



**awi** Australian Wool  
Innovation Limited

# AUSTRALIAN WOOL INNOVATION LIMITED



## ANNUAL REPORT 2017/18



## 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.

## CONTENTS

### UP FRONT

- 2 About AWI
- 4 Highlights of 2017/18
- 5 Financial summary
- 6 AWI Board of Directors
- 8 Chairman's report
- 9 CEO's report

### OPERATIONAL REPORTS

- 10 Marketing
- 24 Sheep Production
- 38 Woolgrower Services
- 46 Processing Innovation & Education Extension
- 56 Business Services
- 60 Good business

### FINANCIAL REPORT

- 69 Directors' report
- 72 Auditor's independence declaration
- 74 Consolidated statement of comprehensive income
- 75 Consolidated balance sheet
- 76 Consolidated statement of changes in equity
- 77 Consolidated statement of cash flows
- 78 Notes to the consolidated financial statements
- 96 Directors' declaration
- 97 Independent auditor's report

### APPENDICES

- 100 Report on compliance with the SFA
- 102 Project list 2017/18
- 107 Connecting with AWI

# ABOUT AWI

## WHAT AWI DOES

Established in 2001, AWI is a not-for-profit company owned by more than 22,000 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 runs from 17 September 2018 to 2 November 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> <b>40%</b>	<b>MARKETING</b> <b>60%</b>
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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.

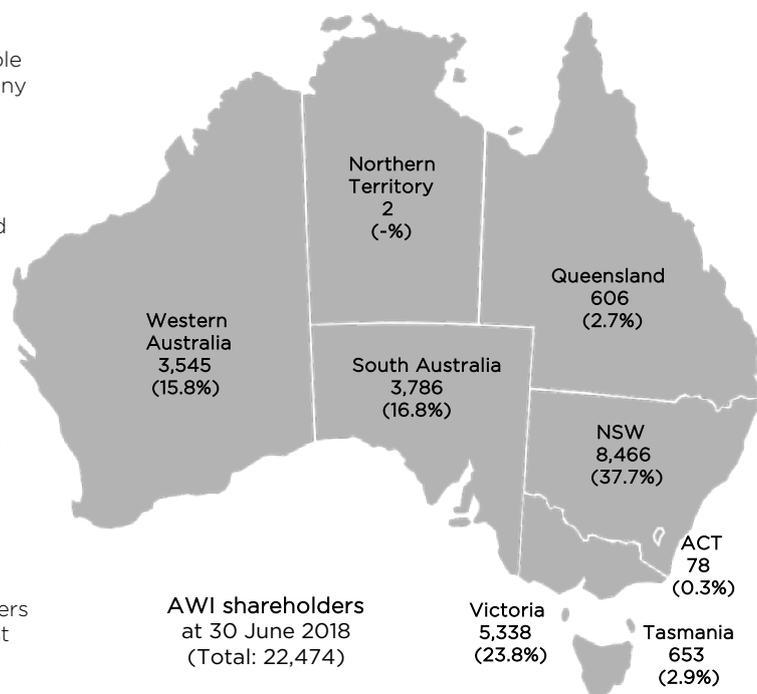
## AWI SHAREHOLDERS

AWI has more than 22,000 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 22,474 shareholders at 30 June 2018, a decrease of 989 shareholders during the past 12 months. There were a total of 55,342 wool levy payers at 30 June 2018, an increase of 5,378 during the past 12 months.



## AWI'S 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 2017/18



*A partnership with adidas highlighted the performance benefits of Merino wool at this year's Boston Marathon.*



*The popular and iconic uniforms of Venice's 443 gondoliers are once again made from wool thanks to an initiative by AWI.*



*AWI and AMSEA have teamed up with five sire evaluation sites to deliver the Merino Lifetime Productivity project.*



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

## OFF-FARM

### Increasing presence in the sports and outdoor market

AWI continues to promote wool's presence in the sports and outdoor sector, collaborating with leading brands – such as sporting giant adidas at this year's Boston Marathon, the most prestigious marathon in the world. See page 18.

### Wool returns to iconic Venice

After the absence of nearly a century, the iconic gondoliers of Venice are wearing wool – and showcasing the fibre in front of the estimated 60,000 tourists that visit Venice every day. The new wool uniform is available for the public to purchase. See page 11.

### Top marketing award won in India

A major retail marketing award has been awarded to AWI in India for its 'Grown in Australia, Made in India' campaign that highlights the farm-to-fashion journey of Merino wool – from the production of the fibre in Australia to manufacturing in India. See page 15.

### International Woolmark Prize

The International Woolmark Prize continues to showcase the versatility and quality of Merino wool to the fashion industry – and generate long-term demand by increasing the knowledge of and lifetime loyalty to Australian wool amongst the competition's designers and alumni across the world. See page 20.

### Establishing wool's environmental credentials

A new review into microplastic pollution from textiles recommends an increased use of natural non-synthetic materials, such as wool, in global textile markets, because wool biodegrades in marine as well as land environments. See page 36.

### Digital communications enhanced

AWI's online presence continues to grow with the launch of the new Woolmark.com and digital education initiatives such as virtual reality and augmented reality apps. See page 17.

## ON-FARM

### Merino Lifetime Productivity (MLP) project

The MLP project is making progress in assessing how well correlated early age assessments and predictions of productivity are with their actual lifetime productivity. The five independent MLP sire evaluation sites are located across Australia. See page 32.

### New pain relief product available

Using data generated from AWI-funded research, the pain relief product Buccalgesic® was approved by the APVMA for mulesing. In addition, the 30-minute wait between application and procedure was removed. There are now three pain relief products available to woolgrowers for routine surgical procedures. See page 25.

### Lifetime Ewe Management (LTEM) training

AWI continues funding on-farm LTEM training in the management and nutrition of breeding ewes to maximise reproduction efficiency. Since LTEM began, more than 4,300 producers have undertaken the hands-on course, through 745 groups. See page 30.

### Workshops increase flock performance

AWI offers three new one-day workshops. Realising Performance Potential complements LTEM, RAMPing up Repro improves ram health and performance and Winning With Weaners lifts the lifetime performance of young Merino sheep. See page 30.

### AWI-supported extension networks

The networks continue providing opportunities for woolgrowers to get involved in practical programs that focus on making positive changes to on-farm production and management practices. See page 40.

**For further information on AWI program operations during 2017/18, refer to the reports beginning on page 10.**

# FINANCIAL SUMMARY

## REVENUE FOR 2017/18

Total revenue for 2017/18 was \$103,070,000 compared with \$88,026,000 in 2016/17. Sources of revenue are shown in the table below.

	2016/17 \$'000	2017/18 \$'000
Wool levy	60,211	<b>72,479</b>
Government contributions	14,742	<b>17,870</b>
Licence fees	7,611	<b>7,321</b>
Interest	2,376	<b>2,556</b>
Royalties	1,790	<b>1,975</b>
Rents and sub-lease rentals	113	<b>548</b>
Sales of goods and services	1,153	<b>242</b>
Other operating revenue	30	<b>79</b>
<b>Total revenue</b>	<b>88,026</b>	<b>103,070</b>

## EXPENDITURE FOR 2017/18

Total expenditure in 2017/18 was \$87,522,000 compared with \$70,829,000 in 2016/17. Expenditure is shown in the table below. More detailed information can be found in the Financial Report beginning on page 68.

	2016/17 \$'000	2017/18 \$'000
Sheep Production	10,827	<b>13,957</b>
Woolgrower Services	7,878	<b>9,861</b>
Processing Innovation & Education Extension	7,025	<b>9,459</b>
Marketing	32,148	<b>39,950</b>
Digital Services	3,386	<b>4,244</b>
Support & Administration	9,565	<b>10,052</b>
<b>Total expenditure</b>	<b>70,829</b>	<b>87,522</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.

	2010/11 \$'000	2011/12 \$'000	2012/13 \$'000	2013/14 \$'000	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	Forecast 2018/19 \$'000
Revenue	72,698	73,970	69,257	68,639	74,282	79,317	88,026	<b>103,070</b>	<b>97,841*</b>
Expenditure	48,307	66,162	75,262	82,694	71,119	76,641	70,829	<b>87,522</b>	<b>111,241</b>
Balance	24,391	7,808	(6,005)	(14,055)	3,163	2,676	17,197	<b>15,548</b>	<b>(13,400)</b>
AWI reserves	95,598	103,406	97,401	83,346	86,509	89,185	106,382	<b>121,930</b>	<b>108,530</b>

\* This forecast revenue includes levy income forecast based on an EMI of 1650c/kg clean. This figure differs from the 1990c/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).

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	Forecast 2018/19
Market price EMI* (cents per kg clean)	1034	1070	1099	1254	1408	<b>1729</b>	1990 (f)
Sheep numbers shorn** (millions)	78.8	78.0	76.9	73.4	74.3	<b>76.8</b>	74.3 (f)
Wool production** (shorn greasy wool*** in millions of kg)	352	341	346	325	340	<b>341</b>	322 (f)

\* Figures derived from AWEX data. Forecast figure from ABARES (June 2018 Agricultural Commodities).

\*\* Figures from the Australian Wool Innovation Production Forecasting Committee (August 2018 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 2018 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.



## MS COLETTE GARNSEY OAM; DEPUTY CHAIR OF AWI

### Experience and expertise:

Ms Garnsey has 38 years of retail, wholesale, distribution and marketing experience with Australia's top brands in multiple geographies. Currently she is Non Executive Director of Flight Centre

Travel Group and TTIPAC advisor to the Federal Government. Previously Ms Garnsey was executive director at Premier Investments's The Just Group, and in senior executive positions at David Jones and Pacific Brands. She has had over 30 years' experience in department stores and has dealt with globally successful brands and designers bringing many to Australia. Ms Garnsey has also been Advisory Board member of CSIRO 1997-2001; Advisory Board member Australian Government Innovation Council 2010-2012; Director Australian Fashion Week 1998-2009; Judge Veuve Clicquot Business Women of the Year 2008-2014.

### Special responsibilities:

Chair, Remuneration & Appointments Committee



## MR JOCK LAURIE

### Experience and expertise:

Mr Laurie and his family operate an agricultural business in northern NSW. 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.

### Special responsibilities:

Finance & Audit Committee member  
Science & Welfare Committee member.



## MR DON MACDONALD

### Experience and expertise:

Don Macdonald has been involved in the wool industry since 1975 as a wool classer, shearer, wool broker and grower. He has extensive knowledge and experience in all aspects of wool production, harvesting, marketing and logistics.

As Managing Director of Macdonald & Co Woolbrokers in Dubbo, NSW, he has developed strong business skills and enduring relationships with the grower sector and the downstream exporting and processing sector. He has farming interests at Brewarrina, where he also operates a CRT outlet, Tilpa and Molong in NSW. Mr Macdonald has served as a Director on AWEX, Chairman of the Inland Wool Brokers Association, member of Industry Service Advisory Committee and member of NSW Farmers Wool Committee.

### Special responsibilities:

Finance & Audit 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, a commercial woolgrower, is a Medical and Veterinary Research Scientist, Paediatrician and a founding director of Bio-medical Research and Development company

Medical Ethics Pty Ltd. The company is responsible for inventing/developing a wound anaesthetic for lambs and calves for pain relief following husbandry procedures, and is currently pioneering research and development of similar practical and affordable pain relief medications for livestock, companion animals and humans. Dr Sheil has served as a local government councillor, Deputy Mayor and a member of the board of NSROC (North Shore Regional Organisation of Councils). She is a Graduate of The Australian Institute of Company Directors.

### Special responsibilities:

Science & Welfare Committee member.



## MR DAVID A A WEBSTER

### Experience and expertise:

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

Jim Story was appointed as company secretary in 2012. Jim is a company secretary and corporate lawyer with more than 38 years of experience. He has extensive public company experience, having held senior in-house positions, mostly as legal counsel and company secretary, with a range of publicly listed industrial, mining and mining exploration companies.

## 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 60.

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. The Board Nomination Committee will next be scheduled to convene in 2019 as a precursor to the election of directors at the 2019 AGM.

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



When I was first elected to the AWI Board on 19 November 2004 the EMI stood at 735c/kg. The price that Australian woolgrowers received for their clip had been on the decline for quite a while. I believed that the Australian wool industry needed to start marketing its great fibre, otherwise this industry might decline into irrelevancy. A

return to marketing was the mandate on which I was elected by the company's shareholders, and that is what I set out to do.

There were plenty of challenges at the time and there have been plenty of challenges since then, not least the Global Financial Crisis and the depressed economic circumstances that it unleashed across the world. However, we have weathered these challenges well and the company firmly grasped the opportunities that marketing has to offer. This year, the EMI broke through the \$20/kg barrier for the very first time, and today is just shy of three times the level it was back in 2004. Where would we be now if AWI had backed away from marketing? Where would we be now if we hadn't started promoting Australian wool and reconnecting with supply chain partners and consumers?

2017/18 was an extremely good year for Australian woolgrowers, with the EMI rising by 36% from 1507c/kg at the end of June 2017 to 2056c/kg 12 months later. This good year follows on from another positive year in 2016/17, when the EMI rose by 16% from 1297c/kg. It is important to note that supply increased in both these years. The price rises are clearly demand-driven. AWI's marketing in key northern hemisphere markets has helped promote Australian wool as a luxury fibre for which consumers and the textile trade will pay an appropriately premium price. Australian woolgrowers of all microns have benefited from the increase in prices.

Confidence has returned to the industry and producers who have shown commitment to wool are now taking advantage of the higher demand-driven wool prices. Producers who run mixed enterprises, such as those in the wheat-sheep zone, are also finding that having a wool enterprise not only helps manage their risk in an increasingly variable climate, but it is also an increasingly important and profitable enterprise in its own right, especially given the high input costs of cropping.

## AWI accountable to woolgrowers

AWI is directly accountable to woolgrowers. It is wool levy payers that vote every three years at WoolPoll to determine the rate of wool levy they will pay to AWI; it is woolgrowers who have chosen to become AWI shareholders that directly elect Directors to the AWI Board; and AWI consults year-round with woolgrowers to identify their priorities and guide AWI's activities.

AWI's Constitution was designed 'fit for purpose' to ensure accountability to all woolgrowers, not a few; and AWI Board members have responsibilities under the Corporations Act, making them accountable to shareholders of AWI.

Indeed, the recent independent Review of Performance by Ernst & Young concluded that "ultimate accountability for AWI's performance and operations should rest in its Board of Directors, which is accountable to the company's shareholders and to the Government. As such, we do not agree that there should be any 'oversight' bodies established that would derogate from the Board's role". Ernst & Young also reported that AWI's "governance documents and practices have been procedurally adequate".

However, while the Review of Performance stated that "AWI has performed well in many regards", we welcome these regular three-year reviews so that we can refine our processes and approach to deliver even better results for woolgrowers.

So, in everything the company does, in every decision it makes and in every project in which it invests - whether it be marketing or R&D - woolgrowers are front of mind for the AWI Board, management and staff across the world.

## AWI delivering results for woolgrowers

During the past year, AWI has delivered for Australian woolgrowers some very positive results, that are summarised in this Annual Report.

In the marketing space, we have worked with large and influential trade and brand partners in key markets of Europe, the USA and Asia, including the increasingly important Chinese market, to build demand for Australian wool products.

In the R&D space, we have collaborated in product development with many high-profile textile manufacturers and brands, such as Ralph Lauren and Nike, and in new product areas such as footwear that incorporates wool and water-repellent outerwear made from 100% Merino wool.

In the on-farm R&D area, we have invested in the issues that woolgrowers have said most concern them, such as flies, worms, wild dogs and shearing, and we are investing in cutting-edge farm automation technology to take some of the hard work out of wool-growing and help attract a new generation to the industry.

I provide to AWI shareholders my assurance that AWI, your R&D and marketing company, will continue to be driven by woolgrowers, continue to operate for the benefit of woolgrowers and continue to deliver results for woolgrowers.

Wal Merriman  
Chairman, Australian Wool Innovation  
31 August 2018

# CEO'S REPORT



2017/18 was the second year covered by AWI's current three-year strategic plan. Building on the healthy momentum begun last year, AWI has continued in 2017/18 to make significant progress in achieving the targets set out in the plan.

I am confident that AWI will have achieved a large majority of these targets at the end of

the three-year period, delivering significant results for Australian woolgrowers who own the company.

We will soon embark on developing the next three-year strategic plan, based on the result of WoolPoll 2018 and in consultation with woolgrowers and other stakeholders to ensure AWI continues to meet the needs of industry.

I am delighted that in 2017/18 we achieved an increase in the average EMI of 23% from the previous year, which has benefited all woolgrowers. I am even more delighted that these increases are being sustained, with the EMI recently surpassing the \$20 mark for the first time, rewarding the hard work and loyalty that woolgrowers have demonstrated to the fibre.

In export terms, the value of Australian wool has lifted to \$4.3 billion in 2017/18, up from \$2.3 billion in 2009/10 when I was appointed as AWI CEO. Our industry is in a strong position.

With supply having increased during the past couple of seasons, I consider these robust prices as fundamentally a result of a strong and consistent demand for our fibre. Australian wool of all microns have performed well this year, while other competitive fibre prices remain relatively flat.

## Marketing

Our Marketing portfolio this year has continued to partner with premium brands and invest in targeted campaigns - through both digital and traditional channels - to help create demand for Australian wool amongst consumers in key markets across the world.

Australia sells all its wool; what is important is that we promote wool as a premium fibre for which consumers are willing to pay a premium price. These premium prices then flow through to Australian woolgrowers, as we have seen with the recent EMI levels.

In line with our strategic plan, we have continued to promote wool through our menswear and womenswear fashion programs - defending traditional markets like suiting but also exploring opportunities in new markets.

The sports, outdoor and athleisure markets are especially exciting markets that are helping drive up demand for Merino wool. We have been increasingly collaborating with leading manufacturers and brands in these sectors to promote the premium natural benefits of wool as a performance fibre.

The exceptional quality demonstrated by the designers at this year's International Woolmark Prize not only reinforces the strength of the award but also proves Australian wool's relevance on the global stage. The initiative continues to help put wool back on the

agendas of fashion designers across the world, and consequently into retail stores for consumers to purchase.

The natural, renewable and biodegradable benefits of wool continue to be highlighted in much of AWI's marketing, most notably in the Campaign for Wool, to help sell wool products from luxurious fine Merino wool apparel to attractive interior products using broader microns.

## Research and development

Investment in R&D and extension by AWI in its Sheep Production and Woolgrower Services portfolios increased by 27% last year, delivering a range of outputs to help woolgrowers improve their on-farm productivity and profitability.

For example, ongoing investment in Lifetime Ewe Management training has resulted in more than 4,300 producers undertaking the hands-on course since the program began. In addition, this year we've rolled out three new workshops to increase woolgrowers' flock performance: Realising Performance Potential, RAMping up Repro and Winning With Weaners. Our woolgrower networks in each state also continue to provide many other opportunities for woolgrowers to get involved in practical extension programs.

Our animal health programs have seen significant and incremental progress reported from a wide spectrum of research projects and trials conducted on farms and in laboratories. Using data generated from AWI-funded research, the pain relief product Buccalgesic® was this year approved by the APVMA for mulesing.

In other on-farm R&D programs: the field days at the five Merino Lifetime Productivity sites proved popular with woolgrowers; the total number of current and past wild dog control groups supported by AWI rose to 171; and the development of AWI smart tags and cost-effective wireless connections progressed. While AWI continues to fund shearer and wool handler training aimed at increasing productivity, skills development and professionalism, AWI this year also began taking a new look at automated shearing.

In the off-farm R&D area, we have added to the growing number of research findings supporting the health and wellbeing benefits of wool products. We have also worked with leading brands such as adidas and Max Mara in new product developments.

I am very proud of the progress that AWI has made during the year across the whole supply chain for Australian wool - from wool-growing through to retailing - and I am confident that the company is set up well so that we can build on these gains into the future.

Stuart McCullough  
CEO, Australian Wool Innovation  
31 August 2018

# 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 2017/18

\$10,019,000 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.

##### The Woolmark Company-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 2017/18
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 2017/18
1. 2.0 million kgs of new demand over this strategic period.	On target.
2. 6 new global partnerships.	On target.

#### KEY RESULTS DURING 2017/18

##### WESTERN HEMISPHERE

- The iconic **gondoliers of Venice** are once again wearing wool after the absence of almost a century, thanks to an initiative between AWI and the exclusive supplier of the Association of Venetian Gondoliers, Emilio Ceccato. The city's 443 gondoliers are wearing the iconic blue and white stripe uniform, comprising a polo shirt made using 100% Merino wool fabric from Italian manufacturer Reda Active, a jersey made from 100% Merino wool yarn from Italian manufacturer Tollegno 1900, and a quilted vest from Tessuti Marzotto Fabrics with 100% Merino wool fabric and wool wadding. They are available to purchase from Emilio Ceccato.
- AWI partnered with revolutionary omni-channel shopping platform **Farfetch.com** – a site that is taking the fashion industry by storm, with more than 17 million monthly views and more than nine million fashion-forward consumers. The data-driven marketing campaign targeted luxury consumers to drive demand for Merino wool. Held during Farfetch's sustainability month, the collaboration included an editorial showcase titled Wonders of Wool, highlighting the wool-rich products of some of AWI's most exciting fashion partners.



A Venetian gondolier wearing 100% Merino wool.



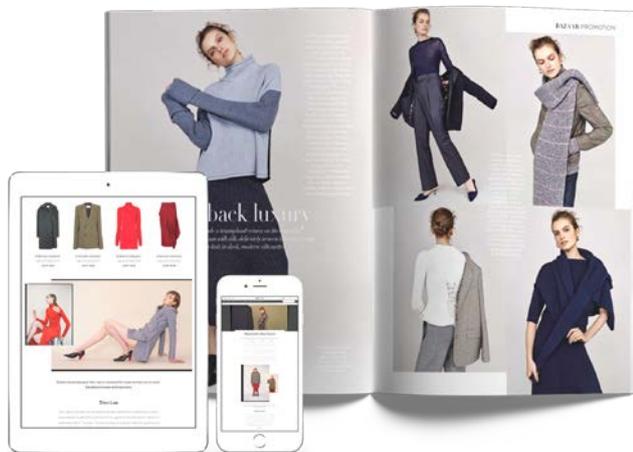
The 17-metre main window of Ludwig Beck in central Munich received a wool makeover to catch the eye of passers-by.

- Iconic German retailer **Ludwig Beck** collaborated with AWI, to unveil a Merino wool knitwear collection. Crafted from luxurious Biella Yarn by Südrolle and knitted by Woolmark licensee Samtex, the knitwear is luxuriously soft next to skin and offers premium quality and comfort. The retailer's Munich store received a wool makeover, with a 17-metre window display, as well as unique point-of-sale materials and an audio-visual show in-store promoting the farm to fashion journey.
- Highlighting wool as a natural fibre, AWI collaborated with high-end department store **De Bijenkorf** in The Netherlands. For two weeks, seven stores – Amsterdam, The Hague, Rotterdam, Eindhoven, Maastricht, Amstelveen and Utrecht – displayed wool-themed window installations and in-store point of sale collateral. Importantly, high-profile fashion brands such as adidas, Max Mara, Tommy Hilfiger and International Woolmark Prize winner Gabriela Hearst had their latest wool fashions available to buy.
- AWI collaborated with Dutch men's fashion brand **Joe Merino** to help market its new Merino wool T-shirts and promote Merino wool as the perfect go-to in summer. The Joe T is breathable, feels soft and luxuriously gentle next to the skin, has a natural elasticity, and is odour resistant. The T-shirt is circular knitted from Südrolle yarns, is machine washable and available in 14 colours.
- Showcasing wool as a fibre for all seasons, AWI partnered with one of the hottest French fashion labels, **Jacquemus**, for Spring/Summer 2018 and Autumn/Winter 2018/19. Jacquemus' strong positioning as a young, edgy and contemporary French brand aligns with AWI's desire to position wool as an innovative and premium fashion fibre. The collaboration reinforces the trans-seasonal properties of lightweight Merino wool.
- AWI partnered with the innovative young **KOCHÉ** brand from France for two seasons with the aim to extend the reach of wool to the Y-generation and Millennials who follow the flourishing brand. The initiative is also helping promote Merino wool as the luxurious and technical fabric of choice for a young and innovative generation of French designers.
- The second edition of the **Vogue Fashion Festival in Paris** took place in November 2017, and included a panel discussion titled 'Natural Fabrics, the future of fashion' in which AWI participated to promote the natural benefits of wool.
- During **Berlin Fashion Week** in January, AWI hosted a seminar titled 'Let's Talk About Wool', attended by about 100 fashion industry representatives who discussed the benefits of wool for their respective markets.
- During **Stockholm Fashion Week** in January, AWI hosted a seminar on sustainable fashion, in collaboration with the Association of Swedish Fashion Brands. The seminar was well-attended and provided opportunity to initiate contact with brands.
- Always on the look-out for interesting venues to launch its collections, British fashion brand **Band of Outsiders** launched its Spring/Summer 2018 collection at a comedy show in central London. A highlight of the show was the feature of Wool Denim styles, designed in collaboration with AWI. The brand's follow-up Autumn/Winter collection was unveiled at an outdoor London ice-rink.
- The Duchess of Cambridge, Kate Middleton – one of the UK's most influential female style icons – hosted at Buckingham Palace in February an initiative called the **Commonwealth Fashion Exchange** which highlighted the sustainability and artisanal fashion skills within the fashion industries of Commonwealth countries. The initiative, run by sustainability agency Eco-Age and supported by AWI, helped showcase wool as a natural, renewable and biodegradable fibre.
- A new short film produced by **Eco-Age** with support from AWI celebrates the source of Merino wool and the woolgrowers who produce it. It was released by global sustainability champion Livia Firth and her team at Eco-Age on 22 April, to coincide with Earth Day. The film has featured at premier events and on global news platforms such as *Vogue USA*, and been highlighted on panel discussions in New York, London and Milan.



Woolgrower Matt Dunbabin on his property 'Bangor', which features in the new film by Eco-Age that demonstrates the eco-credentials of wool.

- Brooklyn-based company **Thursday Finest** is turning the traditional manufacturing process upside-down, using next-generation knitting machines to make custom order on-demand wool products direct from its New York studio. AWI partnered with Thursday Finest, assisting with product development.
- With AWI's assistance, San Francisco-based apparel company **Taylor Stitch** has combined the natural benefits of Australian Merino wool with the latest technical innovations to create a range of clothing - CIVIC - designed for the urban commuter.
- As the largest UK retailer of wool products, **Marks & Spencer** is a key brand with which AWI works collaboratively to help promote wool products. Collaboration between the two companies continued during the UK autumn/winter season, through which M&S promoted its wool range in 142 of its UK stores, its website, newsletter to customers and advertising campaign in national magazines and newspapers.
- AWI developed a close relationship with British menswear brand **Charles Tyrwhitt**. AWI provided the brand's technical and design teams with presentations of the Wool Appreciation Course and The Wool Lab sourcing guide. Charles Tyrwhitt used Woolmark tickets/labels on 60 different styles of knitwear and 20 styles of suits in 2017. AWI also assisted the brand to introduce Woolmark branding into the company's promotional materials such as point of sale collateral and product catalogue.
- AWI's UK office joined **The Communication Store's Press Day** in November 2017 to promote Australian wool and product development initiatives, with more than 340 attendees from womenswear and menswear consumer press including *Vogue*, *Men's Health*, *Financial Times*, *Fantastic Man* and *Monocle*, as well as bloggers, influencers, national newspapers, online journalists and freelance stylists.
- AWI collaborated with **Harper's BAZAAR UK** fashion magazine and leading department store **Harvey Nichols** to promote the best Merino wool fashion for the Northern Hemisphere's winter season. All the wool and wool-rich items of clothes that featured in a special *Harper's BAZAAR* photoshoot were available to buy at Harvey Nichols, both in stores and online.



A double page spread in Harper's BAZAAR UK fashion magazine and an email promotion from UK department store Harvey Nichols featuring Merino wool apparel.



An example of the new Woolmark-certified wool/polyester blend uniforms launched by US company 5.11 Tactical at the Shot Show trade show in Las Vegas.

- An initiative by AWI with North American company **5.11 Tactical** aims to regain a significant market share for wool in the uniforms sector. 5.11 Tactical's uniform line is suitable for service personnel such as police and first responders. AWI helped the company create a wool/polyester blend Class A (formal) uniform collection made using Flex-Tac® fabric, a specialised proprietary blend engineered to provide extreme durability and performance.
- AWI announced it had secured a collaboration with renowned US fashion label **3.1 Phillip Lim** to develop a fall collection and advertising campaign. Designer Phillip Lim has sourced a selection of innovative fabrics and yarns to produce 24 key womenswear pieces designed with Australian Merino wool. The capsule also includes Lim's first production of a wool puffer coat, which will be featured in the campaign. Lim and AWI will host in-store events at select Saks Fifth Avenue and Lane Crawford locations, timed with the capsule's delivery in October. The collection will also be stocked in other key international retailers including Harrods, Selfridges, Net-A-Porter, Shopbop and Ssense.
- AWI partnered with **MINI** to produce a Merino wool travel collection, developed by three Woolmark design partners. The MINI x Woolmark travel collection was unveiled at the Pitti Uomo trade show in Florence in June and will be rolled out by Mini to consumers later this year.
- AWI was a key sponsor of the annual Fashion Week conference, organised by the **Turkish Clothing Manufacturers Association**, held in October 2017. The superiority of Australian wool was explained to the 750 attendees that represented a wide range of businesses.
- AWI partnered with leading Turkish menswear brand **Hemington** to produce a Woolmark-certified extrafine Merino wool collection comprising a mix of men's sweaters, turtlenecks and cardigans. To further support the collection's launch, Hemington and Turkish lifestyle magazine *Atlas* travelled to Australia and visited 'Grathyn' in Mudjee, NSW, where the companies saw how Merino wool is produced; they then featured the sheep and farmers in articles and consumer education via point-of-sale materials and the Hemington website.

## EASTERN HEMISPHERE

- Merino wool had a high profile at Shanghai Fashion Week in October 2017, with AWI launching its inaugural **Woolmark Studio** to highlight the versatility of Australian Merino wool to the Chinese textile trade and media. The three-day-long AWI initiative gave visitors an up-close-and-personal look at the Australian Merino wool fibre, aiming to inspire, educate and connect the textile supply chain. The theme of this edition of Woolmark Studio was the 2017/18 International Woolmark Prize; a series of workshops and panel discussions were also held involving stakeholders from across the wool supply chain in China. The second Woolmark Studio was held at Shanghai Fashion Week in March 2018, with the theme this time around being 'Sustainability in Fashion'.
- AWI partnered with high-profile Chinese publication **T Magazine** to showcase to modern and cosmopolitan Chinese women the latest wool-rich autumn/winter collections from leading brands. Under the theme 'Naturally Inspiring', a photo series in the magazine featured actresses Jiang Mengjie and Xin Zhilei, as well as fashion blogger Cheng Xiaoyue, wearing the latest Merino wool looks from well-known Chinese fashion brands. The photographs formed part of the China Wool Week campaign, an in-store initiative by AWI that ran in November 2017. Throughout the week, all 800+ outlets of the nine brands across China promoted the benefits and beauty of the Merino wool fibre through retail displays, social media and in-store promotions.
- Leading Chinese eco-luxury brand and Woolmark licensee **ICICLE** used imagery and stories from Australian wool-growing properties to help market its 12-piece womenswear collection, featuring a mix of garments including pants, tops, dresses and jackets made using quilted wool denim and the hugely popular Optim™ Protect fabric. More than 55,000 items of clothing were available across more than 220 stores and online, with strong sales recorded. AWI also collaborated with *Instyle China* for the magazine's sustainability issue. Shot at Belgenny Farm in Camden, NSW, the stunning photo series featured famous Chinese actress Jiang Shuying, who wore six Merino wool looks from ICICLE's latest collection, with one of the images gracing the magazine's cover.



ICICLE's marketing team was filmed during a live-cross to China, providing consumers there with a glimpse of life on an Australian wool-growing property.



Famous model-actress Coco Chiang leads out models, all wearing Australian Merino wool cheongsams, at the Hong Kong Knitwear Symphony trade event.

- AWI partnered with emerging Hong Kong-based fashion label **Yi-ming** to create a series of Merino wool cheongsams. A cheongsam, or qipáo, is a form of stylish traditional dress, usually made from silk, first made fashionable by socialites and upper-class women. By taking part in the collaboration, AWI aims to build demand for Australian wool in the premium cheongsam market – a new market for wool that has not traditionally used a lot of the fibre.
- To broaden the demand for Merino wool, AWI showcased the fibre in an artistic and innovative way in March 2018 in Hong Kong, with 300 fashion industry and media guests attending a dance presentation with the performers wearing Merino wool pieces. **Merino Landscapes** brought together three emerging fashion designers from Asia who had been finalists in the International Woolmark Prize and 16 Australian Merino wool outfits.
- AWI built on the previous year's successful partnership with leading Chinese fashion brand **Comme Moi**, founded by Chinese supermodel and fashion designer Lu Yan, to help launch the brand's new collection that features apparel made from lightweight Cool Wool fabrics. The five-piece Cool Wool collection formed part of a larger wool-rich main line for the autumn/winter season.
- AWI entered a two-year strategic partnership with globally renowned Chinese luxury department store **Lane Crawford**, to bring forward-thinking designs made from Australian Merino wool direct to consumers. The first two collections in the collaboration were athleisure collections, launched in July 2017 with Chinese fashion designer Helen Lee and activewear brand Particle Fever.
- In a series of initiatives that began in 2017/18, AWI is marking more than half a century of **wool trade** between Australia and China. By not only looking back at China's astonishing growth, but more importantly looking to the future, AWI aims to secure Merino wool's position as the fibre of choice for China's burgeoning middle class and thereby increase awareness and demand for the fibre.
- Popular celebrity and singer from Hong Kong, Denise Ho, visited the Wool Resource Centre for a cover story with *Lifestyle Journal* in which she showcased the latest luxury wool-rich winter outfits from Louis Vuitton, Fendi and Céline, highlighting the natural beauty of Merino wool.

- AWI joined forces with leading Japanese design label **FACETASM** for collections this year. The collaboration saw AWI work closely with FACETASM's design team, showcasing to them The Wool Lab sourcing guide so that the designers can draw on the most innovative wool fabrics and yarns for their collections. To gain first-hand experience of the process of growing wool, FACETASM founder and designer Hiromichi Ochiai travelled to Australia in November 2017 and visited wool-growing properties 'Wannawong' and 'Kalenea Poll Merino' in Victoria.
- **Nano Universe**, one of the largest Japanese retail brands, ran a large-scale knitwear campaign in collaboration with AWI. Nano Universe is one of the major multibrand retailers in Japan selling quality casualwear to young women and men. The company has strong sales growth in its 64 shops across Japan and its online store. The company's latest knitwear promotion ran from October to December 2017, to raise awareness and increase sales of Australian Merino wool products, specifically within the men's 18-30 segment.
- With more than 40,000 yoga enthusiasts descending on Asia's biggest yoga festival, Yogafest in Japan, AWI partnered with fitness brand **[sn]super.natural** to highlight the suitability of Australian Merino wool to the exercise of yoga. Merino wool garments are ideal for stretch-related activities such as yoga, and as Merino wool fibres are so fine, they feel luxuriously soft next to the skin. AWI also supported [sn]super.natural at the Organic Life yoga festival held in Tokyo during three days in April.
- Merino wool was promoted as the ultimate luxury fibre to Japanese consumers at one of the country's biggest fashion events, with AWI a main sponsor of **Ginza Fashion Week** in October 2017. The initiative was undertaken under the banner Luxury Merino Wool X Ginza Fashion Week, with three of Japan's leading department stores – Matsuya Ginza, Ginza Mitsukoshi, WAKO – and shopping complex Tokyu Plaza Ginza with the support of publisher Hearst Fujingaho. More than one million shoppers experienced the Merino wool campaign across the four department stores, with more than 50 brands participating and featuring unique point-of-sale collateral.



More than one million Japanese shoppers experienced a recent AWI-supported Merino wool campaign across four department stores in Tokyo.



A major retail marketing award has been won by AWI in India for its 'Grown in Australia, Made in India' campaign that highlights the farm-to-fashion journey.

- AWI won this year's 'Retail Marketing Campaign of the Year' category at the Global Awards for Retail Excellence for its **Grown in Australia, Made in India** campaign. The award was presented at the Asia Retail Congress in Mumbai in February by ET Now, part of India's leading business media group. The campaign champions both the woolgrowers of Australia and also honours India's traditional, artisanal craftsmanship – all with the aim of increasing consumption of Australian Merino wool products made in India. Print advertisements for the campaign were rolled out from September to December 2017 in leading magazines, such as *Vogue India* and *GQ India*. Billboards were run for 10 days in December in 15 major cities of India, with an estimated 5½ million people seeing them each day. The campaign video was shown in 55 cinemas, with 368,000 watching it during 15 days of screening; and the video also aired on TV for 12 days in November during some of the most popular shows in India.
- AWI formed a collaboration with **Tata CLiQ Luxury**, a leading luxury ecommerce platform in India, to help build demand for Merino wool amongst premium Indian consumers. As part of the collaboration, Tata CLiQ Luxury launched The Shawl Project, which showcases the revival of one of India's most valued textile traditions, the shawl.
- To help educate young audiences in Korea about Merino wool's benefits and increase demand for the fibre, AWI partnered with a leading Korean contemporary online brand, **Andersson Bell**. For the company's Autumn/Winter collection, AWI helped the company sell 16 Merino styles (coats, jackets, knitwear) for men and women, comprising 16,000 items, through the Andersson Bell website and two major online fashion malls.
- The interest in Australian Merino wool in the Middle East was boosted with a promotion of the fibre by AWI at a key retail forum in Dubai, the **Middle East Retail Forum**, attended by leading retail executives from the region.
- Iconic fashion designer **Raf Simons** launched a 100% Merino wool sweater with the words 'I Love Tokyo' emblazoned in Japanese on the front as an ode to his love of the Japanese capital. Made from luxurious Merino wool yarn spun in Italy by Manifattura Sesia, the Woolmark-certified oversized sweater was launched in November 2017 at the prestigious Dover Street Market in Ginza, Tokyo, with Raf Simons present.

## AUSTRALIA

- For the second year, **Westfield shopping centres** partnered with AWI for its major winter retail campaign, placing wool front and centre of customers' minds. The campaign celebrated the natural fibre and encouraged shoppers to incorporate Australian wool into their everyday life. Brands with wool products that featured in the Westfield campaign included Sportscraft, Country Road, Kookai, R.M. Williams, Gorman, Viktoria & Woods, Paul Smith, Stella McCartney, Ted Baker, Bianca Spender, Max Mara, UGG, Uniqlo, Humphrey Law, Kathmandu and Icebreaker. Westfield also took part in Wool Week (see page 23)
- Australian fashion brand **Sportscraft** produced a stunning winter campaign with more than 150,000 items of wool clothing hitting its 246 stores and concessions and online. The campaign plays to the raw, textural qualities of wool and its connection to the Australian landscape, exploring the idea that wool is woven into the fabric of the land.
- **Country Road** launched an Australian Traceable Merino Collection for Autumn/Winter 2018, which includes 29,000 traceable wool items across its men's and women's ranges. The wool used in these ranges can be traced back to 25 Australian farms. In addition to the Australian Traceable Merino Collection, Country Road retailed in store and online more than 180 woollen designs, ranging from apparel, accessories and home styles.
- Australian lifestyle label **P.E Nation** - which has taken the world by storm in the short time since unveiling its first womenswear line - unveiled its first foray into menswear, including wool and wool-rich pieces, developed in partnership with AWI. The collection - comprising leggings, sweatpants, tank tops, T-shirts and shorts - using technical Merino wool and wool blend fabrics was available for purchase worldwide.
- In a unique project that combines our national game, cricket, with our natural fibre, Australian woolgrowers were invited to donate some of their wool to help create the next batch of Baggy Green caps as part of AWI's new **Flock to Baggy Green project**. The wool will be processed into woven fabric to be donated as finished cloth to Cricket Australia to be manufactured into Baggy Green caps by Kookaburra. Every woolgrower who donated will receive a sample of the finished fabric as a keepsake.



More than 400 woolgrowers have donated in excess of 500kg of wool to AWI's Flock to Baggy Green project - a joint project with Cricket Australia and Kookaburra.

- AWI and the **Australian Rugby Union (ARU)** joined forces to promote the strong heritage and natural connection between Australian wool-growing and rugby union. Wallabies wool scarves made from 100% Australian wool were made available to purchase.

## 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 2017/18 financial year, AWI's in-house **Graphic Design team completed more than 557 jobs** including online digital assets, logo/branding design, brochures, flyers, factsheets, magazines, corporate documents, posters, press ads, presentations, 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 into up to 14 different languages for our global audience.
- AWI's in-house **Video Production team produced more than 85 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. AWI has a collection of 8,000+ images housed in an online library system that is accessible to all AWI staff and which can be made available to external agencies.

## CONTENT AND EDITORIAL

- Throughout the year, 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.
- In June, the company's flagship website **Woolmark.com was relaunched offering both trade and consumer audiences a more content-rich digital experience** of Australian wool to help increase demand for the fibre. The upgraded website presents the full farm-to-fashion spectrum of The Woolmark Company's marketing and R&D activities across the globe. The new website is split into several key categories that represent different aspects of the business:
  - Innovation - including key seasonal developments, and manufacturing systems and processes
  - Education - programs for students, seminars and events, washing and care instructions, and fibre provenance
  - Collaboration - fashion, sports, interiors and Woolmark licensing.

The new website helps enable AWI to educate and inspire audiences, no matter their location, language or specific point of interest in the supply chain. The past year has seen a major refinement of



The new Woolmark.com website is optimised to be read on desktop/laptop, tablet and mobile devices.

wool's brand image in the consumer market, particularly with the global discussion around the sustainability of fashion, and the new website appropriately reflects that shift.

- The **WOOL magazine**, one of AWI's primary communication tools, continued in 2017/18 but as a larger-format, biannual publication. Its hard copy distribution is essentially trade/media, but it's presented and packaged in such a way that speaks about wool in a way that's relevant to consumers. While the magazine is available in hard copy, the articles are also available online. Through its inspiring shoots, interviews, profiles, video and practical guides, it showcases the benefits and qualities of Australian Merino wool in a high-end fashion and lifestyle context.
- 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 2017/18 was \$49,410,369 with a **total reach** of 57,264,831,721.
- Various communications were sent to woolgrowers – see page 43 for further information



In June, AWI released a virtual reality experience of viewing five of its fabric innovations (see above). AWI has also released a 'virtual reality farm tour' in which users are 'transported' to an Australian sheep farm to visually experience first-hand the source of Merino wool. In December 2017, AWI also partnered with National Geographic to launch a virtual reality experience of explorer Pete McBride sharing the benefits of wearing Australian wool apparel on one of his adventures in Colorado (see page 19). These three virtual reality experiences can be downloaded for free from the Apple App and Google Play stores (search Woolmark VR).

## DIGITAL COMMUNICATIONS

- AWI's online presence continues to grow with the **launch of the new Woolmark.com**. This new site (which incorporates content from the old Merino.com) is an industry leading example of digital infrastructure. Built with the ability to personalise content, collect data on visitors to enable the serving of tailored content and provide direct connection to Woolmark offices, the site has six language variants and an improved content delivery platform. The new website not only enables AWI and The Woolmark Company to more effectively tell the story of wool but the company is now set up to ensure it is ready to engage with the next generation of customers.
- AWI is also working on a **relaunch of Wool.com** which will build upon a lot of the technology used in the new Woolmark.com. The new site will provide personalised information for woolgrowers along with detailed market insights and analysis as well as easy access to reports, research and the work AWI is doing.
- AWI is continuing to **improve its project and back-end systems** to identify and roll out further savings for woolgrowers. These improved systems not only are helping improve efficiency, transparency and documentation but have generated considerable savings over the general cost of digital, innovation and online marketing.
- AWI is continuing to implement best digital practice across the business, creating a **culture of innovation** that is not only helping to identify potential growth markets and opportunities but new ways to engage with consumers. As consumer patterns change and the next generation of millennial consumer comes into their own this strategy is proving increasingly important. We are therefore investigating projects covering topics like New Retail, Home Automation and Voice, Integrated Technology, Artificial Intelligence, Augmented Reality, NFC and Smart Tags as well as additional Fashion Tech positioning.

*Note: For further information, see the Digital Services program report on page 59.*



Woolmark AR is an augmented reality app, designed to provide viewers with a quick and easy way to communicate the benefits of wool (along with some AWI innovations, such as wool footwear – see above) in an interactive and visual way, wherever you are. Augmented reality technology shows a computer-generated image (in this case a wool shoe) superimposed on a view 'through' the viewer's smartphone). AWI is looking at further ways to use augmented reality in its educational and marketing activities. Woolmark AR can be downloaded for free from the Apple App store.

## SPORTSWEAR

### STRATEGY EXPENDITURE DURING 2017/18

\$5,313,000 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

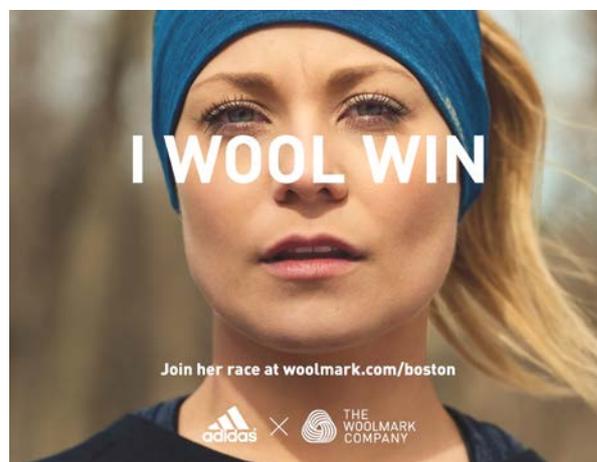
Collaborating with genuine “Run” sports brands/retailers, AWI will focus on “high intensity” activities where wool is put to test with potential partners such as Nike, adidas, Ashmei, Asics, Rapha, Pearl Izumi. Our key “Outdoor” sportswear partners include adidas, HellyHansen, Musto, The North Face, 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 2017/18
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 2017/18

- The performance benefits of Merino wool were highlighted at this year’s **Boston Marathon** – the most prestigious marathon in the world – thanks to a new three-way partnership between global sportswear giant **adidas**, the Boston Athletic Association and AWI. To lift awareness of Merino wool in sportswear, the campaign involved the launch of an adidas Merino T-shirt for leading and influential runners plus a ‘replica’ version made available to other runners and consumers at stores across Boston and online. Throughout March and April 2018, the large-scale pre-race marketing campaign was created to build consumer interest in wool and the wool product, centred around the theme ‘I Wool Win’, followed by a post-race ‘Won with Wool’ theme. The campaign, co-branded with adidas, ran across social media channels, in the *Boston Globe* newspaper and outdoor advertising.
- With the sports and outdoor market continuing to play a large and increasingly important part in AWI’s product development and marketing strategy, AWI once again exhibited at **sports and outdoor trade shows**, including this year’s ISPO trade show in Munich – the world’s largest trade show targeting activewear and sports apparel. It was the biggest one yet, with ISPO welcoming 2,801 exhibitors and more than 84,000 visitors from 120 countries. Following the success of previous shows, AWI was instrumental in organising the ‘Wool Lounge’ – the fair’s epicenter for all things wool and featuring leading brands including H. Dawson, Südwole Group, Shepherd, Italfil, Lavalan, Australian, Diyang, Marbäck Tricot, Engel, Utenos, Xinao, Schoeller, Blum Textil, Davifil and of course AWI. At the AWI stand, the latest innovations



*Amanda Ordway was one of four first-time marathon runners to take part in a marketing campaign in the lead up to this year’s Boston Marathon to promote wool.*

co-developed by AWI’s in-house technical team were on display, including wool footwear, seamless apparel and wool filling. Also on show was the latest edition of The Wool Lab Sport, featuring a collection of the world’s best technical fabrics and yarns.

- AWI collaborated with US performance and skiwear designer **Erin Snow** for her Fall 2018 12-piece skiwear collection, comprising pants, mid-layers and outerwear – made from Australian Merino wool. The collection is stocked globally via online retail partner Net-a-Porter.



National Geographic adventurer Pete McBride who featured in the promotion that highlighted some of the best commercially available Merino wool sports apparel.

- AWI partnered with **National Geographic** to showcase the performance benefits of Merino wool to consumers and increase demand for the fibre. As part of the initiative, National Geographic adventurer Pete McBride from the mountains of Colorado discussed his favourite Merino wool clothing that keep him in peak performance. McBride's story appeared in the January 2018 print edition of the UK's *National Geographic Traveller* – as well as being published in the Chinese edition. The feature also highlighted the best commercially available Merino wool performance apparel, encouraging adventurous readers to tackle the great outdoors in Merino wool apparel from major brands Helly Hansen, Ibex, Ortovox, Devold and Rab. The partnership also contains a digital component on [www.nationalgeographic.com](http://www.nationalgeographic.com) with international reach, providing direct web links for commercially available product.
- AWI launched a new annual product innovation competition called the **Woolmark Performance Challenge**, in partnership with leading sports brand adidas. Open to tertiary students, it provides an unrivalled opportunity to apply the unique science and performance benefits of Australian Merino wool to innovative new product applications in the sports and performance market. It is not only a unique learning experience for students, but also provides the winner with a financial reward, potential for further collaboration and a 3-month paid internship with adidas. 510 students from 58 universities were engaged in the inaugural year.
- Products using the water and wind resistant **Optim™ Protect** fabric, made from 100% Merino wool and without any chemical treatments, are now available to more consumers across the world, having been commercialised this year by brands including Taylor Stich/CIVIC (USA), ICICLE (China) and RÖJK Superwear (Sweden). The Optim™ Protect fabric is one of many innovative and high-value woven Merino wool fabrics that have been developed by the Wool Development Centre, which was set up in 2013 by AWI along with one of China's leading woollen textile enterprises, The Nanshan Group. Swedish outdoor company RÖJK Superwear's Badland jacket won three awards presented in January 2018 at the ISPO sports and outdoor trade show in Munich.
- Outdoor apparel company **Devold of Norway** is the latest international company to feature Australian woolgrowers in its marketing to consumers. The Woolmark licensee has introduced a new strategy – known as Sheep to Shop – that ensures uncompromising quality through its supply chain.
- Russia's leading outdoor brand **Red Fox** is promoting the inherent benefits of Merino wool – a fibre trusted by the brand's co-owner who wore it whilst climbing Mount Everest. Producing a range of menswear and womenswear Merino wool base-layers and accessories, Red Fox has recently partnered with AWI to further promote the fibre's origins and benefits.
- AWI entered into a marketing partnership with **Helly Hansen**, working with the iconic brand to help promote the great story of Merino wool and increase demand for innovative products. This year, Spanish Volvo Ocean Race team MAPFRE were decked out in Merino wool base-layers by Helly Hansen as they battled it out in all weather conditions in this iconic round-the-world race.
- AWI teamed up with major Indian sportswear company **Zeven** to develop polo shirts made from 80% Merino wool as travel gear for the Royal Challengers Bangalore Indian Premier League cricket team. Some of the biggest names in cricket donned the Merino wool polo shirts including captain Virat Kohli, Chris Gayle, AB de Villiers and Australia's own Shane Watson.
- Merino wool products in a new collection from leading US snowboarding brand **Burton** were made available to purchase worldwide for northern hemisphere consumers. AWI assisted Burton with product development, retail education and marketing the products to drive sales. The collection was not only available in Burton's home country of the US. Milan played host to the European launch of the collection, with AWI collaborating with Burton for a special retail event in Burton's Milan store.



Snowboarding star Anna Gasser from Austria wearing the Merino wool base-layer top of US brand Burton, available online and in northern hemisphere retail stores.

## GLOBAL CAMPAIGNS

### STRATEGY EXPENDITURE DURING 2017/18

\$6,853,000 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 2017/18
1. An additional 3.5 million kgs in new demand by 2019.	<b>On target.</b> A survey will be undertaken in September 2018 to clarify figures.
2. Grow the Alumni database by 60 new designers annually.	<b>Achieved and exceeded for 2017/18.</b> The alumni database increased by more than 300 contacts in 2017/18 as a result of a new online application portal launched via woolmarkprize.com. From these applicants, 42 designers were selected globally to participate in the 2018/19 award.
3. Grow media awareness and editorial coverage by \$10 million.	<b>Not Achieved.</b> Editorial value is currently less than the previous year at \$12,337,182, however reach has remained the same with a 1% difference YOY. This is a strong reflection of the changing media landscape, where social and digital is more mainstream but not valued comparably with print. Our reach has increased exponentially but value hasn't because the majority of IWP coverage is socially driven. It is worth noting, the PR industry has moved away from using editorial value as a benchmark and now focuses primarily on reach. It is recommended that KPIs for awareness are adjusted for next strategic period. Social engagement for the prize continues to increase; total reach increased YoY by 23%, total impressions increased by 6% and post engagement rose by 173%. The IWP continues to be ranked as the top performing content across TWC social channels.
4. Grow the retailer partner network by 3 new retailers from a base of 11.	<b>Achieved and exceeded.</b> New retailers are: Takashimaya, Japan; Lane Crawford, China; Hudson's Bay Company, Canada; ssense.com, global online retailer; Harvey Nichols (for menswear), UK; Tata Cliq Luxury, India, Parlour X, Australia; Sugar, Italy; Leclairleur, France; and Farfetch.com, global online retailer.

#### KEY RESULTS DURING 2017/18

- 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 2017/18, the International Woolmark Prize continued to be the 'jewel' in AWI's fashion promotion activities. It is designed to generate long-term incremental demand for Australian Merino wool 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 2017/18 competition** were held following a global search, and involved 65 emerging designers nominated by fashion industry bodies in their respective regions. For the 2017/18 competition, six regional finals were held covering Asia; Australia & New Zealand; British Isles; Europe; Indian Subcontinent & the Middle East; and the USA.



The winners of the 2017/18 International Woolmark Prize (from left): two models of the Innovation Award winner; two models of the womenswear winner, womenswear winner Ruchika Sachdeva of Bodice (India), Innovation Award winner Christopher Bevans of DYNE (USA); menswear winner Matthew Miller (Britain); two models of the menswear winner.

- Following the success of the 2016/17 global final in Paris, the 2017/18 final once again combined menswear and womenswear into **one star-studded event**. It was held in January in Florence, Italy, on the first day of the Pitti Uomo trade show, with the two global winners announced in front of key industry heavyweights.
- **Matthew Miller from Britain was the winner of the menswear competition** for 2017/18. Using Australian Merino wool ranging from 17.5 to 20.5 microns, Miller added multifunctional elements to his designs for different environments, such as the addition of a garment belt system which acts as a way to turn the garment into an accessory in warmer climates. He also included innovative treatments to create, for example, water resistant fabrics.
- **Bodice from India won the womenswear award** for 2017/18 and was praised for its technique and manufacturing process. Collaborating with hand weavers and encouraging them to take an unorthodox approach to traditional techniques, Bodice produced an elegant collection honouring both Australian Merino wool and the artisans of India. Bodice also worked with Bio-Dye in Sawantwadi, central India, which makes all its colours from natural sources.
- The 2017/18 International Woolmark Prize also held its inaugural **Innovation Award**, powered by Future Tech Lab, to reward the collection with the most innovative and creative wool fabrication, process or development. This award aims to inspire the competition's designers to be more experimental when developing fabric or yarn for their final collections.
- Inspired by learning to snowboard in the 1980s – in a wool bomber jacket – the 2017/18 **winning Innovation Award collection of DYNE's** Christopher Bevans comprises a technical snowboarding wardrobe, complete with an 'NFC chip' in the water-resistant wool jacket to track users in avalanches. The collection is crafted from Merino wool ranging between 17 and 19.5 microns, and includes zip-up hoodies, track pants, trench coats and pullovers – with reflective overlays and inserts, functional pocket zips, laser-cut details and two-way stretch.
- As well as winning prize money to help support the development of their businesses, both Matthew Miller and Bodice also received **ongoing industry mentor support**, Woolmark certification for their winning collections and the **opportunity to be stocked in prestigious department stores and boutiques**. These include: Boutique 1, David Jones, Harvey Nichols, Lane Crawford, LECLAIREUR, mytheresa.com, Parlour X, Sugar and Takashimaya.
- At the trade level, the competition in 2017/18 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 2017/18 to connect promising designers with the best spinners and weavers specialising in wool.
- At the jury level, there was engagement with **some of the world's leading influencers of fashion**, such as *Vogue Italia* Editor-in-Chief Emanuele Farneti and fashion designer Phillip Lim – who were judges in 2017/18 – 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.
- 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, International Woolmark Prize alumnus Blair Archibald from Melbourne presented his first runway collection at Mercedes-Benz Fashion Week Australia in March. The wool-rich collection received significant press attention and orders from high-profile buyers – a huge feat for such a new designer.

## 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 2017/18
1. Additional 1.0 million kgs of new demand.	<b>In progress.</b> The Campaign for Wool program provides a unique global platform drawing on the combined forces of the globe's four key wool-growing countries (Australia, South Africa, Britain and New Zealand) and the generous support of its prominent Patron, HRH The Prince of Wales, to correct common misconceptions about wool and to bring an awareness of the fibre's many attributes to a younger generation. An Executive Committee representing the four key nations was created to provide increased project assessment to determine the greatest impact for planned projects and related funding. While exact wool volumes are difficult to accurately measure, the impact has been reflected in repeat business (brand participation in multiple 'Wool Weeks'), return on investment (for instance the documentary <i>Slowing Down Fast Fashion</i> has now been viewed by influential audiences including media in many key markets), and PR generation, where for instance the UK activities in 2017 delivered a PR value of £1,015,471.25 equating to an AVE (Advertising Value Equivalent) of £585,121.70.

### KEY RESULTS DURING 2017/18

- Now in its eighth 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.
- Granted rare access to the Campaign's patron HRH The Prince of Wales at home, *The Australian Financial Review Magazine* in April 2018 ran a feature article on HRH's thoughts on how the fashion industry needs to tackle its greatest challenge: sustainability. "Australian woolgrowers across the nation enthusiastically supported the campaign in cash and in kind, and Merino wool is now enjoying an unprecedented global revival, which gives me great pride," he said in the article.

#### UNITED KINGDOM

- The Campaign for Wool's annual **Wool Week** celebrations returned to the UK in October 2017 with 16 days of activities all shining the spotlight on the natural benefits of wool to drive consumer demand for wool products. The extended program of events encompassed 340 industry/retail/brand supporters.
- The UK Wool Week's major event in 2017 was **Wool Fusion**: a pop-up installation on Baker Street in central London, which showcased some of the best fashion and functional apparel as well as wool interiors including furnishings, fabrics and flooring. The installation included a series of high impact photography and film by leading publication *Wonderland*, alongside the textured sensory experience of wool in the wide range of products on display. A program of workshops by artisans, talks from fashion and retail experts, and special events were held throughout the exhibition.
- **Key retailers and designers** once again threw their support behind Wool Week through in-store activities and shop window displays across the UK – including Marks & Spencer, John Lewis, Jack Wills, Brora, TM Lewin, Walker Slater, Finisterre, Smalls, Pringle of Scotland, and Wool and The Gang. An increase in the use of Wool Week point-of-sale material was seen and a wider distribution reach across the UK. Bicester Village – a luxury village-style shopping area in Oxfordshire, and home to 130 boutiques of world-famous brands – featured



One of many shop window designs of retail giant Marks & Spencer that were on display during Wool Week and promoted wool products.

more Campaign for Wool retail partners including Abraham Moon & Sons, Ross Barr, Chinti & Parker, Derek Rose, John Smedley, Clements Ribero, Markus Lupfer and Begg & Co.

- There were **many other highlights of Wool Week**, including clothing brand Jack Wills holding a Wool & Whiskey evening. Vivienne Westwood opened its doors to two special evening events for customers, as did British luxury label Daks. The Brora brand released a collaboration with 2015/16 International Woolmark Prize winners Teatum Jones including some key Merino wool pieces. Dashing Tweeds held in store weaving demonstrations.
- The Campaign for Wool, together with three London City wool-related Livery Companies, presented the third annual two-day student, tutor and lecturer seminar **Making it in Textiles**. About 100 students from 22 colleges gathered in Bradford, Yorkshire to hear industry experts talk about career opportunities in woollen and worsted manufacturing in the region and the importance of the industry's intimate supply chain relationships with global luxury brands, an area where supply chain knowledge will be invaluable to their careers. Day two of the event saw groups of students on tutored visits to Woolmark licensee wool textile manufacturers in the region.

#### JAPAN

- In October 2017 as part of Amazon Fashion Week in Tokyo, the Campaign for Wool, The Woolmark Company and Hearst Fujingaho presented an exclusive **screening of the award-winning documentary *Slowing Down Fast Fashion***. Presented by Alex James, the screening provided a unique opportunity for the Japanese fashion industry's top influencers to learn, discuss, and consider the environmental impacts of fashion. It investigated global fashion production and looked at various apparel fibres, assessing their benefits and issues relating to biodegradability, landfill and safety – areas in which wool is particularly strong.

#### AUSTRALIA

- **Wool Week Australia**, an initiative that arose from the global Campaign for Wool was held from 24 May to 3 June 2018, with some of the country's biggest labels and retailers throwing their support behind the campaign and using an increasing amount of Merino wool within their collections.
- With celebrations running across the country, **Westfield** joined the Wool Week campaign as a major partner, releasing its wool-focused winter campaign in time for Wool Week at 39 centres across Australia and New Zealand, celebrating the growers who produce the fibre and the designers who use it. Championing Merino wool in fashion, activewear and homeware, the campaign showcases wool's natural benefits and takes customers back to the source of the fibre, filmed on a wool-growing property near Goulburn, NSW, owned by Dave and Skye Ward (see image below). Retailers involved included CUE, David Lawrence, Helen Kaminski, Icebreaker, KOOKAI, MARCS, Otto & Spike, Oxford, Parlour X, R.M Williams, SAAKI, SABA, and Veronica Maine.
- Nine Westfield centres across Australia and New Zealand came alive during Wool Week, hosting **exclusive events and activations** including extreme knitting workshops, visual merchandise displays showcasing retailer wool product, interior design workshops, and fashion exhibitions.
- In partnership with the Art Gallery of NSW, Australia's most-loved extreme knitter, **Jacqueline Fink**, hosted a series of workshops in the gallery's Wool Lounge with Australian Merino wool. Jacqueline Fink also created an extreme knitting masterpiece on show in the main window of Sportscraft's Pitt St Mall store in Sydney during Wool Week.



Woolgrowers Dave and Skye Ward and family featured during Wool Week at Westfield shopping centres, pictured here on a giant video screen at Bondi Junction.

# 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.
- Improving the breeding benchmarking tools for lifetime economic performance of ewes in wool enterprises.
- Strengthening 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 2017/18

\$8,099,000 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 supporting the commercialisation 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 2017/18
1. Pre-operative pain relief available for routine surgical procedures.	<b>Achieved and target revised.</b> Buccalgesic, a pre-operative pain relief gel, was registered for the alleviation of pain and relief for mulesing in October 2017. There are now three pain relief products available to woolgrowers for routine surgical procedures. The Strategic Target was subsequently revised in February 2018 to “Support adoption of pain relief technologies”.
2. Breech modification alternatives commercialised.	<b>Target revised.</b> Trials to assess the animal welfare impact of the breech modification technology Liquid Nitrogen Process (LNP) failed to identify a significant pain relief advantage of LNP over surgical mulesing. As a result, AWI is unlikely to consider a further investment in the current LNP method. AWI is in discussion with a commercial company that may be interested in further developing Skintraction to reduce current tight APVMA label use restrictions, thus improving the commercial viability of the technology. The Strategic Target was revised in February 2018 to “Viable breech modification technologies available for commercialisation”.
3. Development of an ASBV for faecal consistency, so fostering development of non-allergenic genetic resistance to internal parasites.	<b>Target revised.</b> The R&D required to create an ASBV for faecal consistency has been delayed by the service provider but remains on the priority list for on-going R&D. The Strategic Target was deleted from the current Strategic Plan in February 2018.
4. Improved laboratory diagnostic testing for worms and larvae.	<b>On target.</b> Research to investigate improved laboratory diagnostic testing for conducting faecal egg count reduction tests, and worm egg counts also used for the generation of ASBVs, are due to be completed by early 2019.
5. Sustained increase in grower utilisation of the ParaBoss website.	<b>On target.</b> The number of unique users for the ParaBoss suite of websites, for the period June 2017 - May 2018, increased by 14.9% over the previous year. Unique users to FlyBoss increased by 24.9%, LiceBoss by 18.8% and WormBoss by 12.5% when compared with 2016/17.
6. Wool bale decontamination and disinfection procedures developed.	<b>In progress.</b> Projects to develop procedures for wool bale decontamination and disinfection are under way.

#### KEY RESULTS DURING 2017/18

##### BREECH FLYSTRIKE RD&E STRATEGY

- Following a review of the AWI breech flystrike program, including consultation with a range of stakeholders, an **updated Breech Flystrike Research, Development & Extension (RD&E) Strategy 2017 - 2020** was endorsed by the AWI Board in October 2017. It is available on the AWI website at [www.wool.com/flystrikelatest](http://www.wool.com/flystrikelatest).

##### PAIN RELIEF

- An AWI co-funded research trial to assess the **welfare responses of female lambs to analgesic options for surgical mulesing** was completed in 2017/18. The research concluded that the use of the analgesic agents Buccalgesic® and TriSolfen®, singly or in combination, provides benefits that persist for at least 6 hours (based on behavioural



*Buccalgesic® being applied to the internal cheek of a lamb during the research trials. The buccal (inside of cheek) formulation has a thick consistency so after application (using a modified drench gun) it adheres to the mucous membrane of the mouth.*

observations), and up to 24 hours (based on physiological parameters) post-mulesing. The best outcome was seen where TriSolfen® and Buccalgesic® were used in combination, delivering the benefits of both local anaesthetic and non-steroidal anti-inflammatory agents.

- In October 2017, using data generated from the above research, the non-steroidal anti-inflammatory agent **Buccalgesic®** was approved by the APVMA for mulesing, following its registration for castration and tail docking in lambs in 2016. In addition, the 30-minute wait between application and procedure was removed so Buccalgesic® can now be used immediately before the procedure. There are now three pain relief products available to woolgrowers for routine surgical procedures.
- **Animal trials for metabolism and tissue residue deletion studies** for common local anaesthetic pain relief actives were undertaken in 2017/18. An analysis of the data from this work is due to be completed in late 2018 and will be used in applications to the APVMA to assist with potentially broadening the use options and reducing withholding periods for the current approved actives.
- A **workshop with animal welfare researchers and veterinarians was held in 2018, to plan a review of pain alleviation research.** The project will provide a stocktake of published research into the welfare impacts of castration, tail docking and mulesing, alternatives to these procedures, and potential pain relief strategies. A report including a gap analysis and recommendations as to future research directions is due to be completed in late 2019.

#### BREECH MODIFICATION ALTERNATIVES

- Trials to assess the animal welfare impact of the breech modification technology **Liquid Nitrogen Process (LNP)**, completed in early 2018, failed to identify a significant pain relief advantage of LNP over surgical mulesing.

#### BREEDING AND SELECTION

- In 2015, a series of predictions were made of rates of genetic improvement achievable for reducing the incidence of breech flystrike in Merino sheep. A project has commenced recently to update these

predictions using more recent genetic parameters. The **genetic predictions will allow for an assessment of how long selection should take to produce sheep that have high resistance to breech flystrike** and do not need mulesing in a range of different sheep types (fine, medium and dual purpose), environments and production systems.

- A project to complete the **genotyping of the breech flystrike resource flocks in NSW and WA** commenced recently. Outcomes are expected to form the largest known reference population for breech flystrike resistance. The genome-wide association study for breech flystrike resistance and indicator traits on the full data set of the NSW- and WA-based study population will contribute to determining pathways for further genetic evaluation research in breech flystrike for sheep, enabling testing for possible associations between genome regions and/or DNA markers and trait data.
- A workshop was held to plan a 2018/19 review of flystrike risk factors, with particular reference to **unexplained variation between sheep in susceptibility to flystrike and the potential for using odour-related measures** in selecting more flystrike resistant sheep. A key outcome of the review, being undertaken by a team of expert consultants, will be the formulation of recommendations for further investment in key areas of research towards new and more effective means of flystrike control in sheep.

#### SHEEP BLOWFLY GENETICS

- Continued work on the **sheep blowfly genome** is providing greater knowledge of the biology of the sheep blowfly (*L. cuprina*) during host seeking and parasitism, enhancing the ability of researchers to identify sheep blowfly genes critical to its development.
- Early results are proving promising in a project to investigate the use of the **gene editing tool CRISPR** (Clustered Regularly Interspaced Short Palindromic Repeats) to manipulate sheep blowfly genes. If successful, CRISPR will enable researchers to better understand the importance of unique blowfly genes and determine the effect on the sheep blowfly if their function is lost or disrupted. The work may result in the development of new treatments or vaccines to aid in sheep blowfly control, reducing the risk of flystrike.

#### COMMUNICATIONS

- A number of **publications for woolgrowers on breech flystrike management** were produced and subsequently made available on the AWI website in 2017/18 – see [www.wool.com/flystrikelatest](http://www.wool.com/flystrikelatest). An updated Breech Flystrike Manual, finalised in June 2017, contains information designed to help woolgrowers reduce their flock's flystrike risk, develop an effective control plan and eventually move to a non-mules wool-growing enterprise. A presentation, describing the breadth of the AWI Breech Strike RD&E Program, was published in November 2017. In March 2018, a report outlining key learnings from a number of wool-growing enterprises that have moved to a non-mulesed enterprise was finalised. The report is intended to assist other woolgrowers in their consideration and planning to also move to a non-mulesed Merino enterprise.

## NATIONAL WOOL DECLARATION

- National Wool Declarations have increased for all wool in nine years from 38% of the clip in 2008-09 to 66% in 2017-18.
- The number of Merino **wool bales declared non-mulesed** under the National Wool Declaration has grown from 68,632 bales in 2014/15 to 97,489 bales in 2017/18. This represents an increase in percentage non mulesed from 5% to 7.5% of all Merino wool bales.
- Merino wool produced from **mulesed sheep given pain relief** at time of mulesing increased from 292,667 bales in 2014/15 to an estimated 477,232 bales in 2017/18. This represents an increase from 22% to 37% of all Merino bales declared under the National Wool Declaration.

## EMERGENCY ANIMAL DISEASE PREPAREDNESS

- Capacity development in **wool industry preparedness and response to an emergency animal disease** was identified as a priority in the Australian Wool Industry Emergency Animal Disease (EAD) Preparedness RD&E Strategy 2016-2019. A training package covering introduction to EADs, the national EAD response structure, biosecurity, workplace health and safety for zoonotic diseases, EAD outbreak operational responses, the role of wool and wool facilities in an EAD outbreak, and reporting and recording during an EAD outbreak, was recently piloted with a number of staff at post-farmgate businesses. An evaluation of the pilot sessions will contribute to the development of an industry plan for the national delivery of the training to other wool enterprises in 2018/19.
- The above EAD training resources included a number of documents produced in 2017/2018 to further support wool enterprise preparedness for an EAD. These are an **EAD Preparedness Plan Template and Guide and an online Biosecurity Risk Assessment Tool**, which are available on the AWI website at [www.wool.com/biosecurity](http://www.wool.com/biosecurity).
- The ability to provide reliable assurances to exporters, importers and authorities of the status of the wool to be exported will be critical in the lifting of potential export bans following an EAD outbreak. A report on the performance of a **prototype bale sprayer unit** that will allow rapid disinfection of the outside of wool bales with a citric acid solution, under field conditions, is currently being finalised. Outcomes from the trial will inform the update of the Bale Sprayer Unit Operating Manual and the development of proposed procedures for the deployment of the unit in the event of an outbreak.



A prototype bale sprayer that aims to allow rapid disinfection of the outside of wool bales.

- An additional research project to investigate the **impact of different citric acid solutions on wool fibres**, in particular the effect on the wool characteristics used in the sale of wool, including fibre yield, diameter, colour, staple length and strength, was completed in late 2017. The outcome of the testing of 0.2%, 2.0% and 3.0% weight/volume citric acid solutions on measured wool characteristics were that no commercially significant changes were observed on the treated wool samples when compared to the corresponding untreated control wools, providing reassurance to exporters that the quality of wool in bales that require external decontamination by the bale sprayer in the event of an EAD outbreak will not be impacted.
- A trial to **trace wool bale movement and environmental storage conditions** (ie time, humidity and temperature) using a Bluetooth beacon is currently being piloted within an existing wool supply chain. In the event of EAD, the information being captured will enable industry to provide assurances that the wool in the bales has been exposed to sufficient environmental storage conditions to render a specific virus inactive. As the data starts coming in, the project will also develop a user interface, and assess the feasibility of such a system and its requirements if scaled up for wider adoption.

## NATIONAL RD&E STRATEGIES

- AWI continues its involvement in sectoral and cross sectoral national RD&E Strategies. The **National Primary Industries Animal Welfare RD&E Strategy**, revised in May 2017, aims to facilitate the development, implementation and delivery of cross-sectoral animal welfare RD&E nationally for livestock throughout the supply chain.
- AWI is represented on the Writing Group charged with reviewing and updating the **National Primary Industries Animal Biosecurity RD&E Strategy**. The updated Strategy is expected to be submitted for endorsement by the National Primary Industries Research and Innovation Committee in August 2018.

## PROGRAM AUDITS

- The AWI Breech Flystrike RD&E Program is independently audited by the **Australian Veterinary Association (AVA)** on a six-monthly basis. In the latest review, undertaken in June 2018, AVA auditors Dr Bruce Allworth and Dr David Hucker concluded that:  
*“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, particularly in the area of pain relief.”*
- A **genetic review** of the AWI Breech Flystrike RD&E Program is undertaken on an annual basis. Following a review in June 2018, reviewers Dr Peter James and Dr Forbes Brien reported that:  
*“We commend the considerable effort that has been expended to date to develop improved methods for selecting sheep for 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.”*

## 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 2017/18
1. Effective national and regional coordination of vertebrate pest control effort in sheep producing areas.	<b>On target.</b> Eight of nine AWI-funded coordinators are in place and achieving significant improvements in coordination, coverage and scale of wild dog control activities. Whilst short delays were experienced, the new co-funded Queensland position in the South West has been filled by Skyela Kruger, who is located near St George. Skyela has "hit the ground" running and is currently busy establishing contacts and developing networks to work on the wild dog issue in this important wool-growing area of Queensland. An agreed position has been reached with PIRSA, funding approved and contracting to provide a permanent South Australia State Wild Dog Coordinator is under way.
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 (almost) for 2017/18.</b> 14 groups were established in 2017/18, with the total number of past and current groups now reaching 171. Surveys of groups completing programs show planned or anticipated: <ul style="list-style-type: none"> <li>• 12% increase in sheep numbers – on-par with 2016/17</li> <li>• 31% increase in kg of wool produced – an increase from 24% in 2016/17.</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%). This has now levelled off at 38% which is an extremely valuable and useful outcome.

### KEY RESULTS DURING 2017/18

#### COMMUNITY WILD DOG CONTROL INITIATIVE

- The total number of current and past groups supported is 171, comprising 33 current groups and 138 past groups. The current 33 supported groups comprise:
  - Qld – 11 (including 6 with "Cluster Clean-Out" assistance)
  - NSW – 10
  - Vic – 8
  - SA – 1 application (covering 21 groups)
  - WA – 3 Recognised Biosecurity Groups – which are very large-scale covering multiple shires.

The current average financial support per group is \$39,303. The long-term average per group is \$23,763. Groups are getting bigger with increasing coverage and scale.

- The AWI-funded **Exclusion Fence Construction Unit** continues to be based with Longreach Regional Council and is being used by woolgrowers in the Central West of Queensland at a minimal cost thanks to a grant from AWI to Longreach Regional Council. The unit is highly productive when well

utilised. Supply logistics and site readiness continue to be challenges.

- The focus of the Community Wild Dog Control Initiative remains on:
  - assisting groups or clusters to establish control of their situation or eradicate the last wild dog.
  - establishing activities and infrastructure which facilitate on-going long-term wild dog control where re-infestation occurs.
  - making the most of the three-year or 36-month time frame available for CWDCI (II) funding available to each group.

#### WILD DOG CONTROL COORDINATION

- **Western Australia:** Now past halfway in this initial WA Wild Dog Control Coordination contract, the WA Wild Dog Coordinator Meja Aldrich, based in Geraldton, has made significant contributions to the successful establishment of the five Recognised Biosecurity Groups (RBGs) which line the State Barrier Fence from north of Geraldton to Ravensworth and Esperance. These RBGs form the first line of defence against wild dogs for the agricultural region of WA and 90%+ of the WA



*Baits being loaded aboard a helicopter for aerial baiting across north-east NSW.*

state sheep flock. The discovery project in WA managed by Meja Aldrich has discovered the presence of wild dogs almost to the west coast, but in very low numbers. This warning is a significant one for wool and sheep producers in the agricultural region of WA.

- **Victoria:** In partnership with the Victorian Department of Environment, Land, Water and Planning (DELWP), the AWI- funded Wild Dog Coordinator positions continue to provide a high level of facilitation for arguably Australia's most successful community group-based wild dog control programs.

The Victorian state government, through DELWP, has 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 (Brian Dowley and Lucy-anne Cobby) to enhance coverage; and the second (Michael Freeman) in the North East based in Wodonga servicing the western side of the Great Dividing Range. 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.

- **NE NSW:** The NE NSW Wild Dog Coordinator David Worsley has continued to grow the participation in wild dog control by extending control measures on both private and public lands in both ground and aerial wild dog baiting programs. A measure of this is the emerging demand for access to the NE NSW Coordinator's time and support from surrounding areas.
- **The NE and Western NSW:** Individually and in conjunction, the wild dog coordinators David Worsley (NE NSW) and Bruce Duncan (Western NSW) have managed the provision of wild dog control techniques training to 180 participants in the highly acclaimed 3-day wild dog control workshops over three consecutive years. These workshops are now drawing participants from

across NSW, through a combination of ideal training sites and the provision of very high-quality trainers and training program. The trial marksmanship training course was developed and piloted in two forms in 2017/18: a 1-day women's and 2-day long-range Sighting-in course. Feedback from both courses was excellent, with clear indications for future demand and potential enhancements.

#### RESEARCH & DEVELOPMENT

- **Wild Dog Alert:** Further gains have been made in the digital detection and notification of the presence of wild dogs at a given site. The project identified significant limitations in existing digital imaging equipment, to the extent that an extension of the project has produced an innovation in motion activated detection and transmission equipment.
- **Trap Alert:** AWI has invested a modest amount in the development of current technology to provide an electronic alarm link between set leg-hold traps and their manager (trapper, dogger etc). In conjunction with NSW DPI Vertebrate Pest Research Unit and New Zealand company Encounter Solutions, development trials have been conducted in the extreme high temperatures and associated semi-desert conditions near Moomba in the NE of South Australia. Initial trials appear very promising and further expenditure on this development is likely. The use of leg-hold traps is strictly regulated in all states and one of the principal requirements is the limit on the interval of inspection for traps, and any associated lethal technology. This in turn limits the number of traps a trapper can have set at any one time, due to the time restraint of having to inspect them all within a given time period. If the trapper knows which traps have triggered in the past 24 hours, this allows much greater efficiency in travelling to check traps and minimises the amount of time any trapped animal is held in the trap before being humanely euthanised or released.



*Using an automated on-property camera trap device that identifies wild dogs, the Wild Dog Alert system aims to notify a woolgrower of a wild dog's presence in real-time, to enable the woolgrower to act early.*

## 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 2017/18
1. An extra 1,500 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 1,000 new enrolments during the current strategic period.
2. At least 250 producers engaged in determining the impact of lambing density (ewe mob size and stocking rate) on lamb survival.	<b>On target.</b> Project expanded to include 15 trial sites with low stocking rates, taking the total trial sites to 85 with a network of 261 producers.
3. Develop strategies and guidelines for improving weaner and maiden ewe performance.	<b>On target.</b> In consultation with producers, a one-day weaner best practise workshop, Winning With Weaners, has been developed and released.

### KEY RESULTS DURING 2017/18

- AWI's support of **Lifetime Ewe Management** continues to prove popular amongst woolgrowers. The LTEM course aims to increase producers' understanding of the influence of ewe nutrition and management on overall reproduction rates and lamb and ewe survival. Producers develop the skills to manage their ewes to achieve condition score targets and explore the benefits of supplementary feeding and pasture management to review stocking rates. Since LTEM began, more than 4,300 producers have undertaken the course, through 745 groups. Evaluation of the program's benefits is currently under way.
- AWI has developed **three new workshops** to aid woolgrowers in identifying key practical actions for their enterprises to implement on-farm to achieve improved productivity. Each one-day workshop, developed in conjunction with the Woolgrower Services portfolio, is designed to run as a single event, while complementing the other workshops to provide woolgrowers with support for important management decisions:
  - The **Realising Performance Potential** workshop is aimed at lifting lifetime performance from their Merino ewes. It assists the commercial self-replacing Merino production sector in recognising and placing appropriate importance on the total lifetime productivity potential and value of their Merino ewes (fleece, meat, surplus stock) and aims to achieve a minimum weaning rate of 95% from Merino joinings.
  - The **Winning With Weaners** workshop is aimed at lifting lifetime performance from their Merino ewes through improved management of their weaners. It assists participants in understanding the key issues affecting weaner survival and performance, and guides them through developing targets for growth. The workshops discuss factors that contribute to weaner mortality and illthrift, and provides practical pathways for improving performance from this group of sheep.
  - **RAMping Up Repro** is a hands-on workshop focussed on improving ram performance and working longevity in commercial sheep enterprises. The workshop is designed to increase the skill of producers across the key components of ram performance and impacts on overall breeding enterprise performance, including anatomy, physiology, spermatogenesis, metabolic demands, health, disease and biosecurity and the financial impact of the ram team.



John and Jenny Ridley, who run 1,550 Merino ewes at Forbes in NSW, have undertaken an LTEM course and achieved excellent productivity improvements.

These workshops are run on a demand basis through AWI's State Grower Networks across Australia. To find out about upcoming workshops in your region, contact your State Grower Network (contact details at [www.wool.com/networks](http://www.wool.com/networks)).

- The **Improving Lamb Survival by Optimising Lambing Density** project has shown, on average, survival was just under 3% greater for lambs born at the lower mob sizes compared to the higher mob sizes, with density not having a significant effect. This equated to a 2% decrease in the survival of twin-born lambs for each extra 100 ewes in the mob at lambing. The effect is linear - with an increase mob size, lamb survival decreases. The next step will be to undertake a full benefit-cost analysis in terms of reducing mob size to improve lamb survival, including the costs associated with subdividing or putting up temporary fencing in large paddocks.
- The **Quantifying and Understanding the Displacement of the Merino Ewe** project is providing AWI with valuable information about the decision-making processes of woolgrowers in Australia. This project will contribute to further developing AWI's strategies for maintaining a ewe flock to sustain the Australian wool industry.
- Industry interest in revising artificial insemination (AI) protocols has been met with the AWI-funded **Improving the Success of Sheep AI Programs** project in collaboration with SA Stud Merino Breeders. Its aim is to improve oestrus synchronisation in laparoscopic AI programs by developing one or more new protocols.
- Results from AWI's ongoing project **Metabolic Disorders In Pregnant Ewes** show supplementary feeding of calcium and magnesium to pregnant ewes that don't show any visual sign of a deficiency is still likely to put the ewes into a better metabolic state and potentially lead to better lamb survival.



Checking teeth as part of the 4Ts assessment (teeth, toes, tackle and testicles) at a RAMPing Up Repro workshop, developed by AWI in partnership with Zoetis Australia.

- The **Improving Predication of Ovine Foetal Age** project investigated the feasibility of predicting foetal age and lambing date from pregnancy scanning foetal head size. Analysis indicates foetal age with a leeway of 7 to 8.5 days of the true age was correctly predicted in 95 to 98% of pregnancies. There was 100% discrimination between early lambing ewes and late lambing ewes from either a 28 and 35 day joining period.

## GENETIC IMPROVEMENT

### INVESTMENT FOCUS

This program of investment will support the 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 2017/18
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>Achieved.</b> Five Merino Lifetime Productivity (MLP) sites have been established, each with two drops of F1 ewes being assessed for their lifetime productivity. The final two drops are now on the ground at the Macquarie and New England sites. There are three other sites that are a year or two ahead; Balmoral with 2015 and 2016 drop F1 ewes and the MerinoLink site at Temora and the Pingelly site in WA with 2016 and 2017 drop F1 ewes. The F1 ewes have been sired by 135 unique AI sires and their lifetime productivity will be assessed for five lambings.

## STRATEGIC TARGETS (continued)

Targets for three-year period 2016/17 to 2018/19	Progress during 2017/18
2. Routine, low-cost per head alternatives to genomic parentage technology in wide commercial use for mothering-up Merino lambs.	<b>On target.</b> Proximity sensors have proved to be an accurate and rapid method for establishing maternal pedigree across a range of conditions experienced on commercial farms. ActiGraphs, a human monitoring system, were used to match >15,000 ewes and lambs from 40 flocks on 21 farms. The success at matching a lamb to its ewe was 94.7% across the 40 flocks so these sensors would appear to be a promising alternative to traditional methods. The sheep smart tag being developed by AWI is capable of generating maternal pedigree thanks to the proximity sensor embedded in the device. This tag will be tested in the paddock for this purpose during next year.
3. Australian sheep breeders maintain access to consolidated and improved wether trial, central test sire evaluation and MERINOSELECT databases.	<b>Achieved.</b> Wether trials continue and an updated analysis of the past 10 years data is available on the AWI and NSW DPI Merino Bloodline Performance websites. Sire Evaluation has expanded to 10 sites across Australia with 7 joining for a 2018 drop lamb. Site reports are available on the AWI and AMSEA Merino Superior Sires websites. AWI withdrew from Sheep Genetics in July 2016 with the view that after 11 years of operational funding Sheep Genetics operationally needed to run on a user pays basis. MLA continues to provide MERINOSELECT and DOHNE ASBV analysis and with an AWI review into the priorities for further R&D complete, AWI is looking to commit further R&D funding with a lifetime productivity and welfare focus.

## KEY RESULTS DURING 2017/18

## SIRE EVALUATION

- There are **seven sites joining for a 2018 drop lamb**, these are: Balmoral, North East Victoria, Macquarie (as part of MLP), New England (as part of MLP), Muresk, Yardstick and South Australia. Queensland and Tasmania have not run a joining since 2011 and 2013 respectively. Each site is self-funded through entry fees with AWI funding used with coordination, analysis and publication of results.
- The **largest joining in the history of Merino Sire Evaluation** took place in 2017 both in terms of the number of sires and the number of sites; there were 131 sires joined across nine sites. Nineteen new studs entered a ram for the first time; this is 15% of all entries.
- **2017 has been a very active year** with 14,795 downloads of site reports and 4,696 downloads of Merino Superior Sires annual publication No 22 (2016) and No 23 (2017).
- There are **938 sires that have been entered in Sire Evaluation** that have 233,711 progeny in MERINOSELECT and there are 827 sires that have 441,364 grand progeny. With a total of 886,275 animals entered into MERINOSELECT in the past 10 years, it illustrates the influence of Sires that have been evaluated through Sire Evaluation Sites.

## HISTORICAL SIRE EVALUATION SIRES

- **Sixteen old sires used in Sire Evaluation trials circa 1995 have been retested** in current day Sire Evaluation trials. When analysed using new identification, **the 16 rams' average ASBVs were very close to the Breeding Values of the sires when tested 20 years earlier.** This shows that the method of using repeat sires or links between sites and between years is working over a 20-year time period.
- The sixteen old sires when evaluated in 1995 were on average in the top 35% for the Merino

Production Index compared to the average of the sires evaluated then; but they are now in the bottom 15% compared to sires evaluated in 2015. Fleece weights are up 11%, micron is down by 0.7 and body weight up 3.3kg compared to 1995. This is an objective analysis of the **considerable advancement in the productivity of the sires** being entered into Sire Evaluation over this 20-year period.

## WETHER TRIALS

- NSW DPI has conducted another **wether trial analysis** and it is published on the AWI and NSW DPI websites. The relative performance of 73 commonly used Merino bloodlines has been updated with the 2018 analysis of 25 wether trials conducted in NSW (24) and Tasmania (1) between 2007 and 2018. Bloodlines have been assessed for clean fleece weight, fibre diameter, liveweight, staple length and staple strength along with wool quality traits (style and colour). Simulation modelling using Grassgro™ generated two measures of financial performance of the bloodlines, expressed on a \$/head and \$/DSE basis. The previous 2006 - 2016 analysis, reported data from 26 trials with 77 bloodlines.

## MERINO LIFETIME PRODUCTIVITY (MLP) PROJECT

- The MLP project is **assessing how well correlated early age assessments and predictions of productivity are with their actual lifetime productivity.** Results will support or assist the fine-tuning of current predictions so that ram breeders and buyers can be more confident in selections for lifetime productivity at the increasingly young ages industry has adopted in recent decades. It will also assess the current push for even younger age ram selection at five to six months of age using genomically enhanced Breeding Values. The MLP project will also create a database where a wide range of hypothesis can be assessed about visual



The Merino Lifetime Productivity field day at Pingelly in WA in March included a description of the sires' progeny.



A mammoth 50 pens of ewes were on display at the 2018 Balmoral Merino Lifetime Productivity field day in February.

and objective classing, the value of fat and muscle, the number of sires and ewes that improve or decline in productivity as they get older and the current advice from geneticists that at least one adult age fleece assessment and full lambing records are required to optimise gain.

- The first lambing of the 2015 drop F1 ewes by AI sires occurred at Balmoral. This represents just 2% of the lambing records to be collected in the ten-year project. Another 45 such lambings are planned to collect 25,000 lambing records from 5,500 F1 ewes.
- AWI continues its efforts to have the MLP progeny records used within MERINOSELECT and to make the MLP results broadly accessible.
- A series of 'Add On' projects using the F1 ewes and wethers are taking place. They include 'Improving Foetal Aging', 'Assessing Resilience and Ewe Survival', 'Adult Wether Productivity', 'Improving Feed

Efficiency Assessments and Per Ha Analysis of MLP Results', 'Comparison of Classing Within and Across Sire Progeny Groups' and 'Wether Carcass and Eating Quality' (MLA funded).

**LOWER COST AI WITH FROZEN RAM SEMEN**

- Cervical AI using frozen/thawed semen has conception rates of around 20% compared to laparoscopic rates of 70%, but it is a cheaper, less invasive option if the conceptions rate can be lifted and made comparable to laparoscopic AI. A five-year project in collaboration with NSW Stud Merino Breeders remains on track with several proteins identified with potential to improve ram sperm capacitation post freezing/thawing to allow it to better move through the tight ewe cervix. The final report is due late 2018.

**SEXED SEMEN**

- A project with the University of Sydney, Michelle Humphries of Livestock Breeding Services and Wurrook Merino Stud is testing improved techniques and outcomes from sexing fresh (non-frozen) ram semen. Pregnancy testing results in June 2017 show the sexed semen results are only slightly lower than normal unsexed semen. Lambing is due in August 2018 to determine the accuracy of the sexing process (for female progeny) with results around 90% female progeny expected.
- While sexed semen will have a niche market, it could offer ram breeders the option of a more rapid change in breeding direction or increase in breeding ewe numbers.

**ELMORE EWE TRIAL – COMPARISON OF EWE BLOODLINE FOR PRODUCING PRIME LAMBS**

- From 2010 to 2014 five ewe bloodlines, each comprising ewes from three commercial clients, were assessed for their profitability to produce White Suffolk prime lambs. The 5 bloodlines were SuperBorder\$ Group Border Leicester X Merino; SAMM; Dohne; Loddon Valley Merino; Centre Plus Merino.
- Results of the trial have been updated using wool and lamb prices over three, 8-year time spans.
  - o 1994-95 to 2001-02 "low lamb prices"
  - o 2002-03 to 2009-10 "drought"
  - o 2010-11 to 2017-18 "recent years"
- The results (see below) show that the Merino dams (Centre Plus and Loddon Valley Merino) followed by the Dohnes were the top performers across most time points, irrespective of the 3 market and season scenarios.

Gross Margin \$/Ha, Elmore, Victoria

	1994-95 to 2001-02	Rank	2002-03 to 2009-10	Rank	2010-11 to 2017-18	Rank
Super Borders x Merino	211	4	148	4	352	5
SAMM	200	5	154	3	372	4
Dohne	219	3	135	5	378	3
Loddon Merino	242	2	160	2	400	2
Centre Plus	298	1	191	1	418	1
Ave\$/Ha	234		158		384	

## FARM AUTOMATION & SOFTWARE DEVELOPMENT

### STRATEGY EXPENDITURE DURING 2017/18

\$1,656,000 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 2017/18
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>On target.</b> The design of a solar-powered ear tag and a battery-powered collar has been finalised. The technology provides a combination of accelerometer (measuring the acceleration of a moving animal), proximity and position data to track the movement and activity of the animals, and obtain information about maternal pedigree and interactions between rams and ewes.
2. 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 2017/18

- Good progress has been made in the development of the AWI **smart tags**. Power management and data collection have been optimised enabling the addition of an accelerometer sensor in the device. Data generated by the accelerometer will provide useful information about activity and specific movements of the animals. A long-term trial has been set up in Cattai (NSW) where the prototypes of the ear and the collar tags are first tested in the paddock. Future trials in research and commercial properties are being planned to test long-term robustness and retention of the tags but also to investigate the sheep behaviour to help woolgrowers optimise their flock's productivity; for example, in relation to flystrike management, wild dog alerts, grazing optimisation, health alerts and reproduction optimisation.
- AWI continues supporting the Department of Agriculture and Water Resources' Rural R&D for Profit **Virtual Herding** project. The project aims to evaluate the on-farm application of virtual herding technology, demonstrate its implementation, and quantify and extend its benefits across Australia's major livestock industries. The first group of experiments were conducted in February 2017 and examined the associative learning of sheep in response to audio and electrical cues to enable sufficient control, but not compromise both behavioural and physiological aspects of animal welfare.
- AWI has investigated simple and cost-effective ways for woolgrowers across Australia to establish more effective **wireless connections** on their farms. Specifically, AWI has looked at ways to provide wireless point-to-point and/or point to-multipoint

network links to enhance and distribute internet and other wireless connectivity on properties. During this year, 10 woolgrowers have taken part in a pilot to test this technology to assess whether a more widespread roll out of the technology is feasible.



*Vision from a camera on a wireless network at Tony Butler's property at Newstead, Victoria, also showing the point-to-point antenna (bottom-right) that is able to create reliable links over 20km line of site.*

- The **entrepreneur programs** from the University of Adelaide, Australian and Tech eChallenge Wool Innovation are based around the development of concepts or prototypes of technical innovations for the Australian wool industry. Over the course of the programs, students from Adelaide, Charles Sturt and Deakin universities learnt how to take their wool innovation ideas from concept to prototype with the support of academic staff, mentors and other industry leaders. Examples of the concepts presented in these competitions include: a solution to improve connectivity on farms, devices to objectively measure wool quality characteristics, a faecal egg count test, and an app that encourages young people to learn more about coding. Last year's Tech eChallenge winners have gone on to create a commercial business, Agrinet, helping farmers connect to the internet where poor or no coverage exists.
- AWI funded the **Accelerating Precision Agriculture to Decision Agriculture (P2D)** project together with all 15 Research and Development Corporations (RDCs) to develop six projects that evaluated the current and desired state of digital agriculture in Australia. Recommendations are provided by the P2D project to ensure Australian primary producers are able to overcome the challenges currently limiting digital agriculture and profit from their data. Recommendations from this report detail the key strategy components of policy, leadership, digital literacy and enablers that must be addressed to achieve data-driven practice change by producers.

## FEEDBASE & FIBRE ADVOCACY

### STRATEGY EXPENDITURE DURING 2017/18

\$2,046,000 project expenditure

### FEEDBASE & ECO-CREDENTIALS

#### INVESTMENT FOCUS

- Undertake targeted life cycle assessment (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

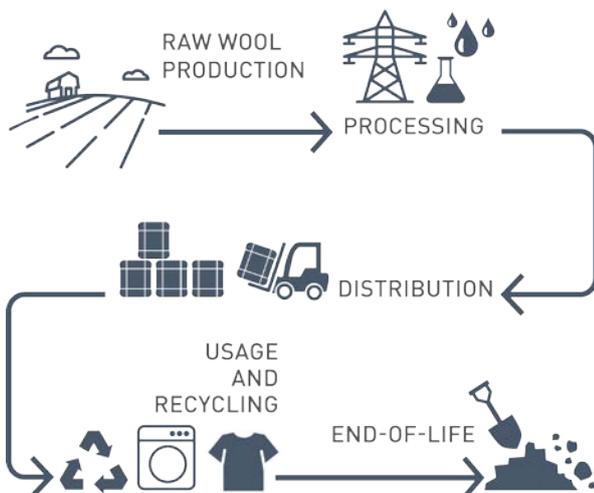
Targets for three-year period 2016/17 to 2018/19	Progress during 2017/18
1. Generate significant improvement in wool's environmental footprint ratings, and strengthen wool's reputation for environmental stewardship.	<b>On track.</b> A cradle-to-grave life cycle assessment has been completed for wool's supply chain including all stages from the farm through wool processing to use and ultimately end of life. Wool's rating has improved relative to other natural fibres and the focus is now moving to a comparison with synthetic fibres.
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>Target revised.</b> Barriers to adoption of beneficial feedbase practices have been identified through AWI's Feedbase Panel, together with targeted surveying of wool producers. Addressing these barriers and developing an effective extension program to increase adoption will continue through to 2021.
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>Target revised.</b> Woolgrowers have been surveyed to establish the current level of adapting/mitigating technologies and adoption-focussed projects have been prioritised to ensure a range of effective options are available to producers seeking to mitigate climate risk through to 2021.

## KEY RESULTS DURING 2017/18

### WOOL'S ENVIRONMENTAL FOOTPRINT RATINGS

- A literature review was completed and published on the environmental impacts arising from **microfibres** released from clothing during washing and initial recommendations made for how to account for these impacts in LCA. Microplastics from synthetic clothing are emerging as a major hazard to the environment and potentially also human health.
- A **full cradle-to-grave assessment** was completed for wool, involving:
  - data volunteered by many wool processors along the supply chain, including chemical use, water use and energy use
  - a detailed literature review of the use phase of clothing identifying the differing environmental impacts of different fibre types
  - a review of the impacts of wool recycling and development of methodology for accounting for recycling in LCA
  - assessment of wool's eutrophication and toxicity impacts, including identification of favourable (falling) trends in residual pesticides remaining in wool after the farm stage.
- An investigation of the Sustainable Apparel Coalition (SAC) Material Sustainability Index has identified a range of weaknesses in their apparel rating tool and non-compliances with good LCA practice. Engagement continues with SAC on how best to address these flaws, such as handling the use phase, biodegradation and abiotic resource depletion.

## WOOL'S LIFE CYCLE ASSESSMENT



Life Cycle Assessment is a tool that attempts to tell the environmental story of products across the entire supply chain. AWI funds scientific research into wool's environmental footprint, to enable the wool industry to market Australian wool to the fashion and textile trades – and consumers – as the 'planet-friendly' fibre of choice.

- A new 5-year project has been initiated to generate evidence on the impact on **soils, biodiversity, landscape health and drought resilience** of contemporary wool production.

### INCREASING ADOPTION

- AWI's Feedbase Advisory Panel comprising woolgrowers and research and industry experts has generated insights informing strategy in this area, including that a major opportunity exists to develop a **feedbase extension program** similar in approach to AWI's Lifetime Ewe Management (LTEM) program. Key activities during 2017/18 included:
  - Collating and reviewing existing feedbase extension resources suited to AWI shareholders, and existing knowledge of barriers to adoption of beneficial feedbase technologies
  - Conducting a survey of training needs and attitudes of LTEM alumni
  - Generating a framework for the feedbase extension activities and materials to suit woolgrowers.

### PREPARING FOR CLIMATE CHANGE

- **Delivering phosphorus efficient pastures:** Using a combination of farmer-participatory and traditional research, this 5-year co-funded project is building on earlier research which is anticipated to deliver transformational change that can reduce the phosphorus dependence of Australian grazing systems. It focusses on proving the performance of high-yielding pasture legumes with lowered phosphorus requirements.
- **Novel legumes:** AWI has been investing in developing annual legumes such as the serradellas and biserrulas for many years. These aerial seeding, hard seeded, high nitrogen fixing annuals are suited to summer dry-sowing of seed in drier regions of WA, SA, Victoria and southern NSW and have the potential to transform mixed enterprises. Their compatibility with cropping systems is contributing to the re-introduction of livestock to these areas. This project will work with grower groups in 10 of these regions to increase the adoption of these legumes by assisting producers with five integrated programs of work: legume selection, integration into cropping and livestock systems, economics and farm modelling, and extension. 2017/18 was the first year of this 5-year co-funded project.



*Biserrula legumes fill feed gaps and improve soil health and overall pasture productivity.*

## 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 2017/18
1. Internationalize studies demonstrating that Merino base-layer garments ameliorate chronic skin conditions associated with microclimate management of the skin.	<b>On target.</b> The skin health benefits of base-layer Merino garments to children and adults suffering from eczema was demonstrated through a two-year study in Kentucky, USA.
2. Demonstrate that wool bedding and sleepwear improves sleeping conditions.	<b>Achieved.</b> A two-year study at Sydney University has identified improved sleep quality outcomes from sleeping in wool.
3. Support development of product market opportunities in categories such as corporate wear, safety wear, medical product and infants wear.	<b>In progress.</b> A project assessing high performance, emergency services fabric that's been optimised for fire/heat protection, comfort and cost is currently under way.
4. Develop specifications for next-to-skin wear to improve reliability and consumer confidence in Merino base-layer garments.	<b>On target.</b> Development of a medical specification for next-to-skin wear by people with sensitive skin is well progressed.

### KEY RESULTS DURING 2017/18

#### SKIN HEALTH

- AWI's investments since 2011 to establish wool's skin health benefits have been consistently positive. The most recent **study of children and adults with eczema** (based in the USA) again showed a clinically significant improvement in symptoms from wearing base-layer superfine wool garments for at least six hours per day.
- An opportunity now exists to move to a **multi-site parallel study of eczema in key target markets**, including Europe, Asia and the USA. The Chairperson of the International Eczema Council, Professor Amy Paller from Northwestern University in Chicago USA has agreed to participate in this study – representing a huge opportunity for wool.

#### SLEEP HEALTH

- The **AWI-funded sleep study** at Sydney University (2015-2017) demonstrated improved sleep quality for older adults (50-70 years) in warm circumstances compared to sleeping in polyester or cotton. The key findings were:
  - o Less fragmented sleep in wool (12% less fragmented than in polyester)
  - o Faster sleep onset in wool for participants 65 years and older (average sleep onset: 12 mins in wool, 22 mins in polyester, 27 mins in cotton)
  - o More benefit at the extremes (older age, higher body mass index and poorer sleepers benefited the most from wool).

#### NEXT-TO-SKIN SPECIFICATIONS

- Good progress has been made in the development of a **medical specification for next-to-skin wear** by people with sensitive skin. Primary specifications

associated with the skin comfort factors of fabrics have been established, namely:

1. Mean Fibre Diameter  $\leq 17.5\mu$
2. % fibres >25 micron fibres  $\leq 2$
3. Wool ComfortMeter  $\leq 200$

- Terms of reference are currently being developed for a study to define **specifications for the parameters which influence the fabric/skin microclimate** (ie fabric air/moisture permeability, thickness, mass, tightness/cover factor).



*AWI studies show that wearing Merino wool base-layers is beneficial to skin health. The aim of the research is to ultimately open doors to new high value markets for wool.*

# 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**

<p><b>TRAINING &amp; TECHNOLOGY UPTAKE</b></p>	<p>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.</p>	<p><b>PROGRAMS:</b></p> <ul style="list-style-type: none"> <li>• Sheep &amp; Wool Management Skills</li> <li>• Wool Harvesting &amp; Quality Preparation</li> </ul>
<p><b>CONSULTATION</b></p>	<p>Extensive consultation with its stakeholders – from woolgrowers, grower representative bodies and Government, through the supply chain to consumers.</p>	<p><b>PROGRAMS:</b></p> <ul style="list-style-type: none"> <li>• Woolgrower</li> <li>• Stakeholder</li> </ul>

# TRAINING & TECHNOLOGY UPTAKE

## STRATEGY EXPENDITURE DURING 2017/18

\$5,070,000 project expenditure

### SHEEP & WOOL MANAGEMENT SKILLS

#### INVESTMENT FOCUS

##### National Merino Challenge

AWI will continue to support the NMC.

existing technologies across all facets of sheep production.

##### Extension Networks

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

##### 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.

##### Practical Management Information

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

## STRATEGIC TARGETS

Targets for three-year period 2016/17 to 2018/19	Progress during 2017/18
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> 12 ‘stand-alone’ workshops were held across the country this year on the topic of practical sheep classing, attended by 618 people. In addition, talks and presentations were given at many other 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 2018 National Merino Challenge was delivered in Adelaide 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 2017/18 being \$2,918.
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> The ‘Woolgrower Tools’ section of AWI’s woolgrower website, Wool.com, was accessed nearly 50,000 times this year. Other sections, including Education & Extension and On-farm R&D, were also heavily accessed, with Wool.com visited nearly 700,000 times.

## KEY RESULTS DURING 2017/18

- AWI held the **National Merino Challenge (NMC)** in May 2018 in Adelaide, attracting more than 120 students from 22 institutions across NSW, Victoria, SA, WA and Tasmania. Now in its sixth year, the NMC has attracted more than 600 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.
- Continued investment was made in Art4Agriculture’s **Young Farming Champions (YFC) program**, with Lucy Collingridge, Bessie Thomas, Caitlin Heppner, Deanna Johnston, Adele Offley, Peta Bradley, Dione Howard, Danila Marini, Emma Turner, Max Edwards, Katherine Bain, Chloe Dutschke and Samantha Wan continuing to represent the wool industry as YFCs. They actively engage with the public and school students, inspiring the next generation of youngsters to consider a career in the wool industry.



Students testing their skills in sheep selection at AWI’s National Merino Challenge (NMC) educational initiative this year in Adelaide. Now in its sixth year, the NMC has attracted more than 600 tertiary and secondary school students from across the country.



AWI helps fund participation in practical wool-related training courses in the Monaro Farming Systems Agricultural Traineeship Program. Pictured is this year's trainee Livinia Evans on one of the program's host farms, 'Springvale'.

- AWI continued to support multiple wool and sheep industry **young grower initiatives** across Australia, contributing to the Science and Innovation Awards for Young People in Agriculture, 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 providing a two-way communication platform for growers and AWI. 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. 128 events were held throughout the year; the satisfaction rating of participants with the events was rated 8.6 out of 10. All states are performing well above target with the national average annual cost saving to woolgrowers participating in the networks in 2017/18 being \$2,918.
- Scott Nicholson of Stawell in Victoria was awarded AWI's 2017/18 **Nuffield Farming Scholarship** to investigate ways technology can help modernise and improve profitability in the sheep and wool industry. By supporting the Nuffield Scholarship program, AWI is increasing practical farming knowledge and management skills in the Australian wool industry.
- AWI continues to support Katherine Bain studying agribusiness at Marcus Oldham College, and Amelia Gibson studying veterinary science at the University of Adelaide, through the **Horizon Scholarship program** (a joint initiative of RDCs to support students studying agriculture). This year, AWI started supporting Anna Horton studying agribusiness at the University of New England.
- AWI's **Australian Rural Leadership Program** (ARLP) position was awarded to David Young from Bookham, 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.
- 23 wool industry representatives, from every wool-growing state, participated in AWI's **Breeding Leadership** course held in February 2018 in Clare SA. Held every two years, Breeding Leadership arms the young participants – selected from throughout the wool industry, from on-farm to education and wool marketing – with the skills and tools to become better leaders. The program develops skills and knowledge in personal leadership as well as strategic planning and team leadership. It also provides an excellent opportunity for participants to network with 22 other like-minded people from across Australia, as well as the skilled program deliverers and others from the wool industry.
- Although **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, 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).
- **It's ewe time! forums** were held in August 2017 at locations in NSW, Victoria, South Australia and Western Australia. These popular half-day forums, which are a joint initiative between AWI and Meat & Livestock Australia, are designed to increase producer awareness of the principles, practices and tools of sheep enterprise profitability and productivity. Forums were also held in July and August in 2018 (including Queensland).
- AWI ran 12 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.
- A new 20-page **Sheep Selection Tools booklet** was launched in September, which provides a summary of a wide range of industry tools available to woolgrowers to help achieve their breeding goals, along with the strengths of each approach and what is needed to incorporate these approaches into a commercial or ram breeding situation. The booklet provides an ideal introduction for new entrants to the industry; late secondary school university and TAFE students; as well as woolgrowers who would like a recap on the tools available. Topics covered are sheep shows, wether trials, flock ewe competitions, Merino Sire Evaluation (and the Merino Lifetime Productivity project), MERINOSELECT, Visual Sheep Scores, RamSelect, workshops, sheep classers and advisors and saleyards. Copies are available from the AWI Helpline on 1800 070 099 or at [www.wool.com/publications](http://www.wool.com/publications)

**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 2017/18
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 2017/18**

2017/18 SHEARER AND WOOL HANDLER TRAINING ACTIVITIES*	NSW	WA	Vic	SA	Qld	Tas	2017/18 TOTAL
<b>In-shed shearer coaching</b> Days: Number trained:	327 1,233	225.5 924	173.5 524	60 212	27 82	55 168	<b>868 3,143</b>
<b>In-shed wool handler coaching</b> Days: Number trained:	171.75 470	112 509	53 132	60 123	10 30	43 95	<b>449.75 1,359</b>
<b>Novice/workshops</b> Days: Number trained:							<b>172 1703</b>
<b>Shear-Jitsu coaching</b> Days: Number trained:							<b>64 452</b>
<b>TOTAL TRAINING DAYS PROVIDED</b>							<b>1,553.75</b>
<b>TOTAL NUMBER COACHED/TRAINED</b>							<b>6,657</b>

\* In addition to the above, during 2017/18 there were 22 online training sessions through the Lojik training website during which there were 5,469 views by shearers (see below).

- In 2017/18, 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, more than 1,500 days training were delivered through AWI-funded programs across Australia (see table above), which was a similar amount to the previous year. The delivery was a combination of in-shed training, novice schools and workshops. AWI-funded training in the Shear-Jitsu technique, the new way to perform the catch and drag expanded this year.
- In addition to the above face-to-face training, AWI also funded online training through the **Lojik training website** and Facebook page run by world shearing record holder and top shearer trainer Dwayne Black. Nearly 5,500 views by shearers during 22 online training sessions were held during the year. The popular online learning resource for shearers helps them perfect their techniques, which in turn improves the quality of woolgrowers' clips.



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.

- Provided by **Registered Training Organisations** (RTOs), and AWI's **Independent Coaching Program** (ICP), the face-to-face 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 along with The Evolved Shear Fitness sponsored four new **Shear Easy training camps** to help improve shearers' performance in the shed or on the competition board. The latter three training camps also included an accompanying course for advanced woolhandlers. The five-day training camps were held at Dubbo (NSW) in August 2017 and November 2017, and at Quindanning (WA) and Mt Elephant (Victoria) in April 2018. Participants learnt from some of the best in the industry. As well as learning how to improve their technique and gear, an emphasis was placed on improving their fitness, nutrition and how to take care of their body to reduce the risk of break downs.
- AWI held a **shearing shed design and consultation tour** in May where a total of six shearing sheds were visited. Attendees for the day included a range of industry leading, shearers, wool classers, woolhandlers and woolgrowers. This consultation was a direct reaction to feedback from the AWI-organised shearing industry day held in June 2017 where it had been stressed that end users need to be consulted on shed design features.
- AWI's **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.
- In 2017/18, AWI provided support to 48 local **shearing competitions** across the country affiliated with Sports Shear Australia. 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-sponsored shearing competition at Gunning, NSW.



AWI-sponsored shearing competition at Pingelly, WA.

## CONSULTATION

### STRATEGY EXPENDITURE DURING 2017/18

\$1,859,000 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 2017/18
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, plus communicate with AWI via the free AWI Helpline telephone number 1800 070 099, AWI Sydney telephone number (02) 8295 3100, email address <a href="mailto:feedback@wool.com">feedback@wool.com</a> , the Wool.com 'Contact Us' online form, post (including the 'Feedback Postcard' distributed with <i>Beyond the Bale</i> , an initiative introduced this year).
2. A greater awareness amongst shareholders of the ongoing research, development and marketing projects conducted by AWI for the wool industry.	<b>On target.</b> The latest stakeholder survey (August 2017) showed that woolgrowers believe they are being increasingly informed about the results of AWI's activities. Information is provided to woolgrowers via <i>Beyond the Bale</i> , the Annual Report, Wool.com website, e-newsletters, podcasts, social media, media and face to face at events.
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 continues to develop. Building the company's database of woolgrowers' emails continued to be 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 significantly more than 50 sheep and wool industry events during the year.

## KEY RESULTS DURING 2017/18

- **Direct communications to woolgrowers** continued to be a major focus for AWI this year. Regular communications this year included the *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 significantly more than 50 sheep and wool industry events across the country which enabled growers to directly provide feedback to AWI.
- A project to enable woolgrowers to choose, via a preference centre, the type of **digital information** they receive continues to develop. A major focus this year continued to be the building of the company's database of woolgrowers' email addresses to enable them to receive targeted, timely and cost-effective information from AWI.
- 28 editions of AWI's free podcast, **The Yarn**, were released during the year. The Yarn 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 are available on the Wool.com and Woolmark.com websites. Woolgrowers can also receive wool prices daily and market intelligence weekly on their mobile phones via **SMS**.
- AWI's **monthly Market Intelligence Reports** were provided as part of AWI's monthly e-newsletter for woolgrowers and on AWI's 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 2017, December 2017 and April 2018. AWI and MLA's joint **Wool and Sheepmeat surveys** of producers were conducted in October 2017, February 2018 and June 2018.



28 editions of AWI's podcast, *The Yarn*, were released.



Four editions of *Beyond the Bale* were produced.

## 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 2017/18
1. AWI reports on and meets its statutory requirements every six months.	<b>Achieved for 2017/18.</b> AWI reported its statutory compliance to the Department of Agriculture and Water Resources (DAWR) on 1 December 2017 and 27 August 2018 (the second meeting was delayed at the request of DAWR). DAWR raised no compliance issues with AWI. In the 2018 review of AWI's performance, Ernst & Young found AWI had fully complied with the vast majority of SFA clauses; non-compliance was found in three instances and partial-compliance in four instances. AWI is working to address these. To increase transparency and accountability to stakeholders AWI will publish its compliance reports on its website ( <a href="http://wool.com/statutory-obligations">wool.com/statutory-obligations</a> ).
2. Measure positive change in stakeholder awareness of AWI's activities and outcomes (evidenced through annual stakeholder surveys).	<b>Achieved for 2017/18.</b> AWI undertook a stakeholder survey in Q1 2017/18, which showed increased satisfaction with AWI amongst woolgrowers.

### KEY RESULTS DURING 2017/18

#### GOVERNMENT STAKEHOLDERS

- In April 2018, AWI and DAWR agreed to vary the **Statutory Funding Agreement (SFA)** for 2016-2020 to accommodate changes to the 2015-18 independent Review of Performance (RoP). Both parties agreed to expand the terms of reference, transfer management of the RoP consultancy to DAWR, and equally share the costs of the RoP.

#### INDUSTRY STAKEHOLDERS

- AWI continued to improve the effectiveness of **AWI's Woolgrower Industry Consultative Committee (ICC)** – a process which has been ongoing for the past two years. The ICC is AWI's formal mechanism to consult national woolgrower industry organisations, and 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. In 2017/18, AWI focused on improving the flow of information to and from the ICC to improve the transparency of reporting. Changes included: the improvement of the briefing pack and minutes, inviting more grower production groups as guest participants, and publication of ICC briefing packs and meeting records on AWI's website to enhance transparency of the ICC. AWI convened three ICC meetings (12 October 2017, 16 February 2018 and 20 June 2018)

and held ongoing engagement with ICC member organisations throughout the year to provide updates on its R&D and marketing investments.

- Outside of the ICC, AWI built greater awareness of its R&D and marketing projects, continuing its program of proactive and formal engagement with state farm organisations and state Stud Merino Breeders Associations.
- The priorities identified in consultation with woolgrower representative groups were reported to the AWI Board and AWI staff and guided the development of AWI's 2018/19 Annual Operating Plan.

#### SUPPLY CHAIN ENGAGEMENT

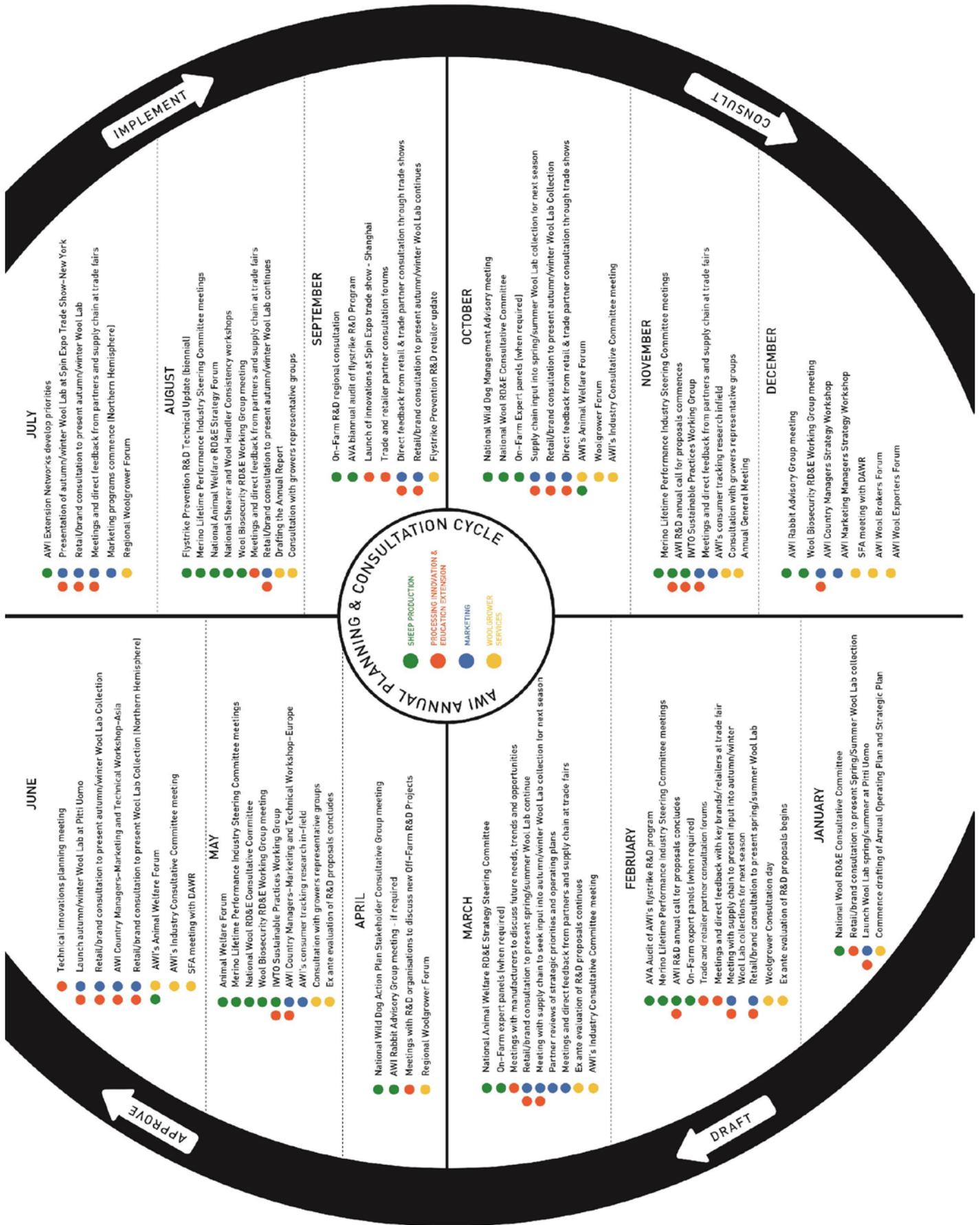
- AWI commissioned a survey focusing on consumer awareness of welfare issues in wool and meat in all key markets.
- AWI hosted the Animal Welfare Forum and meetings with key welfare stakeholders in Australia and internationally to update stakeholders on AWI's sheep welfare R&D and extension program.

#### MARKET ACCESS

- AWI continued its trade and market access activities, which are mainly focused around market maintenance. Along with monitoring developments in the Free Trade Agreement (FTA) with the European Union, AWI is currently working with the Department of Foreign Affairs and Trade to seek a tariff reduction on raw wool exports to India.

*Note: For further information on AWI consultation, see the section on page 62.*

AWI's Annual Planning and Consultation Cycle



# 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 2017/18

\$1,607,000 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 2017/18
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> Continued developments for new processes from early stage processing, print and dye technologies, speciality coatings and treatments. ECO friendly processes continue to be researched.
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 whole dressing in key market sectors – sports and outdoor, menswear, womenswear and wearable technologies. Wool is being adopted as a performance, technical fibre.

## KEY RESULTS DURING 2017/18

### PROCESS INNOVATION

- Trials with **ECO water proof treatments** for fabric and footwear are still under way.
- **Non-chlorination treatments** for washable wool continue.
- Trials for e-Flow dyeing and ozone treatment with Jeanologia for **shrink proof wool** continue:
  - o 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
  - o Dyeing of washable wool with eflow which will be translated into enormous savings in water and energy.
- Trials for **double face print technologies** being refined.
- Cold dyeing on wool top to develop vintage yarn for next to skin developments.
- Waterless ECO digital printing technology with nano-pigment printing.
- Ultra sonic bonding application for sports shoes and garments with Framis.
- Digital Prints on suiting fabrics with Tintoria Finasaggio 2000.
- Working with Tollegno for bonding membrane trials on flat knit fabrics to increase performance.

- Bonding and laminations.
- Trials under way using a Plasma machine to increase water repellency of wool by fibre surface modification.
- Natural dyeing.

### PRODUCT INNOVATION

With the continued growth in the sports/outdoor markets, AWI continues to focus on innovative product developments in wool. AWI's global technical team is working throughout the supply chain with two approaches: supply chain up and designer/brand down through supply chain.

- Working with machinery companies such as STOLL, Santoni, Shima Seiki for developments in seamless, warp-knit seamless and flat-knits.
- Working with spinners to create innovative yarns.
- Working with knitters and weavers.
- Working with dyers, printers and processes for special finishes and treatments.

These innovations are then fed up the supply chain and presented to global designers and brands.

AWI also works directly with designers and brands to support direct product development back through the supply chain to realise commercial products in a shorter timeframe.

**Yarn**

Developments with:

- Wool/Graphene
- Wool/Kapok
- Wool/Dryarn
- Performance yarns for footwear – shoes and socks
- Performance yarns for seamless, warp knits and flat-knit developments.

**Circular knits**

- New supply from emerging markets such as Vietnam and increased product development in southern India and Japan.

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

- Direct product development with machinery companies: STOLL, Santoni and Shima Seiki.

**Warp-knits**

- Developments continue in both Asia and Europe for compression wear.

**Woven**

- Further developments using Optim technology have resulted in further innovative fabrics with the benefit of wind and water resistance.

**Footwear**

- Footwear is a growth area for global fashion and sports brands and AWI continues to research and develop shoes in wool and wool blends.
- Performance sock developments is also a growth area as well as compression tights, socks and hiking calf sleeves.

**Novel Technologies**

With the growing global trend and interest in wearable technologies, AWI has commenced research and development in:

- Smart/wearable technologies: 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.
- Conductive yarns with wool.

These applications are relevant and have great potential for the sports and outdoor market as well as the healthcare sector.

**Examples of direct product developments with brands:**

**Sports/outdoor**

- |                 |                     |
|-----------------|---------------------|
| • Nike          | • Burton            |
| • Adidas        | • Salomon           |
| • Black Diamond | • Hurley            |
| • APL           | • Rapha             |
| • Converse      | • WearableX         |
| • Skechers      | • World Surf League |
| • ashmei        | • Outerknown        |

**Fashion**

- |                  |               |
|------------------|---------------|
| • Max Mara       | • Eddie Bauer |
| • Ralph Lauren   | • Muji        |
| • Tommy Hilfiger | • Raymonds    |
| • Woolrich       | • NAGNATA     |

**Other**

- |                 |        |
|-----------------|--------|
| • 5.11 Tactical | • Mini |
| • Tesla         |        |



**Neulana Double fabric.** Following the commercial success of the initial Neulana Protect fabric, AWI and Nanshan have developed a new double-faced pure wool fabric manufactured using Optim technology.

The latest innovation, called Neulana Double, is a 100% wool fabric with two very different surfaces. While the outer face is the same as the initial Neulana fabric and therefore smooth, the inner side is soft, lofty and brushed, and is suitable next to skin. By using special treatment technology, a loose-yet-full structure is formed inside the yarn on the inner side of the fabric, raising the ratio of fabric volume to weight. The result is an air-like, soft handle with voluminous characteristics.

What is of particular interest is that whilst this fabric appears to be bonded, it is actually woven and so eliminates the need for any synthetics, glue, membrane or lining, and is suitable for high-end casual jackets.

Neulana Double was launched and showcased by AWI to the textile trade in September 2017 at the *Première Vision* trade show in Paris.



**Wool footwear.** AWI's technical team has been working to create shoes that are not only comfortable and allow your foot to breathe, but are also resistant to odour and wick away moisture.

Working closely with leading knitting machine manufacturers – such as Shima Seiki, STOLL and Santoni – AWI has created several footwear prototypes using advanced wool yarns to enhance the inherent benefits of the fibre.

For example, by combining yarns together and 3D knitting, the entire upper can be free of cutting and sewing.

Comfortable for wearing next to skin by using a 100% Merino wool yarn as an inner surface layer, the latest spinning technology helps to knit the fabric onto the outer face of the shoes' upper, enhancing the abrasion resistance.

## EDUCATION EXTENSION

### STRATEGY EXPENDITURE DURING 2017/18

\$5,630,000 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 2017/18
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 2017/18

##### PRIMARY/SECONDARY

- Complementing AWI’s 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 was launched in December 2017.
- Learn About Wool was promoted at the 2018 **National Association of Agricultural Educators** biennial conference, held in Tasmania in January. Also at the conference, through the support of AWI, keynote speaker, digital marketer and immersive educator Tim Gentle of Think.Digital shared to the enthralled audience his vision of how to bridge the digital divide between the city and country by using Virtual Reality.
- AWI’s **Wool4School design competition** continues to go from strength to strength. First launched in 2012, Wool4School has involved more than 85,000 students globally not only learning the fundamentals of design but also exploring the benefits and versatility of wool and the fabric it creates.
  - o Now in its eighth year in **Australia**, the Wool4School competition builds knowledge about Australian Merino wool among the nation’s school students. The design project has been planned carefully to fit within the Design and Technology curriculum of each region. It is open to all Australian school students from years 7 to 12, allowing all high school students to explore the versatility of Australian Merino wool and gain insights into the fashion industry. More than 16,000 Australian school students have registered for the 2018 Wool4School, a 17% increase from last year.

- o 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.
- o Following the launch of the competition into **England** in June 2017, the Wool4School competition was extended this year to the whole of the **United Kingdom** (England, Scotland, Wales and Northern Ireland) for the first time. By putting wool into the minds of the UK’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 the UK.



*Daisy Lines won the Wool4School competition in England with her design using Merino wool for US singer Melanie Martinez.*

## KEY RESULTS DURING 2017/18



A panel of industry experts speaking to textile and fashion students about wool at a Naturally Inspiring seminar in Melbourne in September 2017.

### TERTIARY EDUCATION

- **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:
  - o the 'Naturally Inspiring' seminars held in Sydney in May 2018 and Melbourne (RMIT and Melbourne Museum) in September 2017, and overseas in New York in September 2017, London in May 2018, Glasgow in March 2018 and Istanbul in March 2018
  - o workshops or Wool Appreciation Course at: Fashion Institute of Technology and Thomas Jefferson University (US); Bunka, ESMOD and Tokyo Mode Gakuen (Japan); ESMOD (Korea); IED Milano, Politecnico di Torino and Florence Polimoda Institute (Italy); IED Barcelona and IED Madrid (Spain); ESMOD and Institut Français de la Mode (France); NIFT and Pearl Mumbai and NID Bengaluru campus (India); Istanbul Aydin University and Mimar Sinan Fine Arts University (Turkey); Raffles College and TAFE NSW (Australia); and the Merino Wool seminars held at the Première Vision trade shows in September 2017 and February 2018.
- AWI unveiled the new **Wool Education Centre** at Donghua University's Shanghai International College of Fashion and Innovation (SCFI) in May 2018. As a research space devoted to promoting Australian wool, the new education centre highlights the fibre's unique farm-to-fashion journey. Students can learn all about the different stages of wool manufacturing, including the process of turning greasy wool fibres into yarn and the latest information on AWI's fabric and textile innovations.
- In China, a series of **Wool Education Courses** including wool fibre science; raw wool scouring, top making, woollen and worsted spinning; wool dyeing; wool fabric finishing was delivered to:
  - o 25 textile engineering students at Yantai-Nanshan University, China in September-October 2017 and again in February-March 2018
  - o Textile engineering students at Xian Polytechnic University in November 2017, Wuhan University, in October 2017 and April 2018 and at Chongqing University in June 2018. Additional universities in China will be included in 2018-19.

- A course was held in May 2018 at **Deakin University** for Australian processors, woolgrowers and other interested parties.
- In June 2018, 10 design students from **University Technology Sydney** visited Yantai-Nanshan University forming teams with Chinese textile engineering students to design and weave innovative textiles from wool.

### TERTIARY COMPETITIONS

- 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:
  - o the UK's Texprint design award and the Bradford Textile Society design award
  - o in Hong Kong, the Hong Kong PolyU Institute of Textiles and Clothing's graduation award
  - o in Italy, the Milano Moda Graduate
  - o in Japan, the Next Generation Award at the Bunka Fashion Graduate University
  - o in Australia, the best use of wool fabric award at Raffles College, Sydney.
- In January 2018, AWI launched a major new competition called the **Woolmark Performance Challenge**, in partnership with leading sports brand adidas. The competition focuses on the development of innovative, forward-thinking products for the performance industry and in its first year is open to tertiary students in Europe and North America. This competition is unique in that it offers the winner hands-on experience with a leading performance brand. What makes this competition even more exciting is the focus on innovation – with submissions expected to highlight the innovative nature of Merino wool, creating products which will not only take the fibre, but also the larger performance industry, into unchartered territory – see Sportswear section on page 18.
- In India, AWI held its **Wool Runway** design competition for tertiary students that gave the students a chance to design an outfit, containing at least 80% Merino wool. There were three participating universities this year, with more than 700 tertiary fashion students from 15 campuses across India attending a Wool Appreciation Course held as part of the initiative. 15 students were selected for the final runway event in December 2017 that gained widespread media coverage in India.



Models (back row) wearing the wool creations of the finalists in the Wool Runway design competition in India, with the designers (front row).



Parsons Paris students and their winning Merino wool garments created during an education program from AWI and French fashion house Cerruti 1881.

### TERTIARY COLLABORATIONS

- Leading Paris-based students at renowned design school **Parsons Paris** were given the opportunity to work with Merino wool alongside renowned fashion house **Cerruti 1881**, as part of a program co-developed by AWI. The students were tasked to develop a wool-rich capsule collection, whilst gaining real-life experience across design, merchandising, and marketing. Their collections were judged in December 2018 by a panel comprising fashion industry heavyweights.
- AWI, American outdoor clothing brand Woolrich and the **Accademia Costume & Moda** collaborated to present a special project for third-year Costume & Fashion students to develop a capsule collection using Merino wool.
- Always keen to be at the forefront of new opportunities for wool and encourage innovative thinking, AWI was involved in the 2017 **HIF Cloud program**, run by the University of NSW (UNSW). During the program, 24 UNSW students travelled to Hong Kong and China in November to design futuristic prototypes for the next generation of wearable technology.

### TERTIARY STUDY TOURS

- AWI helps support **wool supply chain study tours of Australia** for overseas students. Examples in 2017/18 included the winners of the AWI-supported Hong Kong PolyU Institute of Textiles and Clothing's graduation awards; 'Biella Masters' postgraduate students (Italy); and the winner of the Bunka Fashion Graduate University award (Japan).

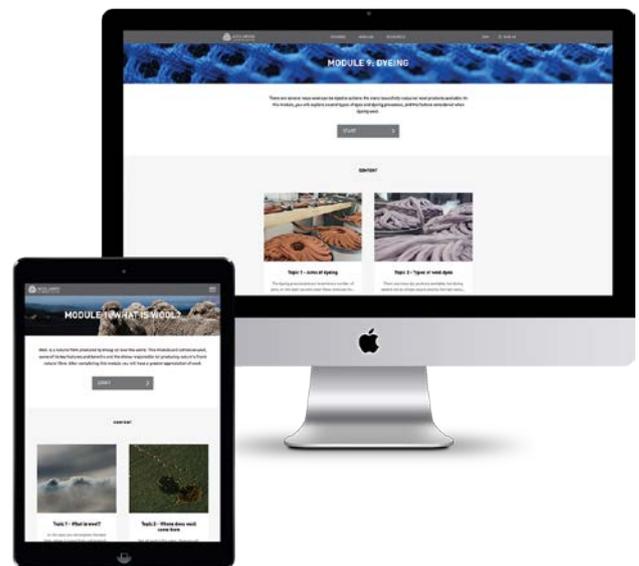


Winner of the Bunka Fashion Graduate University award Daniel Hirozawa from Japan with woolgrower Rod Edwards during his visit to 'Bohara' near Goulburn, NSW.

- AWI organised for a group of tertiary **fashion and textile students from Melbourne** (Monash University, RMIT University and Whitehouse Institute of Design) to visit a wool-growing property and a knitwear manufacturer, to further expand their understanding of wool's farm to fashion journey.
- **Study tours overseas** included The Woolmark Company Prato Study Scholarship in which two Australian students visited the industry at Biella in Italy; and the sponsorship of students from Parsons School of Design (New York) to visit the mill of American Woolen Company in Connecticut.

### WOOL APPRECIATION COURSE

- 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 face-to-face 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 **Wool Appreciation Course has this year been converted to an e-learning platform** available at the new online Woolmark learning Centre at [www.woolmarklearningcentre.com](http://www.woolmarklearningcentre.com). The online course is available to anybody across the world and allows the user to complete the coursework at a pace that suits them. The course includes 15 in-depth modules – from fibre to fashion. On completion of the course, users will be able to gain their own Wool Appreciation Badge from Credly, which can be displayed on the user's own digital professional portfolio such as LinkedIn.
- A separate **Wool Introductory Course**, available at <http://intro.woolmarklearningcentre.com>, is a shorter 25-minute version of the course. This piece primarily focuses on The Woolmark Company, features and benefits of wool as well as some additional units on manufacturing, fashion and current innovations.



The Wool Appreciation Course has this year been converted to an e-learning platform available at [www.woolmarklearningcentre.com](http://www.woolmarklearningcentre.com).

**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 Wool 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 2017/18
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.
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.	<b>On track.</b> Nearly 1,000 one-on-one client meetings were held for the autumn/winter 2018/19 and spring /summer 2019 editions. Many of the most important fashion and sports brands use TWL as an important sourcing guide.

**KEY RESULTS DURING 2017/18**

**TRADE SHOWS AND OTHER TRADE DEVELOPMENT**

- AWI attended or exhibited at 24 **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 2017/18 included:
  - Blossom (Paris) for apparel fabrics (July 2017)
  - India Fashion Forum (Mumbai) for apparel fabrics (March 2018)
  - Intertextile (Shanghai) for apparel fabrics (October 2017)
  - Intex South Asia (Sri Lanka) for apparel fabrics (November 2017)
  - ISPO (Beijing) for sports and outdoor wear (January 2018)
  - ISPO (Munich) for sports and outdoor wear (January 2018)
  - Japan Best Knit Selection (Tokyo) for knitwear (December 2017)
  - Milano Unica (Milan) for high end textiles and fashion (July 2017 and February 2018 editions)
  - Outdoor Retailer (Denver) for sports and outdoor wear (January 2018)
  - Performance Days (Munich) for functional fabrics (November 2017 and April 2018 editions)
  - Pitti Filati (Florence) for knitting yarns and knitwear (January 2018 and June 2018 editions)
  - Pitti Uomo (Florence) for menswear apparel (January 2018 and June 2018 editions)

- Première Vision (Paris) for woven fabrics and wovenwear (Sept 2017 and February 2018 editions)
- SpinExpo (Shanghai) for knitting yarns and knitwear (August 2017).
- SportsGear (Annecy, France) for sports/outdoor fabrics (November 2017)
- TITAS (Taipei) for innovative textiles (October 2017)



*The stand of AWI's marketing arm, The Woolmark Company, at the ISPO sport and outdoor trade show in Munich - before opening (top) and after (bottom) generating a good crowd.*



Trade shows, such as SpinExpo in Shanghai, provide an opportunity for AWI to showcase its innovations (top) and The Wool Lab sourcing guide (bottom).

- 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.
- 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.
- AWI in Korea held a **Merino Perform Workshop** in December 2017 to introduce leading sportswear brands, retailers, and manufacturers to The Wool Lab Sports and AWI's latest wool innovations. 23 companies attended and learnt about global sports market trends and Merino innovations for sport.
- AWI hosted an event in Huddersfield (Yorkshire) for **UK manufacturers** in June 2018. The event was attended by the majority of the UK's Woolmark licensees and provided an opportunity for AWI to update them on the company's activities as well as gather feedback on how TWC could better support them and collaborate to promote Merino wool.
- Turkish circular knitter and Woolmark licensee **Hasyün** collaborated with AWI to present the brand's Australian Merino wool athleisure offering at the **Première Vision** trade show in Istanbul and discuss what they call "next generation fabrics".
- AWI brought together Turkish business leaders from across the textile manufacturing sector during the inaugural **Business Leaders conference held in Istanbul**. The industry event was opened by the Australian Ambassador to Turkey, His Excellency Mark Innes-Brown.

- **Expert advice** on engagement strategies with the global textile trade was secured from notable consultants including Fabrizio Servente (Italy) and Peter Ackroyd (UK).
- AWI in April 2017 hosted a **Trends and innovations in wool workshop** at one of the world's largest wool textile and garment manufacturers: Jiangsu Sunshine Group, in China. More than 60 design, product development, technology and production professionals from 36 textile enterprises and retail brands attended the workshop.
- 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. AWI held a Merino Wool Awareness Day in Vietnam in June, with more than a hundred industry experts attending.

**TECHNOLOGY TRANSFER**

- Meetings with brands or manufacturers were held by AWI offices to **transfer product innovations**, which included 3D Merino; fake fur; Neulana Protect, Air and Double; compression warp knits; seamless warp knits; Vintage Merino; felted wool; wool shoes; moisture management wool; wool wadding; machine washable wool; Mottled Merino; and Wool Denim amongst many others.

**WOOL RESOURCE CENTRE – HONG KONG**

- AWI's **Wool Resource Centre** in Hong Kong, launched in April 2016, continued this year to showcase Australian wool and help 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. About 1,700 people from 250 brands, designers, supply chain partners, educational institutions etc visited in 2017/18. Australian woolgrowers travelling to Hong Kong area were also welcomed to the Wool Resource Centre where they received presentations on developments in the region.



Delegates at the IWTO Congress in Hong Kong visiting AWI's Wool Resource Centre and viewing wool apparel and R&D exhibits.

## 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 2019** retail season was launched at the Pitti Uomo trade show in January 2018.
  - 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. This edition of The Wool Lab also included a book dedicated to Wool Denim.
  - Following its release, AWI's team of The Wool Lab specialists had more than 600 one-on-one meetings with clients to present the edition, an increase of more than 200 meetings from the previous spring/summer edition. The spring/summer 2019 season generated nearly 12,000 requests for swatches from clients, an increase of about 1,400 swatches compared to the previous spring/summer season. Notably, the most popular swatch requests were those contained in the sport themes, accounting for more than a third of all swatch requests.
- The Wool Lab guide for **autumn/winter 2019/20** was launched in June 2018 at Pitti Uomo.
  - Seven fashion-oriented themes were presented. In addition, The Wool Lab Sport (Base- & Mid-layer and Outer layer & specials) 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 2018/19 edition** in June 2017, AWI teams had more than 350 one-on-one meetings with clients showcasing the edition, with about 11,500 swatch requests from clients, an increase of about 1,500 requests from the previous autumn/winter season.

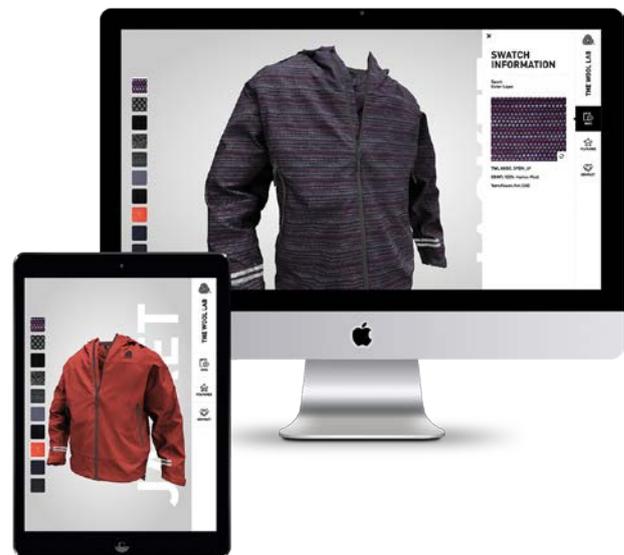


The Wool Lab autumn/winter 2019/20 edition was launched at the Pitti Uomo trade show in June 2018 in Florence, Italy.



The Wool Lab is also exhibited to fashion and textile students at educational events such as The Woolmark Company's Naturally Inspiring seminars.

- **Clients across the world** to which The Wool Lab was presented were located in many countries including Australia, Netherlands, 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 three months prior to the release of the main The Wool Lab book. The preview format of The Wool Lab is available for purchase.
- A **magazine** of both editions of The Wool Lab Preview was also made available for purchase for a broader audience. However, from the spring/summer 2020 edition, while the magazine will still be produced and distributed, it will not be for sale.
- A **digital** version of The Wool Lab made its debut at the ISPO and Outdoor Retail trade shows in January 2018. The technology provides an engaging experience for buyers in addition to the traditional swatch book, allowing them to apply various swatches to a 3D rendered garment.



The digital version of The Wool Lab sourcing guide allows trade buyers to apply various swatches to a 3D rendered garment.

**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 2017/18
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 2017/18**

- **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**. Bespoke retail training programs (including pocket books, materials, videos, interviews with woolgrowers) completed or in progress in 2017/18 include, to Max Mara, Ralph Lauren, Burberry, Gieves & Hawkes, Suit Supply, Black Diamond and El Corte Inglés (The biggest department store group in Europe). The response to the training programs and materials has been extremely positive.
- Preparation for a **global roll-out of retail training materials** is under way, including pocket book, PowerPoint presentation, care guides and sales kit so that AWI’s Key Account Managers can promote the service.
- Representatives from three of **Japan’s largest apparel groups visited Australia** in May 2018 to see first-hand where their quality wool garments and products begin their life. The trip will help the Japanese brands market Australian wool to their customers. The three apparel groups are:
  - o Onward Kashimaya – the fourth biggest apparel company in Japan with annual sales equivalent to A\$3.3 billion.
  - o Explorers Tokyo – the main subsidiary of World Group which is the third biggest apparel company in Japan with annual sales equivalent to A\$3.5 billion.

- o Descente – the third biggest sportswear company in Japan with annual sales equivalent to A\$1.7 billion. While the company had used only a small amount wool, it has decided to expand the amount.

They visited three wool-growing properties: Matt and Vanessa Dunbabin’s ‘Bangor’ at Dunalley, Roderic O’Connor’s ‘Connorville’ at Cressy, and Julian and Annabel von Bibra’s ‘Beaufront’ near Ross – and received an inspiring education about the Australian wool industry and the benefits of the fibre.



*Representatives from three of Japan’s largest apparel groups – which have total annual sales equivalent to \$8.5 billion – recently visited Australia to learn about wool and help them market Australian wool to their customers.*

# 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

<b>CORPORATE SERVICES</b>	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.	<b>PROGRAMS:</b> <ul style="list-style-type: none"> <li>• Finance Services</li> <li>• People Services</li> <li>• Legal Services</li> <li>• Evaluation Services</li> </ul>
<b>WOOLMARK</b>	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.	<b>PROGRAMS:</b> <ul style="list-style-type: none"> <li>• Licensing</li> <li>• Business Development</li> </ul>
<b>DIGITAL SERVICES</b>	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.	

## CORPORATE SERVICES

### STRATEGY EXPENDITURE DURING 2017/18

\$1,665,000 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 2017/18
1. Compliance – no default notices for financial reporting.	<b>Achieved for 2017/18.</b> During 2017/18 AWI met all its financial reporting requirements and received no default notices.
2. Risk – Manage the group reserves policy ensuring the reserves are maintained to target.	<b>Achieved for 2017/18.</b> The group reserves policy was adhered to throughout the year.
3. Provide financial reports to the Board/management and audited financial statements.	<b>Achieved for 2017/18.</b> The Board and management have been provided with financial reports regularly during the year at every Board/management meeting. The accounts for all subsidiaries have been completed and filed in accordance with local requirements.

## 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 2017/18
1. Talent Acquisition – talent recruited matches business needs.	<b>On target.</b> A number of key hires were made bringing needed talent into the business as well as feeding succession plans.
2. Engagement – Year on year improvement in employee engagement measure.	<b>In progress.</b> A global employee engagement survey has been created with launch due in the first quarter of the 2018/2019 year.
3. Workplace Culture – Compliance with local and international employment legal requirements and key HR policies globally.	<b>On target.</b> Compliance training was rolled out globally to ensure employee adherence to key HR policies. 100% completion achieved on Code of Conduct roll out in March/April 2018.

## 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 2017/18
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.	<b>On target.</b> Advice was provided to the company that was both commercially astute and legally sound, at all times limiting our exposure.
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 63.
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 60.

## 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 2017/18
1. All AWI Programs will be evaluated on a routine basis.	<b>On target.</b> The performance of each AWI program is reviewed regularly by AWI's CEO and executive team and the AWI Board on a quarterly basis.

*Note: For further information on AWI program monitoring and evaluation, see page 61.*

## WOOLMARK

### STRATEGY EXPENDITURE DURING 2017/18

\$947,000 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 2017/18
1. Maintain License numbers at the 2015 level.	<b>Slippage.</b> The Woolmark licensing program is under strategic review and repositioning to more robustly associate the mark with Australian-grown wool.

## 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 2017/18
1. 75% of Key Accounts report a measurable increase in wool production or sales over the 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 46.*

## DIGITAL SERVICES

### STRATEGY EXPENDITURE DURING 2017/18

\$2,802,000 project expenditure

### INVESTMENT FOCUS

#### Infrastructure

Provide an infrastructure environment that 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 2017/18
1. By 2019, increase the amount of new customers entering the AWI/Woolmark digital eco-system by 20%.	<b>Revised target.</b> Through the relaunch of Woolmark.com and its language variants we have opened up our potential audience considerably and hence have adjusted the targeted figure to 30% and are on target to meet this.
2. Integrate CRM across the entire business to improve communication.	<b>In progress.</b> We have designed a full end-to-end solution that will make interacting with the CRM easier for our staff. This will save time and also ensure that data is collected and shared across the business. This system is being rolled out this year with full operating intended within the next two.
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 has been restructured to provide dedicated support units to help build AWI's digital and innovation capabilities and help service all offices. New staff members have also been brought on with bilingual capabilities to help work more effectively in the various markets.
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 through various thought leadership, presentation and engaging partnerships. This has helped to position AWI as a leader in this space and open up more opportunities to collaborate with brands.

*Note: The work in the Digital Services strategy was undertaken across the whole company. For further information, see the Marketing portfolio on page 10, and the Woolgrower Services portfolio on page 38.*

# 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.

### AWI Board skills matrix

The Non-Executive Director Board skills matrix for FY2018 is set out below. The numbers shown out of 7 directors represent those directors who have a high level of knowledge and experience in the area, and/or a sustained and successful track record in the area.

Skills/Experience/Knowledge	Number of Directors (out of 7)
Corporate governance	4/7
Production and/or processing in the wool industry	5/7
Finance and Business Management	4/7
Legal and Compliance	2/7
Domestic and International market development, marketing and international trade	3/7
Technology and technology transfer, commercialisation and adoption	2/7
Administration of research, development and marketing	2/7
Strategy	5/7
People, culture and remuneration	4/7
Senior executive leadership	5/7
Risk Management	5/7
Government Public Policy or Regulatory	4/7

For expertise in these areas and others not listed above, the directors seek expertise within AWI and externally where appropriate.

### 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
- 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
- Statutory Funding Agreement

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 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. Monitoring and evaluation are 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 regularly by AWI's CEO and executive team and quarterly by the Board to ensure they are delivering on their targets.

However, the recent Independent Review of Performance has recommended that AWI's monitoring and evaluation processes be further improved. AWI has already begun examining ways for this to be carried out.

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. As part of AWI's ongoing governance practices during 2017/18 AWI put the global external audit to tender, and then took the recommendation to change to HLB Mann Judd to shareholders at AWI's 2017 AGM. The recommendation was approved at the AGM.

AWI engages the services of the following leading professional services firms:

**HLB Mann Judd** has been engaged to conduct the external audit and report to AWI shareholders starting with the 2017/18 end financial year accounts.

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

## CONSULTATION

In 2017/18, AWI focused on providing new and improved channels for woolgrowers to access AWI in person at specific and industry events, and digitally. AWI has continued to make changes to its woolgrower consultation processes, introducing new – and improving existing – channels to provide a more regular, customised flow of information to woolgrowers including: new free podcast called The Yarn, new @BeyondTheBale Instagram, and eNewsletters and market reports.

AWI continued to improve the effectiveness of **AWI's Woolgrower Industry Consultative Committee (ICC)**. The changes focused on improving the flow of information to and from the ICC to increase the transparency of reporting including, more comprehensive briefing pack and minutes, inviting more grower production groups as guest participants, and publication of briefing packs and meeting records on AWI's website to enhance transparency of the ICC.

Outside of the ICC, AWI built greater awareness of its research and development (R&D) and marketing projects, continuing its program of proactive and formal engagement with state farm organisations and state Stud Merino Breeders Associations.

The priorities identified in consultation with woolgrower representative groups were reported to the AWI Board and AWI staff and guided the development of AWI's 2018/19 Annual Operating Plan (see table below).

As part of our ongoing commitment to improving consultation, and to effectively respond to issues raised in the recent review of AWI's performance undertaken by Ernst & Young (EY), in 2018/19 AWI will focus on implementing the recommendations from EY's report. With industry input, we will be looking to develop a more standardised, transparent process for managing feedback and deliver more effective, meaningful and mutually-respectful engagement.

*R&D priorities identified in AWI's consultation in 2017/18 and integration into AWI's Annual Operating Plan (AOP) 2018/19. (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 2018/19
<ul style="list-style-type: none"> <li>Animal welfare</li> <li>Flystrike</li> <li>Wild dog and other vertebrate pest control</li> <li>Diseases – ovine brucellosis, footrot, OJD</li> <li>Lice</li> <li>Expanding LTEM program</li> <li>Genetics and genomics</li> </ul>	<ul style="list-style-type: none"> <li>Lamb survival</li> <li>Reproduction</li> <li>Weaner management and early weaning</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 and nutrition</li> </ul>	<b>Strategy: Healthy, Productive Sheep</b> <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> <li>Ear tag technology</li> </ul>	<ul style="list-style-type: none"> <li>On-farm technology</li> <li>Electronic identification (eID)</li> <li>Water monitoring</li> </ul>	<b>Strategy: Farm Automation &amp; Software Development</b> <ul style="list-style-type: none"> <li>Program: Software Development</li> <li>Program: Hardware Development</li> </ul>
<ul style="list-style-type: none"> <li>WoolQ</li> <li>Increase in shearer and wool handler numbers</li> <li>Shed safety training</li> <li>Wool harvesting alternatives</li> <li>More wool classers and better training</li> <li>Lower costs of production</li> <li>Enticing young people into the industry</li> <li>Improving grower consultation</li> <li>Advice on clip preparation</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>WoolQ</li> <li>Business management</li> <li>Supply chain and market knowledge</li> </ul>	<b>Strategy: Training &amp; Technology Uptake</b> <ul style="list-style-type: none"> <li>Program: Wool Harvesting &amp; Quality Preparation</li> <li>Program: Sheep &amp; Wool Management Skills</li> <li>Program: Market &amp; Trade Intelligence</li> <li>Program: Student Education</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>Soil and pasture health</li> <li>Feedlotting</li> <li>Dry time feeding</li> <li>Water security</li> </ul>	<b>Strategy: Feedbase &amp; Fibre Advocacy</b> <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>	<b>Strategy: Product &amp; Processing Innovation</b> <ul style="list-style-type: none"> <li>Program: Processing/Product Innovation</li> </ul>
<ul style="list-style-type: none"> <li>Retailer training</li> </ul>	<ul style="list-style-type: none"> <li>Educating students on industry practices</li> </ul>	<b>Strategy: Education Extension</b> <ul style="list-style-type: none"> <li>Program: Trade Education</li> <li>Program: Student Education</li> </ul>

## 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.

### *Registered IP owned by AWI (including TWC) or in which AWI has an interest, as at 30 June 2018*

#### **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 and overseas**

- Cool Wool
- Circle Logo
- Flyboss
- Liceboss
- Merino Active
- Merino Perform
- OPTIM
- MMX Wool Without Limits & Device
- Red Island
- Sam the Lamb
- Wormboss
- WOOL4SCHOOL
- XWOOL Device

#### **TRADEMARKS – registered in Australia, not overseas**

- Australian Wool Innovation
- AWI & Swirl Device
- eSpeci
- Evergraze
- Making More from Sheep
- Timerite
- Woolcheque
- WoolQ

#### **TRADEMARKS – registered overseas, not in Australia**

- Arnhem Land
- Gold Woolmark
- IWS
- Merinocool
- MERINOEASYCLEAN
- Merino Extrafine Wool
- merinofresh
- Merino Travel
- Mother and baby device
- Neva-Shrink
- No Finer Feeling
- Pure Merino Wool
- Pure New Wool
- SGP

#### **TRADEMARKS – registered overseas, not in Australia (continued)**

- Si-ro-set
- Solospun Sportwool
- Super Crimp
- Superior Merino
- Superior Merino Blend
- 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**

- Arrowleaf Clover-Cefalu
- Biserrula-Mauro
- French Serradella-Cadiz
- French Serradella-Margurita
- Lucerne-Venus
- Persian Clover-Lusa
- Phalaris-Atlas
- Phalaris-Australian II
- Phalaris-Holdfast
- Subterranean Clover-Coolamon
- Subterranean Clover-Izmir
- Subterranean Clover-Mintaro
- Subterranean Clover-Napier
- Wallaby Grass-Bunderra
- Lotus Australis-LA07
- Birdsfoot Trefoil-LC07AUF
- Birdsfoot Trefoil-LC07AUYF
- Birdsfoot Trefoil-LC07AS
- Birdsfoot Trefoil-LC07AT
- Phalaris-Advanced AT
- Subterranean Clover-Bindoon

*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.*

## R&D COLLABORATION DURING 2017/18

R&D collaboration with other organisations during 2017/18 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 2017/18 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 2017/18 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 is co-funding two new wild dog coordinator positions in Queensland, with further support from MLA Donor Company, the Queensland Department of Agriculture and Fisheries, and the Queensland regional bodies of Remote Area Planning and Development Board (RAPAD) and the South West Regional Economic Development Association (SWRED). AWI is also funding the western NSW wild dog coordinator with NSW Farmers and the Victorian wild dog coordinators with the Victorian Department of Environment, Land, Water and Planning.
- AWI helps fund the National Wild Dog Management Coordinator position and several other wild dog control projects through CISS along with MLA.
- AWI is involved with further rabbit biocontrol R&D – including identifying new rabbit pathogens, RHDV2 product registration, and national rabbit biocontrol optimisation – through CISS along with MLA and other organisations.

### 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.
- An AWI research trial co-funded with CSIRO and Troy Laboratories assessed the welfare responses of lambs to analgesic options for surgical mulesing.

### Reproduction

- AWI and MLA are jointly funding a project that is investigating the effects of mob size and stocking rate on the survival of twin-born lambs between birth and marking.
- A research project is under way with AWI and MLA funding to investigate whether feeding ewes at

joining with a diet high in omega-6 fatty acids (eg grain) versus high in omega-3 fatty acids (eg silage or pasture) is a viable and practical way to influence the sex ratio of lambs in commercial sheep enterprises.

### Farm automation

- AWI is funding the Accelerating Precision Agriculture to Decision Agriculture (P2D) project together with all 15 RDCs to develop projects that evaluate the current and desired state of digital agriculture in Australia.
- AWI supports the Department of Agriculture and Water Resources' Rural R&D for Profit virtual herding project along with other organisations including the RDCs MLA, Dairy Australia and Australian Pork Limited.

### Genetic improvement

- AWI and the Australian Merino Sire Evaluation Association (AMSEA) have teamed up with five sire evaluation sites to deliver the Merino Lifetime Productivity project.

### Feedbase & fibre advocacy

- Research and information to tackle subterranean clover red leaf syndrome was produced by AWI in conjunction with MLA, the University of Western Australia and the WA Department of Primary Industries and Regional Development.
- The Australian Pastures Genebank that provides conservation of stored seed is managed by SARDI and funded by rural RDCs including AWI, MLA, GRDC, Dairy Australia and AgFutures.
- The Phosphorus efficient pastures project is being funded by AWI, MLA and Dairy Australia.
- The dryland legume pasture systems project is being funded by AWI, MLA and GRDC.
- There is collaboration between AWI and the International Wool Textile Organisation (IWTO) in order to better promote wool's environmental and ethical attribute through projects and activities.

### Woolgrower services

- Extension activities is undertaken with state and regional based organisations and departments of agriculture, including BESTWOOL/BESTLAMB (Vic), Sheep Connect NSW, The Sheep's Back (WA), Sheep Connect SA, Leading Sheep (Qld) and Sheep Connect Tasmania.
- Shearer and wool handler training is undertaken with Registered Training Organisation providers around Australia.
- The popular half-day *It's ewe time!* forums are a joint initiative between AWI and MLA.
- AWI and MLA remain committed to continuing to enhance the modules of *Making More From Sheep* as a critical resource for the industry.
- The RAMping Up Repro workshops that encourage growers to undertake pre-joining ram inspections and health checks to get the most out of their ram team across the joining period, are a collaboration between AWI and Zoetis.
- Administered by AgriFutures, the Horizon Scholarships program has many collaborators including AWI and other RDCs.
- Nuffield Australia Farming Scholarships are provided by AWI along with other sponsors including other RDCs.

- There are plenty of industry funders of AWI's National Merino Challenge.
- The Australian Rural Leadership Program is supported by AWI along with other sponsors including other RDCs.
- AWI sponsors LambEx along with plenty of other sponsors.
- The Young Farming Champions program is co-funded by AWI along with a collection of other funders.
- The Science and Innovation Awards for Young People in Agriculture, Fisheries and Forestry is administered by the Department of Agriculture and Water Resources and supported by AWI along with other organisations including other RDCs.
- AWI and the WA Shearing Industry Association have teamed up to start work on a shearing shed safety program.
- There is investment by AWI along with many other sponsors of events at wool industry shows including the Australian Sheep & Wool Show, Sheepvention, Wagin Woolorama, Katanning Sheep Show & Sale, National Merino Sheep Show, Sydney Royal, Adelaide Royal, Perth Royal etc.

## 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 2017-20

The National RD&E Framework facilitates greater coordination among the different Commonwealth, State governments, CSIRO, RDCs, industry and university sectors to better harmonise their roles in RD&E related to primary industries and assure that they work together effectively to maximise net benefits to Australia.

The Strategy Oversight Committee came together in April 2018 to share program updates, research capacity availability, future investment needs and opportunities for collaboration.

The following organisations come together for the National Wool RD&E Strategy:

#### Government

- Department of Agriculture, Fisheries and Forestry
- New South Wales Department of Primary Industries
- Queensland Department of Employment, Economic Development and Innovation
- South Australian Government Department of Primary Industries and Resources SA, and the South Australian Research and Development Institute
- Tasmanian Department of Primary Industries, Agriculture Victoria
- Western Australian Department of Agriculture and Food, the Department of Fisheries, and the Forest Products Commission

#### Research & Development Corporations

- Australian Wool Innovation Limited

#### Industry

- Australian Wool Exchange
- Australian Wool Testing Authority
- WoolProducers Australia
- Federation of Australian Wool Organisations
- Southern Australian Meat Research Council (link to MLA)

#### University Sector

- Australian Council of the Deans of Agriculture

#### Research Agencies

- CSIRO

### 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 communication 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, as well as actively driving the wool sector's own biosecurity RD&E strategy (Australian Wool Industry EAD Preparedness 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.

In 2017/18, AWI was represented on the Writing Group charged with reviewing and updating the NABRDES Strategy. The updated Strategy is expected to be submitted for endorsement by the National Primary Industries Research and Innovation Committee in August 2018.

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

AWI continues its involvement in the National Animal Welfare RD&E Strategy, revised in May 2017. The NAWRDE Strategy aims to facilitate the development, implementation and delivery of cross-sectoral animal welfare RD&E nationally for livestock (farm animals) throughout the supply chain.

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, AgriFutures Australia), 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.

### 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 replaced 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 2017/18 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	20,363,000	-	-	20,363,000	25%
Advanced technology	14,024,000	-	-	14,024,000	14%
Biosecurity	1,371,000	-	602,000	<b>1,973,000</b>	5%
Soil, water and managing natural resources	1,789,000	-	-	<b>1,789,000</b>	1%
Non-R&D activities	-	48,875,000	-	<b>48,875,000</b>	55%
<b>Total \$</b>	<b>37,547,000</b>	<b>48,875,000</b>	<b>602,000</b>	<b>87,024,000</b>	<b>100%</b>
Total %	44%	55%	1%	<b>100%</b>	

## WOOLQ

WoolQ, formerly known as the Wool Exchange Portal, was created this year after three years of consultation and discussion in response to industry demand for a centralised digital information platform.

WoolQ facilitates a suite of digital services that support the wool growing and selling process. The digitalisation of this process allows a wide range of rich information to be accessed anytime and anywhere via desktop or mobile App. This increased transparency and traceability is a feature increasingly sought by woolgrowers, consumers, manufacturers, retailers and brands.

WoolQ has been delivered to industry in stages throughout 2018. The first phase of WoolQ was the launch of the industry database and electronic Speci tool (WoolQ eSpeci) in March 2018. The WoolQ eSpeci is an alternative to the current paper speci and allows woolgrowers and wool classers to efficiently capture their in-shed clip data at the time of shearing. By recording this data electronically, not only will it reduce errors, but will enable easier storage and sharing of this data between multiple users.

An important feature of the WoolQ eSpeci is that it can operate where no Wi-Fi or internet connection exists. The WoolQ App allows users to access, record and store critical information to be uploaded automatically when internet connection is available.

In August, WoolQ launched its 'My WoolQ Dashboard', a central mailbox and storage point for all data relating to a woolgrower's specific clip. Having this rich data set available, a woolgrower can use the 'WoolQ Ready Reckoner', a simple calculator that will enable the grower to determine a market estimate of the value of

their wool at a specific point in time. The August launch also included enhancements to the industry database to include a forum functionality, 'WoolQ Network'. This is Australia's first online wool industry discussion forum connecting all industry participants allowing the sharing of information, ideas and new developments.

The final piece of WoolQ functionality 'WoolQ Market', will be delivered to industry in late December. WoolQ Market is the result of extensive industry consultation and will include two distinct options for the selling and trading of wool. The first is a bulletin board of bids and offers available to buyers and sellers of wool on a 24/7 basis. The second is an alternative auction for wool that has been offered on the bulletin board with a reserve price. Once the reserve price has been triggered, a brief auction will take place ensuring the woolgrower receives the optimum price for their wool. This auction will initially operate for two separate weekly sessions outside the existing open cry auction.

WoolQ can be accessed by any member of the wool industry, from woolgrowers to classers, through to brokers, buyers and industry associations. Users first need to register at [www.woolq.com](http://www.woolq.com) and will then be prompted to set up a profile.

To support users as they learn to adopt WoolQ, a customer assistance service is operating at [info@woolq.com](mailto:info@woolq.com), or 1800 070 099 and easy-to-follow video tutorials and user guides are also available on [www.woolq.com](http://www.woolq.com).

The WoolQ platform is designed to assist woolgrowers to make more informed decisions regarding the production and sale of their wool and to secure the ongoing development of the wool industry.

# FINANCIAL REPORT

Contents	Page
Directors' Report	69
Auditor's Independence Declaration	72
Consolidated Statement of Comprehensive Income	74
Consolidated Balance Sheet	75
Consolidated Statement of Changes in Equity	76
Consolidated Statement of Cash Flows	77
Notes to the Consolidated Financial Statements	78
Directors' Declaration	96
Independent Auditor's Report	97

# 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 2018.

## 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)  
 Ms C Garnsey (Deputy Chair)  
 Mr P Cocking (until 17 November 2017)  
 Mr J Laurie  
 Mr D Macdonald (elected 17 November 2017)  
 Mr J Morgan  
 Dr M L Sheil  
 Mr D A A Webster

## PRINCIPAL ACTIVITIES

Australian Wool Innovation Limited is a Not-for-profit, registered charitable 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

	2018 \$'000	2017 \$'000
Revenue	103,070	88,026
Profit from continuing operations	15,457	17,182

## 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 2018 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.

# DIRECTORS' REPORT (CONTINUED)

## COMPANY SECRETARY

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

## MEETINGS OF DIRECTORS

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2018, 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	11	11*	8	8	3	3	8	8
Ms C Garnsey	11	11	-	-	3	3*	-	-
Mr P Cocking <sup>^</sup>	4	4	-	-	2	1	4	4
Mr J Laurie	11	11	8	8	-	-	8	8
Mr D Macdonald**	7	7	4	3	-	-	-	-
Mr J Morgan	11	11	8	8	-	-	8	8*
Dr M L Sheil	11	10	-	-	-	-	4	3
Mr D A A Webster	11	10	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 2018.

<sup>^</sup> = Mr P Cocking until the 17 November 2017.

\*\* = Mr D Macdonald was elected to the Board on the 17 November 2017.

## CHAIRMANSHIP

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

Ms C Garnsey was appointed Deputy Chair on 2 February 2018.

## 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/s 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.

## 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 72.

## ROUNDING OF AMOUNTS

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 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 Legislative Instrument to the nearest thousand dollars, unless otherwise stated.

## AUDITOR

HLB Mann Judd appointed by the shareholders on 17 November 2017 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  
31 August 2018

# AUDITOR'S INDEPENDENCE DECLARATION



Quality Audit Services

AUSTRALIAN WOOL INNOVATION LIMITED  
ABN 12 095 165 558

## AUDITOR'S INDEPENDENCE DECLARATION

We declare that, to the best of our knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit of the financial report of Australian Wool Innovation Limited for the year ended 30 June 2018.

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

A handwritten signature in black ink, appearing to read 'S P James'.

S P James  
Director

Sydney, NSW  
31 August 2018

**HLB Mann Judd Assurance (NSW) Pty Ltd ABN 96 153 077 215**

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HLB Mann Judd is a member of  International. A world-wide organisation of accounting firms and business advisers.

# FINANCIAL REPORT - 30 JUNE 2018

## CONTENTS

	Page
Financial statements	
Consolidated statement of comprehensive income	74
Consolidated balance sheet	75
Consolidated statement of changes in equity	76
Consolidated statement of cash flows	77
Notes to the consolidated financial statements	78
Directors' declaration	96
Independent auditor's report to the shareholders	97

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 69, which is not part of this financial report.

The financial statements were authorised for issue by the directors on 31 August 2018. 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 2018

		Consolidated	
	Notes	2018 \$'000	2017 \$'000
<b>Revenue from continuing operations</b>			
Operating revenue	3	99,966	85,537
Other revenue	3	3,104	2,489
		<b>103,070</b>	<b>88,026</b>
<b>Other loss</b>	4	<b>(470)</b>	<b>(313)</b>
<b>Expenses</b>			
Project expenditure		<b>(53,565)</b>	(39,819)
Marketing		<b>(15,929)</b>	(15,043)
Sheep production		<b>(1,682)</b>	(1,671)
Woolgrower services		<b>(1,963)</b>	(1,491)
Processing innovation & education extension		<b>(2,535)</b>	(1,818)
Digital services		<b>(1,298)</b>	(1,036)
Support & administration		<b>(10,052)</b>	(9,565)
<b>Profit before income tax</b>		<b>15,576</b>	17,270
Income tax expense	7	<b>(119)</b>	(88)
<b>Profit from continuing operations</b>		<b>15,457</b>	17,182
<b>Profit for the year</b>		<b>15,457</b>	17,182
Other comprehensive income			
Exchange differences on translation of foreign operations	19	<b>91</b>	15
<b>Total comprehensive income for the year</b>		<b>15,548</b>	17,197
Total comprehensive income for the year is attributable to:			
Owners of Australian Wool Innovation Limited		<b>15,548</b>	17,197

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

# CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2018

		Consolidated	
	Notes	2018 \$'000	2017 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	10,254	9,024
Held-to-maturity investments	9	94,225	85,186
Trade and other receivables	10	20,391	16,610
<b>Total current assets</b>		<b>124,870</b>	<b>110,820</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	2,377	2,613
Intangible assets	12	11,578	10,000
Other non-current assets	13	632	587
<b>Total non-current assets</b>		<b>14,587</b>	<b>13,200</b>
<b>Total assets</b>		<b>139,457</b>	<b>124,020</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	8,809	8,188
Deferred income	15	7,297	7,815
<b>Total current liabilities</b>		<b>16,106</b>	<b>16,003</b>
<b>Non-current liabilities</b>			
Provisions	16	295	279
Other non-current liabilities	17	1,126	1,356
<b>Total non-current liabilities</b>		<b>1,421</b>	<b>1,635</b>
<b>Total liabilities</b>		<b>17,527</b>	<b>17,638</b>
<b>Net assets</b>		<b>121,930</b>	<b>106,382</b>
<b>EQUITY</b>			
Contributed equity*	18	-	-
Reserves	19	1,588	1,497
Retained earnings	19	120,342	104,885
<i>Capital and reserves attributable to owners of Australian Wool Innovation Limited</i>		<b>121,930</b>	<b>106,382</b>
<b>Total equity</b>		<b>121,930</b>	<b>106,382</b>

\*As at 30 June 2017 and 2018 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 2018

	Notes	Attributable to owners of Australian Wool Innovation Limited			Total equity \$'000
		Contributed equity* \$'000	Reserves \$'000	Retained earnings \$'000	
Balance at 1 July 2016		-	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
Balance at 1 July 2017		-	1,497	104,885	106,382
Profit for the year	19	-	-	15,457	15,457
Other comprehensive income	19	-	91	-	91
<b>Total comprehensive income for the year</b>		-	91	15,457	15,548
<b>Balance at 30 June 2018</b>		-	1,588	120,342	121,930

\*As at 30 June 2017 and 2018 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 2018

	Notes	Consolidated	
		2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
Levy, license, government grant and other receipts (inclusive of goods and services tax)		106,056	92,067
Payments to suppliers and employees (inclusive of goods and services tax)		(95,440)	(80,215)
		10,616	11,852
Other revenue		1	1
Interest received		2,414	2,269
Income taxes paid	7	(119)	(88)
<b>Net cash inflow from operating activities</b>		<b>12,912</b>	<b>14,034</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	11	(872)	(619)
Payments for held-to-maturity investments	9	(9,039)	(11,169)
Proceeds from sale of property, plant and equipment		36	17
Payments for website development	12	(1,578)	-
<b>Net cash (outflow) from investing activities</b>		<b>(11,453)</b>	<b>(11,771)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,459</b>	<b>2,263</b>
Cash and cash equivalents at the beginning of the financial year		9,024	6,544
Effects of exchange rate changes on cash and cash equivalents		(229)	217
<b>Cash and cash equivalents at end of year</b>	8	<b>10,254</b>	<b>9,024</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

(CONTINUED)

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Australian Wool Innovation Limited (the "Company") is a company limited by shares, incorporated and domiciled in Australia and is a Not-for-profit, registered charitable company.

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 (the "Group").

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

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*, Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board. Australian Wool Innovation Limited is a Not-for-profit, charitable 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 and comparative information

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(g). 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.

### (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 2018 and the results of all subsidiaries for the year then ended.

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.

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

### (c) Foreign currency translation (continued)

#### (ii) Transactions and balances

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

(CONTINUED)

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

### (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) 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).

### (h) 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.

### (i) 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.

### (j) 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.

### (k) 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.

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

### (k) Investments and other financial assets (continued)

#### (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.

### (l) 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.

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	over the lease term

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 (g)).

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

### (m) 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.

### (n) 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(g).

#### (iii) Website development

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 5 years.

Website development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

(CONTINUED)

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

### (o) 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.

### (p) 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.

### (q) 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.

### (r) Dividends

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

### (s) 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.

### (t) Rounding of amounts

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 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 Legislative Instrument to the nearest thousand dollars, unless otherwise stated.

### (u) 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

(CONTINUED)

## NOTE 2: FINANCIAL RISK MANAGEMENT (CONTINUED)

### (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	
	2018	2017
	\$'000	\$'000
<b>From continuing operations</b>		
<i>Operating revenue</i>		
Wool levy	72,479	60,211
Government contribution	17,870	14,742
License fees	7,321	7,611
Royalties	1,975	1,790
Sale of goods and services	242	1,153
Other	79	30
	99,966	85,537
<i>Other revenue</i>		
Interest	2,556	2,376
Rents and sub-lease rentals	548	113
	3,104	2,489
	103,070	88,026

## NOTE 4: OTHER LOSS

	Consolidated	
	2018	2017
	\$'000	\$'000
Net foreign exchange loss	(470)	(313)

**NOTE 5: EXPENSES**

	Consolidated	
	2018	2017
	\$'000	\$'000
<i>Depreciation and amortisation</i>		
Buildings	2	2
Plant and equipment	677	540
Leasehold improvements	418	430
Total depreciation and amortisation	1,097	972
Rental expense relating to operating leases	2,440	2,162
Defined contribution superannuation expense	1,485	1,373

**NOTE 6: RESEARCH, DEVELOPMENT AND MARKETING EXPENDITURE**

	Consolidated	
	2018	2017
	\$'000	\$'000
Marketing	39,451	31,762
Sheep production	13,957	10,827
Woolgrower services	9,861	7,878
Processing innovation & education extension	9,459	7,025
Digital services	4,244	3,386
Support & administration	10,052	9,565
Total RDM expenditure	87,024	70,443

**NOTE 7: INCOME TAX EXPENSE**

	Consolidated	
	2018	2017
	\$'000	\$'000
<b>(a) Income tax expense</b>		
Current tax	119	88
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit from continuing operations before income tax expense	15,576	17,270
Tax at the Australian tax rate of 30% (2017 - 30%)	4,673	5,181
Non-taxable income, tax losses and temporary differences not brought to account	(4,526)	(5,071)
Differences in overseas tax rates	(52)	(33)
Adjustments for current tax of prior periods	24	11
Income tax expense	119	88

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 parent company is exempt from income taxes not indirect taxes.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

(CONTINUED)

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

	Consolidated	
	2018	2017
	\$'000	\$'000
Cash at bank and in hand	10,254	9,024

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

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

	Consolidated	
	2018	2017
	\$'000	\$'000
Term deposits	94,225	85,186

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

Unrestricted	20,139	45,455
Restricted as security against guarantees issued by the company's bankers <sup>(a)</sup>	2,440	3,455
Forward contract commitments <sup>(b)</sup>	15,700	15,300
Operating funds <sup>(c)</sup>	26,200	25,000
Emergency funds <sup>(d)</sup>	5,000	5,000
Discretionary funds <sup>(e)</sup>	35,000	-
	<b>104,479</b>	<b>94,210</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 \$15.7 million has been created to cover contracted forward commitments.
- (c) Operating funds representing nine months of AWI operational costs are set aside to cover an unexpected cessation of levy and government contribution.
- (d) The Emergency reserve is set aside to cover any contingent expenditure arising from the wool industry's obligation under the Emergency Animal Disease Response Agreement.
- (e) The directors resolved to create a discretionary reserve to have funds available to exploit opportunities outside the normal strategic plan (e.g. automated shearing initiatives) and to cover fluctuations in income over a long term period.

## NOTE 10: CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated	
	2018	2017
	\$'000	\$'000
<b>Net trade receivables</b>		
Trade receivables	3,343	4,458
Provision for doubtful receivables	-	(10)
	<b>3,343</b>	<b>4,448</b>
<b>Net other receivables</b>		
Commonwealth matching funds and wool levy accruals	12,876	8,504
Other receivables	3,111	2,927
	<b>15,987</b>	<b>11,431</b>
<b>Prepayments</b>		
Insurance	176	174
Other	885	557
	<b>1,061</b>	<b>731</b>
	<b>20,391</b>	<b>16,610</b>

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

	Land and buildings \$'000	Plant and equipment \$'000	Leasehold improvements \$'000	Total \$'000
<b>At 1 July 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/amortisation 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
<b>Year ended 30 June 2018</b>				
Opening net book amount	443	526	1,644	2,613
Exchange differences	-	4	27	31
Revaluation surplus	-	21	(11)	10
Additions	-	831	-	831
Disposals	-	(11)	-	(11)
Depreciation/amortisation charge	(2)	(677)	(418)	(1,097)
Closing net book amount	441	694	1,242	2,377
<b>At 30 June 2018</b>				
Cost or fair value	954	3,834	2,404	7,192
Accumulated depreciation	(513)	(3,140)	(1,162)	(4,815)
Net book amount	441	694	1,242	2,377

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

(CONTINUED)

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

	Certification trademarks \$'000	Website development costs \$'000	Total \$'000
<b>At 1 July 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
<b>Year ended 30 June 2018</b>			
Opening net book amount	10,000	-	10,000
Additions	-	1,578	1,578
Amortisation charge	-	-	-
Closing net book amount	10,000	1,578	11,578
<b>At 30 June 2018</b>			
Cost	10,000	1,578	11,578
Accumulated amortisation and impairment	-	-	-
Net book amount	10,000	1,578	11,578

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	
	2018 \$'000	2017 \$'000
Lease deposits	632	587

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

	Consolidated	
	2018	2017
	\$'000	\$'000
Trade payables	3,242	3,358
Other payables	3,760	3,350
Project payables and accruals	1,807	1,480
	<b>8,809</b>	<b>8,188</b>

**NOTE 15: CURRENT LIABILITIES - DEFERRED INCOME**

	Consolidated	
	2018	2017
	\$'000	\$'000
Unearned license income	7,094	7,615
Unearned sub-lease income	203	200
	<b>7,297</b>	<b>7,815</b>

**NOTE 16: NON-CURRENT LIABILITIES - PROVISIONS**

	Consolidated	
	2018	2017
	\$'000	\$'000
Long service leave	295	279

**NOTE 17: NON-CURRENT LIABILITIES - OTHER**

	Consolidated	
	2018	2017
	\$'000	\$'000
Lease incentives	1,126	1,356

**NOTE 18: CONTRIBUTED EQUITY**

(a) Share capital	2018	2017	2018	2017
	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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

(CONTINUED)

## 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>	30 June 2018	30 June 2017
Australian Capital Territory	78	78
New South Wales	8,466	8,821
Northern Territory	2	1
Queensland	606	651
South Australia	3,786	3,968
Tasmania	653	664
Victoria	5,338	5,532
Western Australia	3,545	3,748
	<b>22,474</b>	<b>23,463</b>

## NOTE 19: RESERVES AND RETAINED EARNINGS

	Consolidated	
	2018	2017
	\$'000	\$'000
<b>(a) Other reserves</b>		
Foreign currency translation	1,588	1,497
<b>Movements:</b>		
Foreign currency translation		
Balance 1 July	1,497	1,482
Currency translation differences arising during the year	91	15
Balance 30 June	<b>1,588</b>	<b>1,497</b>

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.

	Consolidated	
	2018	2017
	\$'000	\$'000
<b>(b) Retained earnings</b>		
Retained surplus at the beginning of the financial year	104,885	87,703
Net surplus attributable to the owners of Australian Wool Innovation Limited	15,457	17,182
Retained surplus at the end of the financial year	<b>120,342</b>	<b>104,885</b>

## NOTE 20: KEY MANAGEMENT PERSONNEL DISCLOSURES

	Consolidated	
	2018	2017
	\$	\$
<b>(a) Key management personnel remuneration</b>		
<b>Non-executive directors</b>		
Short-term employee benefits	636,829	613,971
Post-employment benefits	60,004	58,327
	<b>696,833</b>	<b>672,298</b>
<b>Other key management personnel</b>		
Short-term employee benefits	2,146,386	2,043,657
Post-employment benefits	203,906	172,706
Termination benefits	63,799	164,460
	<b>2,414,091</b>	<b>2,380,823</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.

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) 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.

*(ii) 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*

	Short-term employee benefits		Post-employment benefits	Total
	Directors' base fees paid	Committee fees paid	Superannuation	
2018 Name	\$	\$	\$	\$
Mr W B Merriman	140,632	21,876	15,438	177,946
Ms C Garnsey	75,524	8,661	7,503	91,688
Mr P Cocking	26,043	5,860	3,031	34,934
Mr J Laurie	62,503	15,625	7,422	85,550
Mr D Macdonald	38,717	3,255	3,987	45,959
Mr J Morgan	62,503	20,313	7,868	90,684
Dr M L Sheil	62,503	3,255	6,247	72,005
Mr D A A Webster	62,503	27,056	8,508	98,067
<b>Total</b>	<b>530,928</b>	<b>105,901</b>	<b>60,004</b>	<b>696,833</b>

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

(CONTINUED)

## NOTE 20: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

### (c) Details of remuneration (continued)

#### (i) Non executive Directors of Australian Wool Innovation Limited (continued)

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
Ms C Garnsey	61,640	8,541	6,667	76,848
Mr P Cocking	61,640	13,203	7,110	81,953
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>

### (d) Other key management personnel

Mr S McCullough	Chief Executive Officer
Ms T Marshall	Chief Financial Officer
Mr J Story	Company Secretary
Ms J Davies	General Manager - Processing Innovation & Education Extension
Mr S Feighan	General Manager - Woolgrower Services
Mr S Ford	General Manager - Western Hemisphere
Ms D Giorgiutti*	Group Manager - Human Resources
Ms J Littlejohn	General Manager - Research
Ms K Newton^	General Manager - Human Resources
Mr J Roberts	General Manager - Eastern Hemisphere

\* = Appointed to the Executive in November 2017

^ = Resigned from the Executive in December 2017

## NOTE 21: REMUNERATION OF AUDITORS

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

	Consolidated	
	2018	2017
	\$	\$
<b>(a) Audit services</b>		
Audit fees - domestic - HLB Mann Judd	95,000	-
Audit fees - domestic - PwC and other related firms	-	169,102
Audit fees - international - HLB Mann Judd affiliates	65,304	-
Audit fees - international - PwC and other related firms	39,530	104,345
<b>Total remuneration for audit and other assurance services</b>	<b>199,834</b>	<b>273,447</b>
<b>(b) Non-audit services of PwC and other related firms</b>		
Tax compliance services	88,037	97,882
Advisory services	66,458	90,686
<b>Total remuneration of non-audit services</b>	<b>154,495</b>	<b>188,568</b>
<b>Total remuneration</b>	<b>354,329</b>	<b>462,015</b>

**NOTE 22: COMMITMENTS***(i) Research, development and marketing*

	Consolidated	
	2018	2017
	\$'000	\$'000
Commitments payable in relation to research, development and marketing	27,705	15,740

*(ii) Non-cancellable operating leases*

	Consolidated	
	2018	2017
	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	2,045	1,978
Later than one year but not later than five years	3,143	4,415
Later than five years	-	17
	5,188	6,410

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	
	2018	2017
	\$'000	\$'000
Commitments payable in relation to forward exchange contracts	13,036	14,482

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, C Garnsey, P Cocking, J Laurie, D Macdonald, J Morgan, M L Sheil, and D A A Webster.

**(c) Subsidiaries**

Interests in subsidiaries are set out in note 24.

**(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 2018.

*(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 2018.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

(CONTINUED)

## NOTE 23: RELATED PARTY TRANSACTIONS (CONTINUED)

### (f) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2018	2017
	\$	\$
<i>Sale of goods and services</i>		
Sale of services relating to marketing and wool testing activities to key management personnel of the entity*	10,268	-
<i>Purchases of goods</i>		
Purchases of goods and services relating to marketing and wool testing activities from key management personnel of the entity*	573,045	475,846

\*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	
	2018	2017
	\$	\$
Current receivables (sales of goods and services)		
Key management personnel of the entity	9,721	-
Current payables (purchase of goods)		
Key management personnel of the entity	16,653	29,016

## 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	
			2018	2017
			%	%
Subsidiaries controlled by Australian Wool Innovation Limited:				
Woolmark Holdings Pty Limited	Australia	Ordinary	100	100
Woolshare Nominees Pty Limited	Australia	Ordinary	100	100
Subsidiaries controlled by Woolmark Holdings Pty Limited:				
The Woolmark Company Pty Limited	Australia	Ordinary	100	100
Australian Merino Pty Limited	Australia	Ordinary	100	100
Digibale Pty Limited	Australia	Ordinary	100	100
Subsidiaries controlled by The Woolmark Company Pty Limited:				
Woolmark International Pty Ltd	England	Ordinary	100	100
IWS Nominee Company Limited	England	N/A	100	100
Woolmark (Americas) Inc.	USA	N/A	100	100
Stichting International Wool Secretariat	Netherlands	N/A	100	100
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:

	2018 \$'000	2017 \$'000
<b>Balance sheet</b>		
Current assets	114,749	98,820
Non-current assets	50,965	49,667
<b>Total assets</b>	<b>165,714</b>	<b>148,487</b>
Current liabilities	5,622	4,954
Non-current liabilities	1,281	1,497
<b>Total liabilities</b>	<b>6,903</b>	<b>6,451</b>
Net assets	158,811	142,036
<i>Shareholders' equity</i>		
Retained earnings	142,036	125,498
	<b>142,036</b>	<b>125,498</b>
<b>Profit for the year</b>	<b>16,775</b>	<b>16,538</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 2018 or 30 June 2017.

# DIRECTORS' DECLARATION

30 JUNE 2018

In the directors' opinion:

- (a) the financial statements and notes set out on pages 73 to 95 are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:
  - (i) complying with Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Regulation 2013*; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 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.

Signed in accordance with subs 60.15(2) of the *Australian Charities and Not-for-profit Commission Regulation 2013*.

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



Mr W B Merriman (Chairman)  
Director

Sydney  
31 August 2018

# INDEPENDENT AUDITORS' REPORT

30 JUNE 2018



Quality Audit Services

AUSTRALIAN WOOL INNOVATION LIMITED  
ABN 12 095 165 558

## INDEPENDENT AUDITOR'S REPORT

To the Members of Australian Wool Innovation Limited

### Opinion

We have audited the financial report of Australian Wool Innovation Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated balance sheet as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission 2012*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

### 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 are independent of the Group in accordance with the auditor independence 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.

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

### Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, 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 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, 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.

**HLB Mann Judd Assurance (NSW) Pty Ltd ABN 96 153 077 215**

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HLB Mann Judd is a member of  international. A world-wide organisation of accounting firms and business advisers.

# INDEPENDENT AUDITORS' REPORT

30 JUNE 2018

(CONTINUED)

## Responsibilities of Management and Directors for the Financial Report

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Group's financial reporting process.

## 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 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

HLB Mann Judd Assurance (NSW) Pty Ltd  
Chartered Accountants

S P James  
Director

Sydney, NSW  
31 August 2018

# APPENDICES

Contents	Page
Report on Compliance with the SFA	100
Project List 2017/18	102
Connecting with AWI	107

# 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 HLB Mann Judd 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 2017/18 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 an opinion 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 2018.

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 an opinion 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 2017 to 30 June 2018.

### *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 opinion expressed in this report has been formed on the above basis.

### *Opinion*

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 2017 to 30 June 2018.

**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 2017 to 30 June 2018.

*Inherent Limitations*

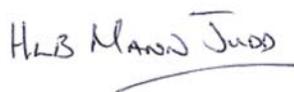
Because of the inherent limitations of any internal control framework, it is possible that fraud, error or non compliance may occur and not be detected.

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 2017 to 30 June 2018.



HLB Mann Judd Assurance (NSW) Pty Ltd  
Chartered Accountants



S P James  
Director

Sydney, NSW  
31 August 2018

# PROJECT LIST 2017/18

This list contains details of AWI projects in which costs incurred during 2017/18 totalled more than \$150,000 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 2017/18
50 Years of Wool Exports to China	Artistry Entertainment 2.0 Inc; C & C Offset Printing Co Ltd; CLDR Pty Ltd T/A Collider, Three60 Media Pty Ltd; Tianyu Wool Industry; Xu Zhi Studio Limited; Zhongyao Culture & Development	1,039,346
Boston Marathon x Adidas Merino Tee-shirt	Boston Globe Media Partners LLC	191,721
Burton Italy Road Show / Big Air Campaign	Burton Sportartikel GmbH; Edizioni Conde Nast SPA; RCS MediaGroup SPA	199,999
Campaign for Wool – Annual Contribution	The Campaign for Wool Ltd	270,192
CFDA Partnership	Roanne Adams Design LLC; The Council of Fashion Designers of America	158,862
China Wool Week 2017	Shanghai Cha Tian International; T Magazine China	153,507
Cool Wool in Comme Moi	Beijing Dong Lv Culture Communication	169,095
Global Consumer Campaign Counsel	Born & Raised LLC	151,209
Global Market Intelligence	Aroq Ltd; Euromonitor International Aus; International Market Assessment – Asia; The Business of Fashion Ltd; The Future Laboratory (Aust) Pty Ltd; Textiles Intelligence Ltd; World Textile Information Network Ltd; World's Global Style Network	221,054
Global Marketing Campaign Creative	TBWA Sydney Pty Ltd	2,465,321
Global PR Agencies 2017/18	A. Consulting SAS di Arriva; Above The Line Company Limited; Activation Group; Carfrae Consulting LLC; Edelman India Private Limited; Michel Bos PR & Consulting; Nac Group Pty Ltd; Outside PR; PR Consulting Inc; Scramble Inc; Smith - Petersen SRL; TGWP-The M Public; The Communications Store Ltd; The Society Model Management	1,564,162
Grown in Australia, Made in India	Apple Valley Resort; Beat2; City Advertisers; Conde Nast India Pvt Ltd; Hanks Advertising Services LLP; Harisons Travels; IM Entertainment Pvt Ltd; Inox Leisure Ltd; J H Mason; Kajee Karna Beauty Box Pvt Ltd; Liz Ham Photography; Nilsson & Co Pty Ltd; Priscilla's Model Management; Rara Avis; Vivien's Model Management	247,780
Influencer for Merino Wool Advocacy	Shravan Reddy Timma	153,794
International Fibre Advocacy	R. Peter Ackroyd Ltd	283,724
International PR Activities	3.1 Phillip Lim; 10 Magazine Australia Pty Limited; Bauer Media Limited; Detlef bvba; Eco-Age; IMG Worldwide Inc; L'Homme Rouge; Next Italy; PR Consulting Inc; The Television Consultancy Lim; Tree Trunk Digital	329,087
International Woolmark Prize 2018/19	Antar-Agni; Barbara Creative Ltd; Blair Archibald; Bodice; British Fashion Council; Bryant Artists; Charlotte Kidger CLM; Concept Design LLC; DABO Holdings Pte Ltd; Dapper Lou; David Laport; Dyne Sports, LLC; Factory Fifteen Ltd; Farfetch UK Limited; Fashion Tech Labs FZ LLC; Five Hotel Palm Jumeirah; Half a Dozen Ltd; Harman Grubisa; IS Chrystie Management LLC; KYE; L'Homme Rouge; Lab & Co Pty Ltd; Le Kilt; Lillie Eiger; Matthew Miller Limited; MOD54 Limited; Moksha Designs Private Limited; Obo London Limited; Random Production SRL; Studio Boum Limited; Ten Pieces Pty Ltd	4,083,797

\*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 2017/18
Italian Industry & Strategic Planning	Fabrizio Servente	425,249
Jacquemus X The Woolmark Company	Jacquemus SAS	156,086
Japan Female Magazines Advertorial AW 2017/18	Dentsu Inc	195,929
Marketing Agency Pitch Costs	Born & Raised LLC; The Communications Store Ltd	192,994
Marketing and Business Development	Entente Agency Pty Ltd; MS Grace Pty Ltd	288,000
Max Mara Partnership	Max Mara SRL	399,494
Media Monitoring	DMR Group SRL; iSentia Pty Ltd; Scramble Inc	257,320
National Geographic Advertorials	Facebook; NGC Europe Ltd	373,473
Raf Simons Partnership	Detlef bvba	344,917
The Commonwealth Fashion Exchange	Eco-Age	590,025
Venice Gondoliers Product Placement	A. Consulting SAS di Arriva; Al Duca D'Aosta SPA	209,514
Vogue Japanese Womenswear Designer	Conde Nast Japan	162,933
Wool Campaign - Japan Ginza Fashion Week AW 2017	Dentsu Inc	229,216
Wool Week Australia 2018	Art Gallery of NSW; Scentre Group	200,000
Woolmark Performance Challenge	Levo Digital Pty Ltd; Salina Janzan; Shaylin Wallace; The Student Room Group Ltd	189,592
Woolmark Studio China	Activation Group; Beijing Hearst Advertising Co; Tang Shuang	187,87
World Surf League Partnership	Association of Surfing Professionals; Lauren Sims Creative	162,558
Zegna - Tech Merino SS 2018 Campaign	Ermenegildo Zegna	207,622

**DIGITAL PROJECTS**

Project title	Key providers*	\$ Paid in 2017/18
Digital Development & Maintenance	Levo Digital Pty Ltd	219,931
Digital Infrastructure - Hosting & Software	Lcubed; Levo Digital Pty Ltd; Marketo EMEA Limited; Qualtrics LLC; Siteimprove Australia Pty Ltd	230,806
Digital Infrastructure - Support	Assemblent Pty Ltd; Creative Folks Pty Limited; Levo Digital Pty Ltd; Robert Half Australia Pty Ltd	156,893
Digital Marketing Platform	Ashdown Consulting Pty Ltd; Engage Australia Pty Ltd; Marketo EMEA Limited; Salesforce.Com Singapore Pte Ltd	226,193
Global Content Production 2017/18	ALF; Anna Pogossova; Bauer Media Limited; Bryant Artists; Great Bowery (Aust) Pty Ltd; Hat Photo; Manna Communications Limited; Natasha Khurana; PMP Print Pty Ltd; Priscilla's Model Management; Publiship Australia Pty Ltd; Steve Cordony Design Pty Ltd; Studio Days Pty Ltd; Studio FF Pty Ltd; Three60 Media Pty Ltd; Union Management Pty Ltd	607,965
Global Digital Initiatives	Augmented Reality Experts Pty Ltd; Gengo Inc; Good Things Marketing; J H Mason; Protein One Pty Ltd; Significance Systems; Start VR Pty Ltd	299,959
Global Digital Promotion	Facebook Ireland Limited; Google Australia Pty Ltd; Vert Industrial Design House; We Are Social Pty Ltd	315,409
Global Digital Support	Beyond Digital Pty Ltd; Croud Australia Pty Ltd; Gengo Inc; LinkedIn Singapore Pte Ltd; Morgan Creative; Philip Cornwall; Protein One Pty Ld; Salmat Digital Pty Ltd; Significance Systems; Start Vert Design Pty Ltd; VR Pty Ltd; We Are Social Pty Ltd	498,646
Global Social Media Promotion	Facebook Ireland Limited; Google Australia Pty Ltd	165,834

\*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

Project title	Key providers*	\$ Paid in 2017/18
AWI Extension Development	Makin Outcomes; Rural Industries Skill Training Inc	171,934
Ear Tag Development	Braetec; Chogori Asia Pte Ltd; Glyn Limited; Jinghon Electronics Limited; Konstantin Vladimirovich Kovri; Kosalapov Lurii Aleksanrovich; Mari Narma; Muhammad Hidayatulloh; Ningbo XinRong New Energy Tech; Radioland Technology; Shenzhen Heng Yu Xin Mechanica; Vapcell Technology Co Ltd; WT Microelectronics Singapore; Yueqing Feilin Trading Co Ltd; Zaozhuang Hofa Technology Co	383,675
Tech and Australian eChallenge competitions	Charles Sturt University; Scherzo69 Pty Ltd; The University of Adelaide Research Services	252,544
Fully Automated Wool Harvesting	Robo Shear Pty Ltd; Ranken Research	313,000
Improving Drought Resilience Through Cluster Fences	Soils for Life	214,850
Lifetime Ewe Management 7	Rural Industries Skill Training Inc	496,880
Merino Lifetime Productivity (AMSEA) Project	Australian Merino Sire Evaluation Association	1,343,097
MLP AO Resilience in Merino Sheep	CSIRO	220,806
New Chemicals for Sheep Blowfly Control	CSIRO; Uniquet Pty Ltd	165,000
Optimising Lamb Survival Through Density	Victoria Department of Economic Development, Jobs, Transport & Resources	160,248
Sheep Ectoparasite Resistance Update	NSW Department of Primary Industries	153,633
Using Sensor Technology Parentage	La Trobe University; Murdoch University	271,092
Wild Dog - On Ground Activities	Animal Control Technologies (Australia) Pty Ltd; Barcaldine Wild Dog Assoc. Inc; Centre for Invasive Species Solutions; Dargo Landcare Group; Deddick River Landcare Group; Encounter Solutions Ltd; Glenaladale Landcare Group; Gwymac Incorporated; Hunter Valley Combined Wild Dog Association Inc; JS's Feral Pest Control; Local Lands Services Office; Neabul Wallum Cluster Association Inc; North West Plains Sustainability Group; NSW Department of Primary Industries; NSW Farmers Association; Shire Of Esperance; South Australia Department of Environment, Water and South Tambo Cluster Group Association Inc; Natural Resources; Paroo Shire Council; Southern Biosecurity Group; Swifts Creek and Ensay Landcare; Tenterfield Combined Wild Dog Control Group; The Write Woman; Western Langlo Cluster Inc; Woodstock Cluster Association; Yaraka Community Cluster Association Inc	815,933
Wild Dog Coordination	AgForce Queensland Farmers Ltd; Centre for Invasive Species Solutions; David Andrew Worsley; Meja Hannah Aldrich; NSW Farmers Association; Victoria Department of Environment, Land, Water and Planning	946,024
Wild Dog Research & Development	Centre for Invasive Species Solutions	211,951
Wool LCA - Improving Measurement & Reporting	Agri Escondo Pty Ltd; Integrity Ag Services Pty Ltd; Thinkstep Pty Ltd	156,444

## WOOLGROWER SERVICES PROJECTS

Project title	Key providers*	\$ Paid in 2017/18
BestWool/BestLamb 2018-20	Agriculture Victoria	250,000
Breech Strike & Animal Welfare Advocacy	Kynetec Australia Pty Ltd	199,958
Future Harvesting Methods Support 2017-18	Belly's Engineering Pty Ltd; Dwayne Peter Black; P.F Lenehan & S Moran; Primary Employers Tasmania; Richard James Leahy; Rylington Park Management Committee; Shear-Jitsu Limited; Shearing World; TAFE SA; The Evolved International	161,549

\*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.

**WOOLGROWER SERVICES PROJECTS (continued)**

Project title	Key providers*	\$ Paid in 2017/18
In Shed Shearer and Wool Handler Training	Amanda Davis; A.P Newstead & A.T Newstead; Bateman Shearing Pty Ltd; Bluebird Shearing Pty Ltd; Brian Anthony Sullivan; Daniel McIntyre; Dwayne Peter Black; Emma Louise Lenon; Government of Western Australia; Ian Elkins; Indigenous Land Corporation; Karenne Ann Bowden; Kevin Gellatly; Kidman Harold Dunn; McCalman Shearing Pty Ltd; Melanie Jane Morris; Michael Gerard Pora; Mozzie Contracting Pty Ltd; Paul Danial Hick; Penny Clout; Primary Employers Tasmania; Racheal Michelle Hutchison; Richard James Leahy; Rural Industries Skill Training Inc; Rylington Park Management Committee; SCAA Shearer Woolhandler Training Inc; Shear-Jitsu Limited; TAFE SA; Te Huia Shearing Pty Ltd; Terry Cartwright; The Crimar Trust; The Trustee for The Hosie Family Trust; The Trustee for Goodman Family; Walker Shearing Pty Ltd; Zita Renee Boyle	1,773,429
Leading Sheep 2015-18	Queensland Department of Agriculture and Fisheries	158,232
Regional Engagement Activities	Bralca.com / BF & FL Watts; Frimley Services Pty Ltd; Gilman Management Services; Kristina Diane Jackson; Midland Agricultural Association Inc; Premium Fulfilment Services Pty Ltd; Rax & Dollies Pty Ltd; Royal Agricultural Society NSW	339,096
National Merino Challenge	Bralca.com / BF & FL Watts; Catriona Lee Nicholls T/A Hot Tin Roof; Ian E Ware T/A Australian Public	276,837
Novice Schools & Workshops	Belly's Engineering Pty Ltd; Brian Anthony Sullivan; Primary Employers Tasmania; Shear-Jitsu Limited; Rylington Park Management Committee Incorporated; Shearing World; The Evolved International	210,897
Shearer & Wool Handler Industry Competitions 2017-18	C.J Sutherland & T.L Sutherland; Sports Shear Australia (NSW) Inc; Sports Shear Australia Queensland Inc; Sports Shear Australia Victoria; Sports Shear Tasmania Inc; Western Australia Competition; Northern Shears Bendigo 2017	189,371
Sheep Connect NSW 2016-19	Megan Rogers Consulting Pty Ltd	182,220
Sheep Connect SA 2018-20	Primary Industries and Regions South Australia	215,000
Strategic Management Extension Networks	Peter Hanrahan Consulting Pty Ltd	167,606
The Sheeps Back 2018-20	The Sheep's Back Network	220,000
Three Year Review of Performance 2018	Department of Agriculture and Water Resources	353,212
Trade & Supply Chain Facilitation	Ausfine Pty Ltd; Nanjing Wool Market; Scott Daniel Carmody	238,807
WoolPoll 2018	Casey Dunn; Cox Inall Communications; G.J. & K.L. Lawrie & Co and WoolPoll Panel members	163,821

**PROCESSING INNOVATION & EDUCATION EXTENSION PROJECTS**

Project title	Key providers*	\$ Paid in 2017/18
Education & Extension Packages	Accademia Di Costume E Di Moda; Artesis Plantijn University Co; Association of Swedish Fashion; AUNDE Achter & Ebels GmbH; Bradford Textile Society; Carol Anne Stubbs; Catriona Lee Nicholls T/A Hot Tin Roof; CGI By Toinc; China Textile Information Centre; DLA Piper Australia; IED - Escuela De Moda; IM Entertainment Pvt Ltd; Images Multimedia Pvt Ltd; Michel Bos PR & Consulting; Orangefish Entertainment Pvt; Texselect; Zhongyao Culture & Development	310,840

\*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 (continued)**

Project title	Key providers*	\$ Paid in 2017/18
Global Emerging Markets	Dr Tran Van Quyen; Infoaid Partners; Nguyen Van Hung; Ringier Vietnam Co Ltd	248,553
Global Product Development	Alpha Textiles Technology (Suzhou) Co; Appeal Korea Co Ltd; Bises Korea; BS Apparels; Charles Parsons & Co Pty Ltd; Chia Her Industrial Co Ltd; Hohae Textile Co Ltd; Jadeboard 2015 Limited; Jeil Jersey Co Ltd; JJ Nel Production Inc; KnitWarm Limited; LMB Knitwear Pty Ltd; Mira Corporation; Nagnata; ShanDong Nanshan Zhishang Sci-Tech; Shinhan Wool; Steven Brender; Studio Eva x Carola; Zhangjiagang Yangtse Spinning Co Ltd	269,414
Global Trade Fairs 2017/18	Carruthers Associates; Emerald Expositions LLC; Freeman Decorating Co; GL Events Live; Images Multimedia Pvt Ltd; Marco Martini; Messe Frankfurt (HK) Ltd; Messe Frankfurt Medien & Service; Messe Muenchen Shanghai Co Ltd; Messe Munchen Gmbh; Nolostand SPA; Outdoor Cinema Company Pty Ltd; Premiere Vision; Protein One Pty Limited; Sitex SPA; Studio Grassi Design SRL; Three60 Media Pty Ltd; Well Link Consultants Ltd; Worldex India Exhibition & Promotion; Zines Exhibition Services HK	1,233,113
Retail Training - Seminars & Workshops	Accademia Di Costume E Di Moda; Krypton Inc; Press Box Pty Ltd; Protein One Pty Ltd; The Future Laboratory (Aust) Pty Ltd; Three60 Media Pty Ltd	220,812
Student Seminars & Workshops	Bee Dee Bags Australia; Carol Anne Stubbs; Sai Union; Scene Change Sydney Pty Ltd	195,885
Technical Panel Consulting 2018	Carruthers Associates; SEAM Consulting Group	199,151
The Wool Lab	Carol Anne Stubbs; ClassPublicita SPA; Edizoni Ecomarket SPA; Hearst Magazines Italia; Protein One Pty Ltd; Riccardo Rami Studio SRL; Serena Campelli	1,404,522
Trade Content & Imagery Production	Anna Pogossova; Ari Kuchar; Audio Network Australia Pty Ltd; Getty Images Sales Australia; Press Box Pty Ltd; Three60 Media Pty Ltd	150,923
Wool4School Global	Amy Kleindienst; Australian Wool & Pastoral Agency Ltd; Charles Parsons & Co Pty Ltd; Flashbay Pty Ltd; Frankie Press; Good Decision International Limited; Herbert Smith Freehills (London); Hong Kong Trade Development Council; J H Mason; Jacqui Howells; Jiangsu Sunshine Group Co Ltd; Jodi Monro; Jonathan Ward; Katrina Wheaton-Penniall; Ming Pao Newspapers Limited; Nancy McKeown; Richardson Adv & Printing Ltd; The Design & Technology Association; The Icehouse Pty Ltd; Union Management Pty Ltd; Viscarra Rossel & Associates	349,446

**SUPPORT PROJECTS**

Project title	Key providers*	\$ Paid in 2017/18
Beyond the Bale 2017/18	D&D Mailing Services; Newstyle Printing Co Pty Ltd	311,704
Business Development	Activation Events (HK) Limited; Carruthers Associates; China Wool Textile Association (CWTA); Ciragan Sarayi ve Isletmeleri Gelistirme; IM Expo Solutions; Brinc Limited; Istituto Tecnico Industriale Statale; Japan Fashion Week Organization; L'Homme Rouge; Lucien Pages; Shanghai Shangwai Internet Education; Shanghai ECV International Co Ltd	554,548
WoolQ Development	Amy Quinnell; Elevator Media Pty Ltd; Epi Server AB; Jiff Media; Jyron Lazo; Peita Piper; William Wilson; Wool Data Solutions Pty Ltd	969,634

\*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.

# CONNECTING WITH AWI

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

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- [youtube.com/awiwoolproduction](https://youtube.com/awiwoolproduction)
- Instagram/BeyondTheBale
- *Beyond the Bale* magazine online:  
<http://beyondthebale.wool.com>

AWI produces several free e-newsletters:

- Weekly wool market review
- Daily and weekly 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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- Poland
- Slovenia/Croatia/Bosnia/Herzegovina/Serbia/Macedonia/Montenegro

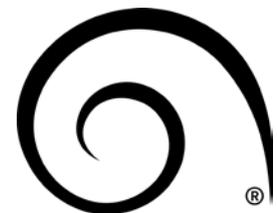
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