (right) Primeknit T-shirts were the result of a three-way collaboration between adidas, AWI and manufacturer Stoll.

- Global sportswear brand **adidas** continued to build its wool product listing, launching two new wool blend items available both in Australia and across the world. The half-zip and the dip dye Primeknit T-shirts were the result of the three-way collaboration between adidas, AWI and manufacturer Stoll. The new wool blend Primeknit T-shirts complement adidas' other Merino apparel and the wool edition of its Ultra BOOST sneaker, which uses similar innovative knitwear technologies to offer athletes their best run ever.
- Following last year's successful marketing campaign at the Italian Open tennis tournament, **iconic Italian sports brand 'Australian'** was once again the technical sponsor of the 2017 tournament in May, showcasing a collection of wool sports apparel in conjunction with AWI. The two companies developed a wool blend T-shirt, made from innovative new Wool Tek fabric. The T-shirt is part of a larger wool collection developed by Australian, including 100% Merino wool polo shirts and T-shirts, and a wool blend jumper and jacket.
- Merino wool in sportswear and athleisure apparel was promoted in **India** by AWI with the help of renowned Indian actor Shравan Reddy. An exciting new digital campaign was undertaken, including conversations using the hashtag #DareShравanTo in which fans had the opportunity to dare the actor to perform a series of fitness challenges - which were filmed and uploaded to social media site Instagram - all while dressed top-to-toe in commercially available Merino wool activewear.
- After successfully launching Merino wool into its Spring/Summer 2014 collection, Australian activewear brand **JAGGAD** has continued to work alongside AWI for fabric development to remain at the forefront of innovation. JAGGAD's Autumn/Winter 2017 collection included 14 wool-rich styles for both men and women, including high-performance singlets, short- and long-sleeved T-shirts, and dance shorts.
- In April 2017, to coincide with the launch of its Spring/Summer 2017 range of Merino wool base-, mid- and outer-layers, German mountainwear company and Woolmark licensee **ORTOVOX** started using new marketing material - including videos and imagery - that showcases the sheep, the farms and the Tasmanian woolgrowers behind the fibre it uses. The company sells its products in more than 1,750 stores across Europe, North America and Japan.
- In a new partnership with leading snowboarding brand **Burton**, AWI sponsored this year's annual Burton US Open Snowboarding Championships - one of the world's most prestigious snowboard tournaments - held in Vail, Colorado, in March. This gave riders and spectators the opportunity to preview an upcoming collection of 100% Australian Merino wool base-layers, shirts, bottoms and accessories co-developed with Burton. The apparel is due to hit the stores in October 2017, just in time for the northern hemisphere's ski season.
- In collaboration with AWI, fashion bible **Vogue Italia** dedicated two pages to Merino wool and activewear in its August 2016 edition, showcasing a selection of premium performance brands working with wool - including adidas, Bandavej, Aeance, Woolrich, New Balance, Helly Hansen, Reda Rewoolution, Odlo and Rossignol. As activewear gains pace in the world of high-end fashion, more and more traditional sports brands are turning to premium fibres, such as wool, to add a touch of luxury to their performance apparel.
- In an initiative to increase the demand for Australian Merino wool in China's premium sportswear market, AWI supported the inclusion of Australian Merino wool apparel in a 12-page feature by **GQ China**. Under the title 'The City is My Gym', in the magazine's April 2017 edition, activewear is featured in the outdoor urban environment of Melbourne, with four images featuring Merino wool apparel seeing the models skateboarding, cycling, running and doing yoga.
- Some of the UK's greatest sports stars were photographed in their favourite Merino wool training attire for the January 2017 issue of **British GQ** magazine, in an initiative by AWI to help increase demand for Australian Merino wool in the country's premium sportswear market. In the exclusive promotion, **British GQ** paid tribute to some of the UK's most exciting talents of today - including four-time Tour de France winner Chris Froome and legendary England cricketer James Anderson - modelling the finest in Merino wool athletic attire.



Four-times Tour de France winner Chris Froome wearing Merino wool apparel (by Rapha) as part of a British GQ magazine feature promoting Merino wool in sportswear, supported by AWI.

## GLOBAL CAMPAIGNS

### STRATEGY EXPENDITURE DURING 2016/17

\$6,095,000 project expenditure

### INTERNATIONAL WOOLMARK PRIZE

#### INVESTMENT FOCUS

##### Alumnus

Partnerships with influential industry experts in marketing, retail and business to offer independent advice to alumni and specifically winners on how they can maximise their relationship with TWC and the fibre.

##### Events / Content

Create inspiring events that tell the story of the fibre in a unique way and encourage top level media

attendance and content opportunities for continued editorial and social media coverage.

##### Retail / Commercialisation

Support for international retail launch activities including, events, merchandising and designer appearances for maximum engagement with VIP shoppers, media and staff to promote the benefits of the fibre.

#### STRATEGIC TARGETS

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
1. An additional 3.5 million kgs in new demand by 2019.	<b>On target.</b> A survey will be undertaken in March 2018 to clarify figures.
2. Grow the Alumni database by 60 new designers annually.	<b>Achieved and exceeded for 2016/17.</b> 72 new designers have been added to the Alumni database for 2016/17.
3. Grow media awareness and editorial coverage by \$10 million.	<b>In progress.</b> Editorial value for 2016/17 (\$28 million) was less than the previous year. This was due to the reduced number of events (one final event now covers both the menswear and womenswear awards) and reduced media engagement at regional awards level. However editorial coverage is still strong and many traditional articles/channels have been replaced with increased social media engagement on social media platforms, which is a common trend in social/fashion coverage. Social media engagement is up by 165% on last year.
4. Grow the retailer partner network by 3 new retailers from a base of 11.	<b>Achieved and exceeded.</b> New retailers are Lane Crawford, China; Hudson's Bay, Canada; ssense.com, global online retailer; Harvey Nichols (for menswear), UK; De Bijenkorf, Netherlands.

#### KEY RESULTS DURING 2016/17

- To achieve its mission of **increasing the global demand for Australian wool**, it is vital for AWI to reinforce the presence of Australian Merino wool in the international fashion industry. In 2016/17, the International Woolmark Prize continued to be the 'jewel' in AWI's fashion promotion activities. It is designed to generate long-term incremental demand by connecting emerging designers, emerging markets and consumers. New demand comes from the creation of increased knowledge of and lifetime loyalty to wool amongst designers, along with the immediate presence of Woolmark-branded Merino wool collections in the top boutiques and retailers across the globe.
- The **regional finals for the 2016/17 competition** were held following a global search, reaching across 62 countries (an increase of 36 countries) and involving 78 emerging designers (47 womenswear, 31 menswear) nominated by fashion industry bodies in their respective regions. For the 2016/17 competition, six regional finals were held covering Asia; Australia & New Zealand; British Isles; Europe; India, Pakistan & Middle East; and the USA.



Victoria Beckham, Fashion Designer; Dame Natalie Massenet DBE, Chair of British Fashion Council; Miroslava Duma, CEO and founder of Fashion Tech Labs and Buro 24/7 look on attentively during judging of the 2016/17 womenswear final.



2016/17 menswear competition winners Ben Cottrell (far left) and Matthew Dainty (far right) of British label COTTWEILER with models.



2016/17 womenswear competition winner Gabriela Hearst (second left) of the USA with models.

- For the first time, the womenswear and menswear finals were held together at the one event, staged in January against the backdrop of the Eiffel Tower at Paris' Palais de Tokyo. The return of the International Woolmark Prize to Paris saluted the original awards, initiated by the International Wool Secretariat in 1953.
- **COTTWEILER from Britain was the winner of the menswear competition** for 2016/17. The winning collection comprises sheer Merino wool base-layers, windproof mid-layers and quilted waterproof outerwear, with wool-blend fabrics ranging from 18.5 microns through to 19.5 microns, and recycled wool scraps used for insulation.
- **Gabriela Hearst from the USA won the womenswear award** for 2016/17 and was praised for her technical innovation and quality craftsmanship. Born in Uruguay, the New York-based designer grew up on a sheep farm and believes in the traditional values of quality. Using ultrafine 14.5 micron Merino wool for luxurious knitwear, through to 21.5 micron wool to create a wool-velvet fabrication, Hearst's clean cuts and precision offers a collection set to stand the test of time. It incorporated sleek silhouettes with updates on trench coats, pleats and an evening dress teamed with the more utilitarian baseball jacket with adjoining scarf, one-piece long johns, reversible puffer vest and cycling trousers.
- **Editorial value for 2016/17 was \$28 million.** Although less than last year, it is still strong and many traditional articles/channels have been

replaced with **increased social media engagement** on social media platforms. The International Woolmark Prize social media campaign reached more than 129 million people across Facebook, Instagram, Twitter and YouTube. On Facebook alone, 114,000 people were driven to Woolmarkprize.com and Merino.com, and the content reached a peak of 3.3 million unique people. The impact of industry influencers such as Victoria Beckham, *Vogue* and department store Bergdorf Goodman were notably felt on Twitter, with the most influential #woolmarkprize post reaching 12.5 million people, whilst on Instagram overall reach of #woolmarkprize content across Instagram grew by a massive 165% compared to last year.

- As well as winning prize money to help support the development of their businesses, both COTTWEILER and Gabriela Hearst also received **ongoing industry mentor support**, Woolmark certification for their winning collections and the **opportunity to be stocked in some of the world's most prestigious department stores and boutiques**. These include Boutique 1, Boon the Shop, David Jones, Harvey Nichols, Hudson's Bay Company, Isetan, Lane Crawford, LECLAIREUR, mytheresa.com, The Papillon and ssense.com. All finalists' collections will also become available for wholesale purchase via Ordre.com.
- At the trade level, the competition in 2016/17 attracted a **high calibre of supporters from nominating bodies** including the British Fashion Council and the Council of Fashion Designers of America, as well as retailers. The Trade Partnership Program continued in 2016/17 to connect promising designers with the best spinners and weavers specialising in wool.
- At the jury level, there was engagement with an **alumnus of the world's leading influencers of fashion**, such as designer Victoria Beckham and maverick founder of *Dazed Media*, Jefferson Hack – who were judges in 2016/17 – and who donate their time at no cost and all of whom not only have a shared and stated interest in the development of new talent and new markets, but also help attract enormous media attention worldwide to expose the innovative nature and versatility of Australian wool.
- For next year's International Woolmark Prize competition, AWI is enhancing the structure of the competition, reinforcing its commitment to supporting emerging design talent. A **newly introduced Innovation Award** has been created, commencing in 2017/18, to celebrate outstanding creative and innovative fabric or yarn development in wool. The new award aims to inspire the designer finalists to be more experimental when developing fabric or yarn for their final collections, and shines a spotlight on the textile mills assisting in developing the innovative wool fabric and yarn.
- In another change to the International Woolmark Prize for 2017/18, each of the 65 global nominees that competed in the six regional events received \$2,000 to **assist in the development of their submission pieces**, ahead of the regional finals that were held in Sydney, London, Milan, New York, Seoul and Dubai in July 2017 and August 2017. Each regional menswear and womenswear winner received \$70,000 to go towards their final collection to be presented at the global finals event early next year.

- The International Woolmark Prize imbues the participating designers with **a long-term knowledge and love of wool that continues throughout their professional lives**, as shown in some their latest collections on show at fashion weeks across the world. For example:
  - British label **Teatum Jones**, which won the womenswear award at the 2015/16 final, presented its autumn/winter 2017/18 collection, which breaths freshness into knitwear, at London Fashion Week in February 2017.
  - In her first show, at New York Fashion Week in February 2017, since winning the womenswear award at the 2016/17 International Woolmark Prize, **Gabriela Hearst** further explored some of the ideas laid out in her winning collection.
  - Wool was again on show in **Dion Lee's** Autumn/Winter 2016/17 collection at New York Fashion Week in February 2017, and again here in Australia at Mercedes-Benz Fashion Week in May 2017. Dion won the Australian regional final of the International Woolmark Prize to represent the country in the 2012/13 final.



*Rob Jones and Catherine Teatum of the 2015/16 International Woolmark Prize winning label Teatum Jones with woolgrower Chris Clonan at 'Alfoxton' in Armidale, during their visit to Australia in October 2016 to launch their prize-winning collection at David Jones.*

## THE CAMPAIGN FOR WOOL

### INVESTMENT FOCUS

#### Events and Leverage

Run high impact events each year in key consumption countries.

#### Consumer Focus

Emphasis on younger demographic and education.

#### 'World Wide Wool'

Current Wool Week format change from physical (labour intensive and large financial input) to predominantly virtual via social/digital media.

#### Global Key Accounts

Retailer activation (Instagram competitions, etc).

### STRATEGIC TARGETS

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
1. Additional 1.0 million kgs of new demand.	<b>In progress.</b> A review of AWI's investment in the Campaign for Wool (CFW) program was initiated during the year to reassess the Strategic Plan target to ensure a clear benefit/return on investment to Australian woolgrowers. AWI-owned CFW activity in this strategic period has shifted from the previous pre-assigned budget and the expectation for regions to roll out Wool Weeks, to the current process of Country Managers/Project Managers applying for funding via AWI's internal 'contestable funds' process. This in turn, means that Country Managers/Project Managers now have a choice to determine whether an intended project/activity should come under CFW or not.

### KEY RESULTS DURING 2016/17

- Now in its seventh year, The Campaign for Wool continues to drive a new demand for wool on an international scale. The global initiative encourages manufacturers, retailers and designers of apparel and interiors products to live naturally and choose wool, and in turn educate consumers about the **fibre's unique, natural, renewable and biodegradable benefits**.
- An important part of the Campaign for Wool is the **promotion of wool of all microns**, including of a broader micron and crossbred wool. The campaign therefore continues to promote wool for the interior textiles sector – including bedding, carpets and furnishing – as well as the apparel sector.
- **Digital channels and social media** are an important medium through which to market the Campaign messages to consumers. AWI (through The Woolmark Company's digital channels) amplifies the Campaign's own digital messaging to an even larger audience.

- Wool Weeks** were held in four key consumer markets across the world to help promote wool as an alternative to synthetic fibres and increase sales of wool product. Highlights of countries that created their own program of Wool Week activities during their autumn/winter retail seasons included:
  - Australia:** Retailers threw their support behind Australia's seventh annual Wool Week, held in May 2017, with many having in-store events, window installations and online promotions. The campaign was joined for the second year running by shopping centre giant Westfield which aligned its own Winter 2017 fashion campaign with Wool Week to champion the natural fibre. Winter apparel from more than 30 retailers, all available to buy at Westfield shopping centres, were featured in the Westfield campaign including Wool Week partners: Bianca Spender, Country Road, Jeanswest, Kookai, M.J. Bale, R.M. Williams, Rodd & Gunn, Saba, Sportscraft, Cue and Trenerly.
  - United Kingdom:** The global Campaign for Wool marked its seventh successful year in the UK with its annual Wool Week held in October. More than 50 high street retailers, tailors and brands celebrated Wool Week through their Autumn collections, store displays and online channels. Promotional events and activities that took place during Wool Week in the UK included the launch of the first ever 'Wool BnB', where everything from interiors to fashion was made of wool. Other activities included the wool-takeover of Bicester Village, a luxury village-style shopping area near London; Europe's leading design destination Design Centre Chelsea Harbour showcased wool; and the first Campaign for Wool Hand Knitting Competition was held for students choosing a design and knit pathway at top UK universities.
  - Japan:** More than 60 high-end brands came together in the name of wool, celebrating Wool Week in Japan. Iconic department store Isetan was the main hub of activity, with its Shinjuku store strategically placing quirky wool-themed installations and point-of-sale displays throughout the seven floors of its two buildings. Mitsukoshi Ginza store, one of the oldest and most revered department stores in Japan, also hosted dedicated wool corners and installations, with visitors having a chance to experience life on an Australian farm thanks to 'virtual reality' headsets.
  - Germany:** As part of the Campaign for Wool, customers visiting the popular Ludwig Beck department store in the heart of Munich during October 2016 were treated to a 'farm to fashion' wool showcase – from a 'virtual reality' tour of an Australian sheep farm, to viewing a full variety of Merino wool apparel sold at the premium retailer. Not only promoting the Campaign for Wool, the month-long celebration also saw the launch of the new 'Ludwig Beck Munich collection'. This 10-piece knitwear collection, comprising v-neck, turtleneck and crew neck pullovers, a short-sleeve shirt and cardigans, is made from extrafine Australian Merino wool and is available in 12 different colours.



*This Giant Sheep installation was one of many initiatives on show at retail giant Westfield Bondi Junction during Wool Week in Australia.*



*In the UK, the Campaign for Wool opened the first ever 'Wool BnB', where everything in the promotional event – from interiors to fashion – was made of wool.*



*During Wool Week in Germany, real samples of Merino wool were on display at the Ludwig Beck department store, surrounded by wool apparel to purchase.*

- In September 2016 at the UK's inaugural Wool Conference, the Campaign for Wool and the International Wool Textile Organisation presided over the signing of **The Dumfries House Wool Declaration**, witnessed by HRH The Prince of Wales, Patron of The Campaign for Wool. The "Custodians of The Wool Industry" declaration was created to ensure that key players from shepherds to shop owners commit to protect the environment and uphold the best possible practices for sheep welfare, commerce and industry. At the conference, The Prince of Wales, announced that he would give **a further five-year commitment as Patron** to the Campaign for Wool.

# SHEEP PRODUCTION

## OBJECTIVE

Increase the profitability and sustainability of woolgrowing.

## OUTCOMES

As a result of AWI's investments Australia's woolgrowers will be:

- Widely utilising pre-operative pain relief for invasive procedures, or welfare enhanced alternative procedures.
- Lifting the average weaning rate in Merino-Merino joinings.
- Reducing the impacts and costs of wild dog and other vertebrate pests on Australia's woolgrowers.
- Improving the breeding benchmarking tools for lifetime economic performance of ewes in wool enterprises.
- Strengthen wool's reputation for environmental stewardship.

## STRATEGIES

<p><b>HEALTHY, PRODUCTIVE SHEEP</b></p>	<p>Improving wool sheep health, welfare and productivity represents the greatest overall opportunity for on-farm R&amp;D for the benefit of the Australian wool industry. This aims to deliver productivity gains and improved profitability, and also protect and enhance the international reputation of Australia's woolgrowers as custodians of the world's largest population of Merino sheep.</p>	<p><b>PROGRAMS:</b></p> <ul style="list-style-type: none"> <li>• Sheep Health &amp; Welfare</li> <li>• Vertebrate Pests</li> <li>• Reproduction</li> <li>• Genetic Improvement</li> </ul>
<p><b>FARM AUTOMATION &amp; SOFTWARE DEVELOPMENT</b></p>	<p>Labour use efficiency is an important contributor to farm profitability, and seasonal labour availability constraints have been shown to limit important profit drivers such as stocking rate, and can also impact on sheep health and welfare. More significantly and specifically, the wool industry suffers by comparison to other livestock enterprises due to the frequency of hands-on sheep management and harvesting activities.</p>	
<p><b>FEEDBASE &amp; FIBRE ADVOCACY</b></p>	<p>Improving wool's reputation as a sustainable textile, healthy for both consumers and the planet is an increasing priority for the Australian wool industry. Critical review of raw material supply chains is an ongoing process by brands and retailers with those supply chains considered to be environmentally harmful at risk of being overlooked.</p>	<p><b>PROGRAMS:</b></p> <ul style="list-style-type: none"> <li>• Feedbase &amp; Eco-credentials</li> <li>• Fibre Advocacy</li> </ul>

## HEALTHY, PRODUCTIVE SHEEP

### STRATEGY EXPENDITURE DURING 2016/17

\$6,242,000 project expenditure

### SHEEP HEALTH & WELFARE

#### INVESTMENT FOCUS

- Growers availed of the basis for practical genetic and chemical control programs for internal parasites and flystrike.
- Reduce adverse welfare impacts of current surgical practices, through successful commercialization of pre-operative analgesia for sheep.
- Support National Wool Declaration participation and recognition through the wool demand chain.
- Reduce risks to wool trade continuity from emergency animal diseases, through wool bale disinfection and traceability.

#### STRATEGIC TARGETS

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
1. Pre-operative pain relief available for routine surgical procedures.	<b>On target.</b> Buccalgesic, a pain relief paste, was registered for the alleviation of pain and inflammation for castration and tail docking in November 2016. Further data supporting its use for mulesing has been submitted to the Australian Pesticides and Veterinary Medicines Authority (APVMA) and a decision is likely in Spring 2017.
2. Breech modification alternatives commercialised.	<b>In progress.</b> A Confirmatory Licence Deed has been successfully brokered with the company responsible for SkinTraction®, enabling AWI to now seek expressions of interest from companies looking to further develop and commercialise the alternative breech modification technology to reduce the current tight APVMA label use restrictions. Preliminary trials investigating the impact of Liquid Nitrogen as a breech modification alternative have been completed.
3. Development of an ASBV for faecal consistency, so fostering development of non-allergenic genetic resistance to internal parasites.	<b>In progress.</b> Discussions have been held with industry to explore the development of an ASBV for faecal consistency.
4. Improved laboratory diagnostic testing for worms and larvae.	<b>In progress.</b> A project to validate an alternative, more effective laboratory diagnostic test that looks to be cheaper and faster than the current test is under development.
5. Sustained increase in grower utilisation of the ParaBoss website.	<b>On target.</b> The average number of users per month across all ParaBoss sites has increased from 6,922 in 2014 to 13,275 in 2017. This has resulted in an increase in the average number of page views per month from 20,332 in 2014 to 32,280 in 2017. The number of users of WormBoss, FlyBoss and LiceBoss for Jan-Jun 2017 has increased by 9% when compared with 2016.
6. Wool bale decontamination and disinfection procedures developed.	<b>In progress.</b> A wool bale decontamination unit for use in the event of an emergency animal disease outbreak was successfully piloted in 2016/17, and a project to evaluate it under field conditions is expected to be undertaken in 2017/18. A trial using sensors capable of recording and reporting on the time and environmental conditions of wool along the supply chain is currently under way.

#### KEY RESULTS DURING 2016/17

- An AWI-funded study assessing the benefits of **pre-operative pain relief S4 treatment Buccalgesic®** with mulesing continued in 2016/17. The mulesing trial compared a topical local anaesthetic applied post-treatment (Tri-Solfen®), with the non-steroidal anti-inflammatory drug (Buccalgesic®) along with the combined use of both products. A preliminary report on the work concluded that the use of Buccalgesic® alone, or in combination with Tri-Solfen®, improved the welfare of lambs undergoing surgical mulesing. The data from this work has been submitted to the APVMA in an application to extend the registered use of Buccalgesic® to include mulesing.
- Preliminary studies comparing mulesing with **Liquid Nitrogen (LNP)** were completed in early 2017. The behavioural responses of lambs to LNP were different from mulesing. Results on the



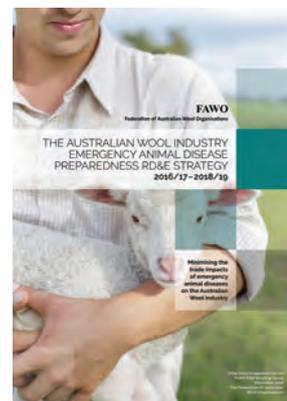
Recording the behavioural responses of lambs following the use of pain relief at mulesing in field studies at CSIRO's Armidale research site.

effectiveness of pain relief during LNP were encouraging and researchers recommended that further evaluation of LNP including physiological measures and more intense observation of behaviours are needed in order to fully understand the differing impacts of these procedures.

- The development of protocol to undertake metabolism and tissue residue deletion studies for **common local anaesthetic pain relief products** was finalised in May 2017. Data from the study, expected to be completed by the end of 2017, will be used in applications to the APVMA to assist with the broadening of their use options, including for shearing cuts, and reduce withholding periods for the current approved use of the actives.
- A project, completed in late 2016, investigating whether **histone deacetylase (HDAC) enzymes in sheep blowfly larvae** are a potential new target for insecticides discovered that blocking HDAC enzymes will kill blowfly larvae. The next stage in this work is about to commence to build on this foundation to optimise chemical structures that selectively block the blowfly HDAC enzymes, and kill blowfly larvae, without damaging sheep cells. Pharmaceutical companies are aware of this work, and if successful they will be encouraged to invest in further development of potential new actives for blowfly control.
- The **breech strike genetics project**, undertaken by the Department of Agriculture and Food, Western Australia (DAFWA) and CSIRO and completed in 2016, demonstrated that breeding for breech strike resistant sheep is a feasible and achievable objective although much more difficult for fine wool Merinos. Outcomes from this work included the identification of new breech strike indicator traits such as dags, breech wrinkle and breech cover for woolgrowers to use to breed indirectly for breech strike resistance. Tools to support woolgrowers to breed for these traits have been developed and are available for use. The DAFWA and CSIRO breech strike flocks are being maintained under other projects. Further work is being planned to analyse the data from these flocks for productivity differences between the breech strike resistant and susceptible sheep over their lifetime.
- A preliminary project investigating genetic differences in **odour compounds** secreted by breech strike resistant sheep and susceptible sheep delivered a process to identify compounds attractive to egg laying blowflies. Further blowfly

control investment opportunities are being assessed.

- Outcomes from a project **mapping the sheep blowfly genome** has led to further work investigating the prediction of gene mutation in flies that could make them resistant to chemicals. This is a long-term project, which if successful, could result in the development of new vaccines and more robust treatments that may delay the onset of chemical resistance.
- If successful, research currently under way into the use of the **gene editing tool CRISPR** (Clustered Regularly Interspaced Short Palindromic Repeats) for the manipulation of sheep blowfly genes will enable researchers to analyse the function of specific genes of interest and engineer changes in the genes, thus aiding future investigation into sheep blowfly control.
- Phase 2 of **ParaBoss** (2016-2020) is under way (with co-funding from MLA). This includes support for the ParaBoss suite of tools, including the on-going development and maintenance of the parasite specific websites (WormBoss, Flyboss and LiceBoss) and related communication material, ensuring content is technically correct and relevant to industry needs.
- It is critical the industry has confidence that, in the event of an emergency animal disease (EAD) outbreak, there is a proven effective system in place to rapidly disinfect wool bales and allow safe trading of wool. A project has recently been completed to develop a **prototype bale sprayer unit** that, during an EAD event, enables the effective disinfection of the outside of wool bales, allowing industry to demonstrate freedom from disease risk for wool bales and facilitate earlier resumption of trade. The next step is to evaluate the unit under field conditions.
- The Federation of Australian Wool Organisations (FAWO) with the assistance of AWI has developed a three-year **Australian wool industry EAD preparedness RD&E strategy** for 2016/17-2018/19. This strategy is an update of the first such plan, which spanned the preceding three-year period. The Plan aims to minimise disruption to flows of Australian wool to the world's markets, should an EAD outbreak occur.
- A workshop with woolgrowers, stud breeders, peak body members, Research, Development and Extension (RD&E) providers, industry consultants/veterinarians, MLA and Animal Health Australia (AHA) was held in May 2017 to review the **strategic direction of the AWI Sheep Health & Welfare program**. The workshop was one of a number of consultations with a wide array of stakeholders contributing to an internal review of AWI's future investment in Sheep Health & Welfare. Outcomes from the consultation process will include an update of the Breech Strike RD&E Program, expected to be completed shortly.



- AWI continues its involvement in **sectoral and cross-sectoral national RD&E strategies** – see page 56. Major developments during 2016/17 included a review and update of the National Animal Welfare RD&E Strategy which was submitted to the Agriculture Senior Officials Committee (AGSOC) Research & Innovation (R&I) Committee for endorsement in June. It was also agreed that the National Animal Biosecurity RD&E Strategy required updating and this will be undertaken in the latter half of 2017.
- Under the **National Animal Welfare RD&E Strategy** AWI contributed to an audit of animal welfare research capability and the development of a toolkit for use by woolgrowers in the event of an animal welfare crisis. The toolkit is designed to assist woolgrowers in identifying and preparing for possible future animal welfare crisis situations and developing actions, including contingency plans, that can be integrated into property management processes.
- The **Australian Veterinary Association auditors** (Dr Bruce Allworth and Dr David Hucker) review the Breech Strike RD&E program on a six-monthly basis and concluded:  
*“AWI continues to invest in research aimed at decreasing breech strike and specifically to decrease the reliance of wool producers on mulesing. This work, while initially aimed at ‘solving’ the mulesing issue, has resulted in and continues to support much broader sheep welfare outcomes. AWI has publicised the applicable on-farm research*

*findings in its various publications and website, ensuring increased grower awareness of research outcomes, particularly in relation to pain relief developments and longer term breeding solutions. AWI conducted its Animal Welfare Forum meeting with key Animal Welfare lobby groups. It continues to be an important process for two way engagement and improved understanding regarding this complex animal welfare issue.”*

- The **Genetic Reviewers** for the Breech Strike RD&E program (Dr Peter James and Dr Forbes Brien) review the program on an annual basis and in summary concluded:  
*“We commend the considerable effort that has been expended to date to develop improved methods for selecting breech strike resistance, adapting these to practical recommendations for woolgrowers and in ensuring the information is readily available to wool producers, ram breeders and other industry stakeholders. It is important to continue providing information in an open and transparent manner including realistic assessments to all stakeholders of the likely time necessary to genetically change Australian sheep flocks to a point where surgical mulesing and undue reliance on chemical treatments is unnecessary. The initiation of the AWI animal welfare advocacy project to facilitate communication with ram breeders, commercial woolgrowers, state governments and welfare groups is an important recent innovation in this area.”*

## VERTEBRATE PESTS

### INVESTMENT FOCUS

- Coordination of effective and efficient use of appropriate vertebrate pest control techniques across all land tenures.
- Direct assistance to community based vertebrate pest control programs, to overcome emergency pest animal challenges and lay secure foundations for sustainable long-term future pest animal control programs.
- Research into and development of new and emerging technologies which will enhance producers' abilities to detect, deter and/or destroy vertebrate pest challenges to their enterprises.
- Development of producer and service sector capacity through training to control vertebrate pests.

### STRATEGIC TARGETS

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
1. Effective national and regional coordination of vertebrate pest control effort in sheep producing areas.	<b>On target.</b> All funded coordinators are in place and achieving significant improvements in coordination, coverage and scale of wild dog control activities.
2. 15 new community based vertebrate pest control groups established each year, bringing to a total of 150 groups supported by the end of 2018/19, with the value of avoided stock loss (sheep) greater than costs to woolgrowers and AWI combined.	<b>Achieved and exceeded for 2016/17.</b> 21 groups were established in 2016/17, with the total number of past and current groups now reaching 160. Surveys of groups completing programs show planned or anticipated: <ul style="list-style-type: none"> <li>• 12% increase in sheep numbers</li> <li>• 24% increase in kg of wool produced.</li> </ul>
3. National release of RHDV K5, and successful development of RHDV strains of enhanced virulence.	<b>On target.</b> The planned release of RHDV1 K5 took place in March 2017. It was released at almost 600 sites across Australia; an initial reduction of 42% in wild rabbit numbers has been recorded at sites where the virus was released (the forecast reduction was 10-40%).

## KEY RESULTS DURING 2016/17

### Community Wild Dog Control Initiative

- The total number of current and past groups supported is 160, comprising 43 current groups and 117 past groups. The current 43 supported groups comprise:
  - Qld - 10 (including 6 with “Cluster Clean-Out” assistance)
  - NSW - 16
  - Vic - 13
  - SA - 1 application (covering 23 groups)
  - WA - 3 Recognised Biosecurity Groups - which are very large scale covering multiple shires.
- The current average financial support per group is \$32,715. The long-term average per group is \$23,436. Groups are getting bigger with increasing coverage and scale.
- An **Exclusion Fence Construction Unit** that can fence 5km per day has been made available, on a pilot basis, to woolgrowers in the Central West of Queensland at a minimal rate thanks to a grant from AWI to Longreach Regional Council. The unit includes a prime mover (loader), hydraulic driver, and high capacity wire spinner. It has been booked for up to 6 months in advance.
- The focus of the Community Wild Dog Control Initiative remains on:
  - assisting group(s) to establish control of their situation
  - establishing activities and infrastructure which facilitate on-going long-term wild dog control
  - ‘weaning’ groups from dependence on AWI funding for on-going wild dog control.

### Wild dog control coordination and facilitation

- **Western Australia:** The new Wild Dog Coordinator in WA, a position that commenced in February 2016, has made significant contributions to the finalisation of new Recognised Biosecurity Groups and the commencement of the formation of new groups where none previously existed.



*A remote camera photo of wild dogs on private property around Wongwibinda on the Northern Tablelands of NSW. These wild dogs were subsequently trapped by a NPWS-funded professional wild dog controller. With the assistance of the AWI-funded wild dog facilitator, producers in the area are collaborating effectively with private and public land managers and stakeholders. PHOTO: NPWS*



*Woolgrower Chris Box from Carboor in north-east Victoria using one of several traps purchased by his community wild dog group with funding through AWI's Community Wild Dog Control Initiative.*

The WA Wild Dog Coordinator has also made a strong contribution to the establishment of a ‘discovery’ project which will define the eastern and southern spread of wild dogs in and from the Northern Agricultural region. The WA Wild Dog Coordinator is coordinating this project; AWI is providing funding for direct cash expenses associated with the removal of any dogs located, and the WA Department of Primary Industries and Regional Development (formerly DAFWA) will provide technical expertise, analysis and mapping services.

- **Victoria:** The Victorian state government, through the Victorian Department of Environment, Land, Water and Planning (DELWP), have again partnered with AWI for a further three years to provide two Wild Dog Coordinator positions: one east of the range in Gippsland, which is job shared between two people to enhance coverage; and the second in the North East based in Wodonga servicing the western side of the Great Dividing Range.

The Victorian situation is the most ‘stable’ of all the states. Predation has not been totally eliminated, but is controlled to the degree that when an incident occurs, there is a pre-planned and timely response. This capacity for producers and Wild Dog Controllers (DELWP employees) to work together to control predation is to the extent that most producers, most of the time, now feel that they are now (back) in charge of their sheep production destiny. This situation was reached very largely through the efforts of the AWI-funded Victorian Wild Dog Coordinators, and they remain a key force in maintaining this stability.

- **NE NSW:** In NE NSW, the AWI-funded Wild Dog Facilitator has made remarkable gains in the 2½ years to date of the current project. Total aerial bait lines now exceed 4,000km - more than twice the distance covered 18 months ago. Some National

Parks, Forestry and other public lands have now been, and will continue to be baited; which have not been baited for 20 or more years in some cases, and in others have never been baited. The development and implementation of a Wild Dog Management Plan in Cathedral Rock National Park are a direct result of the NE NSW Wild Dog Facilitator's negotiation skills and dogged persistence. Early anecdotal reports from producers appear to indicate a sudden 'pause' in predation on sheep. No data on reports of wild dog predation was available from Local Land Services at the time of writing. Studies by wildlife researchers from the University of New England are extremely positive in the reduction in wild dog, fox and (possibly) feral cat numbers and the increase in native species is following a strong positive trend. It is early days yet, and more data needs to be gathered, but the early signs are extremely positive.

- The **NE and Western NSW:** Wild Dog Coordinators have developed and now offered for the second year running, a three-day Wild Dog Trapping training course. Conducted near Ellerston, north of Scone in the upper Hunter Valley and at Moorabie Station, 250km NW of Broken Hill, this course has rapidly attained a strong reputation for both content and effectiveness. Since the initial pilot in 2016, 11 courses have been delivered (5 at Ellerston and 6 at Moorabie) with 120 new 'doggers' trained at each. In addition, 1 refresher course has been conducted in Western NSW with 20 people attending (at no cost to AWI). In addition to trapping training the course includes units on the use of baits, legal requirements for access to restricted chemicals, the use of new baiting technology (Canid Pest Ejectors); and in a more recent addition, an additional (optional) day covering long range marksmanship has been trialled.

#### Research & Development

- **Wild Dog Alert:** AWI-funded research in wild dog control – the flagship project of which is Wild Dog Alert, the motion-activated camera detection system – is progressing soundly and has met milestone commitments to date. The programming behind detecting a wild dog is essentially complete in terms of simple detection – DOG vs NOT DOG – the principal challenge remaining is to get this information quickly and reliably 'back-to-base'. Technology currently being developed in-house at

AWI and the winning entry in AWI's Tech eChallenge may provide assistance – at moderate/low cost – in addressing this problem. AWI will facilitate the introduction of the proponents of these projects and the combination of the products of these projects.

- **RHDV1 K5 – RHDV Boost Plus:** In March of 2017, the next round of long-term rabbit biocontrol was implemented with the national release of a Korean strain of Rabbit Haemorrhagic Disease Virus, known as RHDV1 K5. This virus was released at more than 550 sites around Australia in March of 2017 and many release sites have reported seeing an observed decline in rabbit numbers on their property. The national roll-out of the virus, as part of the RHD Boost project was funded through the Invasive Animals CRC with additional funding from AWI. Preliminary analysis has shown a 42 per cent average reduction in wild rabbit numbers at sites where the new strain was released. This is a promising initial result as the predicted range of reduction was 10–40%. The current below average rainfall being experienced across much of Australia is a slight concern, as K5 was intended to have an advantage in the cooler temperate regions where RHDV1 Czech Strain (released in 1996) was less effective.



*A strain of rabbit calicivirus new to Australia has been released at nearly 600 sites across the country. It will boost current biocontrol activity that is already impacting pest rabbit populations and help woolgrowers increase their productivity.*

## REPRODUCTION

### INVESTMENT FOCUS

Lift the lifetime reproductive performance of Merino ewes through:

- Refinement and further delivery of the Lifetime Ewe Management (LTEM) package.
- Improving guidelines to target nutrition to the most responsive ewes in the flock.
- Increasing the use of flock monitoring technology to identify high priority ewes.
- Increasing the understanding of the impacts of lambing density on ewe behaviour associated with twin lamb survival.
- Developing information to target selection and culling of ewes and rams to increase lifetime reproductive performance.

### STRATEGIC TARGETS

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
1. An extra 1500 AWI-funded participants in LTEM (500 per annum), representing 15% of the adult ewe flock in Australia, that increase lamb weaning rates by 7%, and reduce ewe mortality by 30%.	<b>On target.</b> More than 600 new enrolments during the 2016/17 financial year.
2. At least 250 producers engaged in determining the impact of lambing density (ewe mob size and stocking rate) on lamb survival.	<b>In progress.</b> Project activity is increasing to accommodate a low start during a difficult winter/spring period during 2016.
3. At least 200 producers engaged in developing the strategies and guidelines for improving weaner and maiden ewe performance.	<b>In progress.</b> Woolgrowers from across Australia have provided valuable information that is assisting the development of projects and activities to improve the performance of weaners and maiden ewes.
4. Undertake market research on a range of producer and industry segments to inform: (i) strategies that enhance producer engagement, (ii) design/pilot extension approaches that increase adoption of best practice, (iii) more thorough evaluation of whole farm impacts of LTEM, and (iv) quantify the degree and reasons for Merino ewe displacement.	<b>On target.</b> Projects are providing valuable information to better inform extension/project activity. 'Realising Performance Potential' and 'Ramping up Repro' projects have been developed to provide "action learning" opportunities for woolgrowers interested in productivity and profitability improvement. Projects have attracted strong interest with more than 100 woolgrowers attending pilot workshops during the year. Projects will be further developed and expanded across Australia.

### KEY RESULTS DURING 2016/17



After completing a Lifetime Ewe Management (LTEM) course, woolgrowers Darren and Fiona Sanders from Keith in South Australia increased their expectations for their flock of Merino ewes and subsequently lifted their marking percentages with outstanding results.

- AWI continued funding for **Lifetime Ewe Management** (LTEM) training that provides hands-on on-farm training for small groups of producers (average five) in the management and nutrition of breeding ewes to maximise reproduction efficiency. LTEM continues to refine operational procedures to improve outcomes that accommodate demands of commercial producers in different regions of Australia. The project has strong management oversight and involvement of a wide range of collaborators.
- Interest in LTEM remains high with several additional 'train the trainer' workshops run during the year. Because of the increased number of trainers available and their geographic locations across Australia, new groups have formed to complete LTEM workshops. Many new groups are forming in areas where participation levels had been lower.
- An updated version of the LTEM smartphone app was released in March 2017 – see page 31.
- The **Improving Lamb Survival by Optimising Lambing Density** project is on track to demonstrate the effect of differing ewe stocking rates during lambing on reproduction rates. Early results indicate an increase in number of lambs weaned when moderate stocking rates are maintained, however further results will emerge over time.
- The **Quantifying and Understanding the Displacement of the Merino Ewe** project is progressing with valuable information emerging about the decision-making processes of sheep and wool producers in Australia. The aim is to determine opportunities, constraints and barriers of Merino production systems and develop research, development and extension activities that address the decline and grow the Merino ewe population

The project is particularly active in Victoria and Southern NSW. It has been identified that project ambitions have not been addressed in the pastoral zone of Australia. The project team will consider the inclusion of the pastoral zone in later stages to better inform AWI research and extension strategies. 20 case studies are under development showcasing the work undertaken in commercial Merino businesses to grow profitability and productivity.

- **Realising Performance Potential and Ramping up Repro** workshops have been developed and trialled

during the year. Project pilots have been well received by participants with some 100 participants providing feedback. The one-day workshops offer best available information on ram and ewe management and culling strategies in a mix of theoretical and practical exercises. The projects assist woolgrowers to improve overall reproductive performance on properties. Both projects are being developed to allow promotion to woolgrowers across Australia.

## GENETIC IMPROVEMENT

### INVESTMENT FOCUS

This program of investment will support increase in the net reproductive rate in Merino flocks of 15% by 2030, while maintaining fleece weight and increasing productivity per unit land area, through:

- Increased collection of lifetime fleece, body and reproduction data in wool sheep.

- Maintenance and improvement of Australia’s across-flock sheep genetic improvement infrastructure, including wether trials, central test sire evaluation, and MERINOSELECT.
- Fostering improved within-flock sheep selection practices.

### STRATEGIC TARGETS

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
1. At least 3,800 Merino ewe progeny being evaluated for lifetime productivity across at least 4 regionally representative sites, in partnership with Australian Merino Sire Evaluation Association.	<b>On target.</b> More than 3,500 Merino ewe lambs already under evaluation with an expectation of this increasing to more than 4,500 by the end of the first phase of the project.
2. Routine, low-cost per head alternatives to genomic parentage technology in wide commercial use for mothering-up Merino lambs.	<b>On target.</b> Technology being evaluated on commercial properties across Australia.
3. Australian sheep breeders maintain access to consolidated and improved wether trial, central test sire evaluation and MERINOSELECT databases.	<b>On target.</b> All forms of genetic benchmarking in routine use by Australian sheep breeders.

### KEY RESULTS DURING 2016/17

- The **Merino Lifetime Performance (MLP)** project has continued to attract broad industry interest. As a result, the project was expanded to five sites and number of sires being evaluated to 160. The MLP project now includes sites at Elders Balmoral in Victoria, Pingelly in Western Australia, MerinoLink in NSW along with Macquarie and New England also in NSW.

Strong interest from ram breeders has meant sire applications for use at each site have remained oversubscribed.

Discussions are continuing with industry and participants to ensure that outcomes from the project are maximised for the benefit of the sheep and wool industry.

The MLP project benefits from active management and guidance provided by a large network of collaborating ram breeders, industry service providers, commercial woolgrowers and associated organisations and institutions.

The project’s aim is to increase the understanding of the genetics, and economic interactions, of a diverse range of Merino types delivering high quality wool, lambs and meat through life.



2017 MerinoLink field day, 'The Vale', Temora.

- Interest in **Central Test Sire Evaluation** across Australia has continued to grow with an increase in trial sites from 6 to 9 occurring during the year. The number of sires entered in CTSE trials represents the largest group ever under evaluation in CTSE history.
- Strong industry interest remains in tracking results from **ewe trails and wether trials** across Australia.

## FARM AUTOMATION & SOFTWARE DEVELOPMENT

### STRATEGY EXPENDITURE DURING 2016/17

\$735,000 project expenditure

### INVESTMENT FOCUS

- Development of low-cost, smart sheep ear tags capable of generating maternal pedigree (mothering up), geo-location, and other behavioural information of commercial value such as wild dog and flystrike alert notifications.
- Support development of virtual fencing, for precise grazing management, but also potential stock movement.
- Development of platforms to enable automated pasture production assessment and its integration into farm apps such as the LTEM app.

### STRATEGIC TARGETS

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
1. Develop and demonstrate across sheep production systems smart sheep ear tags capable of generating maternal pedigree, automatic geo-location, and welfare alerts, and integrating with virtual fencing advances.	<b>In Progress.</b> Demonstration of sensor tag potential for determining maternal pedigree using human grade (Actigraph) sensors under way on several commercial stud properties. A successful proof of concept trial of geo-location using low cost sensor tags designed by AWI has been completed and is now ready for maternal pedigree proof of concept trials to commence in the 2017/18 financial year using the AWI sensor tags.
2. Support development of virtual fencing, for precise grazing management, but also potential stock movement.	<b>In Progress.</b> Support of the Department of Agriculture and Water Resources' Rural Research and Development for Profit 'Virtual Herding' project continues.
3. Integrate pasture feedbase assessment technologies into digital farm management tools.	<b>Target revised.</b> This target has been removed from the Farm Automation & Software Development program but is still of relevance to the Feedbase & Eco-credentials program.

### KEY RESULTS DURING 2016/17

- Advances in electronics and software development have created new opportunities for development of labour-saving devices that could transform the sheep industry, including development of **smart tags** for measurement of proximity and hence maternal pedigree (a key to lifting reproductive performance in Merino flocks is to successfully identify those ewes who conceive but fail to rear at their first two attempts). The purpose of the current AWI project is commercial scale demonstration of this technology to engage the Australian industry and build interest in the potential application of sensor technology. This work complements AWI investments in development of a low-cost smart tag and fast track its adoption by ram breeders to improve the rate of genetic gain in reproduction and other traits. A patent has been granted for the low power long-range hardware technology developed by AWI for the development of low cost sensor tags.
- A project has been established under the Commonwealth Rural R&D for Profit programme, to undertake R&D for the implementation of **virtual herding technology** across the major livestock industries in Australia, with support from AWI. Virtual herding involves livestock wearing collars



An AWI smart tag receiver set up at DAFWA's Katanning site in March with AWI smart tags attached to the ewes and ram in the distance.

that receive a cue (eg an audio cue) that aims to constrain animals to certain areas (for better grazing management and environmental outcomes), autonomously herd animals, or move individual or groups of animals differently to the rest of that flock.

- The early stage development of a **wool and sheep financial literacy tool** is in progress, similar to the beef financial literacy tool launched by industry earlier this year. Financial literacy is an implicit skill for successful farm management, especially for those who seek to upscale, refinance, succession plan, or even restock from drought, given high land, water and stock prices.
- The inaugural **Tech eChallenge Wool Innovation program** was undertaken. Bringing young minds to everyday issues faced by woolgrowers, the collaboration involved AWI, the Entrepreneurship Commercialisation and Innovation Centre (ECIC) at The University of Adelaide and Charles Sturt University Wagga Wagga (CSU). Teams comprising students, staff and the wider community undertook an intensive workshop course to give them the skills to develop the practical, low-cost digital tools to help wool producers improve animal health, welfare and productivity. Practical technology-based products seeking immediate field trials and ground-breaking technology concepts were among the winners.
- An updated version of the **Lifetime Ewe Management (LTEM) smartphone app** was released in March 2017. The free app is a digital extension of the popular LTEM course that trains woolgrowers to maximise productivity by accurately measuring and managing the energy requirements and inputs of their ewe flock through the reproduction cycle – see page 28. The new version has various updated features including cloud capability to aggregate farm information from multiple users, new pasture assessment data to match both perennial and annual based pastures from across Australia, location settings and a new feed on offer assessment tool.

## FEEDBASE & FIBRE ADVOCACY

### STRATEGY EXPENDITURE DURING 2016/17

\$1,866,000 project expenditure

### FEEDBASE & ECO-CREDENTIALS

#### INVESTMENT FOCUS

- Undertaking targeted LCA research studies and conduct effective stakeholder engagement to address major threats to wool's environmental credentials and reposition wool's rating.
- Develop and communicate relevant case studies demonstrating wool producers' environmental stewardship.
- Identify pasture species to fill seasonal feed gaps, increase feed conversion efficiency and mitigate methane emissions.
- Develop a suite of options to enable livestock industries, particularly wool sheep to prepare for a future requiring resilience to increasing drought frequency and severity.

#### STRATEGIC TARGETS

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
1. Generate significant improvement in wool's environmental footprint ratings, and strengthen wool's reputation for environmental stewardship.	<b>In progress.</b> Significant improvements are being made to the accuracy of measurement of wool's footprint.
2. Through better understanding of constraints to grower investment in pasture renovation, increase adoption of beneficial feedbase practices with currently modest adoption rates – reaching 20% of all growers by 2018.	<b>In progress.</b> Good progress has been made on understanding investment constraints and an extension program is being developed.
3. Prepare woolgrowers for the effects of climate change - by 2019, 50% of woolgrowers will have implemented climate change mitigating or adapting technologies without loss of profit.	<b>In progress.</b> One project to enable mitigating and adapting technologies has been initiated and two projects are being developed.

#### KEY RESULTS DURING 2016/17

See next page.

**KEY RESULTS DURING 2016/17**

**Improving wool’s environmental footprint ratings**

- The scientific robustness of measurement of wool’s environmental footprint has significantly improved through the contribution of AWI’s Technical Advisory Group, comprising leading Life Cycle Assessment (LCA) experts. A number of technical studies seeking to more accurately categorise wool’s environmental impact across life cycle stages are well progressed.
- Wool’s ranking relative to other fibre types has remained stable, with all natural fibres faring poorly compared to synthetic fibres due to the immature and incomplete nature of sustainability assessment by the apparel ratings agencies. AWI continues to engage with the LCA industry and ratings agencies to address the flaws and limitations in the current ratings tools.

**Increasing adoption of beneficial feedbase practices**

- Good progress has been made on understanding constraints to pasture investment through AWI’s Feedbase Panel with forums held in Esperance,



*Participants in AWI’s Feedbase Advisory Forum near Esperance in Western Australia, standing in one of woolgrower Tom Pengilly’s vetch paddocks recently cut for hay, looking at another of his vetch paddocks. Hard seeded legumes are not only proving to be robust performers in tough WA conditions, but are also putting essential nitrogen back into nutrient deficient soils.*

Albury and Broken Hill over the past year. A targeted woolgrower survey is being developed and will shortly be conducted to give further insights into these barriers and how they may be overcome. An extension program will then be developed to better align feedbase availability with the livestock reproduction cycle. The pilot for this program will be completed by mid-2018.

**Preparing woolgrowers for the effects of climate change**

- AWI has been investing in the development of novel legumes over the past five years that are well adapted to soils in mixed farming areas in southern NSW, Victoria, SA and WA. In particular they:
  - o produce quality stockfeed to fill feed gaps
  - o fix abundant nitrogen
  - o are harvestable with conventional machinery to minimise seed costs
  - o have suitable seed dormancy to enable summer sowing and natural regeneration after crops, and
  - o tolerate cropping herbicides, legume diseases and pests.

The compatibility of these legumes with cropping systems is contributing to the re-introduction of livestock to these areas.

- A collaborative project with other RDCs to increase the adoption of these novel legumes over one million hectares in the low and medium rainfall areas has recently been approved for funding by the Australian Government Department of Agriculture and Water Resources as part of its Rural R&D for Profit programme. Each dollar invested by AWI will be matched by \$21 from other parties over the 5-year term of this project.
- Further projects are being initiated to assess mitigating and adapting technologies associated with the co-innovation concept as well as the economic and environmental benefits associated with the introduction of cluster fencing.

**FIBRE ADVOCACY**

**INVESTMENT FOCUS**

- Challenging the widespread misconception that wool is an allergen and demonstrating that suitably selected fine Merino products are healthy for the skin, especially for those with the most sensitive skin.
- Developing scientific evidence to support sleeping on or under wool bedding, or in Merino sleepwear.
- Improve the technical basis and the wool trade’s ability to specify fabrics for health applications across a range of climatic applications, with assistance from technical experts.
- Establish partnership with international funding and research institutions, to internationalize the outcomes and program impact.

**STRATEGIC TARGETS**

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
1. Internationalize studies demonstrating that Merino base-layer garments ameliorate chronic skin conditions associated with microclimate management of the skin.	<b>On target.</b> One study is under way in the USA and negotiations are under way for studies in other countries.
2. Demonstrate that wool bedding and sleepwear improves sleeping conditions.	<b>On target.</b> A clinical study of wool sleepwear will be finalised this calendar year.

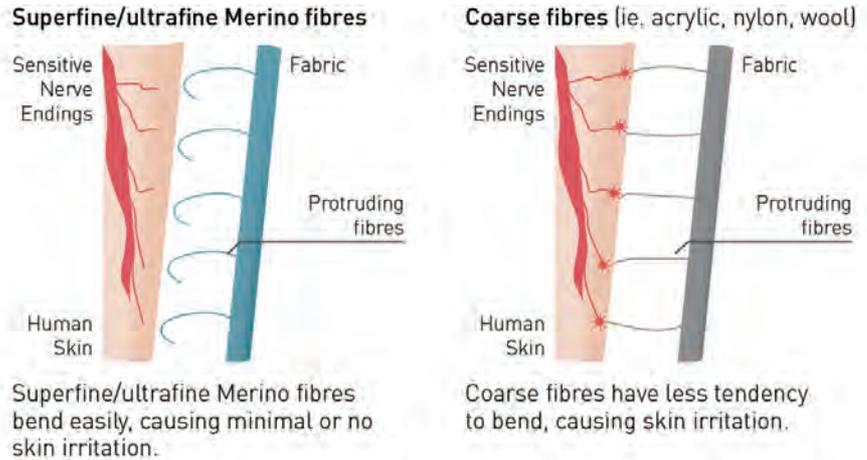
**STRATEGIC TARGETS (continued)**

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
3. Support development of product market opportunities in categories such as corporate wear, safety wear, medical product and infants wear.	<b>On target.</b> Adoption of wool base-layers by emergency services in many countries.
4. Develop specifications for next-to-skin wear to improve reliability and consumer confidence in Merino base-layer garments.	<b>On target.</b> Good progress has been made on developing a medical specification.

**KEY RESULTS DURING 2016/17**

**Skin health**

- A study was initiated in early 2017 in the US (Louisville, Kentucky) assessing the impact of superfine Merino base-layers on children and adult eczema sufferers and is now 25% complete. It is due for completion in mid-2018.
- Potential other study sites to confirm wool is 'globally' beneficial include Germany and Hong Kong.
- Publications:
  - o 'Debunking the Myth of Wool Allergy.'
  - o 'Determining Effects Superfine Sheep wool in Infantile Eczema.'



*A high-powered group of medical professionals from across the world have reviewed research papers published during the past 100 years to critically assess scientific studies claiming wool causes allergy. This new analysis found no evidence that wool is an allergen, and if a fabric does cause any sensations of itch and prickle on the skin then it is because of the large diameter of the fibres and not due to the fibre type being wool.*

**Sleep health**

- A sleep study comparing wool, cotton and polyester sleepwear in summer conditions is being conducted at Sydney University and is due for completion in November 2017.
- Publication:
  - o 'Calibration and Validation Processes for Relative Humidity Measurement by a Hygrochron iButton.'

**Market opportunities**

- A study assessing barriers to uptake of wool base-layers by emergency services was completed in October 2016. It was found that the plethora of flammability test methods used in different countries and the fact that these methods have not evolved and kept up with market trends towards lighter weight base layers garments did not favour wool. However, there were no major barriers, as reflected by the adoption of wool base-layers by emergency services in many countries.

**Next-to-skin specifications**

- Primary medical specifications for sensitive skin have been developed and work is progressing on developing secondary specifications.
- The Wool ComfortMeter value was identified as a key component of the specification and the elevation of the WCM Test Method from a draft status to a full IWTO Test Method in May 2017 was an important milestone for the specification.
- Publication:
  - o 'Proposed Primary Specifications for Non-irritant Wool Base Layer Fabrics.'



*The findings of AWI-funded skin health research have generated much media interest, for example on Channel Nine news in July 2016. Rheannan Williams (left), with her two-year old daughter who suffers from eczema, said she was delighted with the therapeutic effects of wearing Merino wool on her daughter's eczema: "The eczema was red, painful and blistery. But within two to three weeks of wearing wool it was unbelievable... her skin is clear... I would 100% recommend it, it's amazing."*

*Rheannan's daughter took part in an AWI-funded study of approximately 40 babies and young children under three years old, at the Murdoch Childrens Research Institute (MCRI) in Melbourne, that showed significant advantages of superfine Merino wool base-layers over cotton in ameliorating the symptoms of eczema.*

# WOOLGROWER SERVICES

## OBJECTIVE

Increase woolgrower profitability.

Provide cost effective services to woolgrowers and other parties on their behalf.

## OUTCOMES

- Woolgrowers and other key stakeholders will have greater knowledge of AWI operations.
- Woolgrowers will continue to have effective access to information on existing and new sheep and wool management technologies.
- More highly trained shearers and wool handlers.
- AWI recognised as a valuable contributor to the profitability and sustainability of Australian woolgrowers through a broad range of grower-facing communications, engagement and training.
- AWI is recognised as an organisation that has effective consultation processes with woolgrowers and stakeholders.

## STRATEGIES

### TRAINING & TECHNOLOGY UPTAKE

To be seen as a valuable contributor to the profitability and sustainability of Australian woolgrowers, through a broad range of grower-facing communication, engagement and training initiatives.

#### PROGRAMS:

- Sheep & Wool Management Skills
- Wool Harvesting & Quality Preparation

### CONSULTATION

Extensive consultation with its stakeholders – from woolgrowers, grower representative bodies and Government, through the supply chain to consumers.

#### PROGRAMS:

- Woolgrower
- Stakeholder

# TRAINING & TECHNOLOGY UPTAKE

## STRATEGY EXPENDITURE DURING 2016/17

\$5,209,000 project expenditure

### SHEEP & WOOL MANAGEMENT SKILLS

#### INVESTMENT FOCUS

##### National Merino Challenge

AWI will continue to support the NMC.

##### Extension Networks

Enhanced delivery of AWI priorities through increased utilisation of AWI’s state grower networks.

##### Practical Management Information

AWI will continue to develop and make available key industry resources on best management practices and

existing technologies across all facets of sheep production.

##### Capacity Building & Technologies

Address short-falls in practical hands-on training initiatives specific for wool and sheep. Re-establish the facilities at the Falkiner Field Station for training and engagement purposes.

## STRATEGIC TARGETS

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
1. Over 10 practical sheep skills training events held across the country each year, reaching over 100 people and at an average cost not exceeding \$150 per effective participant.	<b>On target.</b> 10 ‘stand-alone’ workshops were held across the country this year on the topic of practical sheep classing, attended by 235 people. In addition, talks and presentations were given at numerous other functions and sheep shows etc during the year.
2. Delivery of the National Merino Challenge on a fixed annual budget in real terms.	<b>On target.</b> The 2017 National Merino Challenge was delivered in Melbourne in May within the approved budget.
3. Average annual cost saving to woolgrowers participating in AWI supported networks exceeds \$700, net of AWI and grower costs.	<b>On target.</b> All states are performing well above target with the national average annual cost saving in 2016/17 being \$3,145.
4. Achievement of a minimum of 8,000 page-views for practical sheep management resources on AWI websites at a maximum cost per hit of \$1.50.	<b>On target.</b> AWI’s woolgrower website, Wool.com, has achieved more than 100,000 page-views for practical management resources this year.

## KEY RESULTS DURING 2016/17

- AWI ran 10 one-day, hands-on **sheep classing workshops**, for people of all ages and enterprises, that are a practical way to learn about increasing the production of their Merino flocks. Through a combination of theory and hands-on components, experienced sheep classers lead the workshop and take commercial producers through the process of classing sheep, including understanding the type of sheep that breeders are aiming for, comparing individual traits between sheep, and other sources of information.
- AWI held the **National Merino Challenge (NMC)** in May 2017 in Melbourne, attracting 108 students from 15 institutions across NSW, Victoria, SA and WA. Now in its fifth year, the NMC has attracted 473 participants. The NMC involves presentations and demonstrations from industry professionals to enable young people to develop their industry knowledge, skills and networks. During the two-day event, the students are educated and then assessed on their skills across a wide range of areas such as feed budgeting, condition scoring, breeding objectives and wool harvesting together with the commercial assessment and classing of animals and fleeces.



Students testing their skills in sheep selection at AWI’s National Merino Challenge (NMC) educational initiative this year in Melbourne. Now in its fifth year, the NMC has attracted 473 tertiary and secondary school students from across the country.

- Felicity McLeod of Wentworth in NSW was awarded AWI's 2016/17 **Nuffield Farming Scholarship** to investigate infrastructure to best help woolgrowers manage multi-species enterprises. By supporting the Nuffield Scholarship program, AWI is increasing practical farming knowledge and management skills in the Australian wool industry.
- AWI continues to support Royce Pitchford, studying in his final year at the University of Adelaide, and Katherine Bain, studying at Marcus Oldham College, through the **Horizon Scholarship program** (a joint initiative of RDCs to support students studying agriculture). This year, AWI started supporting Amelia Gibson who has commenced studies at the University of Adelaide.
- Continued investment was made in the **Young Farming Champions (YFC) program**, with Lucy Collingridge, Hamish McGrath, Caitlin Heppner, Deanna Johnston, Katherine Bain and Samantha Wan joining AWI's existing network of YFCs in representing the wool industry. They actively engage with the public and school students, spreading their passion for wool, bridging the rural-urban divide, and inspiring the next generation of youngsters to consider a career in the wool industry.
- AWI's **Australian Rural Leadership Program (ARLP)** position was awarded to Stacey Lugsdin from Hay, NSW. The ARLP graduates funded through the program by AWI use their learnings for the benefit of rural and regional Australia, and the sheep and wool industry in particular.
- AWI continued to support multiple wool and sheep industry **young grower initiatives** across Australia, contributing to the Monaro Farming Systems traineeship program, Young Stud Masters Muster at the Australian Sheep & Wool Show, University of New England Farming Futures, Farm Business Boot Camp, Charles Sturt University and University of Sydney Sheep & Wool Tour, Murdoch University Sheep & Wool Tour, Hay Inc. rural traineeship program and SA Sheep Expo, to name a few.
- AWI-supported **extension networks** continue to provide opportunities for producers to get involved in practical programs that focus on making positive changes to on-farm production and management practices. The networks are fundamental to the spread of new ideas, continuing education and the

adoption of best practice, as well as giving AWI a direct link to what is happening on-ground.

Networks are present in each wool-growing state and all woolgrowers are encouraged to get involved. The AWI-supported extension networks – BESTWOOL/BESTLAMB (Victoria), Leading Sheep (Queensland), Sheep Connect NSW, Sheep Connect SA, Sheep Connect Tasmania and The Sheep's Back (WA) – have seen another successful year, with increases in participation and the reported benefit by woolgrowers.

AWI's national pastoral extension investment, Pastoral Profit, wound up in June 2017 following a successful three-year collaboration with Meat & Livestock Australia (MLA), engaging 2,133 producers in 110 activities. Moving forward, AWI will continue to invest in the pastoral zone through its existing woolgrower networks.

- **Making More From Sheep (MMFS)**, AWI and MLA's package of information, tools and learning opportunities for Australian sheep producers finished active delivery in December 2016 after nearly nine years, hosting more than 1,000 events and attracting more than 20,000 producers. AWI and MLA are continuing to ensure the MMFS materials are kept up-to-date and are available to all via [www.makingmorefromsheep.com.au](http://www.makingmorefromsheep.com.au). An analysis of the MMFS project shows that most targets of the project were over-achieved and \$4.70 was gained for every \$1 spent.



Woolgrower Simon Wheaton of Kangaroo Island, South Australia: "Making More From Sheep events that I attended were fantastic really – they gave me some hard evidence to back up our gut feel and also the tools to be able to assess things accurately."

## WOOL HARVESTING & QUALITY PREPARATION

### INVESTMENT FOCUS

#### In-Shed training

AWI will continue to support in-shed training.

#### Workshops

AWI will continue to develop and deliver workshops that are designed to complement commercial training opportunities.

#### Innovative In-shed Technologies

AWI will invest in research and development to enable the ultimate commercialisation of in-shed technologies and methods to improve the efficiency and quality of wool harvesting.

AWI will continue to develop appropriate resources on shed operations, shearing and wool handling and ensure these are made available to industry on a cost-effective basis.

## STRATEGIC TARGETS

Targets for three-year period 2016/17 to 2018/19		Progress during 2016/17
1.	Increase shed productivity by, on average, four sheep per day by 2019 across the whole industry.	<b>In progress.</b> Shed productivity is monitored via milestone reports and surveys of contractors and shearers; productivity is increased by longevity and retention.
2.	Cost per person trained remains constant in real terms.	<b>On track.</b> The cost per person trained has remained constant.
3.	Commercial availability of at least one technology, by 2019, to increase the efficiency of wool harvesting.	<b>On target.</b> A number of new technologies and techniques are being developed and evaluated to improve efficiency, productivity and work health and safety.

## KEY RESULTS DURING 2016/17

2016/17 SHEARER AND WOOL HANDLER TRAINING ACTIVITIES		NSW	WA	Vic	SA	Qld	Tas	2016/17 TOTAL
In-shed shearer coaching	Days:	248.5	163	191.5	64	35	39	741
	Number trained:	1,152	381	489	275	90	74	2,461
In-shed wool handler coaching	Days:	122	92	124.5	36	27	52	453.5
	Number trained:	360	252	394	101	141	131	1,379
Novice/workshops	Days:							377
	Number trained:							1,184
Shear-Jitsu coaching	Days:							20
	Number trained:							212
<b>Total training days provided</b>								<b>1,591.5</b>
<b>Total number coached/trained</b>								<b>5,236</b>

- In 2016/17, 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. In the past financial year, 1,591.5 days training were delivered through AWI-funded programs across Australia (see table above), an increase of 9% from 2015/16, with the number trained rising 23% from last year to 5,236. The delivery was a combination of in-shed training, novice schools and workshops. This year for the first time, AWI funded training in the Shear-Jitsu technique, the new way to perform the catch and drag.
- Provided by **Registered Training Organisations (RTOs)**, and AWI's **Independent Coaching Program (ICP)**, the training focused on shearers and wool handlers in the shed, particularly on increasing their productivity, skills development and professionalism. The ICP is proving very successful at providing AWI with an avenue to contract directly with experienced trainers, reducing administrative costs and is proving a cost-effective way of delivery.
- AWI provided support to local **shearing competitions** affiliated with Sports Shear Australia in 2016/17. Part of AWI's support includes payment of entry fees for learner shearers and novice wool handlers. AWI also provided support to state and the national shearing and woolhandling championships. The aims of providing support to shearing competitions are to promote excellence in the wool harvesting industry, encourage young people to join the industry, and encourage continued development of techniques in shearing and woolhandling.
- AWI held a **shearing industry day** in June to help guide the future of wool harvesting. Woolgrowers, shearers, engineers and contractors were invited to attend and discuss current shearing alternatives



AWI undertakes hands-on practical courses for students to help attract them into the wool harvesting industry and make them job ready for shed work.

such as upright shearing alongside other related issues such as shearing shed design, workplace health and safety, human resources, retro-fitting woolsheds and mobile shearing technology.

- A new series of four training videos produced this year highlight ways that shearers can prevent injury and increase the longevity of their careers. The videos feature Pera Davies who developed the **Stand and Deliver - Shear-Jitsu** technique, which is a new way to perform the catch and drag. The videos are available on YouTube.
- AWI's other **digital format training resources** are in constant demand, with them available on USB and also on YouTube. The tutorials are a complete reference guide for shearers, wool handlers, woolgrowers, instructors and students working in various areas of wool harvesting. Copies are available to woolgrowers on request via the AWI Helpline on 1800 070 099.

## CONSULTATION

### STRATEGY EXPENDITURE DURING 2016/17

\$946,000 project expenditure

### WOOLGROWER

#### INVESTMENT FOCUS

1. Initiate and conduct regular and requested woolgrower consultation & engagement.
2. Host AWI events and shareholder engagement, often coordinated alongside and within existing local and state industry events.
3. Conduct more individualised consultation events upon request from very large shareholders.
4. Ongoing support for national and international wool industry events.
5. Have a greater two-way information exchange with woolgrowers.

#### STRATEGIC TARGETS

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
1. Provide multiple channels for shareholders to access and consult AWI directly, in person at specific and industry events or digitally.	<b>On target.</b> Woolgrowers can consult with AWI in person at the many industry events across the country attended by AWI staff, and digitally access information about AWI via web, e-newsletters and social media.
2. A greater awareness amongst shareholders of the ongoing research, development and marketing projects conducted by AWI for the wool industry.	<b>In progress.</b> Information is provided via the Annual Report, <i>Beyond the Bale</i> , web, e-newsletters, podcasts, social media, media and face to face at events. The annual stakeholder survey is under way.
3. Provide a more customised flow of information to and from shareholders, delivered regularly and digitally through <i>Beyond the Bale</i> quarterly and newsletters monthly.	<b>On target.</b> A project to enable woolgrowers to choose, via a preference centre, the type of digital information they receive is under way. Building the company's database of woolgrowers' emails has been a major focus this year.
4. Create the most valued market intelligence in the wool industry.	<b>On target.</b> AWI's Weekly Market Report continues to be well received and a quoted source for reporting in rural media.
5. Continue to provide strong and recognised support for over 50 wool industry events nationwide.	<b>On target.</b> AWI has supported more than 50 sheep and wool industry events during the year.

#### KEY RESULTS DURING 2016/17

- Enhancing **direct communications to woolgrowers** has been a major focus for AWI this year. Regular communications this year included the quarterly *Beyond the Bale* magazine and related e-newsletter, The Yarn podcast, monthly e-newsletters, the Wool.com website, and various social media channels. AWI also attended and/or presented at more than 50 sheep and wool industry events across the country which enabled woolgrowers to directly consult with and provide feedback to AWI.
- A project to enable woolgrowers to choose, via a preference centre, the type of **digital information** they receive is under way. A major focus this year has also been the building of the company's database of woolgrowers' emails to enable woolgrowers to receive targeted, timely and cost-effective information from AWI.
- AWI's free new podcast, **The Yarn**, which was launched in 2016/17, has been well received by woolgrowers. It is an audio report designed to be listened to on a smartphone or on a computer. It includes reports from AWI staff across the world on marketing initiatives to increase the demand for Australian wool, plus AWI's on-farm and off-farm R&D results. Further details are available at [www.wool.com/podcast](http://www.wool.com/podcast)
- AWI's **Weekly Price Reports** were provided each Friday via email and were available on the Wool.com and Woolmark.com websites. In a new initiative, AWI began this year to send wool prices daily and market intelligence weekly direct to woolgrowers' mobile phones via **SMS**.
- AWI's **monthly Market Intelligence Reports** were provided as part of AWI's monthly e-newsletter for woolgrowers and on the Wool.com and Woolmark.com websites.
- **Market intelligence data** was also disseminated at various woolgrower and trade events throughout the year. Trade data and market intelligence reports were provided on demand to trade participants, educational institutions, manufacturers and retailers. Ongoing market intelligence wool pricing updates and special interest reports were provided quarterly in *Beyond the Bale*. There was also physical presentation of market intelligence reporting at trade conferences, seminars, field days and congresses.
- Three **Australian Wool Production Forecasting Committee reports** were released – in August 2016, December 2016 and April 2017. AWI and MLA's joint **Wool and Sheepmeat surveys** of producers were conducted in October 2016, February 2017 and June 2017.

## STAKEHOLDER

### INVESTMENT FOCUS

#### Woolgrower Representative Bodies

AWI's objectives are to provide all relevant grower representative bodies with the opportunity to be informed, engaged and consult with AWI to provide feedback on their member priorities for research, development and marketing.

#### Market Access

To work with domestic and foreign governments and welfare stakeholders in key markets to minimise the

obstacles to commercial trade. To manage sensitive issues in order to protect the industry from external threats.

#### Government

AWI aims to work productively with government stakeholders to ensure a sufficient understanding of the wool industry, AWI priorities, and outcomes of AWI's investments, and to ensure statutory compliance.

### STRATEGIC TARGETS

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
1. AWI reports on and meets its statutory requirements every six months.	<b>Achieved for 2016/17.</b> AWI reported on its statutory compliance to the Department of Agriculture and Water Resources (DAWR) on 2 December 2016 and 6 June 2017. DAWR confirmed AWI had met its statutory requirements at both meetings.
2. Measure positive change in stakeholder awareness of AWI's activities and outcomes (evidenced through annual stakeholder surveys).	<b>In progress.</b> AWI's annual stakeholder survey commenced in Q4 2016/17 and is due to be finalised in Q1 2017/18. The most recent stakeholder survey shows increased satisfaction with AWI's performance amongst woolgrowers.

### KEY RESULTS DURING 2016/17

- In late 2016, AWI finalised its **Statutory Funding Agreement (SFA)** for 2016-2020 with the Australian Government. The SFA sets parameters to ensure that AWI is investing woolgrower levies prudently and operates in line with levy payer and the Australian Government's expectations.
- AWI focused on improving the effectiveness of its **consultation with woolgrower representative groups** in 2016/17. AWI undertook extensive work to develop a new Consultation Plan, seeking feedback from the Australian Government and industry representative bodies through AWI's Woolgrower Industry Consultative Committee (ICC). AWI subsequently made a number of changes to improve its consultative process including the appointment of a new Corporate Affairs Manager and proactive and formal re-engagement of state farming organisations. The priorities identified in consultation with woolgrower representative groups were reported to the AWI Board and AWI staff and have guided the development of AWI's 2017/18 Annual Operating Plan.
- Throughout 2016/17, AWI has worked on improving the **AWI Woolgrower Industry Consultative Committee (ICC)** to ensure it continues to meet the expectations of members and the business needs of AWI. The ICC was established in 2010 as a formal mechanism to consult national woolgrower industry organisations. Recent improvements have included clarifying the purpose of the ICC to maximise its value, the development of a new briefing pack for members to improve the transparency of AWI's reporting, and inviting guest participants from other woolgrower representative organisations, such as ASHEEP. The ICC comprises representatives from WoolProducers Australia, Australian Association of Stud Merino Breeders, Australian Superfine Wool Growers Association, Australian Wool Growers Association, Pastoral and Graziers Association of Western Australia, a representative from the broad wool breeds and an observer from the Australian Government.
- AWI also established the new role of **Sheep Health and Welfare Advocacy Manager** to focus on communicating AWI's sheep health and welfare R&D and management activities to woolgrowers, domestic stakeholders and government. This has included briefings to update these key stakeholders of AWI's activities in this area, the development of a new Managing Flystrike Manual for growers, and convening AWI's annual Animal Welfare Forum that brought together animal welfare and animal rights groups and researchers to update them on AWI's R&D program.

*Note: For further information on AWI consultation, see the section on page 54.*

# PROCESSING INNOVATION & EDUCATION EXTENSION

## OBJECTIVE

Increase the profitability and sustainability of wool processing.

## OUTCOMES

- Develop new innovative manufacturing processes.
- Develop new product ranges based on newly developed processes launched globally in collaboration with the marketing team.
- Manufacturers mainly in emerging countries, new to wool, using established wool technologies.
- Improved links with logistics companies that facilitate imports of Australian wool into new markets.

## STRATEGIES

### PROCESSING INNOVATION

By assisting (through transfer of innovations) manufacturers to adopt innovative technologies which add significant value, either functionally (e.g. moisture management properties) or aesthetically (new textures) so their products will attract higher premiums. This in turn will lead them to become more profitable, and thus more likely to stay in wool and willing to pay a higher price for it.

### EDUCATION EXTENSION

Education and training of supply chain participants ensures wool remains a competitive processing sector against other fibres and inspires designers, brands and retailers to use wool in their product ranges, and ideally, to leverage the intrinsic properties of wool to grow profitable demand for their products.

#### PROGRAMS:

- Student Education
- Trade Extension
- Consumer Education

# PROCESSING INNOVATION

## STRATEGY EXPENDITURE DURING 2016/17

\$977,000 project expenditure

### INVESTMENT FOCUS

#### Fashion

Development of new product marketing tools for each autumn/winter retail selling season with the focus on separates, and functional finishes.

Identify a group of retailers and brands best placed to understand and adopt new innovations.

#### Novel Technologies

Develop and commercialise new manufacturing processes, either machinery or chemical based, which lead to new novel products in wool and opens opportunities in new market segments for wool.

Working in partnership along the supply chain, innovations will focus on a combination of wool's natural inherent properties, and engineering the wool fibre, yarns, fabrics and garments to enhance these properties or adding new ones.

#### Sportswear

Develop new product 'fit for purpose' ranges aimed at Outdoor (focus on protection), Running (focus on moisture management and temperature control) and Athleisure (focus on odour and moisture management, stretch and recovery for comfort).

## STRATEGIC TARGETS

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
1. Develop and commercialise 6 new processes and transfer to 15 manufacturers, yielding an average mill profit increase exceeding \$20,000 by 2019.	<b>In progress.</b> Development and commercialisation under way into new machinery- and chemical-based manufacturing processes, which aim to lead to new novel products in wool and open opportunities in new market segments for wool.
2. Develop 4 innovations and transfer to 33 manufacturers, yielding an average mill profit increase exceeding \$20,000 by 2019.	<b>In progress.</b> Working in partnership along the supply chain, innovations are focused on a combination of wool's natural inherent properties, and engineering the wool fibre, yarns, fabrics and garments to enhance these properties and add new ones.

## KEY RESULTS DURING 2016/17

### Development Centres

- Knitwear manufacturing giant Xiniao – one of the world's leading worsted spinners of wool – opened an innovative **Knitwear Development Centre** in China in collaboration with AWI in September 2016. Located in Tongxiang, in China's Zhejiang province, the facilities provide a development and education hub for knitwear textile fashion trends, technological innovation, product development, and promotion. Xiniao and AWI have commissioned the education services of processing experts throughout the supply chain to lecture and educate students who visit the centre, ensuring wool is at the forefront of the minds of the next generation.
- The **Wool Development Centre (WDC)**, established in China in October 2013 by AWI and leading woollen textile enterprises The Nanshan Group, has this year continued to develop innovative, high-value woven fabrics produced from Australian Merino wool. An example of the fabrics produced by the WDC is the Optim fabric that has been used in apparel commercially launched this year – see Sportswear section on page 16.

### Process innovation

- Trials with **ECO water proof treatments** for fabric and footwear is under way and results are promising.
- Non-chlorination treatments** for washable wool are under way.



The launch of the new Xiniao Knitwear Development Centre – which provides a place for research, development and education.

- Trials for eflow dyeing and ozone treatment for **shrink proof wool** are under way:
  - Ozone treatment of wool to control wool shrinkage and allow for machine washable wool product to be produced in a more sustainable and environmentally friendly way
  - Dyeing of washable wool with eflow which will be translated into enormous savings in water and energy.
- Trials for **double face print technologies** are under way.

**Product innovation**

Developments continue for menswear and womenwear but there has been a stronger focus on developments for the sports and outdoor markets for performance fabrics, garments and footwear.

**Yarn**

- Yarns with more durability and better abrasion for footwear developments
- Wrapped and blended yarns for strength in seamless, flat-knits and warp-knit developments
- Colour injection in slubs
- Spray dyeing

**Circular Knits**

- Further developments of extreme lightweight knits for cycling jerseys, sports underwear etc.

**Seamless, warp-knit seamless and flat-knit**

- An extremely important area for product development is the sports/outdoor market with leading international brands continuing to expand or introducing wool products into sports categories such as running, yoga, cycling as well as continuing developments for hiking, ski etc. With the advancements in technical know-how and machinery (Stoll and Shima Seiki for example), seamless and flat-knitting technologies are being employed to manufacture not only base-layer garments but an extensive range of mid- and outer-layer garments.

**Warp-knits**

- Initial developments are under way for sports/outdoor markets with a specific focus on compression wear.

**Woven**

- With the growing appreciation for the Optim fabric, AWI continues to research and develop water and wind resistant fabrics both for fashion and sports/outdoor markets.

**Footwear**

- AWI continues to research and develop footwear not only for the fashion market but specifically for the sports and outdoor market where wool is beginning to be understood and appreciated by leading international brands as a performance fibre. Wool in footwear is perfect for comfort, warmth, breathability, odour management etc. New machinery technologies are being used for these developments.

**Novel products**

Research is under way for:

- Smart textiles: textiles with the capability to react to different kinds of physical stimuli, for example temperature, pressure etc.
- Interactive textiles: wearable technologies which are sewn into clothing and operated or controlled by an integrated control panel or operation button.
- 3-D printing.

## EDUCATION EXTENSION

**STRATEGY EXPENDITURE DURING 2016/17**

\$4,033,000 project expenditure

### STUDENT EDUCATION

**INVESTMENT FOCUS****Primary/Secondary**

AWI will continue to develop and make available educational resources such as “Learn About Wool” and “Sam the Lamb” for primary and secondary students. Support will be provided to teachers, including online lesson plans, videos and other materials in line with national curriculums.

**Tertiary**

Seminars for tertiary students will be held globally to educate and inspire future generations. AWI will continue to develop a series of education modules covering the entire supply chain, and make available face to face or online.

**STRATEGIC TARGETS**

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
1. Directly engage participants at an average cost per effective participant of \$10.	<b>In progress.</b> AWI continues to engage across all levels of student education: primary, secondary and tertiary.

## KEY RESULTS DURING 2016/17

### Primary/Secondary

- AWI's **Wool4School fashion design competition** continues to go from strength to strength. First launched in 2012, Wool4School has involved more than 50,000 students in Australia and Hong Kong not only learning the fundamentals of fashion design but also exploring the benefits and versatility of wool and the fabric it creates.
  - Now in its seventh year in **Australia**, the Wool4School competition builds knowledge about Australian Merino wool among the nation's school students. The fashion design project has been planned carefully to fit within the Design and Technology curriculum of each region. The design competition in Australia expanded in 2017 to include Year 12 students, allowing all high school students to explore the versatility of Australian Merino wool and gain insights into the fashion industry. More than 13,700 Australian school students have registered for the 2017 Wool4School, a 12% increase from last year.
  - Following the extension of the competition into **Hong Kong** in 2015, AWI once again held the Wool4School competition in the important textile region of Hong Kong to help the next generation of fashion designers champion Australian wool.
  - The Wool4School competition was launched for the first time in **England** in June 2017. By putting wool into the minds of England's future fashion designers, Wool4School encourages students in this important market for wool to think innovatively and creatively about the fibre. The competition is open to all school students in Sixth Form or equivalent throughout England.
- As an extension of AWI's successful Wool4School fashion design competition, AWI's **Learn About Wool** website ([www.learnaboutwool.com](http://www.learnaboutwool.com)) and kits, tailored to both primary and high school teachers and students, continued to offer a flexible and interactive range of resources that can easily be incorporated into everyday classroom activities. A new Learn About Wool website with enhanced scope and content has been developed for launch in the third quarter of 2017.

### Tertiary

- **Seminars** explaining the attributes, benefits and versatility of wool to textile and fashion students in the early stage of their career are an important component of AWI strategy. Examples of this type of seminar held this year are:
  - the 'Naturally Inspiring' seminars held in Melbourne (Hawthorn and Brunswick) in August 2016, Adelaide in October 2016, Perth in March 2017 and Sydney in June 2017 that were attended by more than 800 students; and overseas in London in February 2017 and Istanbul in April 2017
  - workshops at the Japanese branch of international fashion design and business institute ESMOD; and the Merino Wool seminars held at the Première Vision trade shows in September 2016 and February 2017.



*The Year 10 winner of last year's Wool4School competition – which had a sporting theme – Annie Liao (centre), from Radford College, Canberra, saw her equestrian design brought to life by leading fashion designer Jonathan Ward (left), and was lucky enough to feature in her very own photo shoot with Girlfriend magazine.*



*Turkish students at the Naturally Inspiring seminar in Istanbul using virtual reality headsets to see what life is like on an Australian Merino wool-growing property.*

- AWI supported leading **textile student design prizes** to educate early career textile designers about the benefits of working with Merino wool. Examples this year included:
  - the UK's Texprint design award and the Bradford Textile Society design award
  - in Hong Kong, the Hong Kong PolyU Institute of Textiles and Clothing's graduation award
  - in Italy, the 'Textile Project' with Max Mara and the Istituto Marangoni, and the Mittelmoda Fashion Award in Milan
  - in Japan, the Next Generation Award at the Bunka Fashion Graduate University
  - and locally, the University of Technology Sydney (UTS) innovation of laser cutting.
- In India, AWI introduced the **Wool Runway design competition for tertiary students** that gave them a chance to design an outfit, containing at least 80% Merino wool, for a premium fashion brand. There were three participating universities in this pilot year, with 450 students attending a Wool Appreciation class held as part of the initiative. 18 students were selected for the final runway event that was hosted by Indian celebrities and gained widespread media coverage in India. Wool Runway aimed to not only raise awareness, but also educate the next generation of wool consumers and inspire emerging fashion designers to work with Merino wool. The Wool Runway will be held again this year.
- AWI, Zegna Baruffa Lane Borgosesia and the Master in Creative Knitwear Design of the Accademia Costume & Moda collaborated to present a special project, showcased during the Pitti Filati trade show in June 2017. The **Master in Creative Knitwear Design** aims to inspire young fashion designers and enhance their understanding of the innate qualities of Merino wool, taking inspiration from The Wool Lab Autumn/Winter 2018/19.
- AWI helps support **wool supply chain study tours of Australia** for students. Examples in 2016/17 included the winners of the AWI-supported Hong Kong PolyU Institute of Textiles and Clothing's graduation awards in August 2016; five 'Biella Masters' postgraduate students (Italy) in September 2016; and the winner of the Bunka Fashion Graduate University award (Japan) in April 2017.
- The **International Wool Education Centre (I-WEC)**, opened in China in October 2014 to complement the Wool Development Centre (see page 41), this year continued to educate university students on most aspects of wool manufacturing. Examples of educational initiatives under way in 2016/17 included a series of lectures on worsted topmaking and spinning delivered to 25 third year textile engineering students as well as technicians from the local topmaking plant.
- A series of **education modules** including wool science physics, chemistry and wool structure; top making and worsted spinning; wool dyeing; wool fabric finishing was delivered to:
  - 37 textile engineering students at Xian Polytechnic University, China in November 2016
  - 31 textile engineering students at Wuhan University, China in May 2017
  - 15 textile engineering students at Zheijiang Sci-Tech University, China in June 2017.

## TRADE EXTENSION

### INVESTMENT FOCUS

#### Trade Events

AWI will continue to exhibit at the most influential trade shows that will support investment across our Off-Farm and Marketing areas.

#### Technology Transfer

A key element of our investment in this area will be the activation of the Hong Kong Resource Centre and

engagement with trade to support and connect participants of the wool industry throughout the supply chain.

#### The Wool Lab

AWI will continue to develop and make available to industry The Wool Lab (TWL).

### STRATEGIC TARGETS

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
1. Operating under a fixed budget AWI will seek to generate leads at a cost (project and staff) of \$1 per lead.	<b>In progress.</b> AWI continues to review and monitor AWI's trade stand positioning and design.
2. For our technology transfer investment, we will seek to work with 45 new manufacturers by 2019, with the average profit increase per manufacturer exceeding \$20,000 annually.	<b>In progress.</b> AWI continues to work closely with industry to seek opportunities for technical transfer of innovations with relevant mills. The ultimate aim is the adoption and commercialisation of these innovations.

**STRATEGIC TARGETS (continued)**

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
<p>3. TWL will seek to deliver a minimum of 350 client meetings and to determine the extent to which our clients use TWL in their products.</p>	<p><b>On track.</b> More than 700 client meetings were held for the two TWL editions released this year. Many of the most important fashion and sports brands (such as Nike, adidas, Hermes, Armani, Max Mara, Burberry and Ralph Lauren) use TWL as an important sourcing guide.</p>

**KEY RESULTS DURING 2016/17**

**Trade shows and other trade development**

- AWI attended or exhibited at 18 **international trade shows** to showcase its new product developments and The Wool Lab to brands and retailers and inform them about the benefits of wool. The target audience at each of these trade shows is retail buying teams, designers and manufacturers. Trade shows at which AWI exhibited during 2016/17 included:
  - Heimtextil (Frankfurt) for interior textiles
  - India Fashion Forum (Mumbai) for apparel fabrics
  - Intertextile (Shanghai) for apparel fabrics
  - ISPO (Munich) for sports and outdoor wear
  - Japan Best Knit (Tokyo) for knitwear and textiles
  - Milano Unica (Milan) for high end textiles and fashion (Sept 2016 and February 2017 editions)
  - Outdoor Retailer (Salt Lake City) for outdoor wear (a networking event was also held by AWI for industry guests)
  - Pitti Filati (Florence) for knitting yarns and knitwear (January 2017 and June 2017 editions)
  - Pitti Uomo (Florence) for menswear apparel (January 2017 and June 2017 editions)
  - Première Vision (Paris) for woven fabrics and wovenwear (Sept 2016 and February 2017 editions)
  - SpinExpo (Shanghai) for knitting yarns and knitwear (a Merino Wool seminar was also held by AWI at SpinExpo).
- AWI’s presence at trade shows provides an important source of leads for continual business development as well as the opportunity to support our trade partners. Following the trade shows, **workshops** about AWI’s innovation collections and The Wool Lab (see following page) were held individually with retailers and brands.
- In a first for Australia, seven emerging Australian designers were on show together in June 2017 in Florence, Italy, at a special presentation dubbed **Guest Nation Australia** during the Pitti Uomo trade show. Each of the Australian designers presented their Spring/Summer collections, highlighting the adaptability of Australian Merino wool and its suitability for all climates. The project was undertaken in collaboration with AWI and the Australian Fashion Chamber.
- AWI launched its **Loom to London** program in 2013 as an innovative way to introduce emerging UK designers to select British mills, and to improve their understanding of wool textile production. The latest designer to join the program this year was London-based designer Sadie Williams.
- In efforts to increase the use of Merino wool in **India**, AWI conducted workshops to educate manufacturers and exporters – including those

located in Tirupur, the major textile hub and knitwear capital of India – about the natural properties of the fibre and upskill their technical expertise.

- The AWI Marketing team supported AWI’s presence at trade shows and trade development by providing **marketing collateral**, from trade show booth design to bespoke presentations for key brands.
- **Expert advice** on engagement strategies with the global textile trade was secured from notable consultants including Fabrizio Servente (Italy) and Peter Ackroyd (UK).



AWI attended or exhibited at 18 international trade shows to showcase its new product developments and The Wool Lab to brands and retailers and inform them about the benefits of wool.



AWI Hong Kong Technical Manager showing some wool innovations to brand representatives at the Wool Resource Centre.

### Technology transfer

- AWI's **Wool Resource Centre** in Hong Kong, launched in April 2016, showcased Australian wool and helped supply chain partners develop, produce and market products in this important region for wool. The multi-functional space acts as a global hub for wool, enabling visitors – including spinners, knitters, weavers, retailers, designers, students and garment makers – to discover the versatility of Australian wool. More than 1,800 people from 220 brands, designers, educational institutions etc visited in 2016/17. Australian woolgrowers travelling to Hong Kong area were also welcomed to the Wool Resource Centre where they received presentations on developments in the region.
- By identifying and working with new manufacturing partners in **emerging countries**, such as Vietnam, AWI's aim was to support the shift of processing operations out of China, whilst at the same time creating new business opportunities and new demand for Australian wool.
- Examples of AWI-developed **innovations transferred to companies** by AWI offices include Mottled Merino, Vintage Merino, Knitted Merino Denim, Woven Merino Denim, 3D Merino, Merino Retract, Machine Washable Knitted Woven, Sculpture Merino and Mercerised Merino.

### The Wool Lab

- AWI's **The Wool Lab – the seasonal guide to the best wool fabrics and yarns in the world** – continues to be a global success and an important tool for the fashion industry, including brands, retailers, manufacturers, spinners, weavers and the media. The Wool Lab contains a selection of the most innovative and quality wool fabrics and yarns commercially available on the market from the best spinners and weavers in the world.
- The Wool Lab guide for the **spring/summer 2018** retail season was launched at the Pitti Uomo trade show in January 2017.
  - The edition presented six fashion-oriented themes, along with two themes entirely dedicated to the sports and outdoor industry (Active and Athleisure), highlighting the technical benefits of the natural fibre. For the first time, The Wool Lab also included two books dedicated to Wool Denim.
  - Following its release, AWI's team of The Wool Lab specialists had more than 400 one-on-one meetings with clients to present the edition, an

increase of about 70 meetings from the previous spring/summer edition. The spring/summer 2017 season generated more than 10,500 requests for swatches from clients, an increase of about 1,500 swatches compared to the previous spring/summer season. Notably, the most popular swatch requests were those contained in the 'Sport Athleisure' and 'Sport Active' themes.

- The Wool Lab guide for **autumn/winter 2018/19** was launched in June 2017 at Pitti Uomo.
  - Seven fashion-oriented themes were presented. In addition, The Wool Lab Sport and The Wool Lab Denim returned this season, with each of the popular books updated to include the latest innovations and technical fabrics.
  - Following the release of the **autumn/winter 2017/18 edition** in June 2016, our team this year had more than 300 one-on-one meetings with clients showcasing the edition, with about 10,000 swatch requests from clients, an increase of about 1,500 requests from the previous autumn/winter season.
- **Clients across the world** to which The Wool Lab was presented were located in Australia, Benelux, Czech Republic, China, France, Germany, Hong Kong, India, Italy, Korea, North Europe, Turkey, UK and USA.
- Both editions of The Wool Lab were also released in a **preview format** for spinners and weavers (for purchase – see [www.woolmark.com/inspiration/the-wool-lab](http://www.woolmark.com/inspiration/the-wool-lab)) three months prior to the release of the main The Wool Lab book.
- A **magazine** of both editions of The Wool Lab Preview was also made available for purchase (see [www.woolmark.com/inspiration/the-wool-lab](http://www.woolmark.com/inspiration/the-wool-lab)) for a broader audience. The magazine is sold in the best trade fairs and professional bookstores between the most leading trend books (such as *Views*, *Trends*, *Collezione* etc). The magazine is distributed in more than 25 countries and has achieved a sales target of 250 copies sold worldwide per season. The availability of the magazine in the best bookstores and fairs helps to increase the awareness of The Wool Lab and allows AWI to become a market reference in wool products and innovation research for all fashion and textile professionals.



AWI's **The Wool Lab – the seasonal guide to the best wool fabrics and yarns in the world** – continues to be a global success and an important tool for the fashion industry, including brands, retailers, manufacturers, spinners, weavers and the media.

## CONSUMER EDUCATION

### INVESTMENT FOCUS

#### Retail Training Packages

Development of retail training programs across a diversity of brands with a specific focus on womenswear, menswear and sportswear brands for global delivery.

#### Train the Trainer

Development of train-the-trainer programs for greater and more efficient execution.

### STRATEGIC TARGETS

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
1. Operating under a fixed budget, maximise opportunities for retail stores and consumers more broadly to access educational material on wool and its benefits.	On track.

### KEY RESULTS DURING 2016/17

- AWI continued to hold its successful **Wool Appreciation Courses** in Australia and overseas, offering insights into the production pipeline of Merino wool apparel – from fibre to garment. It also details the unique benefits, performance and fabric attributes of wool and wool products. Delivered by AWI’s technical experts to brands, designers, manufacturers and students, the courses can be tailor-made for individual companies and educational institutions, to provide simple and practical explanations of wool processing. The conversion of the Wool Appreciation Course to an e-learning platform is now under way, and the creation of a Wool Appreciation ‘Sports’ course is also under way.
- Training of retail decision makers**, such as a company’s buyers, merchandisers, designers and technologists, was undertaken, focusing on providing them with a ‘toolkit’ that both stimulates interest and builds their confidence to invest in wool product lines. It enables them to take full advantage of wool’s technical and aesthetic properties.
- Retail workshops were held to help **educate sales staff** in several locations across the world about the natural properties and benefits of wool, so they can advise consumers more appropriately. Retail store managers were also trained, who in turn train their own staff. AWI this year developed and completed a new retail training pocket book and copies have been delivered to each region.
- The focus has been on **large international retailers** such as ECI (Spain), Max Mara (Italy), Armani (Italy). Educational sessions were undertaken during international store manager meetings for these three companies. Retailer training sessions have been using new training materials, and there has been an incredibly positive response from the companies about the educational activities. More than 25,000 store managers and floor staff of these three brands have been directly educated about wool’s benefits, ready to transfer the know-how to thousands of consumers. Training to Max Mara incorporated training on their e-learning platform. A pilot **e-learning platform** (with educational videos) is under development by AWI to assist with cost-effective and efficient training to all target brands.

- An inaugural **retailer study tour** was held in April 2017. Prominent international brands Max Mara, Prada and Burberry participated. A delegation of five attended the tour and included retail staff training managers and well as raw material sourcing managers. The purpose of the trip was to educate the participants on the source of Merino wool and give them first experience with the fibre and woolgrowers. Not only was this tour a success, but additional projects are now under way with each brand in relation to wool education and product development.



A delegation from prominent international brands at AWI Chairman Wal Merriman’s wool-growing property, on the inaugural retailer study tour – held to educate the participants about the source of Merino wool. Pictured left to right are Alessandro Acciari (Prada), Lorenzo Minutelli (Max Mara), Adrien Forray (Burberry), Valentina Bertani (Max Mara), Stefano Barbetti (Prada), Wal Merriman and AWI Country Manager for Italy, Francesco Magri.

# BUSINESS SERVICES

## OBJECTIVE

To enable AWI to operate cost effectively through the efficient provision of a range of cross-company support services.

## OUTCOMES

- Maintain the strength of the Woolmark brand globally.
- AWI's internal and external stakeholders will be provided with a range of efficiently delivered support services, relevant to business needs.
- AWI to be recognised as a leader in the development and delivery of Digital Services for the Australian wool industry.

## STRATEGIES

<p><b>CORPORATE SERVICES</b></p>	<p>Provision of high quality support services globally including people services, financial management, legal advice, strategic commercial advice, IP portfolio management, company secretary and compliance oversight, for all of the business divisions of AWI.</p>	<p><b>PROGRAMS:</b></p> <ul style="list-style-type: none"> <li>• Finance Services</li> <li>• People Services</li> <li>• Legal Services</li> <li>• Evaluation Services</li> </ul>
<p><b>WOOLMARK</b></p>	<p>The Woolmark brand underpins many of AWI's other programs by providing a central point of focus to link initiatives across the entire wool supply chain. The Woolmark product specifications and quality control and testing policy support The Woolmark Company's (TWC) consumer marketing efforts to change perceptions about wool.</p>	<p><b>PROGRAMS:</b></p> <ul style="list-style-type: none"> <li>• Licensing</li> <li>• Business Development</li> </ul>
<p><b>DIGITAL SERVICES</b></p>	<p>The ongoing evolution of the business requires the continual balancing of the need for stability and security in information technology with a flexible and accessible 'ecosystem' that accounts for increased workforce mobility and cloud based solutions.</p>	

## CORPORATE SERVICES

### STRATEGY EXPENDITURE DURING 2016/17

\$1,151,000 project expenditure

### FINANCE SERVICES

#### INVESTMENT FOCUS

##### Risk Management

Manage the company's global investment and foreign currency exposure within the approved guidelines.

##### Financial Management

Provide the business with timely, accurate and useful reporting to enable effective decision making and ensure financial corporate compliance.

#### STRATEGIC TARGETS

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
1. Compliance – no default notices for financial reporting.	On target.
2. Risk – Manage the group reserves policy ensuring the reserves are maintained to target.	On target.
3. Provide financial reports to the Board/management and audited financial statements.	On target.

### PEOPLE SERVICES

#### INVESTMENT FOCUS

##### Talent Acquisition

Identify needed skills and competencies and look at alternative ways to source talent.

##### Talent Management

Building leadership/workforce capability to ensure the skill sets of our people are relevant and will feed succession plans.

#### STRATEGIC TARGETS

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
1. Talent Acquisition – talent recruited matches business needs.	On target.
2. Engagement – Year on year improvement in employee engagement measure.	On target.
3. Workplace Culture – Compliance with local and international employment legal requirements and key HR policies globally.	On target.

### LEGAL SERVICES

#### INVESTMENT FOCUS

##### Company Secretary Services

Provide company secretary services as required.

##### Intellectual Property

Manage AWI's IP portfolio, trademark registrations and support Woolmark licensing program.

##### Legal Support

Provide commercially sound legal advice and support as required.

#### STRATEGIC TARGETS

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
1. Provide legal and commercial advice and support to the company in order to reflect its strategic and commercial needs as well as mitigating risks.	On target. Advice was provided to the company that was both commercially astute and legally sound, at all times limiting our exposure.

Continued overleaf

**STRATEGIC TARGETS (continued)**

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
2. Manage the company's intellectual property assets to ensure that they are protected and their value enhanced and provide assistance with commercialisation.	<b>On target.</b> The company's IP Portfolio was proactively managed to ensure that its IP assets remain protected globally – see page 58.
3. Administer the affairs and corporate governance for AWI, its Board, Board Committees as well as its subsidiaries, branches and representative offices to ensure their observance of legal requirements.	<b>On target.</b> Adherence to all corporate governance commitments has been attained – see page 52.

**EVALUATION SERVICES****INVESTMENT FOCUS****Measurement Processes**

Provide internal support in terms of measurement processes and analytics.

**External Expertise**

Engage independent agent to audit program level M&E methods and evaluations.

**STRATEGIC TARGETS**

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
1. All AWI Programs will be evaluated on a routine basis.	<b>On target.</b> A robust evaluation approach has been successfully developed for all investment areas, and the performance of each AWI program is reported to the AWI Board on a quarterly basis.

*Note: For further information on AWI program monitoring and evaluation, see page 53.*

**WOOLMARK****STRATEGY EXPENDITURE DURING 2016/17**

\$621,000 project expenditure

**LICENSING****INVESTMENT FOCUS****Administration and Branding**

Respond appropriately to changing commercial drivers to ensure the ongoing relevance and applicability of the Woolmark brands.

**Quality Control**

Simplify Woolmark licensing processes and deliver licensees with a range of products and/or services that provide a clear value add to their business.

**STRATEGIC TARGETS**

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
1. Maintain License numbers at the 2015 level.	<b>In progress.</b>

## BUSINESS DEVELOPMENT

### INVESTMENT FOCUS

#### Communications

AWI will implement a communications strategy using its digital channels (social media, newsletter, e-learning) to support the use of Australian wool in interiors and promote the use of AWI's premium apparel care brands through the easy to care story for wool products.

#### Educational

AWI will educate high level interior designers, architects and retailers about the benefits of wool for use in

interiors by demonstrating how using wool can address particular problems such as; fire safety, climate control, acoustics and insulation.

#### Key Account Management

Robust global Account Management processes with TWC staff focussing on key partners (from an agreed list of key accounts, development accounts and maintenance accounts). AWI's key accounts will deliver measurable outcomes in wool product awareness and/or sales volume during the strategic period.

### STRATEGIC TARGETS

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
1. 75% of Key Accounts report a measurable increase in wool production or sales over the strategic period.	On target.

*Note: For further information on the work undertaken in the Business Development program, see the Marketing portfolio beginning on page 10, and the Processing Innovation & Education Extension portfolio on page 40.*

## DIGITAL SERVICES

### STRATEGY EXPENDITURE DURING 2016/17

\$2,251,000 project expenditure

### INVESTMENT FOCUS

#### Infrastructure

Provide an infrastructure environment that meets and continues to evolve with the business by continuing to reduce levels of hardware investment, simplifying infrastructure (hybrid cloud based solutions), whilst reducing complexity in integrations and removing legacy systems.

#### Hardware Development

Provide increasing levels of accessibility to business systems via web services and enhanced BYOD (bring your own device) capabilities.

#### Software Development

Evaluate and adopt agile, cloud services as appropriate to the business from a holistic perspective, ensuring applicability and scalability.

### STRATEGIC TARGETS

Targets for three-year period 2016/17 to 2018/19	Progress during 2016/17
1. By 2019, increase the amount of new customers entering the AWI/Woolmark digital eco-system by 20%.	<b>On target.</b> Through constant revision of its strategy, AWI has not only managed to maintain a steady growth across all aspects of its digital audience (traffic, social and databases) but has also managed to ensure this is reflected in its most valuable metric (ie data acquisition) which has helped AWI serve up more relevant content.
2. Integrate CRM across the entire business to improve communication.	<b>In progress.</b> Training has been rolled out and identified cost savings implemented. The entire system is currently under review to identify further efficiencies with which to better support the business.
3. Ensure all offices and projects are fully supported digitally and increase overall staff awareness of these services.	<b>On target.</b> The digital team is fully integrated and, through regular conference calls and office visits, is now able to review project proposals to ensure they capitalise on every opportunity to incorporate digital support. This aids better delivery of projects and thereby increasing value to growers.
4. Provide leadership and guidance to ensure digital future proofing of the business.	<b>In progress.</b> AWI has been working to present the business as forward-thinking and digitally-led, which has already enabled AWI to engage large scale suppliers who more closely align with this methodology.

*Note: The work in the Digital Services strategy was undertaken across the whole company. For further information, see the Marketing portfolio on page 15, and the Woolgrower Services portfolio on page 37.*

# GOOD BUSINESS

## CORPORATE GOVERNANCE FRAMEWORK

### Governance principles

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

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

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

### Corporate governance documents

AWI corporate governance documentation is available on the AWI website at [www.wool.com](http://www.wool.com), and includes:

- AWI Constitution
- Statutory Funding Agreement
- Board Charter
- Charter of the Committees of the Board
- Board Nomination Committee Charter
- Code of Conduct and Business Ethics
- Corporate Governance 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 the Board and management are committed to achieving.

### Code of Conduct and Business Ethics

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

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

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

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

### Risk Management Policy and Framework

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

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

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

### Fraud Control Plan

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

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

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

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

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

The main objective of the Fraud Control Plan is to minimise the risk of fraud against AWI. This objective is achieved through reference to the Commonwealth Fraud Control Guidelines including the adoption of the Australian Standard on Risk Management (ISO 31000) 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.

## MONITORING AND EVALUATION

AWI has had a company-wide Monitoring and Evaluation (M&E) Framework in place since 2011. The framework includes both post and ex ante monitoring and evaluation, meaning prior to any investment decision being made, an assessment is made of the likely outcome and return to growers, and upon completion of each investment, a further evaluation is undertaken to determine the return on investment for growers.

AWI's M&E Framework has continually been improved since its inception to address the unique technical and marketing context in which AWI operates and to ensure it continues to meet the needs and expectations of AWI's stakeholders.

By 2016/17, monitoring and evaluation has been successfully integrated into a comprehensive planning and reporting business cycle, which effectively links the Strategic Plan to the day to day operational activities of the organisation. This means AWI's programs are monitored and reviewed fortnightly by AWI's CEO and executive team and quarterly by the Board to ensure they are delivering on their targets.

Details of AWI's M&E framework are available on AWI's website at [www.wool.com/measuring-performance](http://www.wool.com/measuring-performance)

## 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 **PricewaterhouseCoopers** provide specific advice on taxation and other related matters pertaining to AWI and The Woolmark Company, as required.

## INVESTMENT POLICY

AWI is the custodian of woolgrowers' investment in their future prosperity and the matching eligible R&D provided by government. Therefore AWI seeks to balance its risk position between:

- investing in higher risk activities that may drive substantial growth in the demand for wool; and
- the need to remain a stable organisation with the capacity to continue to work for woolgrowers long into the future.

AWI's risk appetite is therefore necessarily towards the middle of the risk-taking spectrum. Depending on the company's results from year to year, AWI may choose to increase or decrease its appetite for higher risk activities.

The AWI Annual Operating Plan (available on [www.wool.com](http://www.wool.com)) provides further explanation of AWI's risk appetite with respect to the company's strategic portfolios and other fundamentals of its business.

## WOOL EXCHANGE PORTAL

The AWI Board has given the green light to the construction of a digital Wool Exchange Portal (WEP), with a view to increasing returns to woolgrowers and promoting competition, choice and transparency in the wool selling system to benefit growers.

The WEP will be an online tool that enables growers and other market participants to compare available options and choose selling and buying strategies best suited to individual circumstances. It will provide greater transparency and competition in the market, reduce transaction costs and embrace modern digital opportunities.

The WEP is expected to generate approximately \$38 million in industry consolidated benefits over 15 years, with greater transparency of selling costs expected to save growers around \$17 per bale and lower cost pathways for sale of wool potentially delivering savings of up to \$10 per bale for certain growers.

Comprehensive consultation with all parties along the wool selling system began back in 2014 with a significant number of meetings, discussions and publications. AWI will continue to consult with industry as the WEP moves forward.

The AWI WEP working group is engaging expert online commodity market operators to help develop the WEP.

Further information about the WEP is available on the AWI website at [www.wool.com/wssr](http://www.wool.com/wssr)

## CONSULTATION

In 2016/17, AWI focused on improving the effectiveness of its consultation with woolgrower representative groups. AWI undertook extensive work to develop a new Consultation Plan, seeking feedback from the Australian Government and industry representative bodies through AWI's Woolgrower Industry Consultative Committee (ICC).

The new Consultation Plan formalised a process to identify grower priorities, report these priorities into the Board and the business, and integrate them into AWI's operations.

AWI subsequently made a number of changes to improve its consultative process including the appointment of a Corporate Affairs Manager and formal re-engagement with state farming organisations.

AWI also worked on improving its ICC to ensure it continues to meet the expectations of members, woolgrowers and the business needs of AWI. This included clarifying the purpose of the ICC to maximise its value, the development of a new briefing pack for members to improve the transparency of AWI's reporting, and expanding grower group participation by inviting guest participants, such as ASHEEP.

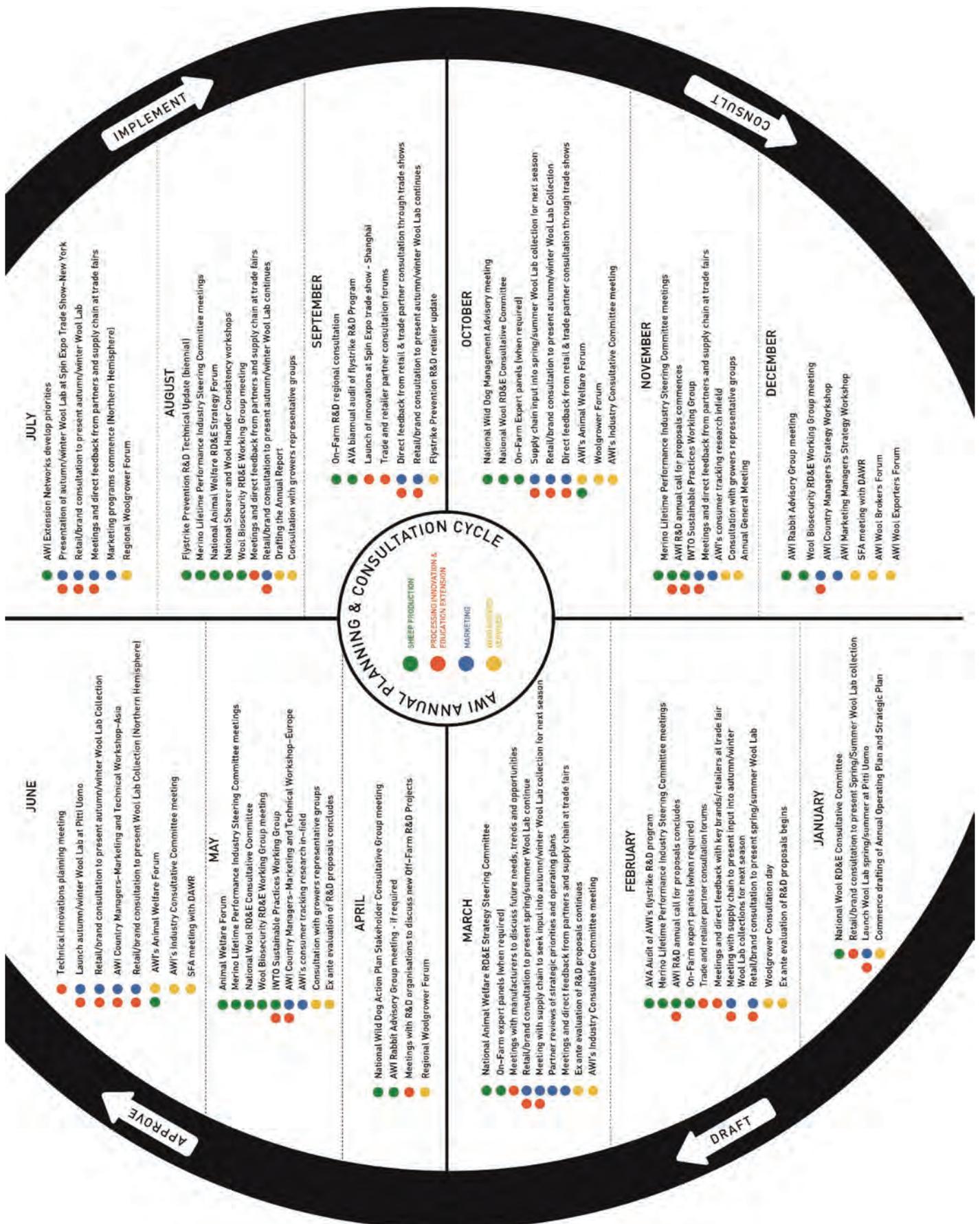
The priorities identified in AWI's consultation activities in 2016/17 were reported into the AWI Board and staff and have been integrated into AWI's 2017/18 Annual Operating Plan.

Further details on AWI's current consultation processes are shown in Figure 1 opposite.

**R&D priorities identified in AWI's consultation in 2016/17 and integration into AWI's Annual Operating Plan (AOP) 2017/18.** (The AOP is available at [www.wool.com/publications](http://www.wool.com/publications))

ICC members' priorities identified	Priorities identified in other grower consultation	Integration of these priorities in AWI's AOP 2017/18
<ul style="list-style-type: none"> <li>Animal welfare</li> <li>Flystrike</li> <li>Wild dogs</li> <li>Diseases - ovine brucellosis, foot rot</li> <li>Lice</li> <li>Expanding LTEM program</li> </ul>	<ul style="list-style-type: none"> <li>Lamb survival</li> <li>Reproduction</li> <li>Weaner management</li> <li>Wild dogs - fencing, baiting</li> <li>Diseases - ovine brucellosis, footrot</li> <li>Paraboss - lice, worms and flies</li> <li>Pain relief</li> <li>Animal health</li> </ul>	<p><b>Strategy: Healthy, Productive Sheep - see page 33 of AOP</b></p> <ul style="list-style-type: none"> <li>Program: Sheep Health &amp; Welfare</li> <li>Program: Vertebrate Pests</li> <li>Program: Reproduction</li> <li>Program: Genetics</li> </ul>
<ul style="list-style-type: none"> <li>On-farm technology</li> </ul>	<ul style="list-style-type: none"> <li>On-farm technology</li> <li>eIDs</li> </ul>	<p><b>Strategy: Farm Automation &amp; Software Development - see page 35 of AOP</b></p> <ul style="list-style-type: none"> <li>Program: Software Development</li> <li>Program: Hardware Development</li> </ul>
<ul style="list-style-type: none"> <li>Wool Exchange Portal (WEP)</li> <li>Increase in shearer and shed handler numbers</li> <li>Greater investment in shearing alternatives</li> <li>More adequate wool classer training</li> <li>Lower costs of production</li> <li>Enticing young people into the industry</li> </ul>	<ul style="list-style-type: none"> <li>Shearing alternatives</li> <li>Flexibility in clip preparation</li> <li>Tools and guidance on yard design/infrastructure</li> <li>Sheep handling efficiency and training</li> <li>Training for new entrants in the industry</li> <li>Wool Exchange Portal (WEP)</li> <li>Business management</li> </ul>	<p><b>Strategy: Training &amp; Technology Uptake - see page 41 of AOP</b></p> <ul style="list-style-type: none"> <li>Program: Wool Harvesting &amp; Quality Preparation</li> <li>Program: Sheep &amp; Wool Management Skills</li> </ul>
<ul style="list-style-type: none"> <li>Research into wool's eco-credentials</li> <li>Fibre advocacy</li> <li>Life Cycle Assessment (LCA)</li> <li>Climate change</li> </ul>	<ul style="list-style-type: none"> <li>Feedbase education</li> <li>Dry time feeding</li> <li>Water security</li> </ul>	<p><b>Strategy: Feedbase &amp; Fibre Advocacy - see page 36 of AOP</b></p> <ul style="list-style-type: none"> <li>Program: Fibre Advocacy</li> <li>Program: Feedbase &amp; Eco-Credentials</li> </ul>
<ul style="list-style-type: none"> <li>Dominance of China</li> </ul>	<ul style="list-style-type: none"> <li>Chlorine in early stage processing</li> </ul>	<p><b>Strategy: Product &amp; Processing Innovation - see page 47 of AOP</b></p> <ul style="list-style-type: none"> <li>Program: Processing/Product Innovation</li> </ul>
	<ul style="list-style-type: none"> <li>Educating students on industry practices</li> </ul>	<p><b>Strategy: Education Extension - see page 48 of AOP</b></p> <ul style="list-style-type: none"> <li>Program: Trade Education</li> <li>Program: Student Education</li> </ul>

Figure 1: AWI's Annual Planning and Consultation Cycle



## 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 plans for RD&E delivery align where relevant with the National RD&E Framework, an Australian Government initiative to improve the efficiency and effectiveness of RD&E delivery nationally. The initiative includes strategies for all agricultural sectors including wool, and cross sector strategies including animal welfare, biosecurity and climate change. The RDCs, including AWI, the State Government agencies, CSIRO and universities are all signatories to the initiative. AWI participates in the National RD&E Framework through its own sector strategy, the National Wool RD&E Strategy, and also through support for three cross-sectoral Strategies, in partnership with other RDCs – the National Animal Welfare RD&E Strategy, the Climate Change Research Strategy for Primary Industries, and the National Animal Biosecurity RD&E Strategy.

### Wool Industry National RD&E Strategy 2011-30

A renewed Strategy was drafted during the year with focus areas across productivity gains, optimising adoption, grower capacity and confidence, risk management, value chain efficiency and declarations and market access and consumer confidence. Targets were set for these areas so the wool industry can monitor and evaluate its RD&E programs. The strategy also clarifies the links between existing R&D and industry strategies and does not duplicate other cross sector strategies yet aligns with the strategy for sheepmeats.

The clear intent was that the strategy should be dynamic and living, by not only responding to changes, but also driving initiatives that benefit wool RD&E. The way in which this will be done is through an oversight committee made up of representatives from the collaborating organisations/agencies and producer/industry stakeholders, including WoolProducers Australia, the Federation of Australian Wool Organisations, State agencies, State sheep industry councils, universities, CSIRO, the Australian Wool Exchange, Australian Wool Testing Authority, MLA and of course AWI.

### Climate Change Research Strategy for Primary Industries (CCRSPI)

AWI continues to participate in the CCRSPI. This initiative, undertook an extensive review this year to determine its focus for the coming stage of the program. Research funds are directed towards research projects and activities, and communicates with government policy makers on key climate issues facing the primary industries sector.

### National Animal Biosecurity RD&E Strategy (NABRDES)

AWI has continued to support the NABRDES financially and operationally, and has continued to actively drive the wool sector's own biosecurity RD&E strategy, through the Federation of Australian Wool Organisations (FAWO), and internationally, through the International Wool Textile Organisation's (IWTO) Wool Biosecurity Working Group. Notable 2016/17 activities included:

- Australian Wool Industry EAD Preparedness RD&E Strategy – FAWO, with assistance from AWI, updated the Australian Wool Industry EAD Preparedness RD&E Strategy for 2016/17-2018/19.
- Wool bale disinfection – following a successful AWI-funded pilot trial, through Australian Wool Testing Authority Limited, a field trial of prototype bale spray disinfection unit is expected to commence in 2017/18.
- Bale traceability – successful completion of a wool traceability review process, and implementation of a research project with DEDJTR to track and report on wool bale storage conditions and location.
- Continued support for the internationally co-funded wool biosecurity RD&E information-sharing process, through the IWTO.

### National Animal Welfare RD&E (NAWRDE) Strategy

Membership of the NAWRDE Strategy includes livestock RDCs (AWI, Australian Eggs Limited, Australian Meat Processor Corporation, Australian Pork Limited, Dairy Australia, LiveCorp, Meat and Livestock Australia, Rural Industries Research and Development Corporation), Universities, State Government Departments and the CSIRO. The Animal Welfare Science Centre, University of Melbourne provide executive support and Australian Pork Limited manages strategy administration. Key activities during 2016/17 included:

- A review and update of the NAWRDE Strategy document.
- An annual forum investigating potential cross-sectoral projects in animal welfare.
- Update of a project register and an audit of animal welfare research capability.
- Development of a toolkit for use by producers in the event of an animal welfare crisis.

### R&D collaboration during 2016/17

R&D collaboration with other organisations during 2016/17 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 and rural research priorities – see the section below.

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

AWI was involved during 2016/17 in a significant number of on-farm R&D collaborations with RDCs and other research bodies such as government departments of agriculture, industry organisations, CSIRO, universities and commercial partners.

Major collaborations during 2016/17 included:

- Vertebrate Pest Control - Wild Dog Alert (WDA) is a major co-investment program involving AWI, MLA, and the Commonwealth through the Centre for Invasive Species Solution (CISS). WDA is developing a warning system to give an early warning to wool producers, if and when wild dogs enter their property. AWI has also provided support to the recent release of RHDV1 K5, the new biocontrol for rabbits. Already exceeding predicted reduction rates for release sites, this new strain of calicivirus is particularly suited to the more temperate climatic zones.
- Sheep health - AWI and MLA jointly fund ParaBoss, a suite of three products developed to help producers manage blowflies, worms and lice, which is coordinated by the University of New England with industry oversight.
- Biosecurity - AWI is collaborating with Victoria's Department of Economic Development, Jobs, Transport and Resources (DEDJTR) on a project to facilitate electronic bale identification and determine the environmental conditions of wool bales as they travel along the wool supply chain.
- Shearer and wool handler training with Registered Training Organisation providers around Australia.
- Making More From Sheep, which was the best practice manual plus 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), Pastoral Profit (Pastoral), Sheep Connect SA, Leading Sheep (Qld) and Sheep Connect Tasmania.

### Research priorities

While AWI's R&D and marketing priorities are determined by woolgrowers as identified by industry through AWI's Annual Planning and Consultation Cycle, AWI has also taken into account the Australian Government's National Science and Research Priorities

and Rural Research, Development and Extension Priorities in setting its R&D investments, in addition to other directives and priorities the Government communicates to AWI.

The **National Science and Research Priorities** were announced by the Australian Government on 26 May 2015. The nine priorities are titled: Food, Soil and water, Transport, Cybersecurity, Energy, Resources, Advanced manufacturing, Environmental change and Health. See [www.science.gov.au](http://www.science.gov.au) for further information.

The **Rural Research, Development and Extension Priorities** were announced on 20 May 2016. The four priorities and aims are:

- **Adoption of R&D** - Focusing on flexible delivery of extension services that meet primary producers' needs and recognising the growing role of private service delivery.
- **Advanced technology** - To enhance innovation of products, processes and practices across the food and fibre supply chains through technologies such as robotics, digitisation, big data, genetics and precision agriculture.
- **Biosecurity** - To improve understanding and evidence of pest and disease pathways to help direct biosecurity resources to their best uses, minimising biosecurity threats and improving market access for primary producers.
- **Soil, water and managing natural resources** - To manage soil health, improve water use efficiency and certainty of supply, sustainably develop new production areas and improve resilience to climate events and impacts.

See [www.agriculture.gov.au](http://www.agriculture.gov.au) for further information.

These priorities replace the previous National Research Priorities (announced by the Australian Government on 5 December 2002) and Rural Research and Development Priorities (announced by the Australian Government on 8 May 2007).

### AWI investment during 2016/17 aligned to the Government's Rural Research, Development and Extension Priorities

Rural Research, Development and Extension Priorities	R&D \$	Marketing \$	Other \$	Total \$	Total %
Adoption of R&D	17,372,000	-	-	17,372,000	25%
Advanced technology	9,857,000	-	-	9,857,000	14%
Biosecurity	2,978,000	-	665,000	3,642,000	5%
Soil, water and managing natural resources	1,041,000	-	-	1,041,000	1%
Non-R&D activities	-	38,531,000	-	38,531,000	55%
<b>Total \$</b>	<b>31,248,000</b>	<b>38,531,000</b>	<b>665,000</b>	<b>70,443,000</b>	<b>100%</b>
Total %	44%	55%	1%	100%	

## INTELLECTUAL PROPERTY

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

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

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

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

Royalty income from IP assets owned by AWI (excluding TWC assets) contributed \$95,560.64 to the 2016/17 income being royalties received from 2014/2015. Income earned from the 2015/2016 royalties will not be realised until midway through the 2017/2018 financial year.

### *Registered IP owned by AWI (including TWC) or in which AWI has an interest, as at 30 June 2017*

#### **PATENTS (registered in Australia and overseas)**

\* Long range wireless monitoring systems

#### **REGISTERED DESIGNS (registered in Australia and overseas)**

\* Breech Clip \* Dog Bone Clip \* Hockey Stick Clip

#### **TRADEMARKS (registered in Australia & overseas)**

\* Cool Wool \* Circle Logo \* Flyboss \* Liceboss  
 \* Merino Active \* Merino Perform \* OPTIM  
 \* MMX Wool Without Limits & Device \* Red Island  
 \* Sam The Lamb \* Superior Merino \* Superior Merino Blend  
 \* Pure Merino Wool \* awi & Swirl Device  
 \* Australian Wool Innovation & Swirl Device \* Wormboss  
 \* WOOL4SCHOOL \* XWOOL Device

#### **TRADEMARKS (registered in Australia - not overseas)**

\* Australian Wool Innovation \* Evergraze \* Licesense  
 \* Making More from Sheep \* merinotouch \* Timerite  
 \* Woolcheque

#### **TRADEMARKS (registered overseas - not in Australia)**

\* Arnhem Land \* Gold Woolmark \* - IWS \* Merinocool  
 \* MERINOEASYCLEAN \* Merino Extrafine Wool  
 \* merinofresh \* merinotravel \* Mother and baby device  
 \* Neva-Shrink \* No Finer Feeling \* Pure New Wool \* SGP  
 \* Siroset \* Solospun \* Sportwool \* Super Crimp \* Super S  
 \* Superwash \* Take Comfort In Wool \* We Love Wool  
 \* Wool in heart \* Woolmark Gold \* Wool Rich Blend  
 \* 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

*Note: the term 'registered' is used to describe an asset that is either registered or where an application for registration has been filed, or in the case of patents, where the patent has been granted.*

# 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 2017.

## DIRECTORS

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

Mr W B Merriman (Chairman)  
 Mr P Cocking  
 Ms C Garnsey  
 Mr J Laurie  
 Mr J Morgan  
 Dr M L Sheil  
 Mr D A A Webster

## PRINCIPAL ACTIVITIES

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

## REVIEW OF OPERATIONS AND RESULTS

	2017 \$'000	2016 \$'000
Revenue	88,026	79,317
Profit from continuing operations	17,182	2,667

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There has been no matter or circumstance which has arisen since 30 June 2017 that has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

By actively and efficiently marketing wool and its attributes through investments in marketing and R&D - from farm to fashion and interiors - AWI aims to achieve its goal of increasing the demand for wool. Pursuant to the result of WoolPoll 2015 and following AWI's extensive planning and consultation cycle, AWI developed a three-year Strategic Plan in which there is a 60%:40% split in expenditure between marketing and R&D programs.

AWI will continue to move the operational mode of the company as the market requires. AWI's investments will be centred around five key portfolios:

1. Marketing - to increase demand for Australian wool
2. Sheep Production - to increase the profitability and sustainability of woolgrowing
3. Woolgrower Services - to increase woolgrower profitability and provide cost effective services to woolgrowers and other parties on their behalf
4. Processing Innovation & Education Extension - to increase the profitability and sustainability of wool processing
5. Business Services - to enable AWI to operate cost effectively through the efficient provision of a range of cross-company support services.

AWI will continue to operate in a cost effective manner.

## COMPANY SECRETARY

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

## MEETINGS OF DIRECTORS

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2017, and the numbers of meetings attended by each director were:

Director	Meetings of Committees							
	Full meetings of directors		Finance & Audit		Remuneration & Appointments		Science & Welfare	
	A	B	A	B	A	B	A	B
Mr W B Merriman	8	8*	8	8	3	3	8	8
Mr P Cocking	8	8	-	-	3	3	8	8
Ms C Garnsey	8	8	-	-	3	3*	-	-
Mr J Laurie	8	8	8	8	-	-	8	8
Mr J Morgan	8	8	8	8	-	-	8	8*
Dr M L Sheil	8	7	-	-	-	-	-	-
Mr D A A Webster	8	8	8	8*	3	3	8	8

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

B = number of meetings attended.

\* = denotes Chairman as at 30 June 2017.

## CHAIRMANSHIP

Mr W B Merriman was the Chairman of the Board throughout the year.

## INSURANCE OF OFFICERS

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

## PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

## NON-AUDIT SERVICES

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

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in note 21.

## DIVIDENDS PAID

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

# DIRECTORS' REPORT (CONTINUED)

## 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 63.

## ROUNDING OF AMOUNTS

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

## AUDITOR

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

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



Mr W B Merriman (Chairman)  
Director

Sydney  
1 September 2017

# AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Australian Wool Innovation Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;  
and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

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



CMC Heraghty  
Partner  
PricewaterhouseCoopers

Sydney  
1 September 2017

# FINANCIAL REPORT - 30 JUNE 2017

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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 24 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 6, 68 Harrington Street  
The Rocks  
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on page 60, which is not part of this financial report.

The financial statements were authorised for issue by the directors on 1 September 2017. 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](http://www.wool.com)

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

		Consolidated	
	Notes	2017 \$'000	2016 \$'000
<b>Revenue from continuing operations</b>			
Operating revenue	3	85,537	76,759
Other revenue	3	2,489	2,558
		<b>88,026</b>	<b>79,317</b>
<b>Other loss</b>	4	<b>(313)</b>	<b>(102)</b>
<b>Expenses</b>			
Project expenditure		(39,819)	(44,269)
Marketing		(15,043)	(15,563)
Sheep Production		(1,671)	(1,392)
Woolgrower Services		(1,491)	(1,201)
Processing Innovation & Education Extension		(1,818)	(3,146)
Digital Services		(1,036)	(776)
Support & Administration		(9,565)	(10,173)
<b>Profit before income tax</b>		<b>17,270</b>	<b>2,695</b>
Income tax expense	7	(88)	(28)
<b>Profit from continuing operations</b>		<b>17,182</b>	<b>2,667</b>
<b>Profit for the year</b>		<b>17,182</b>	<b>2,667</b>
Other comprehensive income			
Exchange differences on translation of foreign operations	19	15	9
<b>Total comprehensive income for the year</b>		<b>17,197</b>	<b>2,676</b>
Total comprehensive income for the year is attributable to:			
Owners of Australian Wool Innovation Limited		17,197	2,676

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

# CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2017

		Consolidated	
	Notes	2017 \$'000	2016 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	9,024	6,544
Held-to-maturity investments	9	85,186	74,017
Trade and other receivables	10	16,610	16,604
<b>Total current assets</b>		<b>110,820</b>	<b>97,165</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	2,613	2,982
Intangible assets	12	10,000	10,000
Other non-current assets	13	587	569
<b>Total non-current assets</b>		<b>13,200</b>	<b>13,551</b>
<b>Total assets</b>		<b>124,020</b>	<b>110,716</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	8,188	11,120
Deferred income	15	7,815	8,571
<b>Total current liabilities</b>		<b>16,003</b>	<b>19,691</b>
<b>Non-current liabilities</b>			
Provisions	16	279	390
Other non-current liabilities	17	1,356	1,450
<b>Total non-current liabilities</b>		<b>1,635</b>	<b>1,840</b>
<b>Total liabilities</b>		<b>17,638</b>	<b>21,531</b>
<b>Net assets</b>		<b>106,382</b>	<b>89,185</b>
<b>EQUITY</b>			
Contributed equity*	18	-	-
Reserves	19	1,497	1,482
Retained earnings	19	104,885	87,703
<i>Capital and reserves attributable to owners of Australian Wool Innovation Limited</i>		<b>106,382</b>	<b>89,185</b>
<b>Total equity</b>		<b>106,382</b>	<b>89,185</b>

\*As at 30 June 2016 and 2017 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 2017

	Notes	Attributable to owners of Australian Wool Innovation Limited			Total equity \$'000
		Contributed equity* \$'000	Reserves \$'000	Retained earnings \$'000	
<b>Balance at 1 July 2015</b>		-	1,473	85,036	86,509
Profit for the year	19	-	-	2,667	2,667
Other comprehensive income	19	-	9	-	9
<b>Total comprehensive income for the year</b>		-	9	2,667	2,676
<b>Balance at 30 June 2016</b>		-	1,482	87,703	89,185
<b>Balance at 1 July 2016</b>		-	1,482	87,703	89,185
Profit for the year	19	-	-	17,182	17,182
Other comprehensive income	19	-	15	-	15
<b>Total comprehensive income for the year</b>		-	15	17,182	17,197
<b>Balance at 30 June 2017</b>		-	1,497	104,885	106,382

\*As at 30 June 2016 and 2017 contributed equity in the consolidated entity was \$100.

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

		Consolidated	
	Notes	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>			
Levy, license, government grant and other receipts (inclusive of goods and services tax)		92,067	70,850
Payments to suppliers and employees (inclusive of goods and services tax)		(80,215)	(67,410)
		11,852	3,440
Other revenue		1	1
Interest received		2,269	2,276
Income taxes paid		(88)	(28)
<b>Net cash inflow from operating activities</b>		<b>14,034</b>	<b>5,689</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	11	(619)	(2,437)
Payments for held-to-maturity investments		(11,169)	(8,140)
Proceeds from sale of property, plant and equipment		17	20
<b>Net cash (outflow) from investing activities</b>		<b>(11,771)</b>	<b>(10,557)</b>
<b>Net increase (decrease) increase in cash and cash equivalents</b>		<b>2,263</b>	<b>(4,868)</b>
Cash and cash equivalents at the beginning of the financial year		6,544	11,438
Effects of exchange rate changes on cash and cash equivalents		217	(26)
<b>Cash and cash equivalents at end of year</b>	8	<b>9,024</b>	<b>6,544</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

### (a) Basis of preparation

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

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

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

#### (ii) Historical cost convention

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

#### (iii) Critical accounting estimates

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

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

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

#### (1) Estimated impairment of the Woolmark certification trademarks

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

#### (iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

#### AASB 9 financial instruments

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group does not expect any impact from the new classification, measurement and derecognition rules on the company's financial assets and financial liabilities.

The new standard must be applied for financial years commencing on or after 1 January 2018. The Group does not intend to adopt AASB 9 before its mandatory date.

#### AASB 15 revenue from contracts with customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group does not expect any impact from new revenue recognition standard as its major revenue streams are from wool levy and government contribution that are paid by the government.

The new standard must be applied for financial years commencing on or after 1 January 2018. The Group does not intend to adopt AASB 15 before its mandatory date.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

(CONTINUED)

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of preparation (continued)

#### AASB 16 leases

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the standard will affect primarily the accounting for the Group's operating leases.

The new standard must be applied for financial years commencing on or after 1 January 2019. At this stage, the company does not intend to adopt the standard before its effective date.

### (b) Principles of consolidation

#### (i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Australian Wool Innovation Limited ('company' or 'parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. Australian Wool Innovation Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

### (c) Foreign currency translation

#### (i) Functional and presentation currency

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

#### (ii) Transactions and balances

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

#### (iii) Group companies

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

- income and expenses for each consolidated income statement and consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

### (d) Revenue recognition

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

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

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

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

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

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

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Revenue recognition (continued)

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

### (e) Income tax

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

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

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

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

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

### (f) Leases

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

### (g) Business combinations

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

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

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

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

### (h) Impairment of assets

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

(CONTINUED)

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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.

### (k) Inventories

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

### (l) Investments and other financial assets

#### *Classification*

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

#### *(i) Loans and receivables*

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

#### *(ii) Held-to-maturity investments*

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

#### Recognition and derecognition

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

#### Measurement

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

### (m) Property, plant and equipment

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

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

Purchases of property, plant and equipment costing less than \$5,000 are expensed in the year of acquisition.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Property, plant and equipment (continued)

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

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

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

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

### (n) Leasehold improvements

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

### (o) Intangible assets

#### (i) Research and development

Research expenditure is recognised as an expense as incurred.

#### (ii) Trademarks and licences

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

### (p) Trade and other payables

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

### (q) Provisions

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

### (r) Employee benefits

#### (i) Short-term obligations

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

#### (ii) Long-term employee benefit obligations

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

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

### (s) Dividends

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

### (t) Goods and Services Tax (GST)

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

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

(CONTINUED)

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) Rounding of amounts

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

### (v) Parent entity financial information

The financial information for the parent entity, Australian Wool Innovation Limited, disclosed in note 27 has been prepared on the same basis as the consolidated financial statements, except investments in subsidiaries which are recorded at cost in the financial statements of Australian Wool Innovation Limited.

## NOTE 2: FINANCIAL RISK MANAGEMENT

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

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

### (a) Market risk

#### (i) Foreign exchange risk

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

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

Forward Exchange Contracts (Derivatives) are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent adjustment in the fair value of contract is recorded in the income statement with a corresponding impact in the Forward contract asset or liability.

#### (ii) Cash flow and fair value interest rate risk

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

### (b) Credit risk

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

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

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

**NOTE 2: FINANCIAL RISK MANAGEMENT (CONTINUED)****(b) Credit risk (continued)**

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.

**NOTE 3: REVENUE**

	Consolidated	
	2017	2016
	\$'000	\$'000
<b>From continuing operations</b>		
<i>Operating revenue</i>		
Wool levy	60,211	50,331
Government contribution	14,742	13,424
License fees	7,611	8,063
Royalties	1,790	1,998
Sale of goods and services	1,153	2,918
Other	30	25
	<b>85,537</b>	<b>76,759</b>
<i>Other revenue</i>		
Interest	2,376	2,354
Rents and sub-lease rentals	113	204
	<b>2,489</b>	<b>2,558</b>
	<b>88,026</b>	<b>79,317</b>

**NOTE 4: OTHER LOSS**

	Consolidated	
	2017	2016
	\$'000	\$'000
Net foreign exchange loss	(313)	(102)

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

(CONTINUED)

## NOTE 5: EXPENSES

	Consolidated	
	2017	2016
	\$'000	\$'000
<i>Depreciation and amortisation</i>		
Buildings	2	2
Plant and equipment	540	402
Leasehold improvements	430	244
Total depreciation and amortisation	972	648
Rental expense relating to operating leases	2,162	2,390
Defined contribution superannuation expense	1,373	1,496

## NOTE 6: RESEARCH, DEVELOPMENT AND MARKETING EXPENDITURE

	Consolidated	
	2017	2016
	\$'000	\$'000
Marketing	31,762	35,089
Sheep Production	10,827	10,966
Woolgrower Services	7,878	8,347
Processing Innovation & Education Extension	7,025	8,395
Digital Services	3,386	3,550
Support & Administration	9,565	10,173
Total RDM expenditure	70,443	76,520

## NOTE 7: INCOME TAX EXPENSE

	Consolidated	
	2017	2016
	\$'000	\$'000
<b>(a) Income tax expense</b>		
Current tax	88	28
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit from continuing operations before income tax expense	17,270	2,695
Tax at the Australian tax rate of 30% (2016 - 30%)	5,181	809
Non-taxable income, tax losses and temporary differences not brought to account	(5,071)	(688)
Differences in overseas tax rates	(33)	(27)
Adjustments for current tax of prior periods	11	(66)
Income tax expense	88	28

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. AWI is exempt from income taxes not indirect taxes.

**NOTE 8: CURRENT ASSETS - CASH AND CASH EQUIVALENTS**

	Consolidated	
	2017	2016
	\$'000	\$'000
Cash at bank and in hand	9,024	6,544

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

**NOTE 9: CURRENT ASSETS - HELD-TO-MATURITY INVESTMENTS**

	Consolidated	
	2017	2016
	\$'000	\$'000
Term deposits	85,186	74,017

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

Unrestricted	45,455	30,906
Restricted as security against guarantees issued by the company's bankers <sup>(a)</sup>	3,455	3,455
Forward contract commitments <sup>(b)</sup>	15,300	17,400
Emergency funds <sup>(c)</sup>	5,000	5,000
Operating funds <sup>(c)</sup>	25,000	23,800
	<b>94,210</b>	<b>80,561</b>

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

(b) A reserve of \$15.3 million has been created to cover contracted forward commitments.

(c) The directors resolved 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	
	2017	2016
	\$'000	\$'000
<b>Net trade receivables</b>		
Trade receivables	4,458	5,520
Provision for doubtful receivables	(10)	(25)
	<b>4,448</b>	<b>5,495</b>
<b>Net other receivables</b>		
Commonwealth matching funds and wool levy accruals	8,504	6,552
Other receivables	2,927	3,545
	<b>11,431</b>	<b>10,097</b>
<b>Prepayments</b>		
Insurance	174	198
Other	557	814
	<b>731</b>	<b>1,012</b>
	<b>16,610</b>	<b>16,604</b>

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

(CONTINUED)

## NOTE 11: NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Freehold land \$'000	Plant and equipment \$'000	Leasehold improvements \$'000	Total \$'000
<b>At 1 July 2015</b>				
Cost or fair value	976	3,529	1,598	6,103
Accumulated depreciation	(550)	(2,798)	(1,539)	(4,887)
Net book amount	426	731	59	1,216
<b>Year ended 30 June 2016</b>				
Opening net book amount	426	731	59	1,216
Exchange differences	1	(49)	(9)	(57)
Additions	20	481	1,996	2,497
Disposals	-	(26)	-	(26)
Depreciation charge	(2)	(402)	(244)	(648)
Closing net book amount	445	735	1,802	2,982
<b>At 30 June 2016</b>				
Cost or fair value	954	3,290	2,171	6,415
Accumulated depreciation	(509)	(2,555)	(369)	(3,433)
Net book amount	445	735	1,802	2,982
<b>Year ended 30 June 2017</b>				
Opening net book amount	445	735	1,802	2,982
Exchange differences	-	(29)	(24)	(53)
Additions	-	368	304	672
Disposals	-	(8)	(8)	(16)
Depreciation charge	(2)	(540)	(430)	(972)
Closing net book amount	443	526	1,644	2,613
<b>At 30 June 2017</b>				
Cost or fair value	954	3,424	2,375	6,753
Accumulated depreciation	(511)	(2,898)	(731)	(4,140)
Net book amount	443	526	1,644	2,613

**NOTE 12: NON-CURRENT ASSETS – INTANGIBLE ASSETS**

	Certification trademarks \$'000	Total \$'000
<b>At 1 July 2015</b>		
Cost	10,000	10,000
Accumulated amortisation and impairment	-	-
Net book amount	10,000	10,000
<b>Year ended 30 June 2016</b>		
Opening net book amount	10,000	10,000
Amortisation charge	-	-
Closing net book amount	10,000	10,000
<b>At 30 June 2016</b>		
Cost	10,000	10,000
Accumulated amortisation and impairment	-	-
Net book amount	10,000	10,000
<b>Year ended 30 June 2017</b>		
Opening net book amount	10,000	10,000
Amortisation charge	-	-
Closing net book amount	10,000	10,000
<b>At 30 June 2017</b>		
Cost	10,000	10,000
Accumulated amortisation and impairment	-	-
Net book amount	10,000	10,000

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

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

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

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

**NOTE 13: NON-CURRENT ASSETS - OTHER ASSETS**

	Consolidated	
	2017 \$'000	2016 \$'000
Lease deposits	587	569

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

(CONTINUED)

## NOTE 14: CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	2017	2016
	\$'000	\$'000
Trade payables	3,358	3,754
Other payables	3,350	4,960
Project payables and accruals	1,480	2,406
	<u>8,188</u>	<u>11,120</u>

## NOTE 15: CURRENT LIABILITIES - DEFERRED INCOME

	Consolidated	
	2017	2016
	\$'000	\$'000
Unearned license income	7,615	8,521
Unearned sub-lease income	200	50
	<u>7,815</u>	<u>8,571</u>

## NOTE 16: NON-CURRENT LIABILITIES - PROVISIONS

	Consolidated	
	2017	2016
	\$'000	\$'000
Long service leave	279	390

## NOTE 17: NON-CURRENT LIABILITIES - OTHER

	Consolidated	
	2017	2016
	\$'000	\$'000
Lease incentives	1,356	1,450

## NOTE 18: CONTRIBUTED EQUITY

(a) Share capital	2017	2016	2017	2016
	Shares	Shares	\$	\$
Ordinary shares - fully paid	37,462	37,462	100	100

### (b) Movements in ordinary share capital

There was no movement in ordinary share capital during the year.

**NOTE 18: CONTRIBUTED EQUITY (CONTINUED)****(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**

<i>Details</i>	<b>30 June 2017</b>	<b>30 June 2016</b>
Australian Capital Territory	<b>78</b>	82
New South Wales	<b>8,821</b>	9,059
Northern Territory	<b>1</b>	1
Queensland	<b>651</b>	672
South Australia	<b>3,968</b>	4,059
Tasmania	<b>664</b>	679
Victoria	<b>5,532</b>	5,690
Western Australia	<b>3,748</b>	3,817
	<b>23,463</b>	24,059

**NOTE 19: RESERVES AND RETAINED EARNINGS**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Other reserves</b>		
Foreign currency translation	<b>1,497</b>	1,482
<b>Movements:</b>		
Foreign currency translation		
Balance 1 July	<b>1,482</b>	1,473
Currency translation differences arising during the year	<b>15</b>	9
Balance 30 June	<b>1,497</b>	1,482

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

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(b) Retained earnings</b>		
Retained surplus at the beginning of the financial year	<b>87,703</b>	85,036
Net surplus attributable to the owners of Australian Wool Innovation Limited	<b>17,182</b>	2,667
Retained surplus at the end of the financial year	<b>104,885</b>	87,703

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

(CONTINUED)

## NOTE 20: KEY MANAGEMENT PERSONNEL DISCLOSURES

	Consolidated	
	2017	2016
(a) Key management personnel remuneration	\$	\$
<b>Non-executive directors</b>		
Short-term employee benefits	613,971	593,134
Post-employment benefits	58,327	55,357
	<b>672,298</b>	<b>648,491</b>
<b>Other key management personnel</b>		
Short-term employee benefits	2,043,657	1,960,528
Post-employment benefits	172,706	196,775
Termination benefits	164,460	564,675
	<b>2,380,823</b>	<b>2,721,978</b>

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

Remuneration 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 remuneration 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.

#### (iii) Executive pay remuneration

The executive remuneration consists of base salary, 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 base 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 benefit retirement plan.

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

**NOTE 20: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)****(b) Remuneration principles and policies (continued)***(iv) Executive Employment Contracts*

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

**(c) Details of remuneration***(i) Non executive Directors of Australian Wool Innovation Limited*

2017 Name	Short-term employee benefits		Post-employment benefits	Total
	Directors' base fees paid	Committee fees paid	Superannuation	
	\$	\$	\$	\$
Mr W B Merriman	138,690	21,574	15,225	175,489
Mr P Cocking	61,640	13,203	7,110	81,953
Ms C Garnsey	61,640	8,541	6,667	76,848
Mr J Laurie	61,640	15,410	7,320	84,370
Mr J Morgan	61,640	20,033	7,759	89,432
Dr M L Sheil	61,640	-	5,856	67,496
Mr D A A Webster	61,640	26,680	8,390	96,710
<b>Total</b>	<b>508,530</b>	<b>105,441</b>	<b>58,327</b>	<b>672,298</b>

2016 Name	Short-term employee benefits		Post-employment benefits	Total
	Directors' base fees paid	Committee fees paid	Superannuation	
	\$	\$	\$	\$
Mr W B Merriman	122,666	21,467	13,693	157,826
Mr P Cocking	61,333	10,943	6,858	79,134
Ms C Garnsey	61,333	8,499	6,634	76,466
Mr J Laurie	37,652	6,554	3,035	47,241
Mr J Morgan	61,333	16,866	7,393	85,592
Dr M L Sheil	61,333	3,067	6,118	70,518
Mr B P van Rooyen	23,852	8,354	3,278	35,484
Mr D A A Webster	61,333	26,548	8,349	96,230
<b>Total</b>	<b>490,835</b>	<b>102,298</b>	<b>55,358</b>	<b>648,491</b>

**NOTE 21: REMUNERATION OF AUDITORS**

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

	Consolidated	
	2017	2016
	\$	\$
<b>(a) Audit services</b>		
Audit fees - domestic	169,102	171,471
Audit fees - international	104,345	111,141
<b>Total remuneration for audit and other assurance services</b>	<b>273,447</b>	<b>282,612</b>

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

(CONTINUED)

## NOTE 21: REMUNERATION OF AUDITORS (CONTINUED)

### (b) Non-audit services

Tax compliance services	97,882	88,024
Advisory services	90,686	69,074
Total remuneration of network firms of PwC Australia	188,568	157,098
<b>Total auditors' remuneration</b>	<b>462,015</b>	<b>439,710</b>

## NOTE 22: COMMITMENTS

### (i) Research, development and marketing

	Consolidated	
	2017	2016
	\$'000	\$'000
Commitments payable in relation to research, development and marketing	15,740	15,310

### (ii) Non-cancellable operating leases

	Consolidated	
	2017	2016
	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	1,978	1,707
Later than one year but not later than five years	4,415	4,969
Later than five years	17	192
	<b>6,410</b>	<b>6,868</b>

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

### (iii) Forward exchange contracts

	Consolidated	
	2017	2016
	\$'000	\$'000
Commitments payable in relation to forward exchange contracts	14,482	12,454

The group treasury policy stipulates the parameters to protect known foreign currency exposures via forward exchange contracts.

## NOTE 23: RELATED PARTY TRANSACTIONS

### (a) Parent entities

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

### (b) Directors

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

### (c) Subsidiaries

Interests in subsidiaries are set out in note 24.

**NOTE 23: RELATED PARTY TRANSACTIONS (CONTINUED)****(d) Remuneration**

Disclosures relating to directors and key management personnel remuneration are set out in note 20.

**(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 2017.

*(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 2017.

**(f) Transactions with related parties**

The following transactions occurred with related parties:

	Consolidated	
	2017	2016
	\$	\$
<i>Purchases of goods</i>		
Purchases of goods and services relating to marketing and wool testing activities from key management personnel of the entity*	475,846	190,516

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

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

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

	Consolidated	
	2017	2016
	\$	\$
Current receivables (sales of goods and services)		
Key management personnel of the entity	-	6,552
Current payables (purchase of goods)		
Key management personnel of the entity	29,016	52,838

**NOTE 24: CONTROLLED ENTITIES**

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

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2017	2016
			%	%
Subsidiaries controlled by Australian Wool Innovation Ltd:				
Woolmark Holdings Pty Limited	Australia	Ordinary	100	100
Woolshare Nominees Pty Limited	Australia	Ordinary	100	100
Subsidiaries controlled by Woolmark Holdings Pty Ltd:				
The Woolmark Company Pty Ltd	Australia	Ordinary	100	100
Australian Merino Pty Ltd	Australia	Ordinary	100	100
Digibale Pty Ltd	Australia	Ordinary	100	100
Subsidiaries controlled by The Woolmark Company Pty Ltd:				
Woolmark International Pty Ltd	England	Ordinary	100	100

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

(CONTINUED)

## NOTE 24: CONTROLLED ENTITIES (CONTINUED)

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2017 %	2016 %
Subsidiaries controlled by The Woolmark Company Pty Ltd:				
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
Wollsiegel Verband	Germany	N/A	100	100
Woolmark (Italy) SRL	Italy	Ordinary	100	100
The Woolmark Company (HK) Limited	Hong Kong	Ordinary	100	100
The Woolmark (Shanghai) Company Limited	China	Ordinary	100	100
Woolmark Services India Private Limited	India	Ordinary	100	100

## NOTE 25: ECONOMIC DEPENDENCY

Australian Wool Innovation Limited is dependent upon the receipt of Wool Levy and Matching Funds from the Commonwealth Government per clause 24 of the Statutory Funding Agreement between Australian Wool Innovation Limited and The Commonwealth of Australia.

## NOTE 26: 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 27: PARENT ENTITY FINANCIAL INFORMATION

### (a) Summary financial information

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

	2017 \$'000	2016 \$'000
<b>Balance sheet</b>		
Current assets	98,820	82,084
Non-current assets	49,667	52,713
<b>Total assets</b>	<b>148,487</b>	<b>134,797</b>
Current liabilities	4,954	7,459
Non-current liabilities	1,497	1,840
<b>Total liabilities</b>	<b>6,451</b>	<b>9,299</b>
<b>Net assets</b>	<b>142,036</b>	<b>125,498</b>
<i>Shareholders' equity</i>		
Retained earnings	125,498	124,222
	125,498	124,222
<b>Profit for the year</b>	<b>16,538</b>	<b>1,276</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>

### (b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2017 or 30 June 2016.

# DIRECTORS' DECLARATION

30 JUNE 2017

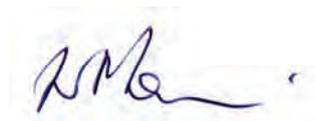
In the directors' opinion:

- (a) the financial statements and notes set out on pages 64 to 86 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 2017 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



Mr W B Merriman (Chairman)  
Director

Sydney  
1 September 2017

# INDEPENDENT AUDITORS' REPORT

30 JUNE 2017

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AUSTRALIAN WOOL INNOVATION LIMITED

### *Our opinion*

In our opinion:

The accompanying financial report of Australian Wool Innovation Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

### **What we have audited**

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2017
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

### **Independence**

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### *Other information*

The directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the Director's Report included in the Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of the directors for the financial report***

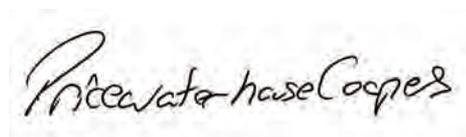
The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and *Corporations Act 2001* and for such internal control as the directors determine is necessary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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### ***Auditor's responsibilities for the audit of the financial report***

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.

The logo for PricewaterhouseCoopers, featuring the company name in a stylized, cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to be 'CMC Heraghty'.

CMC Heraghty  
Partner

Sydney  
1 September 2017

# 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 2016/17 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 25 (Management of Funds) and 26 (Application of the Funds) of the Statutory Funding Agreement dated 26 October 2016 (the "Agreement") between the Commonwealth of Australia (the "Commonwealth") and the Company, as measured by the criteria outlined in Sections A and B below.

### *Use of Report*

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

## **A. Reasonable Assurance on Compliance with the Agreement**

### *Respective Responsibilities*

Management of the Company are responsible for compliance with the Agreement as measured by clauses 25 and 26 of the Agreement. Our responsibility is to express a conclusion on compliance with the Agreement as measured by the clauses 25 and 26 of the Agreement, in all material respects.

Our audit has been conducted in accordance with applicable Standards on Assurance Engagements (ASAE 3100 *Compliance Engagements*) to provide reasonable assurance that Australian Wool Innovation Limited has complied with the Agreement as measured by the criteria in clauses 25 and 26 of the Agreement for the year ended 30 June 2017.

Our procedures included examining, on a sample basis, information to provide evidence supporting the compliance with clauses 25 and 26 of the Agreement. These procedures have been undertaken to form a conclusion as to whether Australian Wool Innovation Limited has complied in all material respects, with the Agreement, as measured by clauses 25 and 26 of the Agreement for the period from 1 July 2016 to 30 June 2017.

### *Inherent Limitations*

Because of the inherent limitations of any internal control framework, it is possible that fraud, error or non compliance may occur and not be detected. An audit is not designed to detect all instances of non compliance with the Agreement as measured by clauses 25 and 26 of the Agreement, as an audit is not performed continuously throughout the period and the audit procedures performed in respect of compliance with the Agreement as measured by clauses 25 and 26 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 25 and 26 of the Agreement for the period from 1 July 2016 to 30 June 2017.

**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 25.1 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 25.1 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 25.1 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 25.1 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 25.1 of the Agreement for the period from 1 July 2016 to 30 June 2017.

*Inherent Limitations*

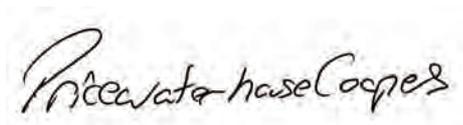
Because of the inherent limitations of any internal control framework, it is possible that fraud, error or non compliance may occur and not be detected.

A review is not designed to detect all weaknesses in operating effectiveness as measured by paragraph 25.1 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 25.1 of the Agreement for the period from 1 July 2016 to 30 June 2017.



PricewaterhouseCoopers


CMC Heraghty  
PartnerSydney  
1 September 2017

# PROJECT LIST 2016/17

This list contains details of AWI projects in which costs incurred during 2016/17 totalled more than \$125,000 for each project.

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

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

## MARKETING PROJECTS

Project title	Key providers*	\$ Paid in 2016/17
2016 A/W Womenswear Promotion	Feu China Limited; T Magazine China, The Opposite House; Uangle	240,000
Agi & Sam	Boiler Room; Studio Boum Limited	235,802
Australian Tennis - Rome	Australian by l'Alpina Maglierie	162,511
Automotive Roadshow - Design Lab 2015/17	Aunde Achter & Ebels GmbH	187,497
Burton: Phases 1 and 2	Bo Bridges Photography Inc; Highline Sports & Entertainment; The Burton Corporation	211,325
CFDA Partnership 2016/17	The Council of Fashion Designers of America Inc	239,821
CFW Ltd Annual Contribution	The Campaign for Wool Ltd	274,553
Electrolux - AEG Care Label Project	Electrolux Appliances AB	140,391
Expansion of the Fibre of Football	Outdoor Clothing Concepts Pty Ltd; PlayCorp Pty Ltd	129,881
Global Media Monitoring 2016/17	DMR Group SRL; Sentia Pty Limited	145,007
Global PR & Strategy Consultant 2016/17	Entente Agency Pty Ltd; Melissa Grace as trustee for the Grace Family Trust	141,387
Global PR Agency 2016/2017	Brand News K.K.; Edelman India Private Limited; Nac Group Pty Ltd; PR Consulting Inc; PR Consulting Paris SARL; Shanghai CatchOn & Company Limited; Smith - Petersen SRL; The Communications Store Ltd	1,388,721
Grown in Australia, Made in India	Chilli Factor Communication; IM Entertainment Pvt Ltd; Siddharth Kannan; Unison Hotels Pvt Ltd; Wilmar Creations	166,268
International Fibre Advocacy	R.Peter Ackroyd Ltd	258,230
International Media Strategy and Engagement	Double Rainbouu; Ex Infinitas; Gökem Hayta; The Communications Store Ltd	142,256
Italian Industry & Strategic Planning	Fabrizio Servente	404,208
IWP Global 2016/2017	101 Media Lab Ltd (Hong Kong); Alaud Pty Ltd; Beckham Ventures Limited; Cottweiler Ltd; Ex Infinitas; Gabriela Hearst LLC; JW Marriott Hotel Mumbai Sahar; Lab & Co Pty Ltd; Maritima LLC dba La Sirena; Natalie Skubel; OBO SARL; Palmer Schwartz Agency LLC; PR Consulting Inc; The Communications Store Ltd; The Westin; Toast Events Private Limited	3,629,961
Jason Wu Partnership	Company 1 Agency Pty Ltd, Creative and Partners Inc, Li Inc LLC, Max Doyle Studio, WU LLC dba Jason Wu	232,734
Julie Gilhart Consultancy	Julie Gilhart	175,725
Lightweight Merino Wool in Womenswear	Conde Nast India Pvt Ltd; Images Multimedia Pvt Ltd; Toast Events Private Limited; Vabbhavi P Ranavaade	165,739
Major Shows - Special Regional Events	Kristina Diane Jackson; Microhire Pty Ltd; Royal Agricultural Society NSW; Samantha Gazal	179,999
Missoni	Missoni SpA	227,614
Promoting Menswear in Lightweight Merino Wool	CGI By Tonic; Conde Nast India Pvt Ltd; Images Multimedia Pvt Ltd; Toast Events Private Limited	177,397

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

**MARKETING PROJECTS (continued)**

Project title	Key providers*	\$ Paid in 2016/17
Raf Simons Collaboration	Detlef Bvba	202,722
Showcase Merino Wool Spring Summer Collections	Dong Liang; Jason Capobianco; Ling Lin Management (Shanghai)	137,922
Sportswear Program Implementation	Ulvesund Business Development	126,079
Still and Video Content Creation	Ari Kuchar Productions	150,158
Strategic Marketing Resources	Fabrizio Servente; R.Peter Ackroyd; Skorpion Travel SpA	199,828
The Art of Movement	The Conde Nast Publications Ltd	217,785
Tommy Hilfiger Global Collaboration	Tommy Hilfiger Europe BV	349,345
Trade Advertising	Deutscher Fachverlag GmbH; Infas Publications Inc	181,467
TWC x Lane Crawford: Fitness-Fashion	Lane Crawford	159,987
The Wool Lab Marketing	Riccardo Rami Studio	400,506
Woolmark Gold	Riccardo Rami Studio; Shanghai Butterfly Advertising; SML Europe Ltd; Vanzi SRL	295,142
Woolrich	Woolrich Europe SRL	239,977

**DIGITAL PROJECTS**

Project title	Key providers*	\$ Paid in 2016/17
Digital Content Production	Bambra Press; Charo Mora Solanilla; Jonathan Daniel Pryce; Offset Alpine Printing Pty Ltd	524,449
Digital Development & Maintenance	Bustos Jimenez; Catalina Del Pilar; Cloudster Pty Ltd; Levo Group Pty Ltd	211,264
Digital Infrastructure - Hosting & Software	Amazon Web Services Inc; Creative Folks Pty Ltd; EPiServer AB; Salesforce.Com Singapore Pte Ltd; Virtunet Pty Ltd	234,694
Digital Infrastructure - Support	Creative Folks Pty Ltd; Laughing Mind Pty Ltd; Levo Group Pty Ltd	161,395
Digital Promotion	Asiance; Facebook Ireland Limited; Google Asia Pacific Pte Ltd; Salmat Digital Pty Limited	694,611
Digital Resources	Asiance; Klick Communications Pty Ltd	349,966

**SHEEP PRODUCTION PROJECTS**

Project title	Key providers*	\$ Paid in 2016/17
Achieving Low Cost AI with Frozen Ram Semen	University of Sydney	184,197
Actigraph Purchase	ActiGraph LLC	247,508
Australian Pastures Genebank	Minister for Agriculture acting through SARDI	142,697
Breeding Breech Flystrike Resistance	CSIRO; Department of Agriculture WA; The University of Western Australia	149,000
Ear Tag Development	Kosalapov Iurii Aleksanrovich; Mari Narma; Muhammad Hidayatulloh; Shenzhen Heng Yu Xin Mechanical	201,113
Genetics of Blowfly Parasitism	University of Melbourne	140,962
Improving Lamb Survival by Optimising Lambing Density	Department of Economic Development	194,057
Invasive Animals CRC Contribution 2012/13 to 2016/17	Invasive Animals Ltd	176,000
IWTO Sustainable Practices Working Group	International Wool Textile Organisation	128,982
IWTO Wool LCA Technical Advisory Group	Agri Escondo Pty Ltd; IntegrityAg Services; Oslo and Akershus University College	169,392

\*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.

**SHEEP PRODUCTION PROJECTS (continued)**

Project title	Key providers*	\$ Paid in 2016/17
Lifetime Ewe Management 7	Rural Industries Skill Training Centre	279,960
Lifetime Productivity (AMSEA) Project	Australian Merino Sire Evaluation; Miracle Dog Pty Ltd	795,295
Making Clover Pastures Resistant to Phytophthora	The University of Western Australia	172,925
Residue Deletion Studies Pain Relief	Invetus; Redcap Solutions Pty Ltd	175,453
Strategy Management and Advice	Andrew Thompson Consulting; JT Agri-Source Pty Ltd	162,226
Wild Dog - On Ground Activities	Central Wheatbelt Biosecurity; Gwymac Incorporated; Hunter Valley Combined Wild Dog; Mekaree Cluster Group; NSW Farmers Association; Rangelands Fibre and Produce Association; South Tambo Cluster Group Association	846,749
Wild Dog Coordination	AgForce Queensland; Brett Carlsson, Department of Environment Land; Invasive Animals Ltd; Meja Hannah Aldrich; NSW Farmers Association; Pollinators Inc	869,635

**WOOLGROWER SERVICES PROJECTS**

Project title	Key providers*	\$ Paid in 2016/17
2016/17 AWI ICC and Stakeholder Consultation	Carol-Ann Malouf; Scott Daniel Carmody	148,121
Australian Wool Production Forecast	Meat & Livestock Australia Limited; Poimena Trust T/A Poimena Analysis	138,695
AWI Woolgrower Database Overhaul	Amicus Digital; Ausfine Pty Ltd; Meridian Agriculture Pty Ltd; Salesforce.Com Singapore Pte Ltd	160,897
BestWool/BestLamb 2014-2017	Department of Environment Land Water and Planning (Vic)	271,668
Development Funding for Farm Automation	Dan Winson; Regional Tenders Grants & Co; Scherzo69 Pty Ltd; The University of Adelaide	239,672
Future Harvesting Methods Support 2016-17	Ranken Research Pty Ltd; Shear-Jitsu	220,000
Global Market Intelligence	Australian Bureau of Statistics; Euromonitor International Ltd; The Business of Fashion Ltd; The Future Laboratory Australia	202,294
In Shed Shearer & Wool Handler Training	A.P Newstead & A.T Newstead; Amanda Davis; Brian Anthony Sullivan; Kevin Gellatly; Michael Gerard Pora; Mozzie Contracting Pty Ltd as Trustee for the Mozzie Family Trust; SCAA Shearer Woolhandler Training Institute; The Trustee for The Hosie Family Trust	1,605,154
Leading Sheep 2015-2018	Department of Agriculture and Fisheries (Qld)	155,000
National Merino Challenge	BF & FL Watts T/A Bralca; E Ware T/A Australian Public; Exponet Exhibition & Event Services; Shearing World; The Royal Agricultural Society	204,658
Pastoral Profit 2014-17	Meat & Livestock Australia Limited	155,952
Regional Engagement Activities	Australian Sheep Breeders Association; Cousins Merino Services; Cox Marketing Services; Premium Fulfilment Services Pty Ltd; The Australian Association of Stud Merino Breeders Ltd	201,124
Shearer and Wool Handler Industry Competitions 2016-17	Bollon Shears Association Inc; Royal Agricultural Society of Western Australia Incorporated; Sports Shear Australia Queensland; Sports Shearer Australia Victoria; Sports Shear Tasmania Inc	178,129
Sheep Connect NSW 2016-2019	Megan Rogers Consulting Pty Ltd	225,000
Sheep Connect SA 2014-17	Dept of Primary Industries & Regions T/A Rural Solutions SA	211,858
Sheep Connect Tasmania 2015-2018	University of Tasmania	150,000
The Sheep's Back 2014-17	MR8 Pty Ltd ATF The Ritchie Family	197,318
Trade & Supply Chain Facilitation	Janey Gold; Scott Daniel Carmody	230,000

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

**PROCESSING INNOVATION & EDUCATION EXTENSION PROJECTS**

Project title	Key providers*	\$ Paid in 2016/17
Development & Delivery of Woolmark Wool Education	Gary Robinson; The Trustee for The Christoe Family Trust; Yantai Nanshan University	142,225
Development of Trade & Education Packages	Accademia Di Costume E Di Moda SRL; Boris Khramov; Deakin University	129,987
Education & Extension Packages - Eastern Hemisphere	China Wool Textile Association; IM Entertainment Pvt Ltd; Sai Union; Wishing Nine Corp	201,750
Education & Extension Packages - Western Hemisphere	Artesis Plantijn University Co; Bogazici Borsa Lokantacilik A; Carruthers Associates; Mercati SpA; Skorpion Travel SpA; Smith's Catering London; Texprint Ltd	197,278
Eastern Hemisphere Emerging	Dr Tran Van Quyen; Nguyen Van Hung	170,021
Global Trade Fairs 2016-17	Fiera Milano SpA; GL Events Services; Marco Martini & C Sas; Messe Frankfurt (HK) Ltd; Premiere Vision SA; Sitex SpA; Well Link Consultants Ltd; Zines Exhibition Services HK Limited	1,059,005
Product Development Womenswear	Richard Goodstein Inc	205,576
Seminars, Workshops and Training - Retail	Carol Anne Stubbs; Richard Goodstein Inc	175,135
Seminars, Workshops and Training - Student	Carol Anne Stubbs; Carruthers Associates; Ex Infinitas; Facebook Ireland Limited; SEAM Consulting Group	178,115
The Wool Lab - SS18 & FW18/19	Associazione Mittelmoda Intern; Mari Narma; Riccardo Rami Studio; Serena Campelli	1,064,049
Trade Content & Imagery Production	Chic Artist Pty Ltd T/A The Artist; Press Box Pty Ltd; Three60 Media Pty Ltd	152,420

**SUPPORT PROJECTS**

Project title	Key providers*	\$ Paid in 2016/17
Beyond the Bale 2016/17	D&D Mailing Services; Hyde Media Pty Ltd; Newstyle Printing Co Pty Ltd	273,189
Business Development Western Hemisphere	Australian High Commission; Entente Agency Pty Ltd; Fairchild Publishing LLC; Mengdi Group Co Ltd; Regus Vendome	237,437
Investment Evaluations 2016/17	BDA Economics & Environment Pty Ltd	215,636
Wool Exchange Portal - Steering Committee	David Adamson; Peita Piper; Rodda Ag Pty Ltd; Rony Sayigh; William Wilson; Wilson Fletcher Australia Pty Ltd	334,124

\*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.

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

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- Northern Europe
- Poland
- Slovenia/Croatia/Bosnia/Herzegovina/Serbia/Macedonia/Montenegro

## Share Registry

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## Auditor

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### More information:

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

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- youtube.com/awiwoolproduction
- *Beyond the Bale* magazine online:  
<http://beyondthebale.wool.com>

AWI produces several free e-newsletters:

- Weekly wool market review
  - Daily price report (via SMS)
  - Monthly AWI woolgrowers' e-newsletter
  - *Beyond the Bale* e-newsletter
  - WOOL e-newsletter (textiles and fashion)
- Visit [wool.com/subscribe](http://wool.com/subscribe) for your free subscription.

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