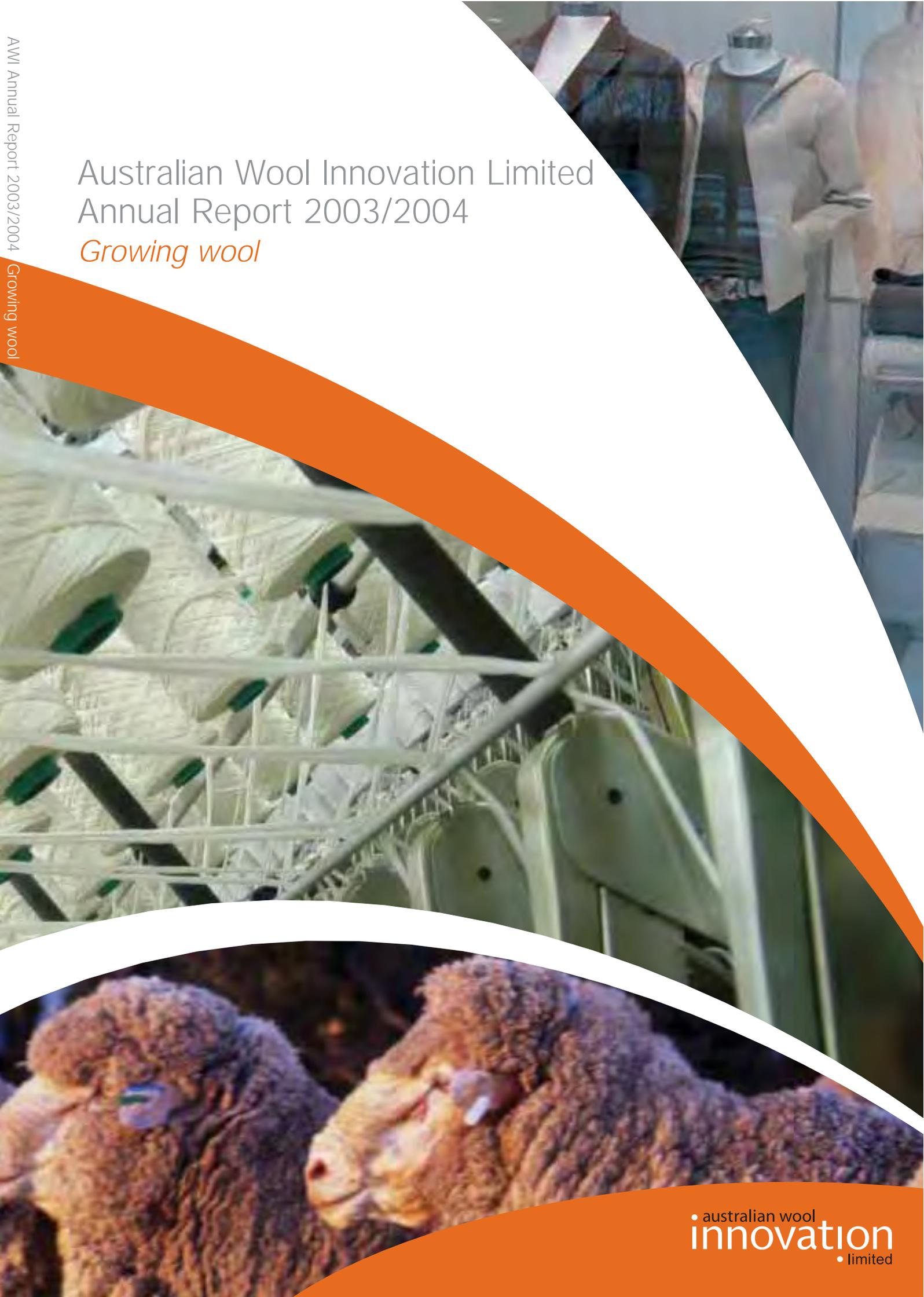


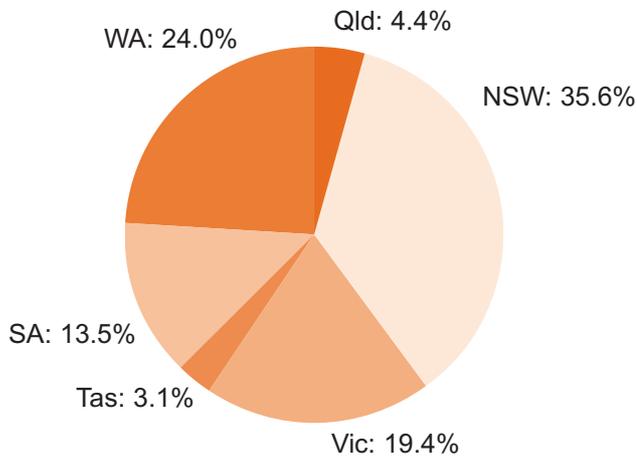
Australian Wool Innovation Limited Annual Report 2003/2004

Growing wool



AUSTRALIA'S WOOL INDUSTRY

It is estimated that Australia will produce 480 million kg of greasy wool in 2003/2004, from 106 million sheep shorn. Relative production by state is shown in the chart below:



- Australia is the world's leading producer of wool, producing over a quarter of the world's greasy wool in 2003/2004.
- While Australia produces more wool than any other country, China has the largest sheep population. Australia has the second largest sheep population.
- Australian wool accounted for approximately 48 per cent of the global total used in global wool apparel in 2003/2004.
- Australia exports wool to 50 countries. China is the biggest purchaser of Australian wool, with exports to China valued at \$1.1 billion in 2003/2004.
- Wool accounts for 2.5 per cent of Australia's total exports, 3.4 per cent of Australia's primary industry (agricultural/mining) exports, and 9.5 per cent of Australia's agricultural exports, ranking third behind wheat and beef.
- Wool exports were valued at \$2.5 billion in 2003/2004.

(Source: The Woolmark Company, AWI Production Forecasting Committee)

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

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Upfront

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About AWI

What is AWI?

AWI is a research and development organisation that works with woolgrowers, researchers, processors and manufacturers to find smarter and more profitable ways to get wool to the world.

AWI invests in research, development and innovation (RDI) projects along the wool pipeline with the main aim of increasing the long-term profitability of Australian woolgrowers. By reporting project outcomes and facilitating the adoption of proven innovations, AWI provides opportunities for woolgrowers to grow wool more profitably.

AWI is funded by a woolgrower levy and a capped Australian Government research and development contribution.

AWI at work

In initiating, commissioning and delivering RDI projects to Australian woolgrowers and the wool industry, AWI's role includes the following.

- Prior to investing in a project, AWI evaluates it according to AWI's Strategic Plan, which has been developed in collaboration with a wide range of stakeholders.
- Upon project approval, AWI assembles the best team and then drives that team to an outcome. AWI contracts researchers from various organisations including CSIRO, state government agricultural departments, as well as Australian and international universities to carry out scientific, developmental, educational and economic projects.
- On completion of a research project, AWI works with appropriate commercial partners to bring its RDI initiatives to the market.
- AWI instigates and develops programs to educate woolgrowers and the industry and encourage adoption of new initiatives and innovations.

AWI's four key investment areas

AWI invests in four key areas along the wool pipeline.

Wool Production

- Profitable Grazing for Wool Sheep
- Natural Resource Management
- Animal Health and Welfare
- Applied Genetics
- Molecular Genetics
- Wool Harvesting

Textile Technology

- Fundamental Wool Science
- Improved Appearance Retention (of wool products)
- New Markets for Australian Merino Wool
- Cost Competitive Wool Processing

Trade Development

- Market Access and Trade Development
- Market Information
- Wool Quality and Logistics

Information and Education

- Education and Adoption
- Industry and Government Relations
- Communications

Mission

The mission of AWI is to improve the long-term profitability of Australian woolgrowers.

Where AWI invested in 2003/2004

Revenue

Total revenue for 2003/2004 was \$63,202,000, a 22 per cent decrease over total revenue in 2002/2003 of \$80,954,000, due primarily to lower wool sales and prices over the 2003/2004 season. Sources of revenue are shown in the table below.

Revenue	2003/2004 \$'000	2002/2003 \$'000
Federal Government	14,124	16,170
Sale of goods and services	255	309
Royalties	355	448
Wool levy	42,739	60,222
Wool tax	-	23
Other	100	-
Interest	5,629	3,782
Revenue from ordinary activities	63,202	80,954

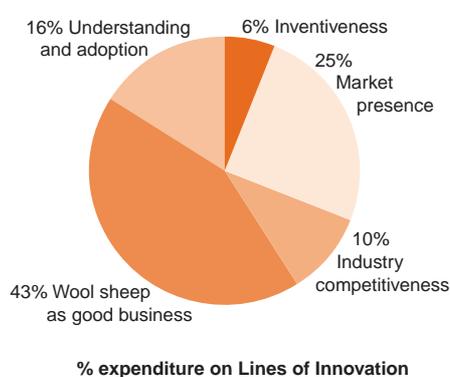
Expenditure

Total expenditure in 2003/2004 was \$54,386,000 (2002/2003: \$64,327,000). Expenditure across each Line of Innovation in the Strategic Plan 2003-08 is shown in the table below. More detailed information can be found throughout the rest of this Report and in the Financial Statements on page 61.

Expenditure on Lines of Innovation

Line of Innovation	2003/2004 Actual Expenditure* \$'000	Strategic Plan 2003-08 Budget \$'000	2002/2003 Actual Expenditure* \$'000	Strategic Plan 2002-07 Budget \$'000
Inventiveness	2,299	1,500	7,274	10,850
Market presence	8,939	19,100	13,546	15,800
Industry competitiveness	3,399	15,700	6,758	14,330
Wool sheep as good business	15,528	25,500	11,100	25,080
Understanding and adoption	5,598	6,700	4,001	7,540
	35,763	68,500	42,679	73,600

* Includes accruals



Overall, actual expenditure was behind budget primarily due to the caution exercised by the Company in a year when drought reduced production and the funds available were not assured until the WoolPoll result in November 2003. Levy revenues were almost \$7 million under budget.

Expenditure was under budget in specific Lines of Innovation, particularly in market presence and industry competitiveness for another significant reason, the need to review the Company's approach to commercialisation. New general managers have been appointed to provide these areas with end-market focus and several new programs and projects have now been developed and approved.

(Note: All amounts of money in this annual report are in Australian dollars unless otherwise stated.)

AWI Board of Directors

The company directors of Australian Wool Innovation Limited, their experience and their special responsibilities as at the end of the 2003/2004 financial year are as follows. The directors were in office during the whole of the financial year and continue to hold office at the date of this report.

I M McLachlan A.O.



Mr McLachlan is a woolgrower with pastoral interests in South Australia, Victoria and New South Wales. Mr McLachlan was the Chairman of the Australian Wool Industry Future Directions Task Force in 1999. He was a Federal Member of Parliament from 1990 to 1998 and was the

Minister of Defence and a Cabinet Member of the Federal Coalition Government from 1996 to 1998. Previously he was the President of the National Farmers Federation from 1984 to 1988. He is currently the President of the South Australian Cricket Association and a Board Member of Cricket Australia.

Special responsibilities

Chairman of the Board,
Remuneration & Appointments Committee Chairman,
Intellectual Property Committee Chairman.

C J Abell Dipl.Mech.Eng., BE(Hons), Ph.D.



Dr Abell is a South Australian woolgrower and is currently a non-executive Director of Saab Systems Pty Ltd and Pacific Marine Batteries Pty Ltd. Dr Abell is a former Director of Vision Systems Ltd (1986 to 2001) and a former Chairman of LADS Corporation Ltd (1992 to

2001). He is also a former Director of Woolstock Australia Ltd (1999 to 2002).

Special responsibilities

Finance & Audit Committee member,
Intellectual Property Committee member,
Falkiner Memorial Field Station Committee member.

B P van Rooyen



Mr van Rooyen is currently the Chief Executive Officer of Australian Country Spinners Pty Ltd and a Director of both the Australian Wool Testing Authority Ltd and the New Zealand Wool Testing Authority Ltd. Mr van Rooyen is a former Executive Chairman of Kolotex (Australia) Pty Ltd and a former Director of

Norwellan Textiles Ltd, Woolstock Australia Ltd and Bruck Textiles Pty Ltd. He is a past President of the Australian Wool Processors Council and a past member of the CSIRO Textiles, Clothing and Footwear Sector Advisory Committee.

Special responsibilities

Deputy Chair of the Board,
Finance & Audit Committee Chairman,
Remuneration & Appointments Committee member.

K J Bell B.V.Sc(Hons), Ph.D., AAAC(WA), ASAP.



Dr Bell has been a self-employed consultant with sheep growers in south-western Australia since 1983. Prior to this, Dr Bell spent five years completing postgraduate research fieldwork and study involving sheep enterprises and has five years experience in international development

projects. He was a sheep-cereal zone consultant representative on the zone farmer advisory committees of the former Australian Wool Research and Promotion Organisation (AWRAP). Dr Bell is undertaking teaching and postgraduate research with the Murdoch University School of Veterinary Studies.

Special responsibilities

Falkiner Memorial Field Station Committee member.

J D O Boyd



Mr Boyd is the Chairman and Chief Executive Officer of Clyde Agriculture, which is a major cotton, wool, mutton, lamb, wheat and beef producer. Mr Boyd is a Director of John Swire & Sons Pty Ltd and Frigmobile Pty Ltd. He is the former General Manager – Rural of Dalgety Australia Ltd,

now Landmark. He is also a former Board Member of Wool International and a former Deputy Chairman of the peak cotton grower body, Cotton Australia. Mr Boyd has served on the boards of the Australian Wool Exchange and Dekalb Shand Seed Company Pty Ltd. He is a past member of the CSIRO Textiles, Clothing and Footwear Sector Advisory Committee. Mr Boyd is currently a Trustee of the McGarvie Smith Institute, which is engaged in agricultural and veterinary research.

Special responsibilities

Finance & Audit Committee member.

P S Sykes



Mr Sykes is currently the Managing Director of Woolaby Australia Investments Pty Ltd, a business focusing on research, product development, marketing and retail within the wool industry. He is also a Director of G A Sykes and Sons, and an AWI shareholder running 7,000 Merino sheep

and 700 beef cattle in southern NSW. Mr Sykes has nine years experience in financial markets with Westpac Banking Corporation in money market trading, risk management and distribution.

Special responsibilities

Intellectual Property Committee member.

H P Nivison B.V.Sc.



Mr Nivison is currently the joint Managing Director of Mirani Pty Ltd, a fine wool stud and commercial wool production business. Mr Nivison is a Board Member of the Australian Sheep Industry CRC, Chair of UNE Rural Properties and a graduate of the Australian Rural

Leadership Program. He is a former member of the Woolmark High Rainfall Zone Advisory Committee and the Woolmark Wool Quality Program Advisory Group. Mr Nivison is also a registered veterinary surgeon.

Special responsibilities

Remuneration & Appointments Committee member, Intellectual Property Committee member, Falkiner Memorial Field Station Committee member.

Chairman's report

The Directors of your company, Australian Wool Innovation Limited (AWI), are totally committed to two things – finding ways of helping woolgrowers to produce more wool for less cost, and striving to increase the global demand for Australian Merino wool and products made from wool.

The past year has been a significant one for AWI and one during which woolgrowers reaffirmed their commitment to research, development and innovation (RDI) investment.

We have this year recruited highly credentialed wool industry experts to head up our RDI portfolios, boosting the capability of the Company to undertake its responsibilities. We have sharpened the investment focus of both the on-farm and off-farm portfolios in a revised five-year strategic investment plan designed to provide optimum benefits to woolgrower shareholders. Priority areas such as market development, genetics, shearing and mulesing have been fast-tracked where possible.

WoolPoll 2003

In last November's WoolPoll 2003, woolgrowers voted to continue their two per cent levy investment in RDI.

This was a strong and positive commitment to the future of the industry. It was recognition of the importance of research and development and a firm endorsement of the direction this Board has been driving RDI investment.

AWI also receives a contribution from the Australian Government and this investment is governed by the Statutory Funding Agreement (SFA) between AWI and the Government.

The SFA was due to expire in December 2003 but was extended to allow for changes as a result of the Senate inquiry report, released in February this year. The new SFA was signed on 31 August 2004. The support and cooperation of the Government is greatly appreciated.

Shareholder control

The AWI Senate inquiry report clearly showed this Board was justified in initiating a review by auditors PricewaterhouseCoopers in early 2003.

New accounting and fiscal policies were introduced as a result of the internal review, as well as more stringent, transparent project approval processes.

The release of the Senate inquiry report in February this year has put the corporate governance issues of the previous Board and management firmly in the past.

Importantly, constitutional changes made at the 2003 Annual General Meeting have further tightened corporate governance and made it easier to nominate candidates for election to the Board of Directors.

Strategic plan

The key investment areas outlined in WoolPoll 2003 have been the basis for extensive consultation with woolgrowers, woolgrower representative groups, researchers and other sectors of the industry on future directions. This included a strategic planning workshop and forums held for industry representatives between August 2003 and July 2004.

As a result, in July this year the Board approved a revised five-year strategic investment plan that includes greater investment in marketing new wool products to retailers while maintaining our efforts in providing opportunities for woolgrowers to improve on-farm productivity.

This plan also allocates significant funds for adoption and commercialisation in both the on-farm and off-farm areas.

Marketing push

The investment in market development in the 2004-2009 Strategic Plan reflects the ongoing progression of AWI's work to increase the demand for Australian Merino wool.

A global situation analysis undertaken as part of AWI's strategic planning process clearly highlighted the need to get innovative wool products onto retail shelves that meet the needs of consumers.

This was reinforced by an International Wool Textile Organisation (IWTO) global retail survey showing that retailers believe consumers want wool products to provide brighter colour, improved softness and better drape.

AWI's textile technology research now has a focused marketing program and the commercial textile apparel expertise to drive more innovative, consumer-focused products onto retail shelves.

Woolmark collaboration

In 2003/2004 AWI funded more collaborative projects with The Woolmark Company, ensuring the best utilisation of the expertise of both woolgrower-owned companies and further leveraging woolgrower funds.

Two major initiatives began during the year that will see AWI and Woolmark work closely together to try and establish a greater retail presence for Australian wool products in the United States (US) and China.

The US project aims to develop accredited supply chains to deliver and market total easy care Australian Merino wool products into this large, untapped but difficult market.

In China, a detailed consumer survey and market assessment is being undertaken to provide strategic direction in this rapidly changing and dynamic market. This assessment will guide new product and market development projects for our number one export market and the world's single largest apparel market.

Shearing, genetics, mulesing

Shearing, genetics and mulesing continue to be key priorities in the Company's drive to give woolgrowers opportunities to improve productivity and product quality.

After extensive evaluation, the company's investment in Shear Express technology was terminated in December 2003. The exit agreement provided the project partners with the best opportunity to develop it further and importantly, ensured innovative features of the mobile wool harvesting prototype are made available for the benefit of woolgrowers.

AWI is now undertaking a new RDI initiative aimed at reducing the cost of shearing and making it more attractive as a profession. This began in June and we are treating it with urgency.

Similarly work on the development of the Australian Sheep Genetics Database (ASGD), a joint initiative with Meat and Livestock Australia (MLA), is a high priority.

Stud breeders, sheep classers and woolgrowers will be able to use ASGD to select for specific traits and breeding strategies. There is no doubt that genetic improvement technologies such as this will provide opportunities for significant future productivity gains.

Mulesing is an unpleasant task most farmers would prefer not to carry out but it is essential for animal health and welfare. The development of an AWI-funded, commercially viable alternative to mulesing is well underway and early results have been promising.

A positive future

Notwithstanding the ongoing drought in some regions, Merino sheep producers should feel positive about the future.

The Australian sheep flock appears to have bottomed out and wool production has been forecast to recover to 500 million kilograms greasy in 2004/2005, plus analysts have been forecasting wool prices to improve.

Sale sheep prices are excellent and lamb prices continue to set records – both positives for Merino sheep producers. The Merino is still the basis of the Australian lamb industry.

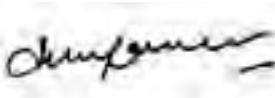
However ongoing innovation and improvement is imperative if Merino wool is to prosper. No business or industry can afford to stand still and expect to survive.

AWI's role is to provide woolgrower shareholders with solutions to on-farm problems, opportunities to reduce cost of production and tools to improve product performance.

It is also AWI's role to increase the global demand for Australian Merino wool by developing new wool products and marketing them to retailers.

The information outlined in this report shows that AWI understands that it has to vigorously drive research, development and innovation investment in order to deliver these outcomes to shareholders.

Wool has a great future. To get there we must constantly innovate and strive for continuous improvement.



Ian McLachlan AO
Chairman
Australian Wool Innovation Limited
16 September 2004

CEO's report

The past year has been one of both consolidation and revitalisation for Australian Wool Innovation Limited (AWI).

The WoolPoll 2003 vote to continue with the two per cent research levy has allowed AWI to consolidate our research, development and innovation (RDI) program with renewed vigour and confidence.

Total revenue for 2003/2004 was \$63.2 million, 22 per cent down on 2002/2003, primarily due to lower wool sales, a result of the ongoing drought, and lower prices.

Despite good rain in the southern areas of Western Australia, South Australia and Victoria, drought has continued to create difficulties for many producers, particularly in NSW.

The Australian Government's valuable support to wool RDI must be acknowledged, with \$14.1 million contributed in 2003/2004.

The year's expenditure of \$54.4 million was \$26.7 million under budget for several reasons, primarily that reduced income was evident as the year progressed, future income was not assured until the result of WoolPoll 2003 and strategic planning reduced the pace of new project establishment.

New general managers with international commercial textile industry experience were appointed in the first half of 2004 to provide these areas with sharper commercial and end-user focus. Eric Finnie, a former United Kingdom textile and apparel executive, now leads the Textiles area, while Pascal Senkoff, former Greater China General Manager for Chargeurs Wool, is managing the Trade Development portfolio.

More recently, leading agricultural consultant Ian Rogan was appointed to oversee the Wool Production team, while in the second half of 2003, Fiona Chisholm, former global head of brand communication at Westpac Institutional Bank, was appointed to lead the Information and Education area.

Textiles

A revitalised approach in the Textiles program has already seen the introduction of exciting new marketing platforms designed to facilitate the uptake by global retailers of the latest innovative fabrics.

Work undertaken by the Textiles team in 2003/2004 highlights the exciting possibilities for wool.

Woolfleece™, an innovative wool blend fabric funded by AWI and developed with The Woolmark Company, is now being marketed to global retailers as a higher quality alternative to the popular synthetic fleece.

Research in the medical textiles area identified a number of potential applications for wool in the lucrative dressing and wound treatment market, particularly for burns victims.

Development continued on new fabrics such as ultralight, pure wool, Solospun™ fabric for shirts and tailoring, on processes such as Murata vortex spinning and atmospheric plasma treatment for enhancing the qualities of wool fibres, as well as fundamental wool science to improve fibre quality and performance.

The Woolmark Company is a significant RDI partner in the Textiles area and in 2003/2004 AWI provided \$2.5 million funding to Woolmark for work undertaken on various projects.

Trade development

The development of the Dark and Medullated Fibre Risk (DMFR) scheme and the introduction of cheaper dark fibre tests were highlights of the Trade Development program this year. With increased concern among global processors over dark fibre contamination, these initiatives will be important in maintaining Australia's reputation as a supplier of high quality white Merino wool.

Reducing global trade barriers to Australian wool is an important part of the company's push to build demand for Australian Merino wool by making it more competitive against other fibres.

The proposed development of a Free Trade Agreement (FTA) between Australia and China – Australia's largest wool buyer – is an opportunity to increase sales of Australian wool. AWI, on behalf of industry, provided a submission to the Australian Government to ensure woolgrowers' interests were represented.

Wool Production

A feature of AWI's Wool Production program is its breadth, addressing production issues across all woolgrowing areas of Australia. Research work included breeding new pasture species, biocontrol of blowflies and alternative poison baits for feral dog control. In addition, early results from the Lifetime Wool research project showed specific feeding of ewes can boost profitability by up to \$5 per ewe per year, and the ongoing Land Water and Wool program continued to provide growers with practical information for sustainable production systems.

I am also very pleased to report a number of important major projects that began in 2003/2004. Agreement was reached with Meat and Livestock Australia (MLA) in late 2003 for an Australian Sheep Genetics Database (ASGD) and development is on track for delivery in early 2005.

Work is also well underway on the AWI-MLA Sheep Genomics Program that promises to deliver very powerful genetic selection tools that will enable woolgrowers to achieve significant productivity and product quality improvements.

Research co-funding

The joint genetics initiatives with MLA highlight the importance AWI places on working with other research funding organisations to provide more efficient use of woolgrowers' levy dollar.

In 2003/2004 AWI had more than 13 projects that involved co-investment with one or more other research funding organisations including MLA, the Grains Research and Development Corporation (GRDC), the Rural Industries Research and Development Corporation (RIRDC) and the Sheep Co-operative Research Centre (CRC).

AWI works with many research organisations such as CSIRO, Canesis, universities and state agriculture departments. We depend on the creativity of the scientists in these organisations to help us deliver innovations to the wool industry.

Embracing innovation

Adoption of RDI outcomes is imperative for AWI to achieve its mission of improving the long-term profitability of Australian woolgrowers.

The AWI-funded grower networks are an increasingly important mechanism to facilitate the adoption of RDI outcomes on-farm.

For example, analysis has shown that 69 per cent of Bestwool 2010 members have made major changes to farm management and the farm productivity of members is up to 22 per cent higher than the wider average.

There are now more than 256 AWI-funded grower groups across Australia involving about 3,500 producers, looking at issues from business benchmarking to specific projects such as pastures, nutrition and natural resource management.

As with adoption, training and development for the next generation of woolgrowers, researchers and scientists is critical for the long-term prosperity of the wool industry.

AWI provided funding to 33 students in Australia during the year, as well as for 24 Chinese students through the China Australia Wool Innovation Network (CAWIN). The company also invested \$4 million in the Australian Wool Education Trust that will help provide ongoing financial support for the next generation of scientists working right through the wool pipeline.

The very nature of research and development means there are no guarantees of success. However by taking an end-user focus to our RDI investments and monitoring and evaluating progress, AWI is doing its utmost to give projects every chance of success.

Finally I would like to acknowledge the efforts of the many industry representatives and leaders who have contributed greatly to AWI's planning and progress. Most importantly, I would like to thank the AWI staff for their hard work throughout the year.



Len Stephens
Chief Executive Officer
Australian Wool Innovation Limited
16 September 2004

2003/2004 report of progress against operational plan

The information below summarises the results of AWI activities undertaken in 2003/2004 against operating targets.

Operating Plan Target	Performance Against Target
Priority A: Inventiveness	
A1 Planning and Consultation	
Establishment of <i>ad hoc</i> advisory panels to obtain planning advice.	Sixteen industry advisory panels were established. Woolgrowers and consultants/wool industry companies made up majority of panel participants. In addition, three stakeholder forums were held with industry groups to provide feedback on AWI R&D priorities and review Statutory Funding Agreement.
Establishment of forums involving the international wool processing sector.	AWI Innovation Forum at the International Wool Textile Organisation (IWTO) conference held in November 2003.
A2 Program Management	
Establishment of continual improvement procedures regarding receiving applications and preparing contracts.	Revised concept and project proposal forms developed. Standard contract templates introduced. Contracting efficiency enhanced through increased staffing. Service level agreements being developed.
Implementation of new project management software system.	Initial release completed. Project being re-evaluated.
A3 Program Monitoring	
Independent economic evaluation of R&D investment portfolio.	Cost benefit of each program plan within AWI's entire investment portfolio evaluated.
New approach to measurement of R&D adoption in conjunction with other rural RDCs.	Evaluation of 20 current projects completed June 2004. New system launch planned for September 2004.
A4 Managing the Commercial Edge	
Intellectual property (IP) register updated and report provided to shareholders.	Included in Annual Report.
A5 Frontier Research	
Establishment of collaborative projects in genomics, addressing parasitism and wool biology.	AWI/MLA Sheep Genomics Program Management Agreement in place. Contracts finalised for Wool Biology and Host Resistance to Internal Parasites sub-programs. Mapping strategy completed.
Establishment of basic science projects in wool physics and surface characteristics.	Ten contracts in place in a collaborative program to address three fundamental challenges for wool. Program plan for Fundamental Wool Science approved by the AWI Board. Further projects being commissioned.
Priority B: Market Presence	
B1 Novel Wool-Using Products	
Non-woven wool fabrics investment projects – at least four new fabric concepts with at least one launched commercially.	Fabrics produced for outerwear, linings, accessories and fleece. The product concepts have been extensively communicated to potential partners in the northern hemisphere – the fleece and linings gaining the most interest. Commercial partners are being sought this year to take these products to market.
Sportwool™ fleece wool blend yarn – develop range of eight single and double jersey prototype fleece fabrics.	Three products are being sold, an inner layer garment, middle layer garment, and an outer layer garment. Garments are now being sold worldwide, through distribution channels owned by The Woolmark Company and the Korean manufacturer's own distribution channels.

Operating Plan Target	Performance Against Target
New equipment development – develop new wool/heat melt polymer products ready for commercialisation.	Project completed with applications identified in bedding, equestrian, footwear, clothing, furnishings, building/room insulation and medical. Lack of commercial interest has caused this project to be suspended until a market is found.
Non-woven machinery joint venture – produce 500,000 metres of fabric per year.	Commissioning of non-woven plant took longer than expected. Only 30 per cent of volume target achieved, but the sales platform for 2004/2005 suggests that volumes will be exceeded in non apparel markets.
Technology for casual/leisurewear woven blends – for lightweight outerwear.	Two heavier styled novel fabrics developed and two lightweight fabrics developed. Evaluation of dyeing and waterproofing processes completed and manufacturer secured. The resultant products from this project are included in the marketing platform “Trans-Seasonal” which is being launched in Spring 2005.
Novel wool/cotton apparel – develop double layered knit and woven blend samples.	Three commercial partners identified and fabric samples made up into garments by commercial partners for wearer trial. Development project completed. The resultant products are included in the marketing platform “Natural Australia” with other wool/cotton blends.
Sportwool™ Outdoor – breathable wool film ready for commercialisation.	Successfully produced breathable wool film membranes applicable commercially. Route to market being sought; a commercialisation plan will be delivered in September 2004.
Pure wool business shirt – Australian shirt manufacturing partner identified.	Wearer trial conducted. Technology transfer and commercialisation project with manufacturing and brand distribution partner approved. Commercial interest from other manufacturers and technology also being applied for lightweight tailoring.
Smart yarn development – identify three new high tech wool/wool blend yarns and identify commercial partner.	New innovative fibre and yarns identified and commercial manufacturing facility being sought. A marketing plan will be submitted in November 2004.
Heated wool bedding – identify a commercial manufacturing route.	Provisional patent lodged. Commercial partner and retailer for initial launch identified and development schedule agreed. Target date for trial production run and test marketing is May 2005. This project is part of a marketing platform “Winter Warmth” and the marketing plan is being prepared.
Electrostatic wool filters – development and optimisation of a method for producing electrostatically charged wool filter fabrics.	Two different methods developed with varied levels of success to generate acceptable substrate containing wool. Two commercial partners have been engaged and field trials of wool-based filters are underway. A new marketing platform “Catch The Wind” has been developed for this project and the marketing plan is written. Plan to achieve first commercial sales in early 2005.
Medical textiles – five products identified.	Clinician survey work completed with 12 products identified for development. Development project under preparation. Specific areas in bandages for burn victims have been identified and other potential clinical products are being identified under the marketing platform “Natural Healing”.

Operating Plan Target	Performance Against Target
Sensory fabric – development of manufacturing and testing techniques; design of novel products with third party.	Development of manufacturing and testing techniques completed. No commercial partners have as yet been found, and it is likely this project will be suspended until a commercial interest is determined.
B2 New Technologies to Enhance Wool Products	
Plasma treatment of wool – feasibility.	Feasibility completed successfully. Commercial manufacturing partner identified. A decision whether to continue funding this technology is being made. This decision will be made relative to other opportunities in shrink resist treatments.
Total easy-care jacketings – engineer easy-care performance garments.	The critical partners are now in place for trials involving a fabric finisher, an accessory manufacturer, a garment maker and a retailer. Development is at an advanced stage in garment making.
Permanent bright shades for wool – a technology to enhance the whiteness of wool.	This is a multi activity area, covering bleaching, dyestuff development and protection of wool from ultra violet degradation. Development of bleaching technology is well advanced; dyestuff technology and ultra violet protection continue in the development stage.
Men's washable woolblend suit – commercial release of the washable wool suit into the Australian market.	Completed. Product released into Australian market – sales of 3,600 units as at May 2004.
High lightfastness dyeings for wool fabrics – successfully patent a process/material; identify a commercial partner.	Information not patentable. Commercial trial partners identified and commercial trials progressing well. At least one company is expected to be using this technology this year (2004/2005).
B3 Revolutionary Wool Directions	
Fundamental wool science collaborative research (AWI, CSIRO, Canesis, DWI, Deakin University).	Projects progressing well with good collaborative interaction. Ten projects contracted including surface layer analysis of the wool fibre to give direction for future development of shrink proofing treatments, development of handle and drape.
Nanowool – techniques developed for adsorption of nano-particles onto wool fibres.	Project progressing well with milestones and achievement criteria being met. This is an early stage project that will lead to possible shrink proofing, ultra violet protection and fabric handle.
B4 Marketing Support for Innovations	
Sportwool™ vapour device – wool buffering – a new device to demonstrate the micro-climate benefits of wearing Sportwool™.	Completed. Sportwool™ vapour device successfully being used to demonstrate vapour management.
European Wool Innovation Awards.	Project terminated.
Australian Wool Fashion Awards (AWFA).	The AWFA in 2004 was considered by the industry to be a successful event and will continue to be funded.
Royal Society of the Arts (RSA) Student Design Innovation Awards.	Award winning students formed part of the global wool pipeline study tour.

Operating Plan Target	Performance Against Target
B5 Trade Policy and Market Access	
China-Australia Joint Working Group on Wool.	<p>The group met in Beijing in April 2004 resulting in initiatives by AWI to run workshops in China. These workshops will assist Chinese buyers to purchase Australian wool that is most suitable for the proposed end use.</p> <p>A study to investigate specific quality problems of Australian wool has also begun.</p> <p>Submission provided to Chinese authorities on the options to improve the Designated Trader System for wool quota management.</p>
Implement and maintain a Mandarin website.	Mandarin website launched in September 2003 and updated regularly.
Establish AWI's profile with industry in China.	China office officially opened in September 2003. AWI became a standing member of China Wool Textile Association (CWTA) in August 2003. Numerous industry delegation visits between Australia and China.
China-Australia Free Trade Agreement (FTA).	China-Australia FTA Feasibility Study submitted by AWI on behalf of Australian wool industry.
World Trade Organisation (WTO) negotiations.	<p>Contributed wool industry details to National Farmers' Federation (NFF) and DFAT as part of the process to stimulate WTO agriculture negotiations.</p> <p>Textile and Clothing Agreement monitored to ensure WTO member countries are moving to remove all remaining textile quotas by 31 December 2004.</p>
Provide wool industry input to the Asia Pacific Textile and Clothing Industry Forum.	The forum has been deferred by government members.
Present an industry paper on trade barriers for the Indian market at the Australia-India Joint Business Group (JBG) in September 2003.	Completed. Information was included in the DAFF official paper to JBG meeting in September 2003.
US-Australia Free Trade Agreement.	Submission made to DFAT in July 2003. Ongoing liaison with NFF.
Implement an industry/government consultative group on trade and market access issues to meet quarterly.	A new Trade Development Advisory Committee was established in September 2003 and has had three meetings.
Priority C: Industry Competitiveness	
C1 Marketplace Understanding and Information Flow	
Linking Production and Processing Workshop Program workshops and Our Future in Wool Program forum.	Linking Production and Processing Workshop program terminated due to lack of demand. Planning completed for Our Future in Wool supply chain forum. Forum held in August 2004.
<i>Pricemaker</i> website audience to exceed 1,000 unique visitors per month.	Completed. Visitors monitored on a monthly basis and exceed established targets.
The Woolmark Company to supply AWI wool levy projections, services and publications for AWI release.	All services supplied.

Operating Plan Target	Performance Against Target
The Woolmark Company to provide assessment of the cost-benefit and market potential of web-based wool pricing and related tools to AWI.	Completed. Follow on project initiated to provide enhanced pricing service after February 2005.
Update <i>Sheep's Back to Mill</i> publication.	Completed. Available in hard copy and on AWI website.
Develop Stage 1 of a computer based global wool pipeline logistics model.	Preparatory work completed.
AWI Wool Production Forecasting Committee – complete and release three forecasts.	Forecasts completed. Additional flock modelling project initiated.
C2 Fabric to Fibre – Wool Market Segments and Technical Requirements	
Release of <i>Wool Contamination Survey</i> report into the extent of contamination.	Completed.
Develop education models for producers on supply chain dealings and logistics.	Module outlines completed. Development postponed due to slippage with Our Future in Wool supply chain forum.
C3 Developing and Implementing a Common Wool Fibre Language	
Implementation by AWTA of routine presale measurements for dark and medullated fibre contamination by 2005. Proof-of-performance studies on four alternate approaches.	Progressing slightly behind schedule – one technology approach very promising, commercial test cost already reduced by 75 per cent. Additional related projects initiated.
Introduction of a vendor declaration to assist buyers to reduce the risk of purchasing wool containing dark or medullated fibres.	Vendor declaration completed and approved by IWTO in December 2003. Implemented July 2004 with excellent uptake by industry.
C4 Wool Processing – Engineering Efficiencies and Economics	
Build a web based technical advice portal for the wool textile processing and manufactured industry.	Build phase commenced. Slippage due to delays in sourcing key project personnel. Release planned for December 2004.
Murata Spinning Innovations – technical package on the use of this technology disseminated to spinners.	Technical package prepared, targeted and is being progressively released throughout this year.
Murata Spinning Innovations – technical package on short staple spinning disseminated to Vortex spinning frames.	Short staple feasibility work completed. Extension works to conduct full trials with commercial partners in progress.
Murata Spinning Innovations – feasibility of the use of the technology for long staple spinning established.	On hold, pending assessment of short staple products. Products in wool/cotton blends are being developed to lobby cotton manufacturers with the technology to use wool. This is from the marketing platform “Natural Australia”.
C5 Processing and Manufacturing Efficiencies – Practices and Locations	
Develop mill education packages for <i>TopSpin</i> and <i>TopMaker</i> .	Products are being introduced to spinners and top makers through AWI with the focus on China.
Develop pipeline skills training strategy.	Completed. Strategy included in the Information and Education Program Plan with supplementary input provided to Textile Technology Program plans.
C6 Handling, Testing, Selling – Innovations to Benefit Producers	
On-Farm Fibre Measurement (OFFM) – Education & Adoption Program – Complete tender process for development of technical material and deliver workshops.	Successful tenderers finalised. Workshops to be delivered between September 2004 and June 2006.
Complete OFFM comparative trial and communicate results to industry.	All stages of field trials completed and final report presented at IWTO.

Operating Plan Target	Performance Against Target
Initiate OFFM decision support systems, data dictionary and data communication standards.	Work completed and being subjected to acceptance protocol. Contract development still incomplete.
OFFM QA – appoint Project Manager, complete QA manual, initiate round trials, training, accreditation and industry workshops.	Successful tenderer finalised. On track for commencement in September 2004.
Finalise and promulgate sheep electronic ID standards to industry.	Draft standards currently being circulated among industry partners. Final report completed, and scheduled for dissemination and consideration by an Industry Advisory Panel in late 2004.
Progress implementation of electronic bale ID throughout pipeline via AWEX and other key organisations by mid 2004.	Review completed. Industry consultation group to be established.
C7 Wool Harvesting – Economies and Performance	
<i>Shear Express</i> – working prototype available for commercial proving from October 2003. Commercial evaluation of the prototype set for June 2004.	Field trials report issued in early December 2003 – machine judged not to be commercially viable. Decision made to discontinue investment. Termination of Shareholder Agreement. Exit from <i>Shear Express</i> .
Shearing Exhibition/Training Centre (<i>Shear Outback</i>).	Project meeting expectations and milestones. Financial status of <i>Shear Outback</i> being closely monitored.
Complete pilot scheme for the National Shearer and Wool Handlers Training Program.	Pilot completed in January 2004. New training strategy included under Wool Harvesting Program.
Harvesting Technology Expert Advisory Group established and interim updated technology market survey completed. Recommendations for new shearing R&D projects.	Combined with a technology search project – interim report delivered. Detailed Harvesting Program approved. Follow on projects (such as shearing platforms) underway.
Priority D: Wool Sheep as Good Business	
D1 Sheep – Engineering to Improve Products and Efficiency	
Cost-benefit evaluation for each breeding approach of SARDI Selection Demonstration Flocks. Resource materials developed and events held to disseminate outputs to at least 1,000 producers and conduct annual Open Day.	Costs of various selection approaches reported with findings published in the Annual Field Report, March 2004. Mailing list increased to 950. National Open Day held with record attendance of 250 producers.
Continuation and refinement of the Central Test Merino Sire Evaluation.	Independent analyses of genotype-environmental (GxE) effects and ASGD suitability of the Central Test Sire Evaluation data completed. Major reinvestment in sire evaluation approved for a three-year project that will deliver annual publications of Merino Superior Sires, quarterly web updates, and link sires for 10 sire evaluation sites.
Preliminary investigation of possible mechanisms of resistance to fly strike by hypospadias sheep.	Project completed. No reasons for fly resistance in hypospadiac sheep identified, and further research is unlikely to be pursued.
By 2007, develop a vaccine against rumen protozoa for enhanced meat and wool productivity and lowering greenhouse emissions.	On track. Contract was signed in October 2003.

Operating Plan Target	Performance Against Target
By 2008, Lifetime Wool project to develop and communicate practical grazing and feeding management guidelines to increase lifetime performance of ewes and their progeny.	Progressing according to schedule. Project management and evaluation systems established and performing well. Fourteen large scale experimental sites established on commercial wool growing farms. Substantial producer and consultant demand for information about the findings from Lifetime Wool; 2,500 producers have received information to date.
Progress the Sheep Functional Genomics program aimed at discovery of genes that influence internal parasites, reproductive and metabolic efficiency, and possibly OJD.	Good progress made in initiation phase of this complex program. MLA/AWI Sheep Genomics Program Management Agreement in place. AWI is the agent for Host Resistance to Internal Parasites and Wool Biology sub-programs – all contracts finalised.
D2 Feeding – Pastures and Nutrition to Lift Returns	
By 2007, produce three improved phalaris cultivars for soils, summer rainfall zones and higher winter production across south-eastern Australian wool growing areas.	Progressing on-track. Commercialisation arrangements acid for the new acid tolerant cultivar have been completed. Development of winter active and northern NSW cultivars on track, including development of grazing trials.
Develop new legume varieties through the National Annual Pasture Legume Improvement Program (NAPLIP) for the sheep/cereal and high rainfall regions.	Excellent progress against schedule. NAPLIP has produced over 26 new commercial legume varieties since 1985. In total, more than 50 varieties have been produced as a result of woolgrower-funded research. Napier and Izmir available in 2005 and Coolamon in 2006. Bolta and Frontier Balansa clovers commercially available. Margarita and Erica hard seeded French serradellas released.
Breed bio-control insects in bulk quantities and release onto nursery sites and commercial farms to combat Paterson's Curse and thistles.	NSW, Vic, SA and WA actively breeding and distributing biocontrol agents through the development of nursery sites and producer involvement in field days.
By 2005, develop at least two genetically modified sub clover varieties able to take up more phosphorus from soil and suit different environments.	Review in February 2004 agreed that commercialisation would not be pursued, and the project was terminated by mutual consent.
Optimum spray dates and timing for redlegged earth mites in Mediterranean and high rainfall areas to be available to industry.	Development of TIMERITE [®] in 2003/2004 led to its release by AWI on 1 July 2004. 657 unique spray dates provided to producers through the AWI Helpline and website during July 2004.
D3 Enhance the Natural Resources Base for Wool Production	
By 2006, Land, Water & Wool (LWW) program aims for over 2,000 producers applying natural resource management (NRM) innovations, and a measurable increase in producer NRM awareness, priorities and practices.	All major program elements on track. Sustainable Grazing on Saline Lands (SGSL) sub-program progressing well with 120 producer groups now involved. Biodiversity sub-program progressing well with final project in Traprock region now approved. Climate sub-program, Rivers sub-program and Future Woolscapes sub-program progressing well. Review of monitoring and evaluation framework currently underway. Grain & Graze will provide an opportunity to deliver LWW products to a wider audience.

Operating Plan Target	Performance Against Target
D4 Health, Welfare, Chemicals – Productive, Easier Care Sheep	
Develop a commercially viable alternative to the mulesing operation through permanent wool removal.	Much progress made and the project is being fast tracked. Treatment on the breech of 12 sheep has provided a result very similar to the mules operation and formulation improvement has minimised between-sheep variation. Significant hurdles still exist including the development of an applicator. Negotiations are underway with several medical and veterinary instrument companies. Commercialisation is anticipated in mid-2007.
Restructure <i>WormWorld</i> software (a computer simulation model of population dynamics for the three major sheep worm species) and documentation to produce a re-coded version and user manual.	Completed. Final report, including comprehensive user and programmer guides, received on 30 October 2003. The software continues to be used by research groups and can now be operated independently of its original authors.
Development of rapid diagnostic capability for Capripox viruses by December 2006.	The research team has visited Canada and generated the biological materials required for the project (i.e. from experimentally-infected animals). Milestones have been re-scheduled following delays with contracting and project completion is now expected in March 2007.
Commercial agreement for manufacturing and marketing of lice detection test.	Slower than anticipated progress. Project is now due to finish at end of 2005.
Development and demonstration of integrated parasite management (IPM) for sheep production via establishment of five demonstration farms in each of the major sheep-producing climatic zones.	Project progressing well. 23 cooperating farms established: five sites in WA, eight sites in Vic/SA/southern NSW, four sites in Qld, and six sites in the New England area of NSW.
Review by expert advisory panel of proposals regarding novel technologies to control lice and flies in sheep.	Panel process successfully completed, strategy and budget documented, and projects for funding identified. Twelve projects recommended by panel have all been approved.
D5 Inventiveness and Old Problems – Lower Cost, Easier Care Sheep	
Generate data for the Australian Pesticides and Veterinary Medicines Authority (APVMA) on levels of exposure to diazinon.	All field and laboratory work completed and analysed. Final reports completed.
Assist in the eradication of foxes from Tasmania, through the provision of training.	Project now complete. 81 Tasmanian woolgrowers were trained in fox detection and control, with videos and case studies now available for ongoing training. Booklet on first aid for dogs poisoned with 1080 has been distributed nationally.
Development of baits with enhanced canid specificity.	The new toxin has performed well in trials. Commercial partner identified and commercialisation date estimated early 2007.
Priority E: Understanding and Adoption	
E1 Reaching Broadly – Ideas and Knowledge for Producers Generally	
Hold research update workshops and provide written reference materials for staff of major rural merchants and agents.	Project refocussed due to lack of demand. Brokers now being involved through specific projects such as DMF, OFFM and the new adoption and extension programs.

Operating Plan Target	Performance Against Target
Develop tools and events to improve skills of facilitators and coordinators involved in AWI funded group networks.	Scoping study complete with three recommended projects. The first was rejected due to new CRC project. The second was referred to RIRDC Cooperative Venture for Capacity Building due to industry scope. Initial planning for the third project's group e-networking trial completed. Trial scheduled for October 2004.
In partnership with MLA, introduce a sheep industry mentoring program.	Program launch planned for October 2004.
In conjunction with the Sheep CRC, develop three new wool multimedia distance learning units for use in Australian universities.	Development of 75 units approved. Three new units to be completed by December 2004.
Demonstrate a range of new and innovative, commercially focused R&D activities at Falkiner Memorial Field Station. Integrate commercial production and sustainable NRM.	Substantial progress made. Irrigation redevelopment almost complete. Fencing and stockwater improvements underway. Three research field days completed. Restocking of property for Genomics Mapping Flock underway. Active research underway includes Lifetime Wool program and Central Test Sire Evaluation.
<i>AWI Wool Innovation Showcase</i> to attend 20 non-AWI events and implement special speaker's program.	Eighteen events attended with more than 6,000 visitors. AWI speakers presented at six of the 18 events.
Develop a product delivery system to enable publication and distribution of project and program outcomes.	Production of a product catalogue is scheduled for later in 2004.
E2 Targeted Activities – Higher Understanding and Adoption Expected	
<i>Look@Wool</i> – producer directed learning in South Australia.	Progressing as per program milestones. Communications plan and business plan developed. First phase of facilitator recruitment completed. Eight groups established.
<i>Bestwool 2010</i> – producer directed learning in Victoria.	Progressing as per program milestones. 72 groups involving 2,000 producers in place. 170 new members recruited this year.
<i>Bestprac</i> – producer directed learning across the rangelands.	Progressing as per program milestones. 28 groups in place involving 286 producers. Ongoing group formation on track.
<i>Tasmanian 8 x 5 Wool Profit Program</i> – broad based integrated research and extension program.	Progressing as per program milestones. 350 growers have attended field days and workshops and 158 have attended discussion groups at monitor farms. 850 growers receive regular quarterly newsletters.
By 2004, introduce an extension and adoption program targeting specialist wool producers in WA.	Project commenced in August 2004.
By 2004, introduce an extension and adoption program targeting specialist wool producers in NSW.	Consultations with industry completed. Project due to commence October 2004.
By 2004, introduce an extension and adoption program targeting specialist wool producers in Queensland.	Project commenced in August 2004.

Operating Plan Target	Performance Against Target
E3 Shareholders – Knowing What AWI is Doing and Why	
1800 Information Line.	An average of 156 calls per month taken during 2003/2004.
Woolgrower forum by mid-2004.	Activity delayed. Forums held in July, August and September 2004.
AWI website redevelopment and enhancement.	Reviewed and changes to be made in October 2004. Average daily website visits increased from 600 to 774 compared to 2002/2003.
Bi-monthly newsletter <i>Beyond the Bale</i> .	Produced and distributed to all shareholders and stakeholders throughout 2003/2004.
Project fact sheets (Insight and Innovators).	24 new or updated fact sheets produced during 2003/2004.
E4 For the Future – Wool Technical Education	
Implement a scholarship and studentship program that will involve 100 award recipients across all education sectors during 2004/2005.	33 award recipients in 2003/2004.
Develop wool industry career resource materials. Pilot initiatives in two communities to link industry with local schools.	Slippage due to delays in CRC contracting and difficulty in recruiting CRC schools coordinator.
Develop project-based kits to enable the Future Fleece CD to be used in school curriculum nationally.	Draft outline for revised CD complete and draft content being reviewed. Plan to complete project by September 2004.
AWI/Canesis joint postdoctoral fellowships and postgraduate scholarships program.	One postdoctoral fellowship on intelligent textiles awarded in UK. One PhD on fabric finishing awarded in New Zealand/Australia.

Adoption and evaluation of project outputs

For AWI to fulfil its mission of increasing the long-term profitability of woolgrowers, it must ensure that the outcomes of research and development support innovation both on-farm and along the wool pipeline. Equally, it is also important for woolgrowers and the wool industry to embrace innovation and become involved in AWI projects where they can.

Since establishing the Education and Adoption program at the beginning of 2003, work has begun to build a stronger focus on the intended outcomes and delivery of research development and innovation (RDI). At the end of the day, AWI will be measured by the change it has produced.

The nature of RDI means that there are no guarantees of success, and sometimes it can take many years for the worth of a project to be clearly seen. To better understand the benefits, value and adoption or market penetration of its projects, AWI hired two organisations in May 2004 to undertake an evaluation of AWI projects in the Wool Production and Textile Technology areas.

The evaluations were conducted with the knowledge that information on project outcomes would vary, as many of the projects were still in progress and yet to produce final results. The findings of the evaluations suggest that, whilst most projects are on track to deliver results to shareholders and the industry, extra effort is required to support adoption and commercialisation and to ensure that there is rigorous evidence of that success. This will be addressed through:

- additional staff training on project planning and impact evaluation;
- increased emphasis on project evaluation in program plans;
- the re-design of project application forms to increase the focus on deliverable outcomes;
- quarterly reports on key project outcomes for each program area; and
- specialist marketing input to increase the rate of adoption and commercialisation.

The following two examples of projects that are directly benefiting woolgrowers, plus the detailed outcomes and case studies throughout this annual report, illustrate the strengthening of AWI's adoption strategies.

Solutions adopted for sustainable grazing on saline land

The AWI-funded Sustainable Grazing on Saline Land (SGSL) program run by Land, Water & Wool (LWW) provides woolgrowers with the opportunity to be actively involved in a nationally focused, locally managed network of on-farm RDI to find the best ways to improve salt-affected land.

Results

- 113 producer groups with approximately 1,200 producers involved, currently participate in SGSL producer network activities.
- These 1,200 producers are likely to change production practices, and an estimated 40-50 per cent of others in the 9,000 potential target market will begin to adopt research outcomes.
- Stocking rates on saline land have been lifted from near zero to about 3.5 DSE/ha in some areas and up to 10 DSE/ha in others.



Woolgrower Tony York inspects the growth of under-story species being trialled as part of a the LWW SGSL program.

- Overall property stocking rates at key sites have increased by 25 per cent.
- Supplementary feeding costs have been reduced by 25 per cent.
- Whole farm profits have increased by between \$12/ha and \$42/ha per year.
- Gross margins on salinised land have increased from near zero to \$150/ha per year.

(Source: Hassall & Associates Pty Ltd, July 2004)

West Australian woolgrower Tony York is using results from LWW SGSL research into the economics of saltbush on farms to improve the pasture on the fifth of his 10,000 ha property "Anameka Farms" near Tammin that is affected by salt.

Saltbush maintains some growth on the saline areas of his land and provides six-to-eight weeks of valuable autumn grazing. However, sheep cannot live on saltbush alone and must have other pasture to graze.

Mr York said that the SGSL program has led him to select particular varieties of more digestible under-story plants to grow with the saltbush.

"Filling the autumn feed gap for sheep was a good reason to grow saltbush, but combining it with tastier annual clovers and other species has provided better results," Mr York said.

NAPLIP results in adoption of new pasture legumes

Woolgrowers are increasing their profitability as a result of using new pasture legumes developed by NAPLIP (National Annual Pasture Legume Improvement Program) research. NAPLIP is a collaborative research program between AWI, the Grains Research and Development Corporation, CSIRO, five state departments of agriculture (Qld, NSW, Vic, SA and WA), and the Universities of Adelaide and Western Australia.



Results

- NAPLIP has produced over 26 new commercial legume varieties since 1985. In total, more than 50 varieties have been produced as a result of woolgrower-funded research.
- In WA, areas planted to Cadiz seradella have increased from 2,000 ha to 500,000 ha over the past five years.
- There is some evidence that future adoption levels of the new varieties could be better than anticipated.
- Stocking rate increases of up to five DSE/ha have been achieved.
- Nitrogen inputs to cropping and pasture systems are worth up to \$12.50/ha.
- Increased ground cover and reduced erosion with appropriate grazing management can lead to greater biodiversity and more sustainable pasture production.
- There are reduced impacts of dryland salinity with increased water use and positive impacts on ground water tables.

(Source: Hassall & Associates Pty Ltd, July 2004)

By diversifying his pasture program with new legume species bred by the NAPLIP, West Australian woolgrower Brett Whittington has been able to increase stocking rates by 25 per cent and cut more wool on his 1,000 ha property "Oaklands" near Narrogin, WA.

Mr Whittington said that what's been achieved is largely due to plant density, reduced weed competition and productive plants in the right spot instead of the 'one plant (sub clover) fits all soils and systems' strategy.

"I am using Charano serradella and Casbah biserrula in cropping paddocks, Frontier balansa and Prima gland clover on wetter country, Prima gland clover in areas where you can't spray for redlegged earth mites, and medics and Prima gland clover on the clays," Mr Whittington said.

"My goal was to run 20 per cent more sheep per hectare, while increasing both my cropping area and yields by 20 per cent each – basically a 100 per cent increase in profits. I think I'm going to exceed that goal through the use of these pastures."

Woolgrower Brett Whittington has been able to increase stocking rates by 25 per cent by using legume species bred by NAPLIP.

Potential future levels of adoption of projects evaluated by the two independent organisations, and their relative level of impact in technical, financial, environmental and social outcomes, are summarised below:

Wool production

Project title	Future adoption	Technical success	Financial benefit (current & future)	Environmental benefit	Social benefit
Dark fibre contamination	√√√	√√√√	√√√	na	√√
NAPLIP	√√	√√√	√√	√√√	√
TIMERITE®	√√	√√√√	√√	√√√	√
Biocontrol of weeds	√√√	√√√√	√√√	√√√√	√√
Lifetime wool production	√√	√√√√	√√√√	√√√	√√√
Sustainable Grazing on Saline Lands	√√	√√√	√√√	√√√√	√√√
Sire evaluation	√	√√√	√√	√	√√√
SARDI demonstration flock	√√	√√√√	√√√	√	√√√√
Permanent wool removal	√√√	√√	√√	√√	√
Nemesis	√	√√	√√	√	√

Scale: √ = Low, √√ = medium, √√√ = high, √√√√ = very high, na = not applicable

Source: Hassall & Associates 2004

Textile technology

Project title	Future adoption	Technical success	Financial benefit (current & future)	Environmental benefit	Social benefit
Non-woven machinery JV	√√√√	√√√	√√	√√√	√√√√
Non-woven velour apparel liner	√√	√√√	√√	√√√	√√√√
Woolfleece™	√√√	√√√√	√√	√√√√	√√
Heated wool sock	√√√√	√√√√	√√	√√	√√√√
Heated wool bedding	√√√√	√√√	√√√	√√√√	√√√√
Tasmanian Merino Ecowool Trademark	√√√√	√√√√	√√√√	√√√√	√√√√
Pure wool business shirt	√√√	√√√	√√	√√√	√√√
Non-woven Hydroentanglement (Spunlace)	√√	√√	√√	√√√	√

Scale: √ = Low, √√ = medium, √√√ = high, √√√√ = very high, na = not applicable

Source: Apical International Pty Ltd 2004



Report of Program Operations

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Wool Production

Highlights

- A five-year Sheep Genomics Program, with AWI jointly investing \$30 million with Meat and Livestock Australia (MLA), was launched to increase productivity in the sheep industry.
- Final agreement on the establishment of the Australian Sheep Genetics Database (ASGD) was reached and work was well underway to develop a tool that will help Merino breeders achieve higher rates of genetic gain in their flocks.
- Lifetime Wool research trials showed specific feeding of ewes during pregnancy can lift farm profits by as much as \$5 per ewe per year.
- A practical guide – *Planning for Profit* – helped woolgrowers recover from drought.
- Results from preliminary trials of a new toxin developed by the Canid Bait Project indicated feral dogs and foxes were particularly susceptible.
- Twenty-three demonstration farms were established in major sheep producing climatic zones throughout Australia to enable woolgrowers to experience integrated parasite management (IPM) developments.



AWI-funded research shows that specific improvements in ewe nutrition during pregnancy can optimise the lifetime wool of their lambs.

Growing productivity

The goal of AWI's Wool Production portfolio is to help woolgrowers reduce the cost of production on their farms by 10-20 per cent through investments that increase on-farm productivity and reduce business costs.

To achieve this, AWI continued to invest in research, development and innovation (RDI) in the key production areas of Sustainable Production Systems, Animal Health and Welfare, Genetic Technologies and Logistics and Fibre Specification. During 2004, AWI's Logistics and Fibre Specification program was moved to AWI's Trade Development portfolio – a report on the program's key outcomes during 2003/2004 is on page 38. Wool Harvesting is reported in this Wool Production section.

Key outcomes and achievements

Sustainable Production Systems

The Sustainable Production Systems program focuses on making sheep farms more profitable and sustainable by providing woolgrowers with opportunities to improve soil, better understand climate, and improve pasture and grazing management. Key outcomes in this area in 2003/2004 included:

Lifetime Wool

Research from the Lifetime Wool project has indicated specific feeding of ewes during pregnancy can lift farm profits by as much as \$5 per ewe per year. Initial research by the Department of Agriculture WA and the Department of Primary Industries Victoria has been expanded by AWI, with 14 research and demonstration sites established nationally. Through this project, woolgrowers are learning how to best manage the nutrition of their ewes to optimise the lifetime wool production of their lambs. In 2003/2004 more than 1,600 woolgrowers attended one of the Lifetime Wool demonstration sites or attended a presentation about the project and its results.

TIMERITE®

Australian woolgrowers are winning the fight against the redlegged earth mite and the damage they cause to pastures with the help of an AWI-funded package, TIMERITE®. A pasture management tool, TIMERITE® provides information about the mite and the property specific date when producers should spray for best control.

On observing pasture damage caused by redlegged earth mites on his Ballarat property "Mount View", Victorian woolgrower Kevin Knight participated in a CSIRO trial of TIMERITE® in Spring 2003.

"CSIRO assessed the property to determine optimum spray dates for controlling the mites and the subsequent results of the trial have been extremely promising," Mr Knight said.

According to the CSIRO results, there were about 80,000 mites per square metre in the unsprayed area and at least 60 per cent of the clover was severely damaged. In the sprayed area there were only about 2,000 mites per square metre, which had lush, green healthy clover and minimal damage. To put this in perspective, 12,000 mites per square metre use as much fodder as one DSE/ha.

Mr Knight encouraged more woolgrowers to use the TIMERITE® method in their pasture management programs.

"Pastures are integral to our mixed cropping and livestock enterprise so it is important that we protect them. TIMERITE® has provided exceptional control for redlegged earth mites and spraying on our TIMERITE® date in spring will become part of our pasture management program."

For further information, visit www.timerite.com.au



AWI is working with woolgrowers to improve the management of rivers on farms.



CSIRO entomologist Celia Pavri with Victorian woolgrower Kevin Knight who has been using the AWI-funded TIMERITE pasture management tool.



The Planning for Profit guide produced by AWI in 2003 provides woolgrowers with options to help recover post drought.

Planning for Profit

In August 2003, AWI released a practical 'how to' guide – Planning for Profit – to help woolgrowers recover from drought. Using workbook and case study examples, Planning for Profit provided a series of step-by-step, cost-effective livestock and pasture management options for woolgrowers. More than 2,000 copies were distributed to woolgrowers in the first two months of its release and copies are still available to shareholders by phoning the AWI helpline on 1800 070 099.

Falkiner Memorial Field Station

In 2003/2004, AWI undertook major capital works to upgrade 450 hectares of irrigation land at the field station near Deniliquin, NSW. The farm operates as a wool research, development and demonstration site and the capital works were undertaken to ensure a more secure feed base for undertaking research and to increase commercial returns from the site's farming and grazing.

Land, Water & Wool

Land, Water & Wool, the wool industry's collaborative research investment in sustaining the natural resource base, is undertaking targeted research with a range of woolgrower groups on more than 230 properties across Australia.

Grower networks are a critical component of the Land, Water & Wool approach to practical research and development. At 30 June 2004, over 1,300 woolgrowers and their families were directly involved in the initiative with a further 6,000 woolgrowers receiving information regarding the sustainability of the land, water and vegetation resources that underpin their businesses.

Land, Water & Wool researchers have continued to work closely with woolgrowers to develop production guides, technical manuals, detailed case studies and new science-based information and advisory products for sustainable management of wool production on-farm.

Publications produced in 2003/2004 include a practical guide to revegetating salt-affected land with saltland pastures and fact sheets detailing research outcomes on key aspects of resource management such as rivers and water quality, native vegetation and biodiversity, managing climate variability, sustainable grazing on saline lands and managing pastoral country.

Other areas of the initiative included benchmarking natural resource management activities and future scenario planning.

For further information, visit www.landwaterwool.gov.au

Landmaster phalaris

Using AWI funding, CSIRO Plant Industry is successfully breeding several new phalaris cultivars that can grow in acid soils, warmer environments and survive continuous grazing.

One variety, Landmaster phalaris, is showing huge promise in the Southern Tablelands of NSW where woolgrowers are able to establish it on low pH soils where previously they had difficulties establishing other phalaris varieties.

Woolgrower Alan Howard has experienced success growing Landmaster phalaris on his property near Yass.

“Parts of our country are shallow shale with acid subsoil which previously made it difficult to grow phalaris even with lime,” he said.

“Landmaster surprised us all with its persistence, even surviving some extremely dry years and continuous grazing. With the help of Landmaster Phalaris we have doubled our carrying capacity – it is the biggest improvement to our grazing property in years.”

The establishment of commercially available phalaris cultivars such as Landmaster are a result of thousands of hours of research by scientists and industry.



Research funded by AWI is producing phalaris cultivars that can grow in acid soils and survive continuous grazing.



AWI aims to help woolgrowers increase on-farm productivity and reduce business costs.



Researchers are making progress in developing an alternative to mulesing.

Animal Health and Welfare

Animal health treatments are a major expense to woolgrowers, with parasites alone costing more than \$500 million a year in treatment expenses and lost production – that is more than the entire annual value of the Australian sheep mutton industry. In 2003/2004, AWI's Animal Health and Welfare program continued to invest in projects designed to reduce these costs.

Canid Bait Project

Predation by feral dogs and foxes is a major economic problem for sheep producers in many areas of Australia with attacks costing the Australian sheep industry more than \$33 million a year in lost production.

During 2003/2004, AWI's Canid Bait Project made a number of advances in its efforts to find alternative solutions for woolgrowers to the problem of feral dogs and foxes.

Project Manager Dr Steve Lapidge from the Pest Animal Control CRC said results from preliminary trials undertaken in 2003/2004 indicated feral dogs and foxes were particularly susceptible to a new toxin that the project has developed. The new toxin has proven to be very rapid and humane in its action.

"The next step of the project is to explore the possibility of an antidote, something that does not exist for 1080," Dr Lapidge said.

The Canid Bait Project is also looking at improved attractants for baits.

Additional Information

AWI fact sheets regarding all the projects mentioned in this section are available on the AWI website at www.wool.com.au, or by phoning the AWI helpline on 1800 070 099.

Mulesing alternative

The AWI-funded team at the University of Adelaide continued to make progress with the development of an alternative to mulesing. The researchers are working on a method of treating the breech of sheep with a naturally occurring protein that causes the wool to fall out, inhibits wool regrowth and contracts the skin. In 2003/2004, there were two trials to test the treatment on the breech of lambs. The results showed that the treatment has the same effect as mulesing – a wool-free breech area with fewer skin folds. In May 2004, an experienced project manager from the pharmaceutical industry was appointed to oversee the development of a procedure to apply the protein and evaluate the possibility of commercialising the product.

Integrated Parasite Management (IPM)

A network of 23 demonstration farms in major sheep producing climatic zones throughout Australia was established in 2003/2004 to enable farmers to experience IPM developments at first hand. Using input from leading parasitologists, the farms address the three biggest health problems of sheep – worms, lice and blowflies. Tests to measure the efficiency of current drenches also took place on the farms in 2003/2004 and objectives to reduce the need for chemicals and residues through IPM were developed.

Genetic Technologies

The Genetic Technologies program is a key area of investment for AWI that aims to provide Merino breeders with the technologies to breed more productive and profitable sheep. Key outcomes in this area in 2003/2004 included:

Sheep Genomics Program

Launched in September, this five-year genomics research joint initiative, with AWI and MLA jointly investing \$30 million, is designed to increase productivity in the sheep industry and improve meat and wool quality. With nine other partners bringing an extra \$20 million to the project, it is the biggest sheep genetics program in the world. The program aims to identify sheep genes and their functions to improve animal health, welfare and productivity and, ultimately, sheep producer profit. Three key areas of the program – Host Resistance, Muscle and Energy Utilisation and Wool Biology – were initiated and fully contracted in 2003/2004, with research underway.

Australian Sheep Genetics Database

The ASGD is another joint venture between AWI and MLA. The final agreement in December 2003 to establish the ASGD – a single sheep industry genetic database – will give Merino breeders a vital tool to identify and select specific traits across different flocks, allowing breeders to achieve higher rates of genetic gain in their flocks. Work to establish the database is underway and the ASGD is expected to be launched in early 2005.



The outcomes from the Sheep Genomics Program are expected to deliver more than \$25 million per year to sheep producers and the wool and sheepmeat industries.

Wool Harvesting

AWI aims to establish wool harvesting as a highly efficient and highly regarded 21st century farm activity. In 2004, a \$13.7 million wool harvesting program commenced to address costs, OH&S and labour supply issues in the shearing industry.



More than 80 potential harvesting technologies were investigated by AWI in 2003/2004 to help make shearing more efficient.

Shearing Technology

Shearing technology remained a key priority for AWI in 2003/2004. An AWI investigation assessed more than 80 potential harvesting technologies and potential areas for development including handpieces, and parallel, modular and upright posture shearing platforms (UPSP). AWI has funded the development of five of these platforms that meet the minimum performance and OH&S specifications.

Shear Express

In December 2003, AWI ceased funding Shear Express Pty Ltd, as a result of an independent evaluation that showed the Shear Express prototype had limitations and a higher cost of operation than conventional shearing. Field trials had confirmed the prototype unit did not meet key design expectations and targets. However, the prototype did have some innovative features, such as the “deadman switch” on handpieces, that could be of potential value to the industry and could be incorporated into other shearing systems.

Growing the Future – Wool Production

Growing the future of wool production is all about major leaps in pasture productivity, the genetic excellence of sheep, minimising animal health costs and modern wool harvesting. AWI shareholders can expect positive results in the areas of:

- **Practical pasture management technologies** – the development of advanced deep-rooted, drought-tolerant pasture species allowing producers to run more stock on their land.
- **Practical and technologically advanced genetic tools** – growing sheep that are more advanced, more efficient and resistant to internal and external parasites.
- **Healthy sheep** – tools and programs which reduce dependency on chemical controls for parasites in sheep, costing woolgrowers less and improving the quality of the wool.
- **Modern wool harvesting** – developing new harvesting technologies, “add on” shearing technologies and addressing shearer/wool handler supply deficiencies.

Textile Technology

Growing demand

AWI's Textile Technology portfolio is responsible for the research and development of Merino fibre as it moves through processing pipelines to finished products in the marketplace.

The Textile Technology portfolio aims to consolidate existing markets for Australian Merino and increase global demand through:

- developing new Merino products for a wider range of market sectors;
- improving processing technologies, to improve the competitive value of Merino products; and
- continuous improvements in the appearance, shape retention, drape, and easy care properties of Merino products.

In addition, the project portfolio includes activities to give a better understanding of the physics and chemistry of the Merino fibre through the program in Fundamental Wool Science.

Where possible, Textile Technology projects operate on a collaborative basis, involving research and manufacturing partners, and a commercial partner as early as possible in the project life to ensure the project remains focused on the needs of the end-user.

Key outcomes and achievements

This year, progress was made in the following areas of research and development, advancing projects towards the technology transfer and commercialisation stages of investment.

Heated wool

AWI advances in the development of special heated wool could soon make staying warm in winter easier. The innovation uses conducting yarn technology to generate warmth. In April 2004, a technology transfer and commercialisation project was initiated for AWI to work with Canesis (formally known as WRONZ) and a commercial partner to develop heated wool socks. This technology is also now being used in heated bedding using Merino wool and other product opportunities are being identified.

China Australia Wool Innovation Network

The China Australia Wool Innovation Network (CAWIN) continues to help Chinese universities build up their wool education programs and draws on innovation from a new generation of Chinese scientists. In 2003/2004, AWI funded 22 undergraduate scholarships in China and two research fellows from universities in China to gain their research experience in Australia. Candidates for Masters scholarships in China and PhD scholarships in Australia and the UK are being assessed. Also in 2003/2004, six research and development projects were initiated with participating universities, with support from local textile firms.

Highlights

- Canesis developed heat conducting yarn technology leading to product prototypes in hosiery and bedding.
- AWI, CSIRO, Smith & Nephew and the University of Wollongong completed a study of potential applications for the use of Merino-based products in medical textiles.
- The China Australia Wool Innovation Network (CAWIN) is drawing on innovation from a new generation of 24 Chinese scientists and six commercial projects have been funded with potential benefits to Merino processors in China and worldwide.
- Conductive polymers have been developed with Deakin University for application with Merino fibre in the emerging intelligent textile sector.
- Merino fibre in various non-woven technologies has been developed to extend the use of the fibre in both apparel and non apparel markets.
- Three new wool blend fleece products have been developed and are now being marketed to compete directly with high performance synthetic fleece products.



The CAWIN initiative, that includes visits by Chinese delegates to wool industry facilities in Australia, aims to build up the market for Australian wool in China.

NovelKnit

A new method of processing Merino fibre, known as NovelKnit, is creating the opportunity of turning a low cost by-product, noils, into fashionable Merino fabrics that can compete on price with other fibres.

The project, which commenced in September 2003, aims to use the NovelKnit process to develop new fabrics that range from lightweight to heavyweight, are Merino rich, easy care, stretch well and are relatively cheap to produce.

AWI Product Commercialisation Manager, Stuart McCullough, said the NovelKnit project would lead to a new range of affordable and innovative Merino fabrics, stimulating greater consumer interest in wool products.

"The technology will also potentially increase demand for noils, boosting the total value of Australian wool producers' greasy wool sales," Mr McCullough said.

The NovelKnit process uses air jets to suck and blow the loose end of the fibre back so it can be knitted into the base fabric structure.

The result is a lighter weight fabric that requires only minimal finishing and has superior wear performance because of the 'tucked in' fibre structure.

In 2003/2004, the feasibility phase of the project was completed with 40 different knit structures developed. The next step will be the technology transfer and commercialisation phase whereby AWI will select two northern hemisphere commercial partners.



Dr Andrew Poole of CSIRO is working on an AWI-funded project to develop new medical dressings using wool.

Medical textiles

AWI is working with CSIRO, Smith & Nephew and the University of Wollongong to explore the use of wool for wound dressings. In March 2004, the team completed a study of twelve potential applications for the use of wool in medical textiles. This included a series of interviews with Australian clinicians to establish what qualities they looked for in a bandage. The next phase of the project will see scientists develop and test bandages, primarily for burns victims, which meet the specific needs of clinicians. In addition further opportunities for wool in medical textiles are being explored.

Woolfleece™

This project, in conjunction with The Woolmark Company is aimed at the large fleece market, currently dominated by synthetic fibres.

The research and development phase of Woolfleece™ began two years ago and was successfully completed in May 2004. Woolfleece™ is a bi-layer structural blend of knitted fibres where the wool is next to the skin and the polyester is on the outside. This high quality wool/polyester blend contains up to 35 per cent wool of around 22 micron.

The Woolmark Company's Ian Ryder, Technical Project Leader for Woolfleece™, said the new fabric had significant performance advantages over synthetic fleece.

"Woolfleece™ beats the competition hands down in terms of thermal insulation, moisture vapour transfer and microclimate control," Mr Ryder said.

"It is also easy care and very comparable in price, making it accessible to markets such as surf wear, skiwear, casual wear and extreme wear.



With the R&D phase of the Woolfleece™ project completed, AWI and Woolmark are targeting northern hemisphere retailers best positioned to market the product.

Whitening of wool

The ability to dye fabric in bright, rich colours is fundamental to the apparel market and has been a perennial issue for wool because of the way wool naturally yellows. Work with CSIRO Textile and Fibre Technology (TFT) has developed a new processing treatment that reduces the rate of its yellowing. Research will continue in this vital area to not only improve the whiteness of wool, but also ensure the substantivity of process, and develop improved dyeing regimes for wool. This will substantially open up new markets where bright clean and pastel shades are essential.

Conductive textiles

The use of conductive coatings to achieve unique thermal and electrical effects on textiles is a key part of the move towards intelligent textiles. Work with Deakin University has resulted in a new approach to the deposition of the electrical coating that allows higher levels of conductivity, more robust coatings and the ability to deposit the coatings onto only selected regions of Merino fabric. The technology, which is now being protected by patent, could be applicable to areas as diverse as electrical circuitry on wool garments to heated panels in Merino outerwear for extreme climates.

Pure wool business shirts

With AWI funds, Canesis has developed a pure wool business shirt which is machine washable, easy to iron, naturally shrink proof and lighter than existing wool shirts.

The final stage of the project (which commenced in 2001) was completed in 2003/2004 and involved fine-tuning the weaving and finishing techniques, as well as rigorous testing of the shirt fabric and its attributes.

Created using Solospun™ technology (a previous woolgrower-funded project), the shirt fabric is woven from a single yarn, using Merino wool of average staple length.

According to AWI Program Manager Nathan Ly, although machine washable wool shirts have been available for some time, research into fabric development has resulted in a much-improved product. In addition, Dr Ly has identified the use of this technology in the development of luxury, lightweight tailoring fabrics, for both ladies and menswear.

"The new products will boast a unique weave that, combined with the special yarn structure, allows it to be machine washed without expensive and environmentally damaging chemical treatments," Dr Ly said.

"An added benefit is that, by using Solospun™ technology to construct the various fabrics, processing costs are cut dramatically resulting in a better value end product," he said.

AWI is now working with a large processor in China to market the technology through five retail outlets across the country. AWI will continue to work with both Canesis and the Chinese group to extend the technology to a broader range of products and in other regions of the world.



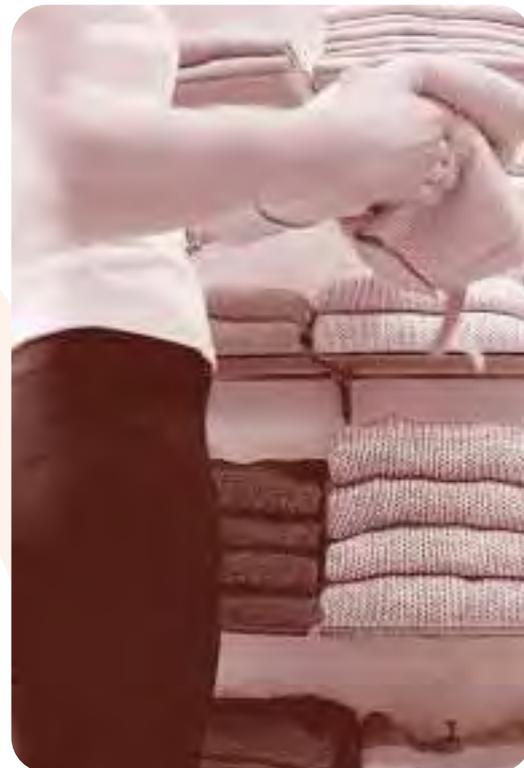
AWI works to develop new and efficient ways of processing wool.

Fundamental Wool Science Collaborative Research

Collaboration between leading wool research scientists from organisations including the German Wool Research Institute (DWI), Canesis and CSIRO continued throughout 2003/2004. Two fundamental wool science summits were held – one in Germany and one in New Zealand – where discussions focussed on three of the four key strategies of the program (the fibre surface, fibre morphology/properties and the whiteness of wool). Advances are being made in all areas but of particular interest is work that has led to the identification of changes in the proteins that cause the yellowing of the wool fibre.

Spunlace non-woven fabrics

A cost efficient method of non-woven fabric production, Spunlace™ is currently being used to develop a wool-blend fabric in a collaborative project between AWI, CSIRO TFT and a global outerwear company. In 2003/2004, a suitable manufacturer for the wool-blend fabric was identified in Korea. Spunlace™ fabric production is used to develop low cost, innovative apparel fabrics and is therefore an opportunity in new markets for Merino fibre.



AWI works with manufacturers, designers and retailers to inject wool into each fashion cycle.

Growing the Future – Textile Technology

The Textile Technology portfolio will continue to develop new wool products and processes, as well as long-term research, development and innovation to improve fibre performance. In addition, AWI will work more closely with designers, garment makers, brand distribution partners and retailers to inject wool into each fashion cycle using the best new technologies and innovations.

Other future Textile Technology developments will include:

- Development of innovative fabrics to regain Australian Merino's place in the women's fashion market in spring, autumn and winter.
- Research, development and commercialisation of a new generation of soft, next to skin, fabrics in Australian Merino.
- Research into developing Australian Merino products with permanent brightness capable of carrying light, clean pastel shades.
- Following the successful development of Woolfleece™, further developments aimed at the active sports wear market.
- Continuous development of products in Australian Merino fibre for the health care market.
- Development of environmental filtration systems using Australian Merino fibre.
- Commercialisation of projects to re-establish the presence of Australian Merino in the bedding market.
- Research and product development of Australian Merino fibre for the baby and infant market.
- New product developments for Australian Merino in the career wear and industrial markets both for corporate wardrobes and for protective purposes.
- Continued application of Australian Merino fibre with conductive polymers and other new technology applications relating to the emerging "smart textile" sector.

Trade Development

Highlights

- Agreement by China to review its Designated Trader System in line with the cessation of quotas under the World Trade Organisation (WTO) Agreement on Textiles and Clothing. This will encourage new entrants into the Chinese wool trade and reduce market distortions.
- AWI provided a submission on behalf of the wool industry to the Australian Government regarding a possible Free Trade Agreement (FTA) with China.
- Development of the Dark and Medullated Fibre Risk (DMFR) scheme and a lower cost pre sale test as part of efforts to address worldwide concern about wool fibre contamination.
- AWI study provided woolgrowers with vital information on how to maximise gains from the use of on-farm fibre measurement (OFFM).



AWI is working with the Australian Government to help increase the Chinese market for Australian wool.

Growing trade

AWI's Trade Development portfolio comprises a program focused on eliminating trade barriers such as tariffs and a program addressing logistics and fibre specification issues.

Key outcomes and achievements

Eliminating trade barriers

The vast majority (98 per cent) of Australian wool is exported – to 50 countries – and in 2003/2004 was worth \$2.5 billion to the Australian economy.

AWI's Trade Development team analyses wool trade issues and works with Government and industry to develop strategies to reduce or eliminate tariffs, quotas and other trade policies that increase market access and global consumption of Australian wool.

Through a range of research projects, AWI provides accurate data and analysis to enable Australian Government negotiators and industry leaders to pursue trade issues of importance to industry.

Chinese tariffs and quotas

The accession of China to the World Trade Organisation (WTO) in 2001 has been a step forward for the Australian and Chinese wool industries. As a member of the WTO, China must eliminate all quotas on textiles and clothing imports by December 2004. The Designated Trader System is the process used by China to administer quotas on wool imports, and Chinese officials agreed in April 2004 to accept a submission from the Australian Government on the revision of this system. This submission was researched and prepared by AWI and later reviewed by the Department of Agriculture, Fisheries and Forestry. The objective is for buyers and traders to be brought closer together without quota limitations restricting how much Australian wool can be purchased and who in China is able to purchase it.

The China-Australia Joint Working Group also initiated a specialist training program for Chinese buyers to improve the purchase and delivery of wool to required specifications. AWI will conduct this training program in 2004/2005.

Free Trade Agreements

In November 2003, the Australian and Chinese governments announced their intention to conduct a feasibility study into a Free Trade Agreement (FTA). AWI presented a submission to the Australian Government strongly supporting the proposed feasibility study for an FTA with China. The AWI submission was endorsed by and delivered on behalf of the Australian wool industry.

In 2003/2004, AWI provided wool industry representation to the Australian Government as part of the negotiation process of the FTA with the United States. The submission outlined the position of the Australian wool industry and identified FTA and other WTO/bilateral trade barrier issues that needed be addressed, such as eliminating US import tariffs on raw wool, wool textiles and clothing. While the FTA has limited impact for direct exports of Australian wool to the US, it provides various reductions to wool related export duties.

World Trade Organisation agreements

On behalf of Australian woolgrowers, AWI strongly endorses the removal of tariffs and quotas on all textiles and clothing. In 2003/2004 AWI monitored compliance to the (Uruguay Round) WTO Textile and Clothing Agreement for the removal of all remaining global textiles quotas by 30 December 2004. Monitoring compliance is important because there are countries seeking to muster international support to overturn or at the least postpone the removal of the global textiles quotas.

AWI has also ensured that Australian wool industry interests are represented appropriately at the Doha Round of WTO negotiations. AWI made a submission to the Australian Government putting forward its position as to the negotiations. At the multilateral WTO level, AWI worked closely with the National Farmers' Federation to ensure woolgrower interests were taken to the Trade Minister and through him to the WTO.

New trade development appointment

In February 2004, Pascal Senkoff was appointed as General Manager of Trade Development. Mr Senkoff brings a wealth of experience in the global wool textile business to AWI having been the Greater China General Manager for Chargeurs Wool (see the report on AWI Staff on page 59).



With 98 per cent of the Australian clip destined for overseas, AWI works with Government and industry to eliminate trade barriers.

Growing the Future – Eliminating Trade Barriers

Future goals of the Trade Development team regarding the elimination of trade barriers include:

- Growing market access and market opportunities with the users of Australian wool such as China, India, Turkey and Russia.
- Ensuring the interests of Australian woolgrowers are represented during the Australian Government's feasibility study for a FTA with China.

Logistics and fibre specification

The Logistics and Fibre Specification program focuses on providing the wool industry with the tools and opportunities to reduce wool production costs from fleece to fabric by 10-20 per cent over five years.

Dark and Medullated Fibre Vendor Declarations

In November 2003, the International Wool Textile Organisation (IWTO) approved the Dark and Medullated Fibre Risk (DMFR) scheme, developed with AWI funding, as part of efforts to address worldwide concern about wool fibre contamination. The voluntary scheme was introduced on 1 July 2004 on Australian Wool Testing Authority (AWTA) test certificates and in sale catalogues. Its introduction gives woolgrowers the opportunity to advertise their wool as free of dark and medullated fibres, providing assurance for buyers and processors.

Dark and Medullated Fibre Tests

Sampling technology developed by CSIRO as part of AWI's Dark and Medullated Fibre (DMF) pre sale measurement prototype project has been taken up by AWTA commercially. This has reduced the cost of the commercial DMF test from \$150 to less than \$40.

On-Farm Fibre Measurement

An AWI study on the two key on-farm fibre measurement (OFFM) technologies was released in 2003/2004. The study provides answers to woolgrowers on the accuracy and precision of OFFM instruments, how and when they should be used, as well as confirming the best location on a sheep for wool/fleece sampling.

Pricemaker

The AWI-funded wool pricing website for Australian woolgrowers Pricemaker received an average of nearly 2,000 visits per month during 2003/2004. This web-based tool allows woolgrowers to quickly and easily benchmark the price for their Merino fleece wool using market premiums and discounts for important wool attributes. For further information, visit www.pricemaker.info



AWI released trial results in 2004 on the accuracy and precision of different on-farm fibre measurement (OFFM) technologies, and how they can be best used.

Growing the Future – Logistics and Fibre Specification

Future goals for Logistics and Fibre Specification include:

- Ten per cent of woolgrowers to use OFFM by 2006 with 90 per cent of OFFM service providers to participate in a voluntary OFFM QA accreditation scheme.
- By the end of 2004, complete commercial trials at AWTA of a low cost, automated DMF pre sale measurement device.
- Deliver an enhanced wool pricing service to woolgrowers that allows pricing of a wool clip based on spot markets and benchmarking against current lots sold at auction.

Information and Education

Growing knowledge

AWI's Information and Education portfolio comprises three areas – Communications, Industry and Government Relations and Education and Adoption.

Key outcomes and achievements

Communications

AWI's Communications program is responsible for keeping woolgrowers informed about AWI activities and research, development and innovation (RDI) outcomes.

The communications program covers publications and direct mail, events, the AWI website, the AWI helpline, media relations and sponsorship.

Publications

Woolgrowers heard the latest news on AWI RDI initiatives via AWI's flagship publication, *Beyond the Bale*, which was published six times in 2003/2004. Twenty-four new or updated fact sheets were also published, summarising the outcomes and benefits for woolgrowers of AWI projects such as *Integrated Parasite Management*, *SARDI Selection Demonstration Flocks* and *Genetic Strategy*.

Various brochures were produced during the year including *Doing Business with AWI – Textiles* explaining how companies can attract AWI investment for wool RDI activities along the wool textile pipeline. A Chinese language version was also produced to promote opportunities for AWI research among Chinese textile companies and research providers. AWI's role and activities in building demand for wool was outlined in another brochure, *Increasing the Demand for Wool*, which also summarised AWI investments in the development of new products, new processes, improving supply chain efficiencies and reducing trade restrictions.

Shareholders received several direct mail communications in 2003/2004, including two letters sent by the AWI Chairman.

Publications continued to be distributed through the AWI Wool Innovation Showcase, at field days, events and on the AWI website. Publications are also available to shareholders on request from the AWI helpline on 1800 070 099. A list of publications and reports produced by or for AWI during 2003/2004 is available in Appendix C on page 105.

Highlights

- The popularity of the AWI website – www.wool.com.au – continued to grow with average daily visitor numbers up 29 per cent over the year.
- Woolgrowers, industry and the public were able to access new and updated information on the outcomes and benefits of AWI projects by way of 24 fact sheets.
- 6,000 visitors to the AWI Wool Innovation Showcase, which attended 18 major wool and rural events in key wool growing regions, had the opportunity to learn about AWI activities.
- Participation by woolgrowers in State-based education and adoption programs increased through the year via Bestwool 2010 in Victoria, Look @ Wool in SA and 8x5 in Tasmania. Funding was approved for new programs in WA and Queensland, and planning for a similar program in NSW was completed.
- AWI invested \$4 million into the Australian Wool Education Trust for the advancement of education in wool.

Website provides useful link

NSW farm manager Malcolm Peake is increasingly using the Internet as a source of information in his business.

The Bogo Station, Yass, farm manager is a regular visitor to the AWI website and subscribes to receive email alerts of news and information posted on www.wool.com.au.

Malcolm said that after reading an email alert, if he wanted more information, it was simple to follow the link to the AWI website to get the additional detail.

"If you have an interest in what AWI is doing – and all woolgrowers should have – then there is certainly some good information there."

"And I find the AWI website as easy as any other site to find your way around," Malcolm said.

Average daily visitor numbers to the AWI website increased 29 per cent in 2003/2004 compared to 2002/2003.



The bi-monthly publication *Beyond the Bale* informs Australian woolgrowers about current innovation initiatives undertaken by AWI on behalf of Australian woolgrowers.



Yass Farm Manager Malcolm Peake is increasingly using the Internet as a source of information in his business.

Events

Face-to-face communication is an important and effective means of raising awareness and understanding of AWI activities and RDI outcomes. Key activities in this area included the AWI Wool Innovation Showcase – a pan-tech trailer with displays, publications, product samples and other AWI information – which was visited by more than 6,000 visitors at 18 events across key wool producing regions during 2003/2004. Also during the year, woolgrower shareholders provided feedback to AWI on the direction of future wool levy research at four strategy forums held in WA, SA, NSW and Victoria. AWI also continued to provide information at many industry forums and seminars, and was an event partner for Meat and Livestock Australia's 16 Prime Time forums (attended by 1,680 producers) and a sponsor of the WA Department of Agriculture's Sheep Updates conference.

Website

The popularity of the AWI website – www.wool.com.au – continued to grow with woolgrowers, researchers, international processors, exporters, students and educators amongst those visiting the site. Average daily visitor numbers increased 29 per cent in 2003/2004 compared to 2002/2003, up from 600 to 774. Content is posted to the site in a format suitable for rural users with slower than average internet connection speeds. However, such is the global nature of AWI business that about half the visitors to the site were from overseas. A Chinese language AWI website – www.woolinnovation.com.cn – was launched in September 2003 to establish AWI's profile with industry in China.

Helpline

An average of 156 calls per month were made to the tollfree AWI helpline by woolgrowers looking for information on a range of issues including details of RDI project outcomes and events to requests for market intelligence publications. People experienced in providing information to woolgrowers staff the helpline.



Events held by AWI raise awareness and understanding of AWI activities and project outcomes.

Growing the Future – Communications

Looking ahead, Communications will focus on:

- holding major woolgrower information forums in key regions; and
- improving the range and accessibility of printed publications available on RDI projects and outcomes.



Meetings between AWI and wool industry representatives help ensure the industry has input into key AWI activities.

Industry and Government Relations

The role of the Industry and Government Relations program is to build positive relationships with those who influence wool industry policy and future industry directions. These include the state farm organisations, woolgrowers, breed associations, wool research organisations, Australian Government, state governments and other wool industry organisations both in Australia and overseas.

Industry and Government Relations is also responsible for supporting the industry through any crises that have a direct impact on AWI shareholders.

Information exchanges

Industry organisation representatives and state farmer bodies provided their input on industry issues directly to key AWI staff and senior management, including AWI Directors, CEO Dr Len Stephens and General Manager Commercial Les Targ, at a series of information exchanges held at AWI Sydney offices. Topics covered at the information exchanges included textile development, on-farm RDI progress and initiatives, AWI/Australian Government statutory funding, AWI's company constitution and WoolPoll outcomes. This process ensured industry had input into key AWI activities and received regular updates on company RDI projects.

Animal welfare

In 2003/2004, the peak industry body WoolProducers coordinated the sheep and wool industries to manage the publicity surrounding animal welfare. AWI is collaborating with the sheep and wool industry to demonstrate to the wider community that woolgrowers are responsible and professional when it comes to animal welfare, as well as providing industry support in managing any issues that arise.

Animal disease management

In 2003/2004, AWI entered into an agreement with WoolProducers and the Australian Government regarding emergency animal disease response agreement funding arrangements. This agreement will ensure that the wool industry can effectively manage a disease outbreak, should it occur.

Growing the Future – Industry and Government Relations

Moving forward, Industry and Government Relations will:

- work with industry organisations on more targeted briefing and feedback sessions on issues affecting woolgrowers;
- increase support and resources for industry crises; and
- assist young woolgrowers in gaining an understanding of their industry through participation in AWI information exchanges, study programs and industry seminars.

Education and Adoption

The Education and Adoption program facilitates adoption of RDI outcomes by AWI shareholders through training and extension activities, and the provision of technical information. It also develops the next generation of growers and scientists by providing scholarships and career support.

Regional education and adoption programs

During the year AWI continued funding for Bestwool 2010 in Victoria, Look @ Wool in SA and 8x5 in Tasmania. Participation by woolgrowers in these groups increased through the year. For instance, membership of Bestwool 2010 reached 1,600 in 60 groups, up from 1,200 in 50 groups over the year. Bestwool 2010 members have superior productivity by as much as 22 per cent above average.

Woolgrower groups met regularly for workshops, farm walks and information sessions to learn how to improve production and management. Other activities included formal courses, guest speakers, pasture variety trials and bloodline comparisons. Groups explored a wide variety of topics including genetics, weaner management, grazing management, business analysis, sourcing farm labour, OH&S, succession planning and off-farm investing.

Funding was approved for new programs in WA (The Sheep's Back) and Queensland (Leading Sheep), and planning for a similar program in NSW was completed.

AWI continued to support the producer-led Cicerone Project, which is connecting graziers on the Northern Tablelands of NSW with research into different approaches to grazing management. Funding also continued for the Paired Paddock Program (Triple P) that enables participating woolgrowers in Victoria and NSW to assess and use their pastures more effectively, and Bestprac which is improving the on-farm management practices of wool enterprises based in the semi-arid rangelands of Australia.

Reintroducing wool production and wool science to education institutions

In order to re-establish curriculum and study options for students in universities, AWI partnered with the Sheep CRC, the Australian Wool Testing Authority and Meat and Livestock Australia to develop a comprehensive suite of multimedia e-learning units. The first two of these units, Sheep Production and Clip Preparation & Wool Marketing, were offered by universities during 2003/2004. In addition, the "Future Fleece" CD Rom was reviewed and will be redeveloped into a tool to support industry education in secondary schools.



AWI is establishing and maintaining a national network of woolgrower groups.

Shearer training

In response to woolgrower and industry concerns about the shortages of appropriately skilled labour in the shearing industry, AWI conducted a Shearer and Wool Handler Training Initiative Pilot from August 2003 to March 2004.

The pilot trialled a number of initiatives and provided a snapshot of current training practices and industry demographics. It was independently evaluated by Canesis Australia Pty Ltd, and as a result of the pilot, AWI has committed \$3.9 million over the next three years to implement a number of key recommendations including a major national training program.

According to Queensland shearing contractor Ian Bateman, AWI's support for a national training program couldn't have come at a better time.

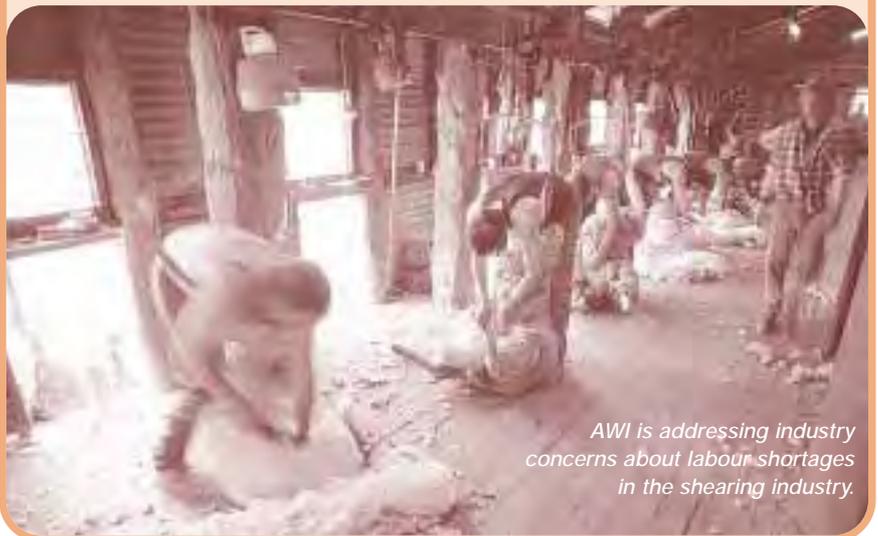
"There is currently a crisis with low numbers of shearer and wool handlers and we desperately need to reverse this trend," Mr Bateman said.

"Training is essential – without it young people cannot become competent which means they won't be able to make a good living so they won't stay in the industry."

Other outcomes of the pilot program include a Woolsearch website www.woolsearch.com.au whereby woolgrowers can search online for shearing contractors and wool handlers, and shearers and wool handlers can see where work is available.



AWI-funded woolgrower groups explore a wide variety of topics from genetics and animal health to sourcing farm labour and OH&S.



AWI is addressing industry concerns about labour shortages in the shearing industry.

Strengthening Tasmania's wool industry

Tasmanian woolgrowers are improving their farms and increasing their profitability with the help of an AWI-funded program, the 8x5 Wool Profit Program.

The 8x5 Wool Profit Program includes projects such as farm benchmarking, assessing specialist wool markets, wool staple strength analysis and research and developing pasture solutions. There is also a range of extension activities such as farm demonstrations, field days and training.

Sarah Ackland and Steve Barrington's property Apsley Park near Melton Mowbray became one of three monitor farms for the 8x5 pasture solutions program. The monitor farms provide avenues for producers to explore strategies to improve the profitability of a woolgrowing enterprise.

"As we had only been managing Apsley Park for three years, it is a fantastic opportunity to receive guidance and support from the scientific community and other growers for running a profitable woolgrowing enterprise," said Ms Ackland.

"As a result of being involved in the 8x5 Program, we are more in tune with our farm, which is making day to day management easier. Regular monitor farm meetings for example provide us with an opportunity to hear other growers' opinions which in turn helps us with our decision making."

As at 30 June 2004, over 158 woolgrowers had attended discussion groups at one of the three monitor farms involved in the 8x5 Program, with 850 growers receiving regular quarterly newsletters.



AWI is supporting education and adoption in the area of textile technology as well as wool production, to help ensure the long-term profitability of Australian woolgrowers.



AWI is funding the 8x5 Wool Profit Program in Tasmania to help woolgrowers improve their profitability.



University of New England (UNE) Associate Professor Jim Scott with undergraduate students – AWI provides support for students through the scholarship and studentship program.

Industry knowledge warehouse

In line with AWI's efforts to establish comprehensive resource materials and support learning across the wool pipeline, AWI is working with the Sheep CRC and other industry stakeholders to develop an industry knowledge warehouse, which will collect and make available major wool research for industry and educators. In 2003/2004, AWI also undertook a review of the former Australian Wool Research and Promotion Organisation (AWRAP) library and determined what material should be retained for use in the warehouse.

Australian Wool Education Trust

In June 2004, AWI invested \$4 million in the Trust to help educate the next generation of wool scientists and support employment in the wool industry. The Trust supports education and training in fibre science, wool production, and wool textile trading, processing and promotion, and the additional funding will enable it to fund skills development in the wool industry on a much larger scale.

Scholarship Program

In December 2003, AWI launched its Scholarship and Studentship Program which provides financial support to students, researchers and woolgrowers so that they can develop skills relevant to the future of the wool industry, both on-farm and along the wool pipeline. Thirty three students received awards as a result of AWI funding in 2003/2004. The \$3 million investment over five years will support over 100 award recipients by 2004/2005.

Growing the Future – Education and Adoption

Objectives for Education and Adoption for 2004/2005 include:

- resourcing state grower networks so they can better provide producers with the opportunity to be involved in participatory research and development;
- increasing participation and adoption rates among producers by implementing best practice recruitment and market segmentation strategies;
- improving the quality of wool technical education in schools by developing and distributing 150 copies of a schools resource kit; and
- implementing a new evaluation system which serves to improve project monitoring and evaluation by research partners and AWI staff.

Good Business

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Strategic R&D management

Growing solutions

In determining where its funds for research development and innovation (RDI) are invested, AWI relies on input from its shareholders – woolgrowers.

Through WoolPoll 2003, Australian woolgrowers delivered an emphatic result in favour of the two per cent levy rate continuing. In doing so, they provided the Company with clear guidance on how they would like their levies invested and this guidance formed the basis for the 2004-2009 Strategic Plan. In addition, AWI consulted with wool industry representatives to gain direction on RDI priorities. The feedback from these discussions helped refine the Strategic Plan.

Now, for the first time, the wool industry has reached broad agreement on its RDI goals.

Development of new RDI programs

AWI has developed 16 programs to address the key issues identified by woolgrowers and industry representatives during 2003/2004. These 16 programs, which will guide investments by AWI, replace the “lines of innovation” previously used by AWI.

This should improve clarity and provide an even sharper focus on outcomes. This does not mean that AWI is abandoning its priorities for investment but rather that it is looking at them in a way which is easier to understand.

During 2003/2004, AWI consulted with growers to develop the following set of 16 RDI programs which will guide AWI investment into the future:

Textile Technology

- Fundamental Wool Science
- Improved Appearance Retention (of wool products)
- New Markets for Australian Merino Wool
- Cost Competitive Wool Processing.

Wool Production

- Profitable Grazing for Wool Sheep
- Natural Resources Management
- Animal Health and Welfare
- Applied Genetics
- Molecular Genetics
- Wool Harvesting.

Trade Development

- Market Access and Trade Development
- Market Information
- Wool Quality and Logistics.

Information and Education

- Education and Adoption
- Industry and Government Relations
- Communications.

As a result of shareholder input, AWI will focus its immediate RDI efforts on five major initiatives: shearing, an alternative to mulesing, building the demand for wool, genetics and trade development.

The 16 programs have also been developed to take account of Ministerial priorities for Rural R&D Corporations (RDCs) and the National Research Priorities.

Further details are contained in the AWI Strategic Plan 2004-2009 which is available on the AWI website, or by ringing the AWI helpline on 1800 070 099.

Also in 2003/2004, in line with its Strategic Plan, AWI appointed four new General Managers to complete the executive team that will oversee the business. See the AWI staff section on page 59 for further details.

Responding to Australian Government priorities

The Australian Government is a major investor in the wool industry by providing statutory levy collection power plus taxpayer funds. In March 2004, the Australian Government laid out six specific ongoing challenges to all R&D Corporations (RDCs) – see below. As an RDC for the wool industry, AWI demonstrated definite returns on the Government's investment in 2003/2004.

Is the RDC maximising R&D benefits to the industry?

During 2003/2004, AWI delivered real RDI outcomes and achievements to the wool industry throughout the key areas of Wool Production, Textile Technology, Trade Development, and Information and Education (see the reports of Program Operations beginning on page 25).

Is the RDC maximising adoption of R&D by the industry?

During 2003/2004, AWI facilitated the adoption of the RDI outcomes by AWI stakeholders and shareholders through training and extension activities, technical information and learning materials, and scholarship and career support (see the Adoption and Evaluation special report on page 22 and the report on the Education and Adoption program on page 45).

Is the RDC working closely with other RDCs?

AWI formed relationships and collaborated, financially and intellectually, with other R&D organisations during 2003/2004, including other RDCs such as Meat and Livestock Australia, Land and Water Australia and the Grains Research & Development Corporation (see the report on Collaboration on page 53).

Is the RDC improving its current practices?

Through a range of consultative processes during 2003/2004, AWI developed a set of 16 RDI programs which will guide AWI investments into the future (see previous page). During 2003/2004, AWI also put in place a range of measures to improve corporate governance (see the report on Corporate Governance on page 56).

Is the RDC communicating effectively with Government and industry?

During 2003/2004, AWI built positive relationships with those in Government and industry who influence wool industry policy (see the report on the Industry and Government Relations program on page 44) and communicated with woolgrowers, the industry and Government to keep them informed about AWI activities and RDI outcomes (see the report on the Communications program on page 41).

Is the RDC the best model for Government and industry investment?

AWI is delivering real outcomes for the wool industry. This is recognised by Australian woolgrowers who delivered a clear mandate for the continuance of wool RDI by AWI at WoolPoll 2003 in November. Woolgrowers voted by a strong majority for continuation of the two per cent wool levy. This result provides for a solid investment in the future of the Australian wool industry and is a firm endorsement of the direction in which the AWI Board has been driving wool RDI.

Collaborative work

Growing partnerships

Close collaboration with wool businesses the world over helps to ensure AWI research and development and innovation (RDI) investments deliver the best return for Australian woolgrowers and the global wool industry.

Forming relationships and collaborating (financially and intellectually) with other RDI organisations on projects has numerous benefits for AWI shareholders.

Collaboration ensures organisations do not duplicate research already being done by other organisations. This results in research outcomes being achieved cost-effectively and efficiently. In turn, this enables AWI to invest in a wider range of projects.

Collaboration also enables RDI organisations to develop common goals so that woolgrowers receive a unified message.

Collaborations to improve on-farm profitability

During 2003/2004, AWI was involved in collaborations with research bodies including rural research and development corporations (RDCs), government departments of agriculture, CSIRO, universities and commercial partners. The collaborative projects range from sheep and parasite genetics through to natural resource management, soil biology and biocontrol.

AWI is a supporting party of the Australian Sheep Cooperative Research Centre (Sheep CRC) which promotes collaborative research and education at the wool/meat interface to ensure the Australian sheep industry has the technology and know-how to deliver, in a profitable and sustainable manner, products highly desired by domestic and export customers. AWI is also involved in projects with the Pest Animal Control CRC and the CRC for Plant Based Management of Dryland Salinity.

New collaborations launched during 2003/2004 include the five-year sheep genomics program, with AWI jointly investing \$30 million with Meat and Livestock Australia (MLA) to increase productivity in the sheep industry; plus there are also nine other partners bringing an extra \$20 million to the project. In another joint venture between AWI and MLA, final agreement was reached to establish the Australian Sheep Genetics Database that should allow breeders to achieve higher rates of genetic gain in their flocks.

Continuing involvement in existing collaboration includes significant co-investment in the five-year Land, Water & Wool natural resource management program with Land and Water Australia, with over \$6 million invested by AWI during 2003/2004. Another example of a significant collaboration underway is the National Annual Pasture Legume Improvement Program (NAPLIP), between AWI, the Grains Research and Development Corporation, CSIRO, five state departments of agriculture (Qld, NSW, Vic, SA and WA), and the Universities of Adelaide and WA, which is developing new pasture legumes.

AWI partnered with MLA and the Sheepmeat Council of Australia during 2003/2004 to conduct a series of Prime Time farmer forums around the country aimed at rebuilding flock size over four years. These forums provided specialist research and practical information to woolgrowers interested in increasing their sheep production, as well as those growers wishing to return to wool or sheepmeat production.

Examples of collaboration in the wool logistics and fibre specification area, include the development with the International Wool Textile Organisation (IWTO), the Australian Wool Industries Secretariat (AWIS) and the Australian Wool Testing Authority (AWTA) of the dark and medullated fibre risk scheme and a lower cost pre sale test to address worldwide concern about wool fibre contamination.

Collaborations to increase the demand for wool

The Woolmark Company (TWC) is often a key participant in AWI projects and received \$2.5 million in funding from AWI in 2003/2004. This included work on the bi-layer Woolfleece™ fabric and a wool blend yarn that adds the natural benefits of wool to hi-tech synthetic fabrics. TWC also provided market intelligence services to AWI such as the Monthly Market Briefing and the Review and Outlook for Fine Wool and Mid-Micron and Broader Wool, which are available free to AWI shareholders.

In the textiles area in 2003/2004, AWI worked with a range of companies such as Duck San in Korea and Nanshan in China.

AWI also collaborated in 2003/2004 with scientists, researchers and companies in fundamental wool science and new wool processing technologies to improve efficiency and the quality of the end product. These organisations included CSIRO, Canesis in New Zealand and the German wool research institute Deutsches Wollforschungsinstitut (DWI).

The China Australian Wool Innovation Network (CAWIN) initiative that was established last year by AWI and Deakin University to build wool textile technical expertise in China continued in 2003/2004 with activities including visits to Australia by the delegates from China.

For further details on how AWI is collaborating with partners to develop new products, new processes and improve supply chain efficiencies, refer to the AWI brochure *Increasing the Demand for Wool* available on the AWI website or by phoning the AWI helpline on 1800 070 099.

IP and commercialisation

Growing assets

Intellectual property (IP) generated through AWI-funded research, development and innovation (RDI) is an important company asset.

AWI's objective is to control IP generated through its RDI activities and apply it to the maximum benefit of Australian woolgrowers by ensuring rapid, widespread adoption or commercialisation. To achieve this objective, AWI requires:

1. 100 per cent of the ownership of the project IP where it is the sole investor.
2. Joint ownership of project IP as tenant-in-common in those instances where it is a co-investor.

Revenue from IP is not necessarily the primary consideration for AWI. However when projects generate revenue, AWI expects to receive royalties in proportion to its investment where the IP is owned jointly.

Royalty income contributed over \$354,000 to AWI during 2003/2004.

In 2003/2004, AWI signed the following 14 commercial arrangements relating to industry partnerships and licensing of research outcomes:

- Spunlace Non Wovens
- Method of Harvesting Wool
- French Serradella – 'Erica'
- French Serradella – 'Magurita'
- Mitchell Grass – Turanti
- Mitchell Grass – Yanda
- Medical Textiles
- Topmaker and Topsin Software Packages
- Subterranean Clover 'Napier'
- Biocontrol Agent for ARGV 'Twist Fungus'
- Bush Fire Curtain
- Animal Identification System
- Carding
- Temporary Stretch Fibre Technology

A table of registered IP which is owned by AWI or in which AWI has an interest is included as Appendix B on page 103.

Corporate governance

Accountability and transparency are cornerstones of AWI's commitment to corporate governance.

The AWI Board believes that a strong corporate governance culture throughout AWI will enhance performance and maximise the Company's ability to achieve its primary mission of increasing the long-term profitability of Australian woolgrowers.

During 2003/2004, there was an emphasis on industry consultation to ensure AWI understands its shareholders' priorities with regard to how funds are allocated. This feedback from woolgrowers was captured in AWI's Strategic Plan for 2004-2009 to ensure that there is a clear focus on these shareholder priorities.

AWI's commitment to transparency is demonstrated in a number of ways, including publication in this annual report of the Report of Progress against the Operational Plan on page 12 and the detailed List of Projects on page 92. AWI also issued a Half-Yearly Report of Progress, allowing shareholders to clearly track overall progress against the targets set.

Corporate Governance Policy

In June 2004, AWI released its Corporate Governance Policy which is based on the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations March 2003*. While these ASX Corporate Governance Principles are not binding on AWI as a non-listed public company, the Board of AWI decided to adopt them, where applicable to AWI, to the greatest extent and highest standards practicable. AWI's Corporate Governance Policy has been developed to ensure relevance to AWI and its shareholders.

Key aspects of the Corporate Governance Policy include making timely and balanced disclosure of all material matters concerning AWI, respecting the rights of shareholders and facilitating the effective exercise of those rights, safeguarding the integrity of financial reporting, and establishing a sound system of risk oversight, management and internal control.

A Code of Conduct regarding AWI's obligations to stakeholders was derived from the Corporate Governance Policy and also released in June 2004. The Code outlines AWI's responsibilities to its Australian woolgrower shareholders, its stakeholders and the Australian wool industry generally, employment practices, obligations relating to fair trading and dealing, methods for compliance with legislation affecting AWI's operations, and methods for monitoring and ensuring compliance with the Code.

The Corporate Governance Policy and the Code of Conduct – Obligations to Stakeholders are available on the AWI website.

AWI Constitution

The Company's Constitution has been updated following wide stakeholder consultation. A total of 60 amendments were made to the AWI Constitution following the 2003 AGM. The AWI Constitution is now a far more shareholder-orientated document. For example, one of the amendments frees up the process for electing Directors to make it easier to nominate a candidate to be a director of AWI. Prior to this change, anyone standing for the office of director needed five per cent of AWI shareholders to formally nominate – this equated to 1,500 AWI shareholders. Now, there is only a need for 100 AWI shareholders to formally support the candidate's nomination. These amendments were approved by shareholders at the last AGM in November 2003.

Communications to shareholders

Shareholders received numerous communications throughout 2003/2004, including two letters sent by the AWI Chairman. Different forms of communication tools – including AWI's bi-monthly magazine *Beyond the Bale* and the AWI website – are used to provide information to shareholders. See the Communications section on page 41 for further details.

Share register integrity

During 2003/2004, AWI refined the integrity of the share register database by working closely with brokers and wool sellers to ensure that they provide accurate and complete information on levy payments. Internet voting will be a feature of the 2004 AGM, where shareholders will be able to lodge proxy forms electronically. This flexibility will also extend to shareholders being able to electronically access the share register. Electronic communications and remote access are important considerations for a company such as AWI which has a national presence with remotely located shareholders.

The Board

The Board continued to meet monthly during 2003/2004, concentrating on core functions including:

- enhancing corporate governance systems and providing transparent, balanced reporting of Company operations to shareholders;
- further developing planning processes, including the 2004-2009 Strategic Plan; and
- building a portfolio of programs and projects aimed at enhancing the long-term profitability of woolgrowers.

A number of AWI Board committees continue to monitor and guide specific activities. These committees assist the Board to effectively implement, monitor and enforce the Corporate Governance Principles throughout the Company. The Board is finalising a formal Charter of the Committees of the Board, which outlines the responsibilities and functions of each committee. At 30 June 2004, there were four committees in place:

Finance and Audit Committee

The Committee's main role is to:

- assist the Board in managing its responsibilities relating to all financial matters;
- ensure the company's financial controls are working effectively; and
- monitor and guide the company's approach to risk management.

Intellectual Property and Commercialisation Committee

The Committee's major role is to provide policy direction for the management of AWI's Intellectual Property (IP) portfolio.

Remuneration and Appointments Committee

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

Falkiner Memorial Field Station Committee

The Committee's role is to provide oversight and guidance of the major capital redevelopment at the Falkiner Memorial Field Station.

During the year there was also a Shear Express Committee which reviewed the progress of the Shear Express project. This committee was dissolved in February 2004 following AWI's disposal of its interest in Shear Express Pty Limited.

Response to Senate inquiry report into AWI Audits

During 2003/2004, AWI provided documents to the Senate Rural and Regional Affairs and Transport Legislation Committee inquiry into the application and expenditure of funds by AWI during 2001 and 2002. Although the Government has not yet provided its formal response to the inquiry, the present Board of Directors believes it has fully responded to all of the issues considered by the Committee.

Statutory Funding Agreement (SFA)

The SFA between AWI and the Australian Government was due to expire on 31 December 2003. However, due to the ongoing Senate inquiry, the Government advised it would not execute the new SFA until it had finalised its response to the inquiry. As a result, the initial SFA was extended to 31 August 2004 and on this day the new SFA was executed. Again, wide consultation with state farmer organisations, industry bodies and woolgrowers was sought to ensure industry consensus on the new SFA.

The SFA requires AWI to allocate funds to nominated research, development and innovation activities to ensure that any project is to the benefit of Australian woolgrowers, and that projects are efficient, effective and ethical.

Improvement to Management Information Systems

During 2003/2004, AWI took significant steps to improve its Management Information Systems. For instance, AWI's project management database was upgraded with a number of new features together with many improvements to existing features.

Contracts

The system of processing contracts has also been improved and streamlined. In addition, all standard contracts have been revised to ensure they are equitable for all parties; this will further assist AWI's efforts to reduce contract negotiating time and effort.

AWI has commissioned an appropriate level of audit activity to provide assurance as to the adequacy of internal control systems during 2003/2004. AWI auditing services have been separated, whereby PricewaterhouseCoopers conducts the external audits and Deloitte Touche Tohmatsu conducts the internal audits, while tax and other related advice is provided by Ernst & Young.

Insurance

AWI's insurance broker, Jardine Lloyd Thomson, conducted a risk assessment and has effected insurance policies to cover risks as appropriate.

Advisory panels

Advisory panels have been established where industry experts are invited to help AWI assess programs and projects before they occur to ensure these undertakings have clear and relevant targets to achieve. This is also reflected in AWI's 2004-2009 Strategic Plan, where fund allocation is aligned with the government's National and Rural Research and Development priorities.

AWI staff

Growing careers

People are one of the greatest assets of any organisation and in 2003/2004 AWI appointed a Human Resources Manager to better manage issues such as workforce planning, staff retention and professional development.

To ensure the most benefit for shareholders, AWI seeks to attract outstanding candidates and give new recruits a career path, rather than just a job, so they see opportunities and a long-term future with the organisation.

Key developments in 2003/2004 included the establishment of:

- a human resources management infrastructure for AWI incorporating human resources systems, policies and procedures;
- a review and assessment of all AWI position descriptions and salary benchmarking;
- a performance assessment and performance planning program;
- a training and development program to ensure staff have the best skills to deliver on company objectives; and
- an Occupational Health and Safety (OH&S) Committee, which is particularly relevant for AWI's Falkiner Memorial Field Station.

Key staff profiles

Dr Len Stephens – CEO

Dr Len Stephens was appointed as CEO in April 2003, with the responsibility to lead the company in the delivery and commercialisation of its research, development and innovation on behalf of woolgrowers. Len has an extensive background in rural research and development and came to AWI after five years as General Manager for Livestock Production Innovation at Meat and Livestock Australia. Previously he held senior positions with the then Meat Research Corporation and Agriculture Victoria, including as foundation Director of the Victorian Institute of Animal Science. Len holds Australian tertiary qualifications in both Agricultural and Veterinary Sciences and was awarded Master of Science and Doctorate of Philosophy degrees from the University of Guelph, Canada.

Les Targ – GM Commercial and Company Secretary

Les Targ is responsible for developing and implementing AWI corporate services including finance and audit, human resources, legal, contracting, IP management, IT systems, company secretarial, risk management and office services. Les has also taken over responsibility for the wool harvesting program. Les has 25 years of senior management experience as a company director, CEO and senior executive. Prior to joining AWI, Les was Managing Director of Spacelift Australia Limited, a company established to launch satellites into orbit. Les also held senior executive positions at ADI Limited, a high technology defence systems and engineering company.

Fiona Chisholm – GM Information and Education

Fiona Chisholm manages the Information and Education portfolio, responsible for industry and government liaison, communications, as well as the education and adoption programs. Fiona has 15 years experience in strategic communications and management. Prior to joining AWI in November 2003, Fiona worked for EDS and Westpac (where she was global head of brand communication in the institutional bank). She previously worked in senior communication roles in the Australian Public Service and on ministerial staff. Fiona holds Australian degrees in Arts and Education, as well as a Master of Communications completed in the United States.

Eric Finnie – GM Textiles

Eric Finnie has responsibility for managing the operations of the Textiles team, including the development of new wool products and processes, fundamental wool science and the marketing of wool innovations to manufacturers and retailers. Eric has nearly 30 years experience in the northern hemisphere textile and apparel business and was previously the Managing Director and CEO of UK based textile manufacturer Drummond Group. Prior to that, he held a number of executive positions with Coats Viyella, a major UK based knitwear and apparel manufacturing business.

Ian Rogan – GM Wool Production

Ian Rogan oversees the Wool Production portfolio, managing AWI's investments in the key on-farm areas of genetic improvement technologies, pasture development, fibre specification, animal health and natural resource management. Ian has significant experience in both agricultural research and commercial agriculture. He was previously a director and senior consultant of agricultural consultancy Hassall and Associates for 12 years. Prior to this, Ian was a regional director of research with NSW Agriculture and also principal research scientist with the South Australian Department of Agriculture where he headed the state's centre of excellence for sheep and wool research.

Pascal Senkoff – GM Trade Development

Pascal Senkoff is responsible for AWI's Trade Development portfolio, managing the company's role in working with government and industry to help reduce trade barriers, better understand key markets and identify opportunities to improve supply chain efficiencies. Pascal has 15 years experience in the wool textile trade and prior to joining AWI in June 2004 was Greater China General Manager for Chargeurs wool.

AWI staff statistics

- At 30 June 2004 AWI had a total of 61 staff members comprising 59 employees and two full-time contractors.
- AWI employees are located in Sydney, Gosford, Melbourne, Geelong, Deniliquin and Beijing, China.
- Thirty nine per cent of AWI staff have a rural background.
- Eighty five per cent have tertiary qualifications of various disciplines.
- Fifty four per cent of AWI staff are female and 46 per cent are male.

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Directors' report

Your directors present their report on the consolidated entity consisting of Australian Wool Innovation Limited and the entities it controlled at the end of, or during, the year ended 30 June 2004.

Directors

The following persons were directors of Australian Wool Innovation Limited during the whole of the financial year and continue to hold office at the date of this report.

The Hon. I M McLachlan AO

Mr B P van Rooyen

Dr C J Abell

Dr K J Bell

Mr J D O Boyd

Mr H P Nivison

Mr P S Sykes

Information on the directors and their experience can be found on page 6.

Review of operations and results

	2004 \$'000	2003 \$'000
Revenue	63,202	80,954
Surplus from ordinary activities	8,816	16,627

Principal activities

The principal activity of Australian Wool Innovation Limited as recorded in its adopted strategic plan is to drive research, development and innovation that will increase the long term profitability of Australian wool growers. To achieve that mission, the Company receives funding from the Commonwealth Government of Australia by way of both a statutory levy imposed upon Australian wool growers and a capped matching contribution from the Government on behalf of Australian taxpayers.

Significant changes in the state of affairs

During the year the Company disposed of its interest in a number of properties as noted below.

	Note to the accounts	Date of disposal	Cost or valuation \$'000	Net book value \$'000	Sale proceeds \$'000
Interest in CSIRO properties	8	October 2003	24,000	24,000	23,900
Property at York Street, Sydney	7	January 2004	1,373	1,373	1,500
Property at Somersby	9	June 2004	707	605	700

The funds received from the sale of the CSIRO properties have been transferred to a special purpose capital reserve as shown in note 5 of the accounts.

The Company sold its shareholding in Shear Express Pty Limited in February 2004, whilst acquiring all intellectual property. Shear Express Pty Limited has exclusive rights to the sequential shearing technology for up to seven years; all other technology is available for further development or commercialisation and Shear Express Pty Limited has a non-exclusive license for this.

Matters subsequent to the end of the financial year

There have been no material financial matters subsequent to the end of the financial year.

Likely developments and expected results of operations

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

Company secretary

The Company secretaries are Mr L M Targ appointed 26 May 2003 and Mr C M Chapman appointed 16 October 2003.

Meetings of directors

Director	Committees											
	Board Meetings		Finance & Audit		Falkiner Memorial Field Station		Remuneration & Appointments		Intellectual Property		Shear Express	
	A	B	A	B	A	B	A	B	A	B	A	B
I M McLachlan	12	12*	-	1 ⁽¹⁾	-	-	10	9*	2	2*	-	-
B P van Rooyen	12	11	11	10*	-	-	10	9	-	-	5	5
C J Abell	12	12	11	11	8	8*	-	-	2	2	5	5*
K J Bell	12	11	-	-	-	-	-	-	-	-	5	5
J D O Boyd	12	12	11	11	-	-	-	-	-	-	-	-
H P Nivison	12	12	-	-	8	7	10	10	2	2	-	-
P S Sykes	12	12	-	-	-	-	-	-	2	2	5	4

A = Number of meetings held during the time the director held office

B = Number of meetings attended

⁽¹⁾ = Attended as an acting member

* = indicates chairman

Remuneration report

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

- competitiveness and reasonableness
- acceptability to shareholders
- transparency.

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

Directors' fees

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

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

The Board undertakes an annual review of its performance and the performance of the Board committees against goals set at the start of the year. Bonuses are not payable to non-executive directors.

Details of the nature and amount of each element of the emoluments of each director of Australian Wool Innovation Limited are set out in the following table.

Non-executive directors of Australian Wool Innovation Limited

Name	Primary		Post-employment		Total
	Directors' base fee \$	Committee fees \$	Super-annuation \$	Separation \$	
I M McLachlan, Chairman	103,000	10,300	10,197	-	123,497
B P van Rooyen	51,500	12,482	5,758	-	69,740
C J Abell	51,500	17,632	6,222	-	75,354
K J Bell	51,500	3,249	4,927 ⁽¹⁾	-	59,676
J D O Boyd	51,500	5,150	5,098 ⁽¹⁾	-	61,748
H P Nivison	51,500	15,450	6,025	-	72,975
P S Sykes	51,500	8,265	5,378 ⁽¹⁾	-	65,143
Total	412,000	72,528	43,605	-	528,133

⁽¹⁾ Payment made to a related body corporate of the director as provision for superannuation benefits

Executive pay

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

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

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

The annual salary packages (including superannuation) of the Chief Executive Officer and the General Managers as of the date of this report fall into the bands shown in the table below:

\$	\$	Consolidated and Parent 2004
220,000	– 239,999	4
260,000	– 279,999	1
340,000	– 359,999	1

Executive Service Agreements

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

Insurance of officers

During the year, Australian Wool Innovation Limited paid an insurance premium of \$35,578 to insure the directors and officers of the entity against liability and professional indemnity.

Non-audit services

The Company may decide to appoint the auditor on assignments additional to their statutory audit duties where the auditor's experience with the Company and/or the consolidated entity are important. However, since 11 June 2003 it has been the Company's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties only where PricewaterhouseCoopers' expertise and experience with the Company are important.

Details of the amounts paid to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in Note 18 to the Financial Statements.

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 67.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Dividends Paid

There have been no dividends paid or recommended for the 2004 financial year (2003: Nil).

Share options

There have been no share options granted to any directors or executives of the Company.

Environmental regulation

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

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.

Statutory funding agreement obligations

In addition to usual annual reporting requirements, there are additional reporting requirements imposed upon the Company under Schedule 2 of the Statutory Funding Agreement between Australian Wool Innovation Limited and the Commonwealth of Australia. These are all dealt with in this annual report with the exception of a listing of the projects for which Commonwealth Matching Funds have been claimed. This will be provided separately to the Government.

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

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



I M McLachlan A.O.
Chairman

Sydney
16 September 2004

Auditor's independence declaration



PricewaterhouseCoopers
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Auditor's independence declaration

As lead auditor for the audit of Australian Wool Innovation Limited for the year ended 30 June 2004, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

Peter Buchholz
Partner
PricewaterhouseCoopers

The signature is a handwritten name in black ink, appearing as 'P. Buchholz'. Below the signature, the name 'Peter Buchholz' is printed in a small, black, sans-serif font, followed by 'Partner' and 'PricewaterhouseCoopers' on separate lines.

Sydney
16 September 2004

Financial report – 30 June 2004

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The financial report covers both Australian Wool Innovation Limited as an individual entity and the consolidated entity consisting of Australian Wool Innovation Limited and its controlled entities.

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 5
16-20 Barrack Street
SYDNEY NSW 2000

A description of the nature of the consolidated entity's operations and principal activities is included in the review of operations and activities in the directors' report on pages 62-66, which is not part of this financial report.

Statements of financial performance

FOR THE YEAR ENDED 30 JUNE 2004

	Notes	Consolidated		Parent entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue from ordinary activities	3	63,202	80,954	63,202	80,954
Research, development and innovation expense					
• Textile technology		(11,098)	(19,081)	(11,098)	(19,081)
• Wool production		(18,645)	(19,670)	(18,645)	(19,670)
• Education and adoption		(5,981)	(3,378)	(5,981)	(3,378)
• Trade development		(39)	(550)	(39)	(550)
		(35,763)	(42,679)	(35,763)	(42,679)
Employee expenses		(9,426)	(10,797)	(9,426)	(10,797)
Depreciation and amortisation expenses		(806)	(673)	(806)	(673)
Legal and professional expenses		(1,816)	(2,139)	(1,816)	(2,139)
Travel expenses		(1,647)	(1,959)	(1,647)	(1,959)
Communication expenses		(2,611)	(953)	(2,611)	(953)
Other expenses from ordinary activities		(3,769)	(5,127)	(3,769)	(5,127)
Reversal of contract provision	14	1,452	-	1,452	-
Surplus from ordinary activities	16	8,816	16,627	8,816	16,627
Total changes in equity attributable to members of Australian Wool Innovation Limited other than those resulting from transactions with owners as owners		8,816	16,627	8,816	16,627

The above statement of financial performance should be read in conjunction with the accompanying notes.

Statements of financial position

AS AT 30 JUNE 2004

	Notes	Consolidated		Parent entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current assets					
Cash assets	5	113,134	91,368	113,134	91,368
Receivables	6	5,634	2,420	5,634	2,420
Investment properties	7	-	1,373	-	1,373
Other	8	557	24,334	557	24,334
Total current assets		119,325	119,495	119,325	119,495
Non-current assets					
Receivables	9	-	-	-	-
Property, plant and equipment	10	4,030	3,507	4,030	3,507
Intangible assets	11	-	-	-	-
Total non-current assets		4,030	3,507	4,030	3,507
Total assets		123,355	123,002	123,355	123,002
Current liabilities					
Payables	12	6,205	13,294	6,205	13,294
Provisions	13	555	486	555	486
Total current liabilities		6,760	13,780	6,760	13,780
Non-current liabilities					
Provisions	14	105	1,548	105	1,548
Total non-current liabilities		105	1,548	105	1,548
Total liabilities		6,865	15,328	6,865	15,328
Net assets		116,490	107,674	116,490	107,674
Equity					
Contributed equity *	15	-	-	-	-
Retained surplus	16	116,490	107,674	116,490	107,674
Total equity		116,490	107,674	116,490	107,674

* At 30 June 2003 and 2004 contributed equity in the consolidated entity and the parent entity was \$100.

The above statement of financial position should be read in conjunction with the accompanying notes.

Statements of cash flows

FOR THE YEAR ENDED 30 JUNE 2004

	Notes	Consolidated		Parent entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		60,232	87,945	60,232	87,945
Payments to suppliers and employees (inclusive of goods and services tax)		(68,187)	(62,907)	(68,187)	(62,907)
		(7,955)	25,038	(7,955)	25,038
Interest received		5,020	3,782	5,020	3,782
Other revenue		536	309	536	309
Net cash inflow/(outflow) from operating activities	26	(2,399)	29,129	(2,399)	29,129
Cash flows from investing activities					
Payments for property, plant and equipment		(1,958)	(1,920)	(1,958)	(1,920)
Proceeds from sale of property, plant and equipment		26,123	10	26,123	10
Net cash inflow/(outflow) from investing activities		24,165	(1,910)	24,165	(1,910)
Net increase in cash held		21,766	27,219	21,766	27,219
Cash at the beginning of the financial year		91,368	64,149	91,368	64,149
Cash at the end of the financial year	5	113,134	91,368	113,134	91,368

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

Notes to the financial statements

30 JUNE 2004

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Note 1. Summary of significant accounting policies

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

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the year ending 30 June 2006. Information about how the transition to Australian equivalents to IFRS is being managed, and the key differences in accounting policies that are expected to arise, is set out in note 1E.

A General

A(1) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Australian Wool Innovation Limited as at 30 June 2004 and the results of all controlled entities for the year then ended. Australian Wool Innovation Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

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

A(2) Income tax

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

A(3) Foreign currency translation Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At reporting date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are recognised in determining the surplus or deficit for the year.

A(4) Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

B Revenue and expenditure

B(1) Revenue recognition

Revenue for the sale of goods is recognised upon the delivery of the goods to the customers.

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

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

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

B(2) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

B(3) Acquisition of assets

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$2,000, which are expensed in the year of acquisition.

C Assets

C(1) Cash

For the purpose of the statement of cash flows, cash includes deposits held at call with a bank, funds under management and investment securities. There were no standby credit facilities in place at 30 June 2004.

C(2) Receivables

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

C(3) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, the recoverable amount is determined on the basis of the relevant group

of assets. The decrement in the carrying amount is recognised as an expense in net surplus or deficit in the reporting period in which the recoverable amount write-down occurs.

C(4) Revaluations of non-current assets

Land and buildings are recognised at cost. Investment properties are measured at fair value being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction. Revaluations are made with sufficient regularity to ensure that the carrying amount of each piece of land and each building does not differ materially from its fair value at reporting date. Annual assessments are made by the directors, supplemented by independent assessments at least every three years.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net profit or loss, the increment is recognised immediately as revenue in net profit or loss.

Revaluation decrements are recognised immediately as expenses in net profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

C(5) Intangible Assets

(i) Research, development and innovation

Costs incurred on research and development projects and in-process research and development acquired in the acquisition of an entity or operation are expensed as incurred.

(ii) Intellectual property

Costs associated with intellectual property, either developed or acquired by the Company, are expensed as incurred, except to the extent that they are expected beyond a reasonable doubt to be recoverable.

In the event that the future economic benefit attributable to an individual research, development and innovation project or piece of intellectual property can be determined and it becomes probable such benefit will exceed the future cumulative expenditure relating to that item, all future costs relating to that item are deferred and amortised on a straight line basis over the period of their expected benefit.

C(6) Investments

Investments are stated at cost less amounts written off for permanent diminution in their value. Investment income is recognised in the statement of financial performance when receivable.

C(7) Depreciation of property, plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost or re-valued 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:

Category	Useful life	Depreciation basis
Buildings	40 years	straight line
Plant and equipment	2-6 years	straight line

C(8) 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. Leasehold improvements held at reporting date are being amortised over 7 years.

D Liabilities

D(1) Trade and other creditors

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

D(2) Employee entitlements

(i) Wages, salaries and annual leave

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

(ii) Long service leave

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

E International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the year ending 30 June 2006.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The General Manager (Commercial) and the Finance Manager have been appointed to manage the transition to Australian equivalents to IFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. They will report to the finance and audit committee during the financial year ended 30 June 2005. To date the project team has performed a high level analysis of most of the Australian equivalents to IFRS and have not identified any differences that are expected to have a significant impact on the financial statements. The following standards may have an impact on the accounting policies of the consolidated entity:

Impairment of assets – Under AASB 136 (the Australian equivalent to IAS 36) discounted cash flows will be required to calculate the recoverable amount of assets. Under the current accounting policy, discounted cash flows are not required.

Intangible assets – Under AASB 138 (the Australian equivalent to IAS 38) internally generated intangibles (eg patents, trademarks, etc.) can only be recognised in accordance with strict criteria. The consolidated entity does not currently recognise any intellectual property on its statement of financial position and therefore the changes to the recognition criteria for these assets are not expected to impact on the consolidated entity's current statement of financial position, but may have an impact going forward.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the consolidated entity's financial position and reported results.

Note 2. Segment information

Business Segments

Australian Wool Innovation Limited operates predominately in research, development and innovation in the wool industry.

Geographical segments

Australian Wool Innovation Limited operates in one geographic segment, that being Australia.

Note 3. Revenue

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue from operating activities				
Government Contributions	14,124	16,170	14,124	16,170
Sale of goods and services	255	309	255	309
Royalties	355	448	355	448
Wool levy	42,739	60,222	42,739	60,222
Wool tax	-	23	-	23
Other	100	-	100	-
	57,573	77,172	57,573	77,172
Revenue from outside the operating activities				
Interest	5,629	3,782	5,629	3,782
Revenue from ordinary activities	63,202	80,954	63,202	80,954

Note 4. Surplus from ordinary activities

Surplus from ordinary activities includes the following specific net gains and expenses:

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Depreciation				
• Buildings	171	61	171	61
• Plant and equipment	635	612	635	612
Total depreciation	806	673	806	673
Other Provisions				
• Employee entitlements	78	216	78	216
Rental expense relating to operating leases	640	619	640	619

Note 5. Current assets – Cash assets

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cash on hand and at bank	424	781	424	781
Funds under management	112,710	90,587	112,710	90,587
	113,134	91,368	113,134	91,368
Representing:				
Unrestricted cash and cash investments	78,745	76,899	78,745	76,899
Restricted as security against bank guarantees (a)	249	229	249	229
Restricted by the directors in respect of:				
• Capital reserve (b)	19,900	-	19,900	-
• Emergency reserve (c)	5,000	5,000	5,000	5,000
• Operating reserve (c)	9,240	9,240	9,240	9,240
	113,134	91,368	113,134	91,368

(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) The directors resolved in July 2003 to set aside \$23,900,000 of the funds received from the sale of the Company's interest in CSIRO properties as a capital sum for special purposes. Subsequently \$4,000,000 was released as payment to the Australian Wool Education Trust.

(c) The directors resolved in May 2003 to set aside \$5,000,000 as an emergency reserve to cover any unforeseeable expenditure and 15% of annual budgeted revenue as an operating reserve in respect of future liabilities.

Note 6. Current assets - Receivables

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Trade debtors	1,028	240	1,028	240
Provision for doubtful debts	-	(58)	-	(58)
	1,028	182	1,028	182
Accrued wool levy	4,161	2,238	4,161	2,238
Other debtors	445	-	445	-
	5,634	2,420	5,634	2,420

Note 7. Current assets – Investment properties

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Investment properties At directors' valuation	-	1,373	-	1,373

The investment property was sold for \$1,500,000.

Note 8. Current assets – Other

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Goods and services tax receivable	301	305	301	305
Prepayments	256	29	256	29
Interest in properties held for resale	-	24,000	-	24,000
	557	24,334	557	24,334

During the year ended 30 June 2002 Australian Wool Innovation Limited and the CSIRO entered into an agreement to conclude any equity (real or perceived) in a number of properties owned by the CSIRO. During the current financial year Australian Wool Innovation Limited received an agreed settlement of property and cash subsequent to the sale of certain CSIRO interests.

Note 9. Non-current assets - Receivables

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Loan to textile manufacturer	1,141	-	1,141	-
Provision for doubtful debts	(1,141)	-	(1,141)	-
	-	-	-	-

During the year ended 30 June 2003, a loan was made to a textile manufacturer to develop and commercialise wool textile products. The loan is for a term of ten years at a commercial interest rate, which is paid quarterly.

Subject to certain market developments, the amount of loan repayable may be reduced to 50% of the principal. Due to the uncertainty regarding this, combined with the long timeframe before the loan is repayable, the directors have recognised a provision against the loan in full for accounting purposes. The directors will reconsider the requirement for this provision on an annual basis.

Note 10. Non-current assets – Property, plant & equipment

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Land & buildings				
Freehold land – at cost	425	650	425	650
Buildings				
At cost	1,906	736	1,906	736
Less: Accumulated depreciation	(138)	(70)	(138)	(70)
	1,768	666	1,768	666
Total land and buildings	2,193	1,316	2,193	1,316
Plant and equipment				
At cost	3,155	2,922	3,155	2,922
Less: Accumulated depreciation	(1,318)	(731)	(1,318)	(731)
Total plant and equipment	1,837	2,191	1,837	2,191
	4,030	3,507	4,030	3,507

Reconciliations

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year is set out below:

	Land and Buildings \$'000	Plant and equipment \$'000	Total \$'000
Carrying amount at 1 July 2003	1,316	2,191	3,507
Additions	1,655	303	1,958
Disposals	(607)	(22)	(629)
Depreciation/amortisation expense	(171)	(635)	(806)
Carrying amount at 30 June 2004	2,193	1,837	4,030

Note 11. Non-current assets – Intangible assets

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Patents and trademarks	-	-	-	-

Note 11. Non-current assets – Intangible assets (continued)

The Company owns or has an interest in a number of items of registered intellectual property, as shown in Appendix B of this Annual Report. The Company's current policy is to expense all intellectual property costs as incurred unless Generally Accepted Accounting Practice requires treatment otherwise. At the date of this report, no costs relating to these intangible assets have been deferred; all costs have been expensed as incurred.

Note 12. Current liabilities – Payables

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Unsecured				
Trade creditors	1,170	2,769	1,170	2,769
Other payables – RDI contract payments accrued	3,483	9,595	3,483	9,595
Other creditors	1,552	930	1,552	930
	6,205	13,294	6,205	13,294

Note 13. Current liabilities – Provisions

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Annual leave	439	346	439	346
Other employee entitlements	116	140	116	140
	555	486	555	486

Note 14. Non-current liabilities – Provisions

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Long service leave	105	96	105	96
Accrued by AWRAP (under contract)	-	1,452	-	1,452
	105	1,548	105	1,548

Note 15. Contributed equity

(a) Share capital

	Parent entity			
	2004 Shares	2003 Shares	2004 \$	2003 \$
Ordinary shares – fully paid	37,462	36,654	100	100

(b) Ordinary shares

The \$100 represents the initial capital contribution on the establishment of the Company. Each wool grower has a right to one vote for every \$100 of wool levy or wool tax contributed during the 3 previous financial years, as defined in the Wool Services Privatisation Act 2000 (Cth). These shares do not entitle wool growers to participate in any profit distributions or in any proceeds on the winding up of the entity.

(c) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	\$
1 July 2002	Opening balance	36,632		100
4 December 2002	Share issue	2	Nil	Nil
5 December 2002	Share issue	8	Nil	Nil
3 January 2003	Share issue	3	Nil	Nil
15 January 2003	Share issue	1	Nil	Nil
13 February 2003	Share issue	2	Nil	Nil
12 March 2003	Share issue	1	Nil	Nil
13 May 2003	Share issue	2	Nil	Nil
30 June 2003	Share issue	3	Nil	Nil
30 June 2003	Balance	36,654		100
22 August 2003	Share issue	55	Nil	Nil
27 August 2003	Share issue	95	Nil	Nil
4 September 2003	Share issue	354	Nil	Nil
12 September 2003	Share issue	150	Nil	Nil
1 October 2003	Share issue	116	Nil	Nil
16 October 2003	Share issue	36	Nil	Nil
21 October 2003	Share issue	2	Nil	Nil
30 June 2004	Balance	37,462		100

The actual number of shareholders at 30 June 2004 was 30,792.

Note 16. Retained surplus

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Retained surplus at the beginning of the financial year	107,674	91,047	107,674	91,047
Net surplus attributable to shareholders of Australian Wool Innovation Limited	8,816	16,627	8,816	16,627
Retained surplus at the end of the financial year	116,490	107,674	116,490	107,674

Note 17. Financial instruments

(a) Credit risk exposures

The consolidated entity's maximum exposure to credit risk at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position.

The consolidated entity has no significant exposure to any concentrations of credit risk.

According to Australian Wool Innovation Limited's Treasury Policy, counterparties for Financial Instruments must have a minimum credit rating A (long term) and A1 (short term) as rated by S&P's Australian Standards. The Company manages all risks by only approving expenditure in Australian dollars with a fixed exchange rate set at the rate prevailing at 4pm the day before any contract is signed.

Australian Wool Innovation Limited holds cash funds in interest bearing deposits or bank bills to meet future commitments.

(b) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and effective weighted average interest rate by maturity periods is set out in the following table.

	Notes	Weighted average interest rate %	Floating interest rate \$'000	Non interest bearing \$'000	Total \$'000
2004					
Financial assets					
Cash and deposits	5	4.75	420	4	424
Funds under management	5	5.57	112,710	-	112,710
Receivables	6	-	-	5,634	5,634
Receivables (non-current)	9	6.50	-	-	-
			113,130	5,638	118,768
Financial liabilities					
Trade and other creditors	12	-	-	(5,848)	(5,848)
Net financial assets / (liabilities)			113,130	(210)	112,920

Note 17. Financial instruments (continued)

	Notes	Weighted average interest rate %	Floating interest rate \$'000	Non interest bearing \$'000	Total \$'000
2003					
Financial assets					
Cash and deposits	5	4.25	777	4	781
Funds under management	5	4.80	90,587	-	90,587
Receivables	6		-	2,420	2,420
			91,364	2,424	93,788
Financial liabilities					
Trade and other creditors	12		-	(13,294)	(13,294)
Net financial assets			91,364	(10,870)	80,494

(c) Net fair value of financial assets and liabilities

On-balance sheet

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the economic entity approximates their carrying amounts.

Note 18. Remuneration of auditors

During the year the auditor of the parent entity and its related practices earned the following remuneration:

	Consolidated		Parent entity	
	2004 \$	2003 \$	2004 \$	2003 \$
Audit of financial reports of the entity or any entity in the consolidated entity	75,000	108,000	75,000	100,000
Other audit-related work	6,902	26,487	6,902	26,487
Other assurance services	98,000	255,102	98,000	255,102
Total audit and other assurance services	179,902	389,589	179,902	381,589
Advisory services	-	14,066	-	14,066
Taxation	25,560	99,400	25,560	99,400
Total remuneration	205,462	503,055	205,462	495,055

As part of a review of Corporate Governance practices, the consolidated entity segregated its taxation, internal audit and advisory services from statutory audit within Australia. Since 11 June 2003 it has been the consolidated entity's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties only where PricewaterhouseCoopers' expertise and experience with the consolidated entity are important.

Note 19. Commitments for expenditure

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Other Commitments				
Commitments in relation to research and development, technical proving and transfer and the cost of various goods and services contracted for at the end of the reporting date but not recognised as liabilities, payable:				
Within one year	32,076	38,222	32,076	38,222
Later than one year but not later than 5 years	25,488	35,234	25,488	35,234
	57,564	73,456	57,564	73,456
Lease commitments				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	437	404	437	404
Later than one year but not later than 5 years	885	1,221	885	1,221
	1,322	1,625	1,322	1,625
Representing:				
Non-cancellable operating leases	1,322	1,625	1,322	1,625

Note 20. Employee benefits

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Employee benefit and related on-costs liabilities				
Provision for employee benefits – current (Note 14)	555	486	555	486
Provision for employee benefits – non-current (Note 15)	105	96	105	96
Aggregate employee benefit and related on-costs liabilities	660	582	660	582

Employee Numbers	Number	Number	Number	Number
Number of employees at 30 June	59	46	59	46
Number of permanent full time contractors at 30 June	2	7	2	7
	61	53	61	53

Note 21. Related parties

Directors

The names of persons who were directors of Australian Wool Innovation Limited at any time during the financial year are as follows: I M McLachlan, B P van Rooyen, C J Abell, K J Bell, J D O Boyd, H P Nivison, P S Sykes.

All of these persons were also directors during the year ended 30 June 2003.

Remuneration

Information on remuneration of directors is disclosed in the Directors' Report.

Directors' Interests in Contracts

During the year ended 30 June 2004 no director or director-related entity entered into a contract or had any transactions on other than normal terms and conditions with Australian Wool Innovation Limited.

Other transactions with directors and director related parties

There were no other transactions with directors or director related parties during the year ended 30 June 2004.

Note 22. Investment in controlled entities

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2004	2003
Shear Express Pty Limited	Australia	Ordinary	-	99.99%
Chain Shearing Limited	Australia	Ordinary	-	99.99%

In February 2004 the parent entity disposed of its interest in Shear Express Pty Limited whilst acquiring all intellectual property. Shear Express Pty Limited has exclusive rights to the sequential shearing technology for up to seven years; all other technology is available for further development or commercialisation and Shear Express Pty Limited has a non-exclusive licence for this.

The parent entity disposed of its controlling interest in Chain Shearing Limited, a controlled entity of Shear Express Pty Limited, in the same transaction.

Note 23. Economic dependency

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

Note 24. Events occurring after reporting date

There were no material financial events that occurred after reporting date that have not been included in the financial report.

Note 25. Contingent liabilities

The parent entity and consolidated entity had a contingent liability at 30 June 2004 in respect of a claim against the entity. The directors are vigorously defending this claim to ensure that it results in minimal financial loss to the entity. The total amount of the claim is \$2,200,000 plus costs and interest.

The directors are not aware of any other potential claims or contingent liabilities against the parent entity or consolidated entity.

Note 26. Reconciliation of surplus from ordinary activities to net cash inflow from operating activities

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Surplus from ordinary activities	8,816	16,627	8,816	16,627
Depreciation and amortisation	806	673	806	673
(Profit)/Loss on sale of property, plant and equipment	(121)	113	(121)	113
Change in operating assets and liabilities				
• Decrease (increase) in trade debtors	(846)	(69)	(846)	(69)
• Decrease (increase) in prepayments	(227)	73	(227)	73
• Decrease (increase) in other operating assets	4	(200)	4	(200)
• Decrease (increase) in accrued wool levy	(1,923)	3,034	(1,923)	3,034
• Decrease (increase) in other debtors	(445)	-	(445)	-
• Increase (decrease) in creditors	(7,089)	8,662	(7,089)	8,662
• Increase (decrease) in provisions	(1,374)	216	(1,374)	216
Net cash inflow from operating activities	(2,399)	29,129	(2,399)	29,129

Directors' declaration

The directors declare that the financial statements and notes set out on pages 69 to 87:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2004 and of their performance, as represented by the results of its operations and of their cash flows, for the financial year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



I M McLachlan A.O.
Chairman

Sydney
16 September 2004

Audit report



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Independent Audit Report to the members of Australian Wool Innovation Limited

Audit opinion

In our opinion, the financial report of Australian Wool Innovation Limited:

- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Australian Wool Innovation Limited and the Australian Wool Innovation Limited Group (defined below) as at 30 June 2004, and of their performance for the year ended on that date, and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Australian Wool Innovation Limited (the company) and the Australian Wool Innovation Group (the consolidated entity), for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

Independent Audit Report to the members of
Australian Wool Innovation Limited (continued)

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.



PricewaterhouseCoopers



Patrick Richards
Partner

Sydney
16 September 2004

Appendices

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Appendix A – Project list

The projects listed below are those projects which were underway during 2003/2004; Budget amounts are over the life of the project and paid amounts are charged to the Statement of Financial Performance during 2003/2004 (see page 69).

Strategic Aim	Title	Provider	Start Date	Finish Date	Full Contract Value (\$'000)	Paid in 2003 /2004 (\$'000)
A1 Planning and consultation	NSW Agriculture Review	Ecoservices Pty Ltd	20-Dec 2001	29-Feb 2004	66	13
A2 Program management	Project management for harvesting, wool quality and logistics projects	Miracle Dog Pty Ltd, GMAC Consulting Pty Ltd	23-Sep 2002	23-Sep 2005	330	120
	Evaluation of on-farm R&D investment portfolio	BDA Group	01-Jan 2003	31-Jul 2003	70	70
	Cost of production survey	Wool Market Linkages Ltd	30-Mar 2003	23-Feb 2004	28	8
A3 Monitoring, evaluation and reporting	Limited evaluation of AWI projects – on-farm and off-farm	Hassall & Associates Pty Ltd	01-May 2004	15-Jul 2004	58	8
	Review of Shear Express	Alan White, Barefacts Consulting	15-Sep 2003	19-Dec 2003	100	155
	The European Wool Awards	Interlaine – EWA	01-Jul 2002	19-Dec 2003	2,297	(90)
	AWI/DWI Awards	DWI	20-Sep 2002	20-Sep 2004	400	146
	The Australian Wool Fashion Awards	Australian Wool Fashion Awards Ltd	18-Dec 2001	07-Jun 2004	180	65
A4 Managing the commercial edge	Shear Express	Shear Express Pty Ltd	04-Apr 2002	18-Dec 2003	5,361	805
	Business plan for producing treated knitting yarns in China	Sudwolle	01-Sep 2003	01-Sep 2004	100	109
	Validation of fibre to fabric outcomes	AWI	20-Jan 2003	20-Aug 2004	330	266
A5 Frontier research	Discovering genes involved in resistance to Gastrointestinal Nematodes (GIN) in sheep – candidate gene approach	CSIRO Livestock Industry	29-Feb 2004	28-Feb 2007	373	53
	Scholarships – smart textiles and very light weight wool fabric	Linclab and Canesis	31-Dec 2002	30-Jun 2006	486	262
	China Australia Wool Innovation Network (CAWIN)	Deakin University	01-Aug 2003	30-Jan 2009	4,985	374
	AWI's sponsorship of RSA Student Design Awards 2001-2004	Royal Society of Arts	01-Oct 2001	28-Nov 2003	362	114
B1 Novel wool using products	Non woven needle punch (apparel)	The Woolmark Company	01-Jan 2001	28-Jan 2004	758	10
	Sportwool outdoor	The Woolmark Company	01-Feb 2002	30-Sep 2004	889	97
	Non woven hydroentanglement (spunlace)	The Woolmark Company	01-Jan 2001	30-Jun 2004	1,020	23
	Short staple blends	The Woolmark Company	01-Jan 2001	30-Sep 2004	645	56
	"Up Wool" fill material	Canesis	20-Aug 2001	24-Mar 2004	141	10
	Wool stretch pile fabric	Canesis	20-Aug 2001	17-Jun 2004	270	54
	Pure wool business shirt	Canesis	28-Aug 2001	30-Apr 2003	250	(12)
	Non woven umbrella project	Canesis	08-Jan 2001	08-Jan 2004	6,000	1,754

Strategic Aim	Title	Provider	Start Date	Finish Date	Full Contract Value (\$'000)	Paid in 2003 /2004 (\$'000)
	High performance lining system for suits and workwear	The Woolmark Company	15-Apr 2002	15-Oct 2003	460	57
	Sportwool fleece	The Woolmark Company	15-Apr 2002	31-Jan 2004	400	105
	Smart yarn development	The Woolmark Company	15-Apr 2002	30-Nov -2004	676	287
	Heated wool bedding	Canesis	01-Jun 2002	27-Aug 2004	578	228
	AFAY-SPUN wool/cotton yarns	Canesis	01-Mar 2003	10-May 2004	45	20
	Novel knit fabric	Canesis	30-Aug 2002	01-Dec 2003	182	26
	Emergency erect bush-fire curtains	Cease-Fire Technologies	04-Aug 2003	01-Nov 2003	45	45
	Electrostatic wool filters	CSIRO Textile & Fibre	01-Apr 2003	06-Jul 2005	1,128	479
	Medical textiles	CSIRO Textile & Fibre	01-Jan 2003	01-Jan 2004	884	435
	Sensory fabric for ubiquitous interfaces	Brunel University	01-Dec 2002	03-Jun 2003	978	294
	Novel knit fabric development and commercialisation	Canesis Pty Ltd	15-Dec 2003	25-Nov 2004	936	*
	High visibility wool garments	Canesis	06-Oct 2003	30-Sep 2005	532	*
B2 New technologies, enhance wool products	Flame retardation and machine wash aircraft fabric	The Woolmark Company	02-Jan 2001	07-Jan 2004	340	15
	Machine wash wool blankets	The Woolmark Company	02-Jan 2002	30-Sep 2004	238	9
	Wool fibre fibrillation	University of Leeds	01-Mar 2000	18-Sep 2003	22	22
	Total Easy Care jacketings	The Woolmark Company	15-Apr 2002	30-Apr 2004	546	169
	Enhance technology for casual/leisurewear woven blend	The Woolmark Company	15-Apr 2002	15-Apr 2004	329	101
	Permanent bright shades for wool	CSIRO Textile & Fibre	01-Jul 2003	01-Jan 2005	1,191	596
	Pilling reduction technologies for knitwear	Canesis	01-Nov 2002	31-Jan 2004	260	15
	Development of a scouring technology package	CSIRO Textile & Fibre	01-Nov 2003	30-Oct 2005	728	253
	Garment treatment for Easy Care wovens	The Woolmark Company	01-Oct 2002	30-Oct 2004	479	207
	Mens washable woolblend suit	Berkeley Apparel Pty Ltd	01-Apr 2002	14-Aug 2003	617	118
	High lightfastness dyeings for wool fabrics	Canesis	01-Sep 2002	30-Jun 2005	640	205
	Thermal comfort of wool bedding products	The Woolmark Company	01-Nov 2003	31-Aug 2004	160	53
	High temperature, deep shade, reactive dyeing of wool	University of Leeds	01-Sep 2003	01-Sep 2004	170	26
	Electrospun-membrane wool composite fabrics	CSIRO Textile & Fibre	01-Apr 2004	01-May 2005	340	17

Appendix A – Project list (continued)

Strategic Aim	Title	Provider	Start Date	Finish Date	Full Contract Value (\$'000)	Paid in 2003 /2004 (\$'000)
	Prototype heated wool sock development	Canesis	01-Jun 2003	07-Jan 2004	100	98
	Wool product enhancement by fibre fibrillation	University of Leeds	01-Dec 2003	01-Dec 2005	803	*
	Spunlace wool nonwovens	CSIRO Textile & Fibre	01-May 2004	01-Dec 2004	614	*
B3 Revolutionary wool directions	Nanowool	CSIRO Textile & Fibre	01-Sep 2003	01-Sep 2004	700	478
	Producing micro-particles from wool proteins	DWI	01-Sep 2003	30-Aug 2004	246	185
	Coloured conductive textiles	Deakin University	01-Jul 2002	30-Dec 2005	1,354	382
	Continuous wool blend filament	Deakin University	01-Jul 2002	30-Dec 2005	1,975	503
	Fibre surface and cuticle studies	DWI	01-Dec 2002	01-Dec 2005	825	220
	Characterisation and modification of the proteolipid surface of wool	CSIRO Textile & Fibre	31-Mar 2003	30-Oct 2005	1,241	384
	Fibre surface and cuticle studies	CSIRO Textile & Fibre	01-Dec 2002	01-Dec 2004	291	78
	Fibre surface and cuticle studies	Canesis	01-May 2003	30-Aug 2006	1,320	272
	Brighter white wool	DWI	01-Dec 2002	30-Nov 2004	467	192
	Brighter white wool	CSIRO Textile & Fibre	01-Dec 2002	30-Nov 2004	833	333
	Photoyellowing	Canesis	01-Apr 2003	01-Aug 2005	460	151
	Smart textiles	Canesis	01-Mar 2002	31-Dec 2002	201	51
	Element mapping of wool fibre morphological components	DWI	01-Dec 2002	01-Dec 2005	517	138
	Fibre ultrastructure and cellular morphology	Canesis	01-Apr 2003	01-Aug 2006	1,140	304
	Merino wool structural database	CSIRO Textile & Fibre	28-Apr 2003	28-Oct 2004	131	70
B4 Use/marketing product innovations	Australian wool blanket and health	Interlaine – EWA	01-Nov 2003	10-Mar 2004	56	56
	Washable Australian Merino wool knitwear in the USA	The Woolmark Company	01-May 2004	01-Nov 2006	929	*
C1 Marketplace information flow	Pricemaker software	The Woolmark Company	01-Jun 2001	04-Jun 2004	688	170
	Wool production forecasting committee	Ecoservices Pty Ltd, The Woolmark Company	01-Feb 2002	31-Dec 2006	825	149
	Publication of sheeps back to mill statistics	Independent Commodity Services	15-Jul 2003	15-Dec 2003	14	15
	Scoping study on web based producer tools	BCS Agribusiness Solutions	21-Jul 2003	25-Aug 2003	8	8
	Business Intelligence Services	The Woolmark Company	15-Aug 2001	01-Jun 2004	334	110
	Strategic grower industry intelligence	The Woolmark Company	15-Aug 2001	01-Jun 2004	1,253	429

Strategic Aim	Title	Provider	Start Date	Finish Date	Full Contract Value (\$'000)	Paid in 2003 /2004 (\$'000)
	The development of improved top dyeing procedures for the Chinese and Indian wool processing industries	CSIRO Textile & Fibre	01-Jul 2003	15-Feb 2004	51	51
	IWTO worldwide retailer study/market research project	IWTO	10-Feb 2004	16-Apr 2004	100	67
C2 Fabric to fibre – Wool market segments	Relationship of "comfort" factor between fabric and greasy fibre specification	Wool Comfort Australia	14-Jun 2002	31-Aug 2003	50	38
	Benefit cost analysis (BCA) of OFFM and sheep ID	BDA Group	04-Nov 2002	30-Sep 2003	54	24
	OFFM evaluation trial	Teckel Consulting Pty Ltd, GMAC Consulting Pty Ltd	14-Jun 2002	01-Mar 2004	455	275
	Dark and medullated fibres mill survey and cost benefit study	Teckel Consulting Pty Ltd	15-Feb 2004	15-Apr 2005	305	14
	Wool producer delivery to direct retail specification	TQW Trading	01-Apr 2002	31-Jul 2003	187	49
	Contamination survey – completed	CSIRO Textile & Fibre	11-Feb 2002	14-Jul 2003	628	93
C3 Develop common wool fibre language	Test for dark and medullated fibre	Interactive Wool Group Pty Ltd	26-Nov 2002	17-Mar 2004	300	173
	Test for dark and medullated fibre	Canesis	12-Mar 2003	18-Dec 2003	395	64
	Test for dark and medullated fibre	CSIRO Textile & Fibre	01-Dec 2002	06-Mar 2004	449	240
	OFFM QA program – implementation	Miracle Dog Pty Ltd	23-Mar 2003	30-Jun 2004	412	31
	Development of a highly heritable correlate of staple strength	CSIRO Textile & Fibre	23-Jan 2004	12-May 2004	34	31
	Implementation of dark and medullated fibre measurement standards	Australian Wool Industries Secretariat		27-Sep 2004	377	205
	Re-draft of specification – IWTO	Capronex Services Pty Ltd	01-Mar 2004	30-Jun 2004	21	16
C4 Processing – engineering, efficiencies	New equipment development	The Woolmark Company	02-Jan 2002	07-Apr 2004	303	15
	Plasma treatment of wool	CSIRO Textile & Fibre	12-Jan 2001	22-Jul 2003	742	62
	Permanent soft-lustre process	The Woolmark Company	31-Oct 2002	30-Sep 2004	463	180
	Murata Vortex spinning of fine wool	CSIRO Textile & Fibre	17-Dec 2001	19-Sep 2003	461	23
	Improvements to the Sirosett process for crease stabilisation	The Woolmark Company	01-Oct 2002	30-Oct 2004	537	233
	A survey of the current status of digital printing of textiles	Linclab	01-Jun 2003	01-Dec 2003	30	30
	High production rate wool spinning – new woollen based system	CSIRO Textile & Fibre	09-Apr 2004	01-Dec 2004	255	38
C5 Processing practices – Mill locations	Industry survey for the AWI wool textile and apparel portal	The Woolmark Company	05-Dec 2003	30-Jan 2004	47	46
	Globalisation of TopMaker and TopSpin	Australian Software for Topmaking	11-Aug 2003	11-Aug 2006	90	64

Appendix A – Project list (continued)

Strategic Aim	Title	Provider	Start Date	Finish Date	Full Contract Value (\$'000)	Paid in 2003 /2004 (\$'000)
C6 Handling, testing, selling – innovations	Electronic bale ID	Creative Logistics Pty Ltd	26-Mar 2002	05-Jan 2004	220	28
	Sheep ID implementation and standards committee – stage 3	ManuTech (VIC) Pty Ltd	09-Jul 2003	31-Mar 2004	20	96
	Sheep coats scoping study	Miracle Dog Pty Ltd	01-Nov 2003	30-Apr 2004	33	22
C7 Wool harvesting – economies, performance	National coordinator – AWI shearer and wool handler training initiative pilot	Ross A Pollock	01-Aug 2003	30-May 2004	51	80
	Coaching and training shearers and wool handlers	SCAA Shearer Shedhand Training Incorporated	01-Aug 2003	12-Feb 2004	104	104
	Coaching and training shearers and wool handlers	Wool Industry Training Australia Pty Ltd	01-Aug 2003	02-Dec 2003	65	65
	Scoping the role of VET in schools for shearer and wool handler training	TAFE NSW – Western Institute	01-Aug 2003	24-Feb 2004	20	27
	Shearer and wool handler employment placement service	Australian Wool Exchange Ltd	01-Aug 2003	02-Jul 2004	95	99
	Feasibility study into the operation of a national shearer and wool handling group training organisation	Westvic Work Force	01-Aug 2003	31-Jan 2004	25	20
	Evaluation of the AWI shearer and wool handler training initiative pilot	Canesis	01-Aug 2003	12-Mar 2004	162	182
	Project manager – shearer and wool handler training	Ross A Pollock	01-May 2004	01-May 2005	126	21
	Survey of farm financial performance in the sheep industry 2003	Australian Bureau of Agriculture Resource Economics (ABARE)	01-Jul 2002	20-Mar 2004	333	175
	Reclaiming of commercially viable dag wool	AGRECON	26-Sep 2002	22-Sep 2003	130	15
	Wool harvesting technologies search	ManuTech (VIC) Pty Ltd	22-Sep 2003	11-Dec 2003	138	155
	Project management – harvesting program	ManuTech (VIC) Pty Ltd	06-Feb 2004	01-Sep 2004	146	122
	Upright shearing posture (UPSP) harvesting project	Allen White, Peak Hill Industries Pty Ltd, Tectra Limited, Prattley Industries Ltd, Catford Engineering, Bearfacts Consulting Pty Ltd, Shearing Industry Consultants, Michael Lawrance and Associates Ltd	05-Apr 2004	07-Jan 2005	720	56
D1 Sheep – engineering, improve production	Falkiner Memorial Field Station	AWI	01-Jan 2002	31-Dec 2007	24	*
	Making sensible fertilizer decisions	Agriculture Victoria Services Pty Ltd	01-Nov 2002	15-Nov 2003	291	*
	Completion of useful sheep genome map	University of Melbourne	01-Aug 2000	30-Jul 2003	180	9
	Farm health and safety joint venture 2002/2003 to 2006/2007	Rural Industries R & D Corp	01-Jul 2002	30-Sep 2007	300	*
	Project management for harvesting, wool quality and logistics projects	Infodesign Pty Ltd	23-Sep 2002	23-Sep 2005	330	*
	Investigation of flystrike resistance in hypospadic sheep	University of Melbourne	02-Apr 2002	31-Jul 2003	69	7
	SARDI selection demonstration flock	SARDI	03-Oct 2001	15-Dec 2005	1,404	294
	Golden Ram	The University of New England	08-Jul 2002	30-Nov 2005	950	203

Strategic Aim	Title	Provider	Start Date	Finish Date	Full Contract Value (\$'000)	Paid in 2003 /2004 (\$'000)
	Genotyping sheep with diversity arrays	Centre for the Application of Molecular Biology to International Agriculture (CAMBIA)	25-Nov 2002	15-Mar 2004	350	100
	Ovine genomics program	Darvat Pty Ltd	28-Feb 2003	31-Jul 2004	223	135
	Wool follicle relationship identification of the founder cell population	University of Western Sydney	01-Mar 2004	28-Feb 2007	447	92
	Operational and administrative support for Merino sire evaluation in Australia	University of Melbourne – AMSEA	17-Feb 2003	11-Mar 2006	132	60
	Analysis of sheep, haemonchus contortus relationship	Meat & Livestock Australia	11-Jun 2003	01-Apr 2006	214	121
	Toward novel approaches for the control of parasitic nematodes of sheep	Meat & Livestock Australia	11-Jun 2003	01-Apr 2005	270	170
	Thiol metabolism as a drug target for worms	Meat & Livestock Australia	10-Mar 2003	01-Apr 2005	275	230
	Novel approaches for control of sheep nematode parasites	Meat & Livestock Australia	11-Jun 2003	11-Mar 2005	299	212
	Novel approaches for control of sheep nematode parasites	Meat & Livestock Australia	01-Jan 2004	01-Oct 2006	425	43
	Banksia Awards 2004 sponsorship	Banksia Environmental Foundation	27-Aug 2002	01-Apr 2004	25	*
	Continuous wool filament – task force	Ecoservices Pty Ltd	01-Aug 2002	30-Aug 2003	52	*
	Valorisation of sludge from wool scouring	Zhangjiagang Yangtse Wool Combing Co Ltd	01-Oct 2002	01-Jun 2004	213	*
	Education – Biella Masters Program	Fondazione Biella Master Delle Fibre Nobili	10-Oct 2001	30-Sep 2004	32	*
D2 Feeding – pastures and nutrition	Survey of farm financial performance in the sheep industry 2004 and 2005	Australian Bureau of Agriculture Resource Economics (ABARE)		01-Sep 2005	644	225
	Triple P – adoption of productive pastures in South East Australia	Dept of Natural Resources & Environment	01-Jul 1998	08-Jan 2004	50	36
	Biological control of Paterson's Curse and thistles	NSW Agriculture, CSIRO Entomology, MLA, DPS Strategy Pty Ltd	01-Jan 1998	30-Jun 2006	1,553	(78)
	National Annual Pasture Legume Improvement Program (NAPLIP) coordination 2003-2006	Grain Research Development Corp, Abbott Innovation Pty Ltd	01-Jul 2003	30-Jun 2006	75	20
	Delivery through Woolpro of improved spray timing of TIMERITE for redlegged earthmite control RLEM	CSIRO Entomology	17-Oct 2000	09-Jan 2004	283	15
	Phalaris Improvement	CSIRO Plant Industry	31-Dec 2000	31-Dec 2007	686	151
	NAPLIP (High rainfall zone) pastures research on-farm	Dept of Natural Resources & Environment	28-Nov 2000	30-Jun 2005	542	112
	NAPLIP (Sheep/cereal zone)	Grain Research Development Corp	22-Mar 2001	30-Sep 2005	1,120	276
	Genetically modified pastures	CSIRO Plant Industry	14-Sep 2000	14-May 2004	344	39
	NAPLIP coordination	Agriculture Western Australia	01-Jul 2000	30-Jul 2003	90	14
	Development and field validation of a lice detection test	NSW Agriculture	30-Apr 2003	30-Apr 2005	374	*
	The National Rhizobium Program 2002-2007.	Murdoch University	01-Jan 2003	31-Dec 2007	1,469	*

Appendix A – Project list (continued)

Strategic Aim	Title	Provider	Start Date	Finish Date	Full Contract Value (\$'000)	Paid in 2003 /2004 (\$'000)
	Benchmarking with GrassGro	CSIRO Plant Industry	12-Dec 2002	24-Dec 2005	380	122
	Lifetime wool production	Dept of Primary Industries	13-Oct 2003	30-Sep 2008	6,423	3,032
	Increased investment in NAPLIP	SARDI	01-Jul 2003	30-Jun 2006	1,344	424
	Developing new and innovative perennial Lotus species for grazing systems	NSW Agriculture	28-Aug 2002	27-Feb 2008	1,267	230
	Predicting pasture growth rate	CSIRO Livestock Industry	01-Sep 2003	31-Mar 2004	475	475
	University of Bremen student visit	Hochschule Bremen	03-Apr 2003	10-Aug 2003	10	*
	Use of Stockplan to manage the production, social and environmental impacts of climate variation	NSW Agriculture		01-Sep 2005	181	115
	Modelling sterility agents for rabbits and foxes	NSW Agriculture	01-Oct 2003	30-Sep 2004	25	20
	Facts and fictions about feedlotting sheep in times of drought	Holmes Sackett & Associates Pty Ltd	06-Mar 2003	30-Mar 2004	49	*
	Create dark and medullated reference samples – stage 1	CSIRO Textile & Fibre	26-May 2003	20-Jan 2004	14	*
	Development of cellular resources to support expression profiling and proteomic studies in defined genotypes / muscle and energy utilisation sub-program project 4	Meat & Livestock Australia	01-Jun 2003	01-Aug 2006	157	*
	Review of options to reduce feedstuff supply variability in Australia	Meat & Livestock Australia	30-Jul 2003	13-Oct 2003	20	20
	Environmental achievement in the rural sector	Banksia Environmental Foundation	01-Oct 2002	24-Oct 2003	75	25
D3 Enhance the natural resource base	AWI Pilot Revegetation Advisory	Norfor Pty Ltd	01-Jan 2002	30-Jun 2003	200	166
	Land, Water and Wool	Land and Water Australia	09-Dec 2001	30-Jun 2006	19,150	6,251
	OFFM decision support systems standards	Sheep CRC	18-Jul 2003	30-Jul 2004	55	*
	Drought feed strategies for the Australian wool industry	Synecon Pty Ltd	11-Dec 2002	01-Feb 2003	55	6
	Sheep ID implementation and standards committee – stage 3	Meat & Livestock Australia	09-Jul 2003	31-Mar 2004	20	*
	Drug discovery in sheep nematodes by functional genomics in <i>Caenorhabditis elegans</i>	Meat & Livestock Australia	11-Jun 2003	11-Mar 2006	225	*
	Drought recovery – sustainably increasing the number of joinings per enterprise per year	Holmes Sackett & Associates Pty Ltd		18-Feb 2004	17	14
	Soil biology program	Meat & Livestock Australia	01-Jul 2003	30-Jun 2006	600	*
	VegCheck – AWI Falkiner vegetation plan	PlainSense Vegetation Management	01-Sep 2003	30-Nov 2003	8	8
D4 Health, welfare, chemicals – production, care	Nuffield scholarship	Australian Nuffield Farming Scholars Association	01-Nov 2003	30-Oct 2006	90	*

Strategic Aim	Title	Provider	Start Date	Finish Date	Full Contract Value (\$'000)	Paid in 2003 /2004 (\$'000)
	look @ Wool – fast tracking wool producer group business development	Primary Industries And Resources SA	30-Sep 2003	30-Jun 2006	180	*
	PhD scholarship – Nicholas Robinson	University of Melbourne	22-Mar 2004	21-Mar 2006	84	*
	Future Fleece in schools	Agriculture Western Australia	15-Mar 2004	30-Jun 2004	63	*
	WoolPro in schools	Agriculture Western Australia	15-Mar 2004	17-Dec 2004	270	*
	Leadership opportunities for rural women	Foundation for Australian Agricultural Women	01-Apr 2004	15-Jul 2004	20	*
	BMP Farm Biz mapping	Gabrielle Kay	12-Sep 2003	09-Feb 2004	7	*
	SCIPS project – worm control website	University of Sydney	01-Apr 2000	31-Jul 2003	94	11
	SCIPS project – adoption of nemesis	CSIRO Livestock Industry	27-Oct 2000	31-Jun 2003	188	20
	Breec strike prevention technology	CSIRO Livestock Industry	24-Apr 2000	15-Sep 2003	296	25
	Alternatives to mulesing	The University of Adelaide	25-Feb 2002	30-Aug 2004	321	64
	Scouring vs resistance to worms	CSIRO Livestock Industry,Agriculture Western Australia	15-May 2000	30-Jun 2004	137	14
	Multi-species Wormworld	CSIRO Livestock Industry	04-May 2000	18-Jul 2003	209	8
	Pesticide residue survey	Australian Wool Testing Authority Ltd, CSIROTextile & Fibre	20-Sep 2001	30-Jun 2004	314	153
	Diagnosing sheep pox	CSIRO Livestock Industry	02-Nov 2003	02-Nov 2006	1,416	118
	A vaccine for wool production	CSIRO Livestock Industry	03-Jan 2003	30-Dec 2010	4,552	1,278
	Flystrike data analysis	CSIRO Entomology	01-Apr 2004	01-Apr 2005	189	*
	Integrated parasite management – sheep	The University of New England	15-Aug 2003	01-Jan 2007	2,700	516
	Anthelmintic investigation and other pharmaceutical consultancy services	Baron Strategic Services Pty Ltd	01-Oct 2002	31-Dec 2003	108	30
	Target identification in Lucilia Cuprina andanalysis in both blowfly and lice	LaTrobe University	01-Mar 2004	30-Jun 2005	1,482	*
	Eradication of virulent footrot in WA	Agriculture Western Australia	20-Sep 2002	31-Mar 2004	412	326
	Review of costs and impacts of OJD	Hassall & Associates Pty Ltd	10-Oct 2002	30-Jan 2004	111	44
	OFFM extension and adoption – EOI and tender process	AWI	25-Jul 2003	30-Jun 2006	1,805	97
	OFFM extension and adoption – evaluation component	Roberts Research and Evaluation Pty Ltd	05-Jan 2004	31-Jul 2006	70	*
	WormBoss coordination	Mike Stephens & Associates	29-Nov 2002	30-Sep 2004	90	41
	WormWorld software restructuring and documentation	CSIRO Livestock Industry	01-Aug 2003	13-Feb 2004	30	30
	Proactive measures to address mulesing	Agriculture Western Australia	01-Jan 2004	01-Mar 2007	260	*

Appendix A – Project list (continued)

Strategic Aim	Title	Provider	Start Date	Finish Date	Full Contract Value (\$'000)	Paid in 2003 /2004 (\$'000)
	New research tools for worms	Meat & Livestock Australia	11-Jun 2003	11-Mar 2006	156	99
	Gene silencing in haemonchus contortus	Meat & Livestock Australia	01-Jan 2003	01-Jan 2006	317	44
	Identification of major genes and proteins responsible for muscle hypertrophy and leanness in callipyge and carwell sheep	Meat & Livestock Australia	01-Jan 2004	31-Jan 2007	225	*
	MEUSP proteomics	Meat & Livestock Australia	28-Feb 2004	31-Dec 2006	232	*
	Phenotypic characterisation of sheep genetic variants	Meat & Livestock Australia	31-Oct 2003	31-Dec 2005	317	*
	Sub-program leader, host resistance to internal parasites sub-program	CSIRO Livestock Industry	01-Mar 2003	30-Jun 2004	59	25
	Discovering genes for worm resistance	CSIRO Livestock Industry	30-Jun 2004	31-Dec 2006	521	174
	Wool science sub-program leader	The University of Adelaide	01-Nov 2003	30-Jun 2004	49	*
	Detection of genes which significantly influence parasite resistance and skin and wool attributes – part 1. Gene mapping	Meat & Livestock Australia	01-Mar 2004	31-Dec 2005	227	*
	Expression profiling and gene discovery in the wool follicle – MLA/AWI sheep genomics coordinator	SARDI	01-Jan 2004	31-Dec 2004	12	*
	Secondary wool follicle development	CSIRO Livestock Industry	01-Feb 2004	28-Feb 2007	335	*
	Parasitology research program development and coordination	Meat & Livestock Australia	18-Jul 2003	15-Jul 2006	71	50
	Reducing pain from mulesing	CSIRO Livestock Industry	01-Jan 2004	30-Jan 2005	100	*
	Ectoparasite project review coordination	Advanced Veterinary Therapeutics	21-Sep 2003	31-Dec 2003	34	29
	Flock modelling – scoping study and industry meeting	Ecoservices Pty Ltd, Agriculture Western Australia	15-Mar 2004	15-Jun 2004	68	*
	Hand held device – Terahertz radar scoping study	CSIRO Information & Communication Technologies	15-Apr 2004	15-Aug 2004	18	*
	Economic evaluation of pathways for change	BDA Group	23-Feb 2004	30-Jul 2004	55	*
	Development of a highly heritable correlate of staple strength – stage 1	Australian Wool Testing Authority Ltd	23-Jan 2004	20-Feb 2004	34	*
	An alternative to tail docking and mulesing – the tailless sheep	CSIRO Livestock Industry	01-May 2004	01-May 2005	14	14
	The molecular genetics of meat production in sheep: new genes that affect muscle phenotypes	Meat & Livestock Australia	01-Mar 2004	30-Jun 2005	130	*
	Subprogram leader muscle and energy utilisation sub program	Meat & Livestock Australia	01-Mar 2004	31-Jan 2005	43	*
D5 Inventiveness and old problems	Improved footrot diagnosis	The University of New England	16-May 2002	10-Sep 2004	302	113
	Worker exposure to sheep dips	National Farmers' Federation Limited	01-Mar 2002	20-Feb 2004	335	340
	Validation and communication of Evergreen Farming systems	Evergreen Farming	01-May 2004	30-Apr 2007	528	*

Strategic Aim	Title	Provider	Start Date	Finish Date	Full Contract Value (\$'000)	Paid in 2003 /2004 (\$'000)
	"Out-fox" awareness and eradication program stage two	Pest Animal Control CRC	09-Oct 2002	07-Jan 2004	250	150
	New dog poison	Pest Animal Control CRC	11-Feb 2003	11-Feb 2006	3,178	1,044
	Scoping study to develop a project address – the non wool contamination	Miracle Dog Pty Ltd	03-May 2004	30-Jul 2004	15	*
E1 Reaching broadly – ideas for woolgrowers	Bestwool 2010 phase 2	Dept of Natural Resources & Environment	01-Jul 2002	30-Jun 2005	1,400	450
	Australian Agriculture and Natural Resources On-Line (AANRO)	Dept of Primary Industries	01-Jun 2001	01-Jun 2006	20	18
	Research on the national market potential for the Triple P program	Acil Tasman Pty Ltd	20-Jun 2003	14-Oct 2003	23	23
	Project manager – grower adoption programs	Peter Hanrahan Consulting Pty Ltd	16-Apr 2004	15-Apr 2005	81	7
	Shearer and wool handler training resource development	DNR Group Pty Ltd	15-Jun 2004	31-Oct 2004	640	*
	Extending the use of Grazfeed and GrassGro for the management of sheep grazing annual pastures in Mediterranean environments	Agriculture Western Australia	09-Dec 2002	16-Apr 2004	23	23
	Lower cost rehabilitation of weed-infested and degraded native grasslands	University of Sydney	01-Jun 2004	01-Mar 2005	62	*
	Prime Time	Meat & Livestock Australia	07-Oct 2003	05-Nov 2003	100	100
	Shearing exhibition/training centre	Shear Outback	26-Jan 2002	26-Jan 2005	305	105
	Heated wool sock technology transfer and commercialisation	Canesis Limited (Europe)	01-Jun 2004	01-Jun 2005	222	*
	Estimating market demand for a series of shearing platform system concepts	TQA Research	01-Jun 2004	31-Dec 2004	150	*
E2 Targeted activity – higher expectations	Bestprac phase II	Rural Directions Pty Ltd	01-May 2003	01-May 2006	977	324
	Tasmanian 8x5 Wool Profit Program	University of Tasmania	01-May 2002	30-Jun 2005	1,757	478
	Triple P in NSW	Mike Stephens & Associates	30-Sep 2001	30-Jun 2005	523	92
	Improving Profitability of WA Woolpro farmers #2	Agriculture Western Australia	25-Jan 2000	31-Mar 2004	518	186
	Focus farm – Cicerone	The Cicerone Project Inc.	01-Feb 1999	04-Sep 2003	120	60
	Improved networking for AWI groups	Nigel Russell		23-Dec 2003	90	14
	Scoping an adoption program for NSW	Mike Stephens & Associates	07-May 2004	18-Jun 2004	1,200	11
	The History of the Australian Wool Industry – a book	Charlie Massy	01-Apr 2004	31-May 2004	22	16
	Decision support tools to enhance wool producers' profitability	The University of New England	01-Jun 2002	01-Jun 2005	337	110
	Increased adoption of TIMERITE to improve feed utilisation	CSIRO Entomology	18-Mar 2003	31-Jul 2004	213	107
	QA program implementation AWEX – OFFM phase two	Australian Wool Exchange Ltd	02-Feb 2004	02-Feb 2005	378	40

Appendix A – Project list (continued)

Strategic Aim	Title	Provider	Start Date	Finish Date	Full Contract Value (\$'000)	Paid in 2003 /2004 (\$'000)
	OFFM extension and adoption – EOI and tender process	International Fibre Centre Limited, GMAC Consulting Pty Ltd, NSW Agriculture	02-Feb 2004	30-Jun 2006	1,805	113
E4 Wool technical education	Australian Rural Leadership Program – (ARLP)	Australian Rural Leadership Foundation Limited	21-Nov 2003	31-Jan 2006	89	43
	Sheep knowledge warehouse scoping project	DNR Group Pty Ltd	09-May 2003	28-Oct 2003	30	10
	Revitalising the AWI/AWRAP library	The Woolmark Company	15-Mar 2004	30-Jun 2004	10	10
	Management of VET scholarships program	Rural Skills Australia	06-Feb 2004	31-Jan 2005	41	20
	Australian Wool Education Trust	Australian Wool Testing Authority Ltd	30-Jun 2004	30-Jun 2004	4,000	4,000
	Scholarship and studentship program	AWI	01-Jul 2003	30-Jun 2008	2,956	113
					150,562	41,081
	Commercially Confidential Projects (3)				1,137	217
	Projects with amount paid in 2003/2004 less than \$5,000 (14)				2,150	34
Total					153,849	41,332
Reconciliation to Financial Statements						
	AWI cost directly relating to projects (eg travel)					543
	Movement in accruals (see note 11 to the Financial Statements)					(6,112)
Charge for 2003/2004 as per Statement of Financial Performance						35,763

* Work under way; no amounts invoiced at 30/06/04.

Appendix B – IP table

Below is a table of registered intellectual property which is owned by AWI or in which AWI has an interest.

Intellectual Property Title	IP Category	Registered in Australia	Registered Overseas
Iron regulated promoter and uses thereof	Patent	Y	Y
Semi-automated manipulator for manual shearing	Patent	Y	Y
Animal leg restraint	Patent	Y	Y
Head restraint for animal manipulator	Patent	Y	Y
Doffing animal coat and fleece removal	Patent	Y	Y
Sheep handling and manipulation for automated shearing	Patent	Y	Y
Control flystrike on sheep	Patent	Y	N
Fungal sulphur source and method of using the same	Patent	Y	Y
Veterinary formulation	Patent	Y	Y
DNA encoding ovine adenovirus and its use as a viral vector	Patent	Y	Y
Chemically assisted protein annealing treatment	Patent	Y	Y
Device for sampling liquids	Patent	Y	Y
Pneumatic splicing of yarns	Patent	Y	Y
Sorting pneumatically conveyed material	Patent	Y	Y
Enzyme based bioremediation	Patent	Y	Y
Malathion carboxylesterase	Patent	Y	Y
Method and apparatus for determining a first parameter(s) of an object	Patent	Y	Y
Breathable films	Patent	N	Y
Expression of phytase in plants as a method of modifying plant productivity	Patent	Y	Y
Improving the availability of nutrients in a ruminant using piromyces or neocallimastix fungi	Patent	Y	Y
Larval development assay	Patent	Y	N
Detection and isolation of, and protective immunisation against, the phomopsis mycotoxins	Patent	Y	N
Vaccine and assay	Patent	Y	N
Method for treating animals	Patent	Y	N
Saponin Adjuvant Composition	Patent	Y	Y
Continuous pressure decatizing of fabrics and setting of staple fibre assemblies	Patent	Y	Y
Fibrillations of natural fibres	Patent	N	Y
Inclined Blade	Patent	Y	Y
Control circuit for a power driven tool and touch activated system shearing system incorporating same**	Patent	Y	Y
Handling apparatus for a quadruped**	Patent	Y	Y
Limb restraint**	Patent	Y	Y
Animal handling system**	Patent	Y	Y
Method of harvesting wool**	Patent	Y	Y
A restraint**	Patent	Y	Y
Apparatus for spreading a sheet-like article**	Patent	Y	Y
Animal processing conveyor**	Patent	Y	Y
Apparatus for use in harvesting wool**	Patent	Y	Y
Mobile collapsible shelter**	Patent	Y	Y
Apparatus for supporting an animal and a production line for processing and animal incorporating said apparatus**	Patent	N	Y
Method for separating keratinous proteins from materials*	Patent	Y	N
Heated Wool Textile*	Patent	N	Y
Heated Wool Garment System*	Patent	N	Y
Treatment*	Patent	Y	N
Improved process & Apparatus for stretching Slivers of animal fibre*	Patent	Y	Y
Protective Screen*	Patent	Y	N
Triple P	Trademark	Y	N
Siroscour	Trademark	Y	N
Si-ro-mark	Trademark	Y	N
Timerite	Trademark	Y	N
Siromin	Trademark	Y	N
Woolpro	Trademark	Y	N

Intellectual Property Title	IP Category	Registered in Australia	Registered Overseas
Rampower	Trademark	Y	N
Wool Profit Map	Trademark	Y	N
Siroprint	Trademark	Y	N
Sirosteam	Trademark	Y	N
Grassgro	Trademark	Y	N
Rural Connect	Trademark	Y	N
Future Fleece	Trademark	Y	N
Australian Wool Innovation Limited & Device*	Trademark	Y	Y
Australian Wool Innovation (words only)*	Trademark	Y	Y
Woolpoll & rams head device*	Trademark	Y	N
Balansa Clover – Bolta	Plant Variety	Y	N
Balansa Clover – Frontier	Plant Variety	Y	N
Barrel Medic – Caliph	Plant Variety	Y	N
Barrel Medic – Jester	Plant Variety	Y	N
Burr Medic – Cavalier	Plant Variety	Y	N
Burr Medic – Scimitar	Plant Variety	Y	N
Cefalu Clover	Plant Variety	Y	N
Yellow Serradella – Santorini	Plant Variety	Y	N
French Serradella – Cadiz	Plant Variety	Y	N
Disc Medic Rivoli	Plant Variety	Y	N
Lucerne – Aquarius	Plant Variety	Y	N
Lucerne – Eureka	Plant Variety	Y	N
Lucerne – Genesis	Plant Variety	Y	N
Lucerne – Hallmark	Plant Variety	Y	N
Lucerne – Jindera	Plant Variety	Y	N
Lucerne – Sceptre	Plant Variety	Y	N
Lucerne – Sequel HR	Plant Variety	Y	N
Lucerne – Super 7	Plant Variety	Y	N
Lucerne – Venus	Plant Variety	Y	N
Medic – Toreador	Plant Variety	Y	N
Persian Clover – Kyambro	Plant Variety	Y	N
Persian Clover – Morbulk	Plant Variety	Y	N
Persian Clover - Nitroplus	Plant Variety	Y	N
Persian Clover – Persian Prolific	Plant Variety	Y	N
Phalaris – Atlas PG	Plant Variety	Y	N
Phalaris – Australian II	Plant Variety	Y	N
Phalaris – Holdfast	Plant Variety	Y	N
Phalaris – Landmaster	Plant Variety	Y	N
Serradella – Charano	Plant Variety	Y	N
Subterranean Clover – Denmark	Plant Variety	Y	N
Subterranean Clover – Goulburn	Plant Variety	Y	N
Subterranean Clover – Gosse	Plant Variety	Y	N
Subterranean Clover – Leura	Plant Variety	Y	N
Subterranean Clover – Riverina	Plant Variety	Y	N
Subterranean Clover – York	Plant Variety	Y	N
Subterranean Clover – Urana	Plant Variety	Y	N
Wallaby Grass – Bunderra	Plant Variety	Y	N
Wallaby Grass – Taranna	Plant Variety	Y	N
Sweet Clover – Jota	Plant Variety	Y	N
Prima Gland Clover	Plant Variety	Y	N
French Serradella – Margurita*	Plant Variety	Y	N
French Serradella – Erica*	Plant Variety	Y	N
Napier Sub Clover*	Plant Variety	Y	N
A liquid sample collection card	Registered Design	Y	Y

Appendix C – Publication list

Below is a table of publications produced by or for AWI in 2003/2004.

Type	Title	Provider	Date	Security
Magazine	Beyond the Bale	Australian Wool Innovation Limited	July 2003, September 2003, November 2003, January 2004, March 2004, May 2004	Released
Report	Electronic Sheep Identification within the Wool Industry	Creative Logistics Pty Ltd	July 2003	Commercial in confidence
Report	AWI 2003 Non-Wool Contamination Survey	CSIRO Textile and Fibre Technology	July 2003	Released
Report	End of Season Review	The Woolmark Company	July 2003	Released
Report	OFFM and Electronic Sheep ID – Benefit Cost Analyses	BDA Group	August 2003	Released
Report	Costs of OJD for Australian Sheep Producers and Options for Assistance	Hassall & Associates	August 2003	Released
Report	Adoption of Nemesis – Breeding Sheep for the Sustainable Control of Internal Parasites – Final Report	CSIRO Livestock Industries	August 2003	Not released
Report	Scoping the Extension of the International Livestock Resource Information Centre to Meet the Resource Needs of Schools & Vocational Education and Training	DNR Group Pty Ltd	August 2003	Not released
Report	Triple P Expansion into Other High Rainfall Zones – a Report on New Market Potential	ACIL Tasman	August 2003	Not released
Report	Footwear & Fashion Accessories	Canesis	August 2003	Commercial in confidence
Report	Assessment of Bioinformatics Requirements of the MLA-AWI Sheep Genomics Program	Brian Dalrymple	September 2003	Commercial in confidence
Report	Physical Mapping of the Ovine Genome: A Suggested Strategy	Allan Crawford	September 2003	Commercial in confidence
Report	Bioinformatics Analysis of Sheep and Cattle EST Data Sets: Genome Coverage and Implications for Expression Profiling	Brian Dalrymple, Sigrid Lehnert, Toni Reverter-Gomez, Bill Barendse and Ross Tellam	September 2003	Commercial in confidence
Report	Wool Production Forecasting Committee Reports	Australian Wool Innovation Limited	September 2003, November 2003, March 2004, June 2004	Released
Report	Technical Due Diligence of EST Libraries(x2)	Sigrid Lehnert	September 2003	Commercial in confidence
Report	Handknitting Yarns Made from Slit Non-woven Substrate	Canesis	September 2003	Commercial in confidence
Manual	Pure Wool Business Shirting Fabric Production and Specifications	Canesis	September 2003	Commercial in confidence
Report	Annual Report 2002/2003	Australian Wool Innovation Limited	September 2003	Released
Report	Planning for Profit – A Practical Guide to Assist Woolgrowers Recover from Drought	Holmes Sackett & Associates	September 2003	Released
Magazine	Drought Manager	Australian Wool Innovation Limited	October 2003	Released
Report and Manuals	Wormworld Software Restructuring and Documentation	CSIRO Livestock Industries	October 2003	Not released

Type	Title	Provider	Date	Security
Report	Review and Outlook for Fine Wool	The Woolmark Company	October 2003	Released
Fact sheet	Profitable Wool Production and Improved Native Vegetation – a Healthy Marriage in Victoria	Land, Water & Wool – Native Vegetation and Biodiversity sub-program	October 2003	Released
Report	Emergency Blankets	Canesis	November 2003	Commercial in confidence
Policy	Constitution	Australian Wool Innovation Limited	November 2003	Released
Brochure	How AWI is Growing Wool for You	Australian Wool Innovation Limited	November 2003	Released
Newsletter	Wool Matters	Australian Wool Innovation Limited	November 2003, January 2004, March 2004, June 2004	Released
Farm notes	Case Studies of Fox Management on Mainland Australia (4)	Pest Animal Control Cooperative Research Centre	November 2003	Released
Report	AWI Australian Wool Residue Survey Results 2000-2003	CSIRO Textile and Fibre Technology	November 2003	Released
Conference Paper	Radical Formation During UV-Irradiation of Bleached and Optically Brightened Wool	Deutsches Wollforschungsinstitut an der RWTH Aachen e.V.	November 2003	Released
Report	Pilot Industrial Trial of Electronic Bale Identification	Creative Logistics Pty Ltd	November 2003	Commercial in confidence
Technical Manual	Saltland Pastures in Australia – A Practical Guide	Barrett-Lennard E., et al	November 2003	Released
Fact sheet	Sustainable Grazing on Saline Land (SGSL) – Projects and Products	Land, Water & Wool – Sustainable Grazing on Saline Lands (SGSL) sub-program	November 2003	Released
Guide	Productive Use of Saline Lands	Land, Water & Wool – Sustainable Grazing on Saline Lands (SGSL) sub-program	November 2003	Released
Fact sheet	Making More from Your Native Pastures	Land, Water & Wool – Native Vegetation and Biodiversity sub-program	November 2003	Released
Fact sheet	Our Reputation for Quality Wool in the Midlands of Tasmania Rides on the Sheep's Back.	Land, Water & Wool – Native Vegetation and Biodiversity sub-program	November 2003	Released
Fact sheet	Tasmanian Wool – Natural Landscapes, Natural Fibres	Land, Water & Wool – Rivers and Water Quality sub-program	November 2003	Released
Fact sheet	Preventing Erosion to Maximise Wool Production	Land, Water & Wool – Rivers and Water Quality sub-program	November 2003	Released
Fact sheet	Improving Water Quality to Benefit Wool Production	Land, Water & Wool – Rivers and Water Quality sub-program	November 2003	Released
Report	Sheep's Back to Mill 2001/02 – 2002/03	Independent Commodity Services and Mac Stats Analysis	December 2003	Released
Report	Relationship of "Comfort" Factor Between Fabric and Greasy Fibre Specification	Department of Agriculture, Western Australia	December 2003	Not released
Report	Open Strategy Forum Reports	Australian Wool Innovation Limited	January 2004	Released
Report	2003 Grower Feedback to AWI	Australian Wool Innovation Limited	January 2004	Released
Report	Evaluation of Shear Express Wool Harvester During Commissioning and Trials	Graeme Pleasance and Allen White	January 2004	Released
Case studies	Insights – Case Studies on How Farmers are Successfully Managing Saltland for Profit and Sustainability	Land, Water & Wool – Sustainable Grazing on Saline Lands (SGSL) sub-program	February 2004	Released

Type	Title	Provider	Date	Security
Report	Industry Survey for AWI Wool Textile and Apparel Portal	The Woolmark Company	February 2004	Released
Report	Group Training Organisation Feasibility Study	WestVic Work Force	February 2004	Not released
Report	Identification and Review of Training Courses to Deliver AWI Key Practices and Indicators	Gabrielle Kay	February 2004	Not released
Report	Shearer and Wool Handler Training Initiative – Evaluators Report	Canesis	March 2004	Executive summary released
Journal publication	The Generation of Superoxide and Hydrogen Peroxide by Exposure of Fluorescent Whitening Agents to UVA Radiation and its Relevance to the Rapid Photoyellowing of Whiteners	CSIRO Textile and Fibre Technology	March 2004	Released
Policy	Rules and Procedures Governing the Election of Directors	Australian Wool Innovation Limited	March 2004	Released
Report	Wool Harvesting Technology Search	Manutech Pty Ltd	March 2004	Commercial in confidence
Report	OFFM Instrument Evaluation Trial	Australian Wool Innovation Limited	April 2004	Released
Booklet	First Aid: 1080 and Your Dog	Pest Animal Control Cooperative Research Centre	April 2004	Released
Report	Annual Ryegrass Toxicity Vaccine Business Plan	Baron Strategic Services	April 2004	Commercial in confidence
Report	Eradication of Virulent Footrot (Western Australia) Final Report	Department of Agriculture, Western Australia	April 2004	Not released
Fact sheet	Australian Woolgrowers Winning the Non-Wool Contamination War	Australian Wool Innovation Limited	May 2004	Released
Brochure	Increasing the Demand for Wool	Australian Wool Innovation Limited	May 2004	Released
Brochure	Doing Business with AWI – Textiles	Australian Wool Innovation Limited	May 2004	Released
Fact sheet	Wool Facts	Australian Wool Innovation Limited	May 2004	Released
Report	Technical Basis for Allocation of DMFR Levels Based on Crutching History	Teckel Consulting Pty Ltd	May 2004	Released
Report	National Footrot Workshop Proceedings	Department of Agriculture, Western Australia	May 2004	Released
Report	Revitalising the AWRAP Library	The Woolmark Company	May 2004	Not released
Report	Investigation into Complex Traits in Sheep: Current Status and Emerging Trends	James Kijas	May 2004	Commercial in confidence
Report	Review and Outlook for Mid-Micron Wool 2004	The Woolmark Company	May 2004	Released
Brochure	Protecting the Reputation of Australian Merino Wool from Dark and/or Medullated Fibre Contamination	Federation of Australian Wool Organisations	June 2004	Released
Report	Flock Modelling Project: User Requirements Report	Ecoservices Pty Ltd	June 2004	Released
Report	Sheep Coats Scoping Study	Miracle Dog Pty Ltd	June 2004	To be released
Policy	Corporate Governance Policy	Australian Wool Innovation Limited	June 2004	Released
Policy	Code of Conduct – Obligation to Stakeholders	Australian Wool Innovation Limited	June 2004	Released

Type	Title	Provider	Date	Security
Report	Managing Fodder Prices for Droughts – A Guide to Help Sheep producers	Holmes Sackett & Associates and Bruce Allworth	June 2004	Released
Report	Managing Sheep in Droughtlots – A Best Practice Guide	Holmes Sackett & Associates	June 2004	Released
Report	Which Sheep Do I Keep? A Guide to Assist Producers in Drought	Holmes Sackett & Associates	June 2004	Released
Report	TIMERITE Information Package	CSIRO Entomology	June 2004	Released
Report	Pastoral Zone – Regulatory Restriction on Introducing Plant Species	Frontier Insights Pty Ltd	June 2004	Commercial in confidence
Report	Evaluation of Alternative Management Arrangements for the MLA:AWI SGP	Rob Forage	June 2004	Commercial in confidence
Report	Discovery of Novel Targets in Gastrointestinal Nematodes	Stephen Page	June 2004	Commercial in confidence
Newsletter	Productive Resource Management for Woolgrowers	Land, Water & Wool – Native Vegetation and Biodiversity sub-program	June 2004	Released
Fact sheet	Integrating Paddock and Catchment Planning – a Wool Producer-driven Approach to Sustainable Land Management	Land, Water & Wool – Native Vegetation and Biodiversity sub-program	June 2004	Released
Fact sheet	Improving Seasonal Forecasts for Woolgrowers – a Better Climate for Wool Production	Land, Water & Wool – Climate Variability sub-program	June 2004	Released
Brochure	Products from NAPLIP	NAPLIP Steering Committee	July 2004	Released
Report	Options to Reduce Feedstuff Supply Variability in Australia	Macarthur Agribusiness	July 2004	Released
Report	Financial, Environmental and Social Evaluation of Ten Off-farm Research Projects	Apical International Pty Ltd	July 2004	Released
Report	Limited Review of Ten On-farm Projects	Hassall & Associates Pty Ltd	July 2004	Released
Report	A Global Strategic Market Analysis and Outlook for Australian Wool	The Woolmark Company	July 2004	Released
Report	Strategic Plan 2004-2009	Australian Wool Innovation Limited	July 2004	Released
Report	Monthly Market Briefing	The Woolmark Company	Monthly	Released
Fact sheets	Insight	Australian Wool Innovation Limited	Various times throughout year	Released
Fact sheets	Innovators	Australian Wool Innovation Limited	Various times throughout year	Released
Web	AWI website	Australian Wool Innovation Limited	Throughout year	Released
Web	AWI in China website	Australian Wool Innovation Limited	Throughout year	Released

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Feedback form

AWI appreciates your feedback on this Annual Report to ensure that future Annual Reports meet your expectations and needs.

1. Which three of the following areas of this Annual Report were you most interested in:

- | | |
|---|---|
| <input type="checkbox"/> Chairman's and CEO's reports | <input type="checkbox"/> Trade Development report |
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| <input type="checkbox"/> Wool Production report | <input type="checkbox"/> Good business report |
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| <input type="checkbox"/> Other _____ | |

2. Has this report increased your understanding of AWI?

- | | |
|-----------------------------------|-------------------------------------|
| <input type="checkbox"/> Greatly | <input type="checkbox"/> A little |
| <input type="checkbox"/> Somewhat | <input type="checkbox"/> Not at all |

3. How would you rate this report as a transparent account of AWI's 2003/2004 performance?

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| <input type="checkbox"/> Excellent | <input type="checkbox"/> Satisfactory |
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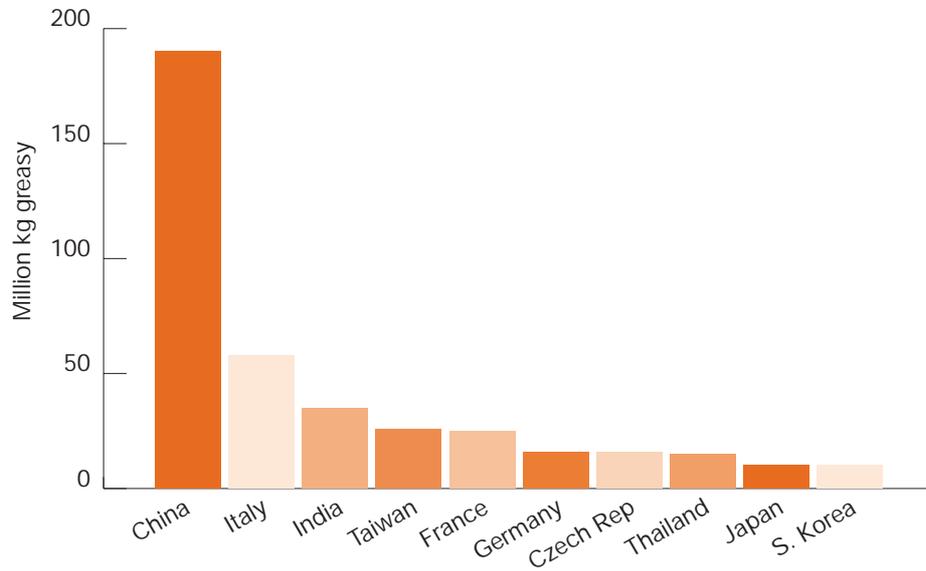
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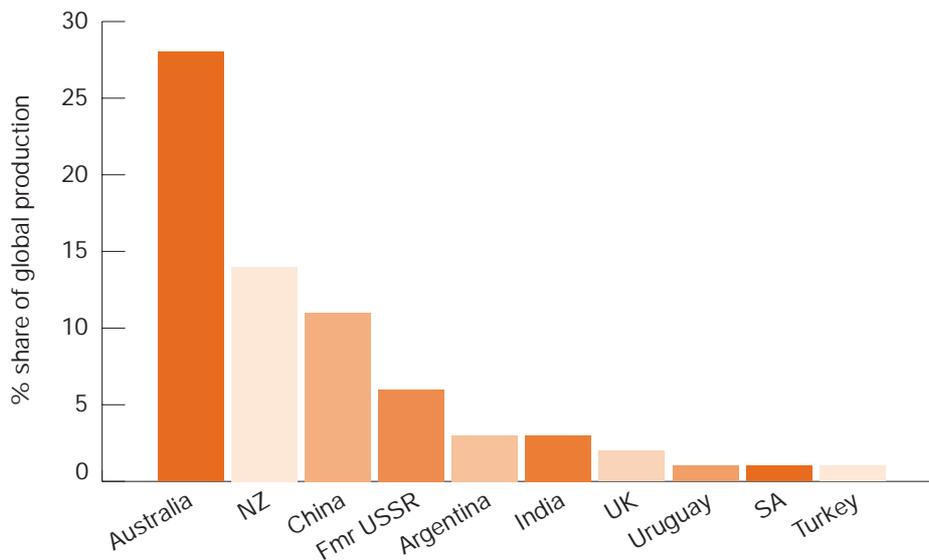


AUSTRALIA'S TOP TEN WOOL EXPORT DESTINATIONS 2003/2004



(Source: The Woolmark Company)

TOP TEN WOOL PRODUCING COUNTRIES 2003/2004



Total global production for 2003/2004=1,207,323 tonnes

(Source: The Woolmark Company)



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