



WOOL

stocktake 06/07

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ABOUT AWI

AWI's mission is to drive research, development, innovation and marketing that will increase the long-term profitability of Australian woolgrowers.

Who we are

AWI invests in global Research & Development (R&D), innovation and marketing through the entire wool pipeline – from farm to fashion house – in the areas of wool production, textile product development, marketing and industry affairs. Established in 2001, AWI is a not-for-profit company owned by more than 29,000 Australian farmers.

AWI looks to fund and commercialise global projects with a range of partners, from scientists through to retailers. AWI aims to get the projects in which it invests, rapidly and widely adopted or commercialised.

As this report was published in September 2007, AWI was in the final stages of integrating assets of Australian Wool Services into its business. As a result of that historic merger, AWI became the owner of Woolmark: the world's best known textile fibre brand.

How we are funded

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

Woolgrowers vote every three years on the percentage of wool proceeds they would like to invest in wool R&D. The next vote is scheduled for 2009.

Where we invest

APPAREL PRODUCT DEVELOPMENT AND MARKETING

AWI provides knowledge, innovation and marketing support to its business-to-business partners with the aim of increasing the demand for Australian Merino wool.

Our business-to-business strategy involves working closely with key decision makers in global clothing markets and targeting innovations towards market demand. In this way, AWI aims to find new uses for Australian Merino wool and develop products that consumers want to buy.

AWI provides its extensive knowledge about wool through the supply chain to its business-to-business partners.

AWI's innovations are either 'pushed' into the market place from AWI or are 'pulled', based on a request from within the supply chain.

We also provide product marketing support to companies wishing to highlight the intrinsic benefits of Merino that exist in their current range or the innovative benefits that exist in a product range created in conjunction with AWI.

AWI focuses on the product sectors of:

- Knitwear – primarily knitted outerwear garments.
- Woven – primarily the development of new casual styles.
- Sports/Activewear – performance and premium price products.
- Workwear – the corporate and uniform sectors.

WOOL PRODUCTION

AWI works with woolgrowers to help them compete profitably in international markets through the development and adoption of on-farm innovations.

AWI aims to help woolgrowers reduce the cost of production on their farms through innovation in the areas of:

- Breeding and genetics – providing tools to help woolgrowers identify the best animals from which to breed.
- Pastures and environment – projects in plant breeding, grazing management, soils, pasture pests, and weeds.
- Animal health and welfare – measures to maintain healthy, productive animals.
- Wool harvesting – initiatives to improve the numbers, quality and productivity of shearers and wool handlers.

CORPORATE AFFAIRS

AWI's Corporate Affairs department works with the Board and other AWI teams to provide effective communication between the company and its key domestic and international stakeholders.

Through use of communication channels such as 'Beyond the Bale' magazine, the AWI website, public events and forums, as well as the rural and metropolitan media, AWI seeks to inform woolgrowers, the government and users of Australian Merino wool (such as textile manufacturers and retailers) about the importance and value of the industry.

Our shareholders by location

AWI had 29,232 shareholders at 30 June 2007. The spread of shareholders by location has remained relatively stable compared with the previous year.

New South Wales	10,671	Victoria	6,537
Western Australia	5,293	South Australia	4,755
Queensland	1,089	Tasmania	775
ACT	103	Northern Territory	9

AWI: A YEAR IN REVIEW

2006

JULY

The Seventh World Merino Conference, sponsored by AWI, was held in Perth. More than 1,000 visitors saw the latest trends and technology driving the Australian Merino industry at an Innovation Day held in conjunction with the conference.

The Pastures Australia program introduced new investments to help farmers make more profitable use of their pastures.

AUGUST

Three marketing projects – Merino Care, Merino Visual and Merino Soft – showcasing 20 new Merino products and a variety of wool innovations were presented to the textile world at one of the biggest international trade shows for the apparel market, Spin Expo 2006 in Shanghai.

An independent assessment of AWI's performance concluded that in the three years from 2003, AWI delivered at least \$417million in benefits to Australian woolgrowers.

SEPTEMBER

AWI design partner Josh Goot presented his spring 2007 collection at New York Fashion Week. A number of garments on the catwalk were made using innovative Australian Merino wool textiles.

AWI hosted a number of seminars in Hong Kong, India, Bangladesh and Japan to educate retailers from around the world about the unique properties and new technology furthering Australian Merino wool.

OCTOBER

AWI launched Verification of Australian Merino (VAM), the new procedure to assist retailers worldwide who are interested in validating the Australian Merino content of their products.

Two new Australian Merino wool products – Merino Travel and Merino Retro – took centre stage at the Intertextile Fabrics Fair in Shanghai, highlighting AWI's collaboration with key Chinese manufacturers.

NOVEMBER

Australian woolgrowers voted at WoolPoll 2006 to keep the current levy rate of two per cent, for investment in research, development, innovation and product marketing by AWI.

DECEMBER

Mulesing contractors are accredited under the National Mulesing Assurance Program (NMAP).

2007

JANUARY

The results of a 10-year project – the Selection Demonstration Flock project, run by the South Australian Research and Development Institute (SARDI) and supported by AWI – comparing various breeding strategies was made available to woolgrowers.

FEBRUARY

AWI's Merino2 range of sports and performance fibres was launched at the US's Outdoor Retailer trade fair and the world's largest sportswear trade fair ISPO in Germany.

MARCH

AWI partnered with Meat & Livestock Australia, Elders, Landmark and state departments of agriculture to conduct 'Bounce Back' from drought forums during March and April in NSW, Victoria and South Australia – attended by over 500 sheep producers and woolgrowers.

APRIL

A Cost of Production Calculator that shows growers how much it costs to produce each kilogram of clean wool was launched on AWI's Woolcheque website.

A set of six interactive DVDs, covering all aspects of wool harvesting, was completed and released to help improve skills in shearing sheds.

MAY

One of the world's premier suppliers of technically innovative outdoor apparel and equipment, The North Face, released a new clothing collection made from Australian Merino wool.

AWI and Sugoi, a leading athletic apparel manufacturer, teamed up to introduce the new Wallaroo line of Merino wool active wear to retailers across North America.

JUNE

The \$40 million national Land, Water & Wool program, the wool industry's most significant investment to date in natural resource management research and development, showed that profitable wool production and improved environmental management can be highly compatible.

The Australian wool industry won a landmark commitment from the animal rights movement: People for the Ethical Treatment of Animals (PETA) agreed to stop threatening global retailers over the practice of mulesing until 31 December 2010.



Above: There was progress in making mulesing alternatives commercially available by 2010.



Above: AWI developed specific fabrics made from Australian Merino wool to meet the desires of influential designers.



Above: Peak Hill Industries ShearEzy UPSP reached commercialisation. Below: Information was provided to woolgrowers to help them battle the drought.



Above: Verification of Australian Merino scheme was launched. Below: New products and practices to help woolgrowers improve on-farm productivity and profitability were showcased at AWI supported events around Australia.

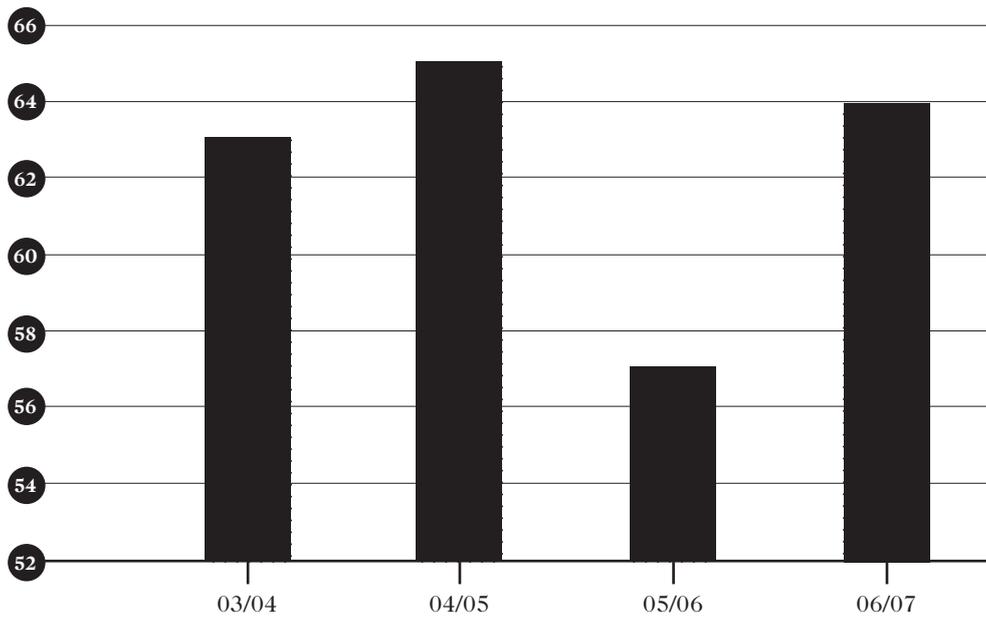


Below: New wool innovations were showcased at international textile trade fairs.

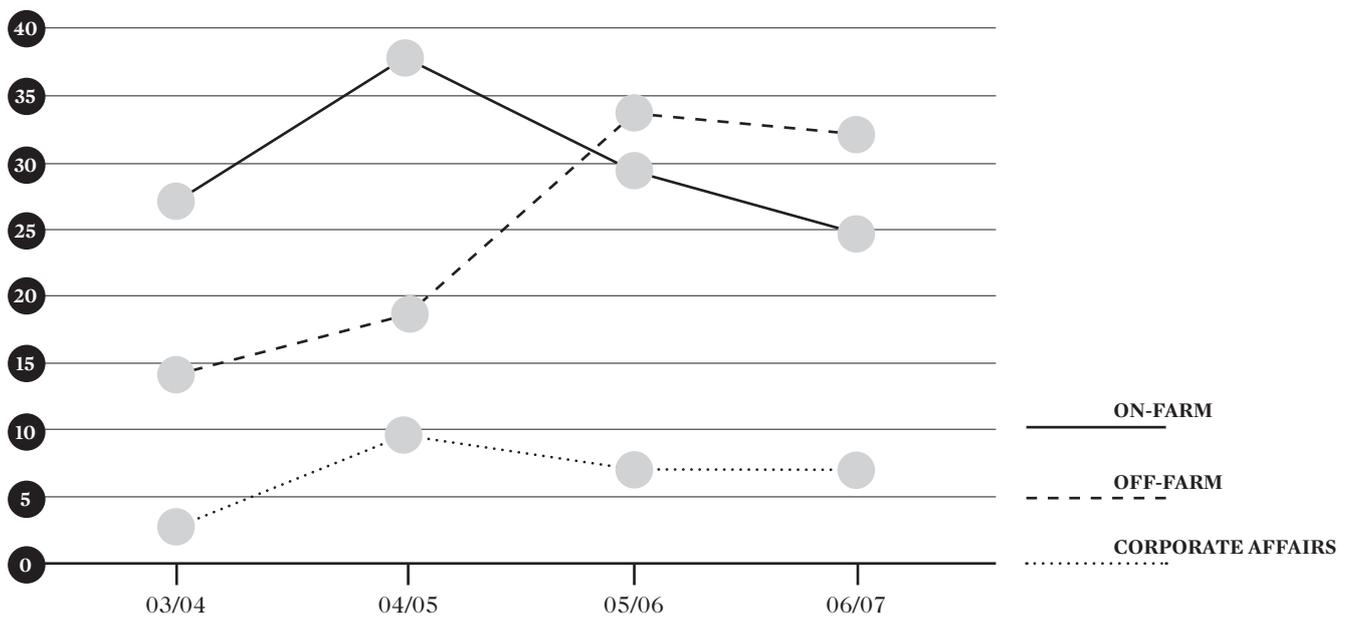


STOCKTAKE SUMMARY

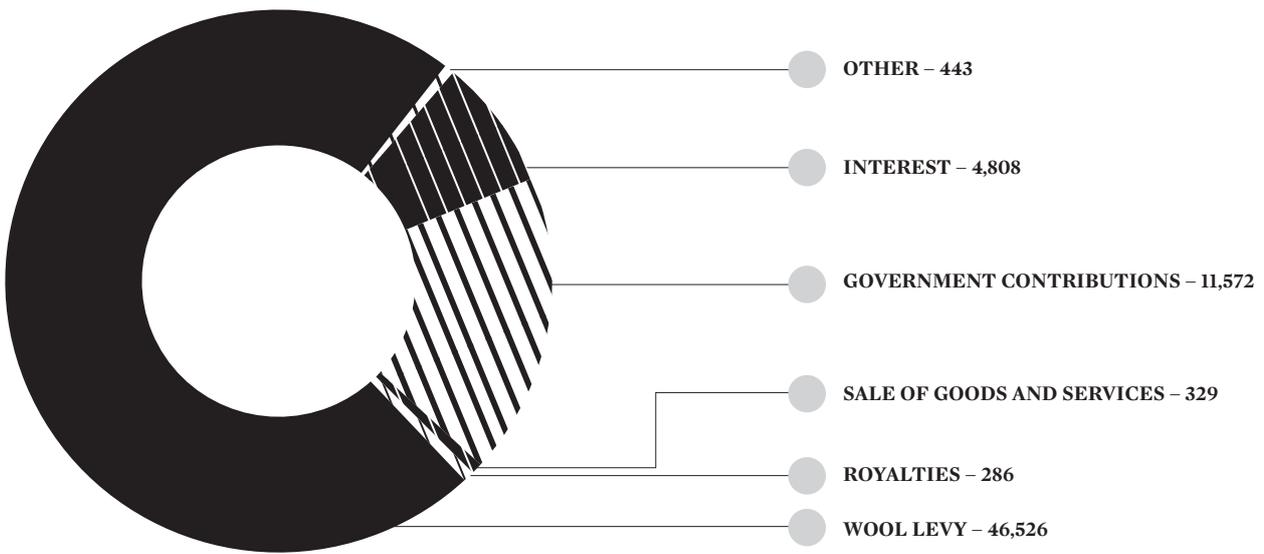
Revenue Over 4 Years (\$000,000)



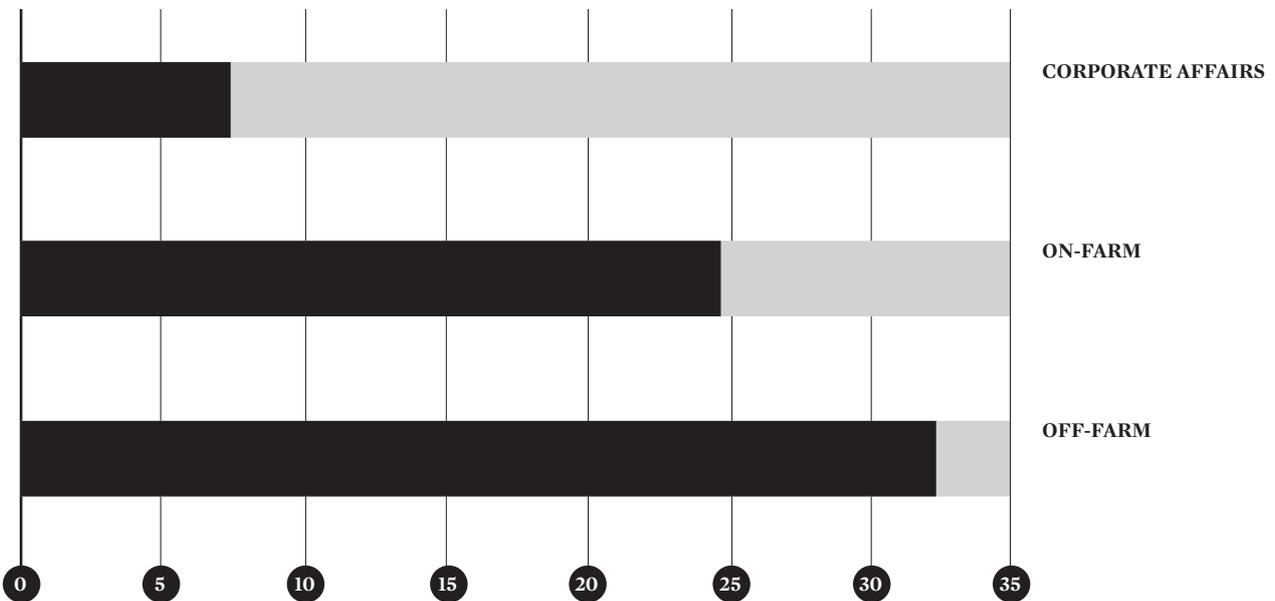
RDI Expenditure Over 4 Years (\$000,000)



Revenue 2006–2007 (\$'000)



RDI Expenditure 2006–2007 (\$000,000)



AWI BOARD OF DIRECTORS



Photography by James Cant.

AWI Board of Directors left to right: K J Bell, W B Merriman, C J Abell, Chairman I M McLachlan AO, B P van Rooyen, H P Nivison, P S Sykes.

The Company Directors of Australian Wool Innovation Limited during 2006/07, their experience and their special responsibilities as at the end of the financial year are listed below. All the directors were in office during the whole of the financial year.

I M MCLACHLAN AO

Mr McLachlan is a woolgrower with pastoral interests in South Australia and New South Wales. He was 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 for 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, a Board Member of Cricket Australia and is a Director of Clean Seas Tuna Limited, a publicly listed company.

Special responsibilities as at 30 June 2007

Chairman of AWI; Remuneration & Appointments Committee member; Intellectual Property & Commercialisation Committee member; AWI Integration Committee Chairman.

B P VAN ROOYEN

Mr van Rooyen is currently Chairman of Visionglow Global Ltd and Australian Country Spinners Pty Ltd. He is a Director of the Australian Wool Testing Authority Ltd, and Power Farming New Zealand Ltd. Mr van Rooyen is a former Director of 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 as at 30 June 2007

Deputy Chairman of AWI; Finance & Audit Committee Chairman; Remuneration & Appointments Committee Chairman; AWI Integration Committee member.

C J ABELL DIPL MECH ENG, BE (HONS), PHD

Dr Abell is a South Australian businessman and 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 as at 30 June 2007

Finance & Audit Committee member; Intellectual Property & Commercialisation Committee member; AWI Integration Committee member.

K J BELL BVSC (HONS), PHD, AAAC (WA)

Dr Bell has been a consultant to 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 experience in international agricultural development projects. He was sheep cereal zone consultant representative on the zone agricultural advisory committees of the former Australian Wool Research and Promotion Organisation (AWRAP). Dr Bell is currently Professor of Animal Production Systems at Murdoch University, overseeing the progression of an Animal Science degree program.

W B MERRIMAN

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

Special responsibilities as at 30 June 2007

Remuneration & Appointments Committee member.

H P NIVISON BVSC

Mr Nivison is currently the Executive Chairman of Mirani Pty Ltd, a fine wool stud and commercial wool production business in northern NSW. Mr Nivison is also a Director of Australasian Rural Investments Pty Ltd, a company focused on sourcing and managing high quality rural businesses for non-traditional investors. Mr Nivison is a graduate of the Australian Rural Leadership Program and a registered veterinary surgeon.

Special responsibilities as at 30 June 2007

Finance & Audit Committee member; Intellectual Property & Commercialisation Committee Chairman.

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 a consultant for Mariner Rural and Agricultural Solutions and a Director of Rylands (Humula) Pty Ltd. He is 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 as at 30 June 2007

Intellectual Property & Commercialisation Committee member; AWI Integration Committee member.

COMPANY SECRETARIES

Leslie Mark Targ; Christopher Maitland Chapman Dip Law, DipCM, Dip CD, FCIS, FAICD, MBA.

CHAIRMAN'S REPORT

The past year was one in which a number of key AWI projects and initiatives, some of them in the development stage for a considerable time, came to maturity and started delivering clear results. It's especially significant that these achievements can be reported in the year marking the 200th anniversary of the first export of Merino wool from Australia.

AWI's system is that we work directly with designers, manufacturers and retailers to help them access the products and innovations they want, and the partners they need. This is now working very well. AWI has successfully transformed itself into a company that acts as a global 'co-ordinator' of innovation for Australia's producers to increase demand for Merino wool. We go out into the marketplace, ask the players directly how we can help them do business, and come up with creative solutions.

That means putting a new product or fabric before a designer, or a clothing company in touch with a supplier who can make a new fashion line, or working with retailers to help them tell the story of Merino wool in their marketing campaigns. There's no limit to how much demand for Merino we can generate with this partnership strategy. It delivers measurable results for far less expenditure than the generic advertising promotion of wool that used to be done in the past.

The merger between AWI and Australian Wool Services will soon be completed. It was a long time coming and not without delays and frustrations, but we can now do our work without duplication of effort or confusion as to who is responsible for what. As well, we can use the industry's financial resources and skills base to revamp the Woolmark brand in order to exploit its full potential.

We've fine-tuned our research and development efforts in the past year, allocating more resources and effort to 'off-farm' innovation in such things as new fabrics and processes. But we haven't neglected the crucial 'on farm' research that helps our shareholders to produce more Merino of a finer quality, more efficiently, and in a way that is ecologically sustainable.

I'm confident that shareholders are solidly behind all of these strategic changes and can see clearly the increasing demand for Merino wool, and the benefits of increasing interest among designers, manufacturers, retailers and the consumer.

Shareholders demonstrated that strong support when they voted in November 2006 to keep the wool levy steady at two per cent. It was a vote of confidence in the direction AWI was taking. Ongoing financial support for AWI from the federal government is also an endorsement of our new strategy and its potential for real returns.

There are, of course, challenges and risks ahead. As always, there is the spectre of drought and the debilitating effect that has on our producers. There are other issues, including looming tariff problems in the China export market. And a very strong Australian dollar has major effects on our industry.

The mulesing issue is also still with us, but AWI won a landmark commitment from the animal rights movement in the past year that they would not threaten our industry's retailers over the practice until at least 2010. We won that court battle. It was expensive, but to actually win the war we need to re-double our efforts to come up with an alternative to surgical mulesing. In the past year, however, there was significant progress: a mulesing clip developed by AWI is being field tested, as is a new intradermal injection procedure going through product development. Breeders are busily working on the problem and the sooner they are successful, the better.

This is all part of the general challenge to make the Merino wool industry as environmentally friendly as possible: from the humane treatment of animals, through to sustainable pastures, to 'green' processing of fabrics and beyond. Retailers and consumers tell us this is the way they want to go. We have heard that message. We endorse that message. At AWI we are working hard so that all shareholders can be proud of the wool they produce and market Merino, a natural wonder fibre that has a proud history and an exceptionally bright future.



Ian McLachlan AO
Chairman, Australian Wool Innovation
20 September 2007

CEO'S REPORT

Australian Wool Innovation is an organisation that has changed dramatically in the past year, and it will continue to change in order to meet the challenges of increasing the worldwide demand for Merino wool.

It's an exciting time to be in the wool industry. And over the next few years we have an exceptional chance to influence textile businesses and apparel retailers around the world. AWI is now in a unique position to offer coordinated support right through the supply chain for all our business partners. Our company can and will offer sound market research, innovative solutions and strong marketing support around the world.

AWI has decided to divide our resources in a fresh way, with 60 per cent going to the apparel product development and marketing area and 40 per cent to on-farm research and development. That's a major change, but one that is clearly required in today's marketplace. I'm pleased to say it is a strategy that has been strongly and formally endorsed by our shareholders, Australia's woolgrowers.

Farmers can see the direct, tangible benefits of our new direction. Those benefits will be amplified in the months ahead with the merger of AWI and Australian Wool Services, and the consolidation of direct business relationships with Woolmark licensees. That will allow us to offer business propositions of even better value to partners around the globe.

But the Chairman and I are also determined to stay focused on the innovations farmers need to do their work productively, profitably and in an environmentally friendly manner.

Just one example demonstrates how seriously we take that job. AWI, its Australian wool industry partners and the Australian government have, through the Land, Water & Wool program, invested \$40 million improving how wool growing businesses work with their natural environment. As a result, more than 4,000 Australian growers have trialled and demonstrated land management practices on their farms and some 19,000 farmers have accessed information that will help them in further protecting Australia's unique natural environment – an environment that produces the world's finest Merino wool.

This is the future, in an increasingly ecologically aware global marketplace.

Consumer trends will also drive our research at AWI in order to provide fabrics, garments and innovations that address the demands of people who buy clothes. We need to build our global networks to ensure that business partners get innovative solutions to meet their customers' needs and get the help they need to move new products speedily to market. We're committed to providing business services of an exceptional standard, promptly and efficiently.

But we have to stay on our toes. Our competitors, and there are lots of them these days, are starting to pay more attention to wool and to the innovations that are making wool an increasingly hot property in the world of garments and fashion.

Our competitors continue to innovate, often trying to mimic some of the best qualities of wool and the new generation of wool fabrics that our researchers have developed. We have seen new synthetics, for example, that attempt to replicate the active moisture management properties that wool inherently possesses. These include super-absorbent plastics derived from plant products, capable of taking in many times their own weight in water. And there are new synthetics impersonating wool's active thermal management attributes that allow clothing to adjust to the temperature outside. To hold our price up and maintain our position in the apparel market, we need to beat all competitors on product innovation and on customer relationships.

The 200 year anniversary initiative has been a great example of the way we operate. It is the biggest global marketing program AWI has ever undertaken. This is not only about celebrating our proud heritage, but also about showing what we have to offer our business partners for the future.

The new AWI has shown over the past year what it is capable of and where it wants to go. I am absolutely certain that our dedicated and talented teams, in Australia and in major cities around the world, can continue to deliver tangible results for our shareholders.



Craig Welsh
Chief Executive Officer, Australian Wool Innovation
20 September 2007

COLLABORATION WITH INDUSTRY

Forming relationships and collaborating, financially and intellectually, with other organisations on projects intensified this year in order to ensure that we deliver the best return for Australian woolgrowers. (For a full list of initiatives, refer to our 2006/07 Project List at Appendix B)

On-farm Collaboration

During 2006/07, AWI was involved in a significant number of collaborations with research bodies, including rural research and development corporations (RDCs), government departments of agriculture, the CSIRO, universities and commercial partners.

Collaborations in which AWI made a significant co-investment during the year included:

- Sheep Genetics with Meat & Livestock Australia (MLA), a collaboration which aims to enable breeders to achieve higher rates of genetic gain in their flocks;
- The Sheep Genomics program, with MLA and nine other partners, aiming to discover sheep genes and their functions, and to provide new tools to producers;
- The Land, Water & Wool natural resource management program, with Land & Water Australia (LWA);
- The Invasive Animals Cooperative Research Centre (CRC), to continue Research & Development on a new toxin for the control of feral dogs and foxes, and efforts with MLA to keep the number of rabbits low;
- The Meat and Wool New Zealand financial contribution towards Australia's push to make shearing and wool handling easier, safer and more efficient;
- The Lifetimewool project, providing practical guidelines for the nutritional management of the breeding ewe, with five state departments of agriculture (Vic, WA, NSW, SA and Tas), the CSIRO and farmer partners across southern Australia;
- Pastures Australia, an investment in pastures with MLA, Dairy Australia, the Grains Research & Development Corporation (GRDC) and the Rural Industries Research and Development Corporation;
- The EverGraze project to help producers in the high rainfall zone develop new farming systems, with MLA and the CRC for Plant-based Management of Dryland Salinity;
- Grain & Graze, a research and extension program for mixed farms in southern Australia with MLA, GRDC and LWA.
- AWI is also collaborating with numerous organisations on projects to combat flystrike, such as the injectable replacement to mulesing project and research trials for mulesing clips. Other projects include the blowfly genome project with the University of Melbourne and Massey University (NZ), bio-control methods for blowflies with the Department of Primary Industries and Fisheries Queensland, and integrated parasite management with the University of New England, Department of Agriculture and Food Western Australia, the University of Melbourne, and the Department of Primary Industries and Fisheries Queensland.

Off-farm Collaboration

A key strategy of AWI has been to work directly with apparel companies around the world to increase the demand for Australian Merino wool. AWI has the technology and market know-how to help apparel companies gain an edge in the marketplace with Australian Merino wool.

We are targeting leading companies in crucial markets: the processing and manufacturing powerhouse of China, the trend setting centres of Europe, the retail brand and sportswear hub of the United States, the world knitwear centre of Hong Kong, and emerging markets such as India.

We are building partnerships with these companies, the decision-makers in world apparel, and encouraging them to take up new Australian Merino fabrics, yarns and products.

AWI is working closely with the retail industry to align our activity with the worldwide apparel development calendar. This change is being driven through our networks in China, United States, Italy, Hong Kong and India.

The Woolmark Company (TWC) has often been a key participant in AWI projects and received funding from AWI during 2006/07 on a range of projects to help get wool to the world. TWC also provided market intelligence report services to AWI.

These reports are available free of charge to AWI shareholders.

AWI also collaborated in 2006/07 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). Research in fundamental wool science underpins a whole range of technical developments in wool processing and textile design.

INTELLECTUAL PROPERTY

Intellectual Property (IP) generated through AWI funded research and development is an important company asset. AWI's primary objective is to apply its IP for the maximum benefit of Australian woolgrowers, which requires its rapid and widespread adoption or commercialisation.

While revenue from IP is not the first priority for AWI in this area, when projects do generate revenue AWI expects to receive royalties in proportion to its investment. Royalty income contributed just under \$286,000 to AWI's balance sheet in 2006/07.

AWI, acting solely or jointly with various research partners, lodged or acquired six patents, seven trademarks and three registered designs during 2006/07. (A table of registered IP owned by AWI, or in which AWI has an interest, is included as Appendix C.)

It is at the point where AWI's IP is delivered to the market that Australian woolgrowers get the most benefit. During 2006/07, AWI signed eight commercial contracts with industry and commercial entities for use of its IP. The following is a summary of some of the objectives of these commercial contracts:

- Application of AWI's package of know-how related to Natural Easy Care in men's and ladies' apparel;
- Continued research, development and exploration of the commercial potential of a semi-synthetic material using an AWI patent;
- Provision of content sources from the wormboss.com.au website on other industry-related sites in New Zealand;
- Further development and commercialisation of the heated garment system;
- Application of AWI's Merin02 trademark on certain apparel goods;
- Inclusion of AWI-owned film footage in industry-related training films;
- Application of AWI's Australian Merino trademark on a range of specified goods;
- Further development and commercialisation of a pre-sale test for dark and medullated fibre.

RESPONDING TO AUSTRALIAN GOVERNMENT PRIORITIES

Addressing government challenges

The Australian government is a major investor in the wool industry by providing statutory levy collection power and taxpayer funds. The government has put the following six challenges to all R&D Corporations (RDCs) including AWI:

IS THE RDC MAXIMISING R&D BENEFITS TO THE INDUSTRY?

During the past year we have delivered real R&D results to woolgrowers by providing them with new products and practices to improve their on-farm productivity and profitability. Equally, we have been working with leading apparel manufacturers, retailers and fashion designers to get more wool products into global markets to increase the demand for wool.

IS THE RDC MAXIMISING ADOPTION OF R&D BY THE INDUSTRY?

During the past year, AWI has continued to ensure that it is delivering products and services direct to the global apparel business and Australian woolgrowers. AWI recognises the importance of persuading key influencers and buyers in the global apparel industry of the benefits of Australian Merino wool. Accordingly, we deal directly with leading global brands and retailers, textile manufacturers and fashion designers to put new Australian Merino wool products and innovations into stores. We also continue to facilitate the adoption of R&D outcomes by woolgrowers through initiatives such as the national network of state grower extension programs.

IS THE RDC WORKING CLOSELY WITH OTHER RDCS?

We continued our relationships and collaboration - financial and intellectual - with other R&D organisations during the year, including Meat and Livestock Australia, Land & Water Australia and the Grains Research & Development Corporation. (See Collaboration with Industry on page 10.)

IS THE RDC IMPROVING ITS CURRENT PRACTICES?

AWI has continued to refocus its programs to ensure that the products and outputs from our textile related R&D projects get to market and increase the demand for wool. With the 2007 integration of AWI and The Woolmark Company, we are entering a new era for the industry, an era in which we work together to communicate the great qualities and attributes of Australian Merino wool to the world. The addition of the Woolmark brand to AWI's product marketing strength is a good thing for Australian woolgrowers and the international market alike. In the wool production area, we have continually sought ways to create new on-farm solutions for woolgrowers to use on their enterprises.

IS THE RDC COMMUNICATING EFFECTIVELY WITH GOVERNMENT AND INDUSTRY?

We continued our positive relationships with key players in government and industry who influence wool industry policy, through face-to-face meetings, attendance at significant events, timely distribution of newsletters and targeted use of other communication channels.

IS THE RDC THE BEST MODEL FOR GOVERNMENT AND INDUSTRY INVESTMENT?

AWI is delivering real outcomes for the wool industry. This was recognised by Australian woolgrowers at WoolPoll 2006, where they voted by a strong majority for continuation of the two per cent wool levy and re-affirmed their support for a robust research, development, innovation and product marketing investment program. This result has provided a solid basis for investment in the future of the Australian wool industry.

RESPONDING TO AUSTRALIAN GOVERNMENT PRIORITIES (CONT)

Alignment to research priorities

The Rural R&D Priorities (RRDPs) assist RDCs to achieve the objectives of the Primary Industries and Energy Research and Development Act 1989. They are intended to provide specific guidance on issues of strategic significance to rural industries.

The process used to derive and implement these priorities was adapted to create a set of National Research Priorities (NRPs) across all Australian government resource enterprises. These priorities were announced by the Prime Minister on 5 December 2002.

The table below summarises how the programs undertaken by AWI during 2006/07 align with the RRDPs and the NRPs. Some programs are aligned with more than one research priority.

(Note that this table aligns AWI programs with RRDPs released in March 2003. AWI acknowledges that the government announced new RRDPs on 8 May 2007 and the company has aligned its programs for 2007/08 accordingly.)

National Research Priorities (NRP)	An Environmentally Sustainable Australia		Promoting and Maintaining Good Health (strengthening Australia's social & economic fabric)				Improved Trade and Market Access	
	\$m	%	\$m	%	\$m	%	\$m	%
Rural Research & Development Priorities (RRDP)								
Apparel Product Development and Marketing:								
B2B Product Marketing			5.87	41.2%			5.87	58.6%
Wool Science and Education								
Knitwear							2.88	28.8%
Wovens							0.70	7.0%
Non-apparel								
Supply Chain			1.39	9.7%			0.56	5.6%
Fashion Communications			0.41	2.9%				
Wool Production:								
Sustainable Production Systems	1.67	100%	1.50	10.5%	1.50	22.3%		
Sheep Productivity			3.22	22.6%				
Animal Health and Welfare					1.95	29.0%		
Wool Harvesting								
Corporate Affairs			1.87	13.1%	3.27	48.7%		
TOTAL	1.67	100%	14.26	100%	6.72	100%	10.01	100%

Note: Allocations are approximate.

 Frontier Technologies for Building
and Transforming Australian Industries

Safeguarding Australia

Use of Frontier
TechnologiesCreating an
Innovative CultureProtecting Australia
from Invasive Diseases
and Pests

\$m	%	\$m	%	\$m	%
5.60	30.9%	1.80	18.7%		
4.17	23.0%				
0.85	4.7%				
1.68	9.3%				
		0.41	4.3%		
		3.37	34.9%	1.50	43.5%
3.22	17.8%				
1.95	10.8%			1.95	56.5%
0.63	3.5%	2.19	22.7%		
		1.87	19.4%		
18.10	100%	9.64	100%	3.45	100%
					63.85

CORPORATE REVIEW

Corporate governance

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

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

AWI has adapted the Australian Stock Exchange (ASX) Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations March 2003 (Corporate Governance Principles) for use by the organisation.

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

The purpose of the Corporate Governance Principles are to:

- Lay solid foundations for management and oversight by recognising and publishing the respective roles and responsibilities of the Board and management;
- Structure the Board to ensure that it is of effective composition, size and commitment to adequately discharge its responsibilities and duties;
- Promote ethical and responsible decision-making by the implementation of and compliance with the Codes of Conduct adopted by the Board;
- Safeguard the integrity of financial reporting;
- Make timely and balanced disclosure of all material matters concerning AWI;
- Respect the rights of shareholders and facilitate the effective exercise of those rights;
- Establish a sound system of risk oversight and management internal control;

- Encourage enhanced performance by fairly reviewing and actively encouraging Board and management effectiveness;
- Remunerate fairly and responsibly by ensuring that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined;
- Recognise legal and other obligations to all legitimate stakeholders.

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

- AWI's Constitution, approved by shareholders 21 November 2003
- Statutory Funding Agreement, signed on 28 June 2007
- Corporate Governance Policy, approved by the Board 17 June 2004
- Code of Conduct – Obligations to Stakeholders, approved by the Board 17 June 2004, amended 24 May 2006
- Board Charter, approved by the Board 17 March 2005
- Code of Conduct – Directors and Officers, approved by the Board 17 March 2005
- Charters of the Committees of the Board, approved by the Board 17 March 2005
- Communications Strategy, approved by the Board 16 February 2006
- Rules and Procedures governing election of Directors, approved by the Board 17 February 2005, amended 24 May 2006
- Financial Authorities, approved by the Board April 2005.

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

The Board

The Board continued to meet regularly during 2006/07, concentrating on core functions including:

- Enhancing corporate governance systems, managing risk and threats to the industry and providing transparent, balanced reporting of company operations to shareholders;
- Building a portfolio of research, development, innovation and marketing programs and projects aimed at enhancing the long-term profitability of Australian 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.

BOARD COMMITTEES

At 30 June 2007, there were four Board committees:

Finance and Audit Committee, chaired by Brian van Rooyen

The Committee's main roles are to:

- Assist the Board in managing its responsibilities relating to all financial and legal matters;
- Ensure the Company's financial controls are working effectively;
- Monitor and guide the Company's approach to corporate governance and risk management.

Intellectual Property and Commercialisation Committee, chaired by Hugh Nivison

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

Remuneration and Appointments Committee, chaired by Brian van Rooyen

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

Integration Committee, chaired by Ian McLachlan

After the Memorandum of Understanding was signed between AWI and AWS, the Integration Committee formed and delegated its task to a subcommittee to urgently deal with the integration.

Statutory Funding Agreement

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

The SFA for 2004–2007 expired on 1 July 2007. A new SFA for 2007–2010 was signed on 28 June 2007 and came into effect on 1 July 2007.

The main change to the SFA was to expand it to include marketing activities as per the outcome of WoolPoll 2006. Various other changes were also made as a consequence of the Department of Agriculture, Fisheries and Forestry standardising certain aspects of all its SFAs with R&D Corporations.

The new SFA is available on the AWI website at www.wool.com.au/corporatepublications

Audit

AWI has continued to strengthen its internal controls and level of accountability, and engages the services of three of Australia's leading professional services firms.

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

Deloitte Touche Tohmatsu conducts internal audits on a regular basis, reporting on internal controls and processes and the day-to-day management of AWI to the Finance and Audit Committee.

Ernst & Young provides advice to AWI management on taxation, the integration with AWS and other related matters.

AWI STAFF

During 2006/07, the Company continued with the development and implementation of an integrated human resources strategy. The purpose of the strategy is to ensure that the Company has the right people with the skill sets required for AWI to meet its strategic plan.

With the pool of skilled people contracting, two of the major goals of AWI's workforce strategy are staff retention and succession planning.

AWI continued with various established human resource initiatives including:

- Occupational Health and Safety, with the OHS Committee conducting audits and discussing relevant topics;
- Regular performance reviews;
- An induction program which includes a comprehensive introduction to employees of company policies, OHS and IT systems;
- Recruitment and selection of the best available staff.

At 30 June 2007, AWI had a total of 94 staff members.

AWI employees are located in Sydney and overseas in Shanghai, Hong Kong, New York, New Delhi, Italy and the UK.

Executive Team

CHIEF EXECUTIVE OFFICER [FROM JANUARY 2007]

Craig Welsh

Craig Welsh was appointed as CEO to position AWI and the Australian wool industry within the global apparel market place. The company has advanced into the business of marketing its post-farm innovations to its global business partners and Craig, with his business and marketing experience, will continue to drive this strategy to the benefit of Australian woolgrowers. Craig was most recently the General Manager of Marketing for Myer Stores Limited, but prior to this demonstrated commercial success in a variety of general management roles, including National Marketing Manager at Puma Australia, CEO of Clarks Shoes, and Group General Manager of the Colorado Group's Dianna Ferrari, Jag and DKNY divisions. He has extensive executive experience covering wholesale, retail, research and development, supply chain, mergers and acquisitions. His extremely strong work history in the marketing and general management of diversified branded apparel companies, alongside retail companies in Australia and leading multinationals, will take AWI in a marketing direction for the future.

DEPUTY CHIEF EXECUTIVE OFFICER AND COMPANY SECRETARY

Les Targ

Les Targ is responsible for coordination of the integration of AWI with Australian Wool Services Limited. He also has managerial responsibility for the AWI corporate services of legal, contracting, IP management, company secretarial and human resources. For the major part of the year, Les was also responsible for the wool harvesting program and managing the Wool and Sheep Industry Taskforce Secretariat defending the Australian wool industry against animal rights activists' call for an international boycott of Australian wool. Les has 28 years of senior management experience as a company director, CEO and senior executive. Prior to joining AWI, Les held directorships and senior executive positions in the Australian defence and aerospace industries, including ten years with ADI Limited, a high technology defence systems and engineering company.

GENERAL MANAGER CORPORATE AFFAIRS

Matthew Flugge BBus, Grad Cert Sust Ag

Matthew Flugge manages the Corporate Affairs portfolio, responsible for corporate communications, trade development in particular the China Free Trade Agreement and industry, stakeholder and government relations. Prior to his appointment in February 2005, Matthew was with AWI for two years undertaking the role of Industry and Government Relations Manager. Before joining AWI, Matthew was Executive Director of the Victorian Farmers Federation (VFF) Pastoral Group, with responsibility for industry and government matters relating to the wool, cattle, sheepmeat industries across Victoria and Australia. Matthew has also had extensive experience in agricultural policy and industry initiatives and has held senior positions with the WA Minister for Agriculture and the WA Department of Agriculture.

GENERAL MANAGER WOOL PRODUCTION

Ian Rogan B Rural Science (Hons)

Ian Rogan oversees the Wool Production portfolio which includes the Falkiner Memorial Field Station, managing AWI's investments in the key on-farm areas of genetic improvement technologies, pasture development, animal health and wool harvesting. 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.

GENERAL MANAGER APPAREL PRODUCT DEVELOPMENT AND MARKETING

Pascal Senkoff

Pascal Senkoff is responsible for AWI's Apparel Product Development and Marketing portfolio, which aims to commercialise wool innovations. Pascal has 16 years experience in the wool textile trade and prior to joining AWI was Greater China General Manager for Chargeurs wool. He was responsible for industrial and trading activities for a region that included Greater China, Japan, Korea, Indonesia, India and Australia. Prior to working in China, Pascal was based at Chargeurs in Japan, where he was responsible for starting up the Chargeurs Interlining business.

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Australian Wool Innovation Limited and the entities it controlled during the year ended 30 June 2007.

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 W B Merriman
Mr H P Nivison
Mr P S Sykes

Information on Directors and their experience can be found on page 8.

PRINCIPAL ACTIVITIES

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

REVIEW OF OPERATIONS AND RESULTS

	2007 \$'000	2006 \$'000
Revenue	63,964	57,035
(Deficit)/Surplus from ordinary activities	(11,489)	(25,643)

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

A contract for the purchase of Australian Wool Services Limited (AWS) assets by AWI for \$15 million was signed by both companies in early August 2007 and was approved by AWS on 28 August. Completion is subject to certain conditions precedent being satisfied. On completion, expected by the end of October 2007 or earlier if practical, the Woolmark operations will be under AWI managerial control. It is intended that the business will be fully integrated at the earliest possible opportunity.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

COMPANY SECRETARY

The Company Secretaries are Mr L Targ (former CEO and Senior Executive in the defence and aerospace industries with particular experience in strategic business development, finance and audit) and Mr C Chapman (Barrister and Solicitor, Dip Law, Dip CM, Dip CD, FCIS, FICD, MBA).

MEETINGS OF DIRECTORS

The numbers of meetings of the company's Board of Directors and each Board committee held during the year ended 30 June 2007, and the numbers of meetings attended by each Director, were:

Director	Committees									
	Full meeting of Directors		Finance and Audit		Remuneration and Appointments [*]		Intellectual Property and Commercialisation		Integration ^{**}	
	A	B	A	B	A	B	A	B	A	B
I M McLachlan	17	16 ^{*1}	–	–	4	4	3	2 ¹	10	10 [*]
B P van Rooyen	17	16 ¹	10	10 [*]	4	4 [*]	–	–	10	9 ¹
C J Abell	17	16 ¹	10	10	–	–	3	3	1	1
K J Bell	17	16 ¹	–	–	–	–	–	–	–	–
W B Merriman	17	17	–	–	4	4	–	–	–	–
H P Nivison	17	15 ¹	10	10	–	–	3	3 [*]	–	–
P S Sykes	17	16 ¹	–	–	–	–	3	3	1	–

A number of meetings held

B number of meetings attended

¹ leave of absence granted

^{*} denotes Chairman

^{**} After the Memorandum of Understanding was signed between AWI and AWS, the Integration Committee formed and delegated its tasks to a subcommittee to urgently deal with the integration.

REMUNERATION REPORT

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the innovation of value for shareholders, and conforms with market best practice for delivery of reward.

The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Transparency.

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

Directors' fees

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

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

DIRECTORS' REPORT (CONTINUED)

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	Directors' base fee \$	Primary Committee fees \$	Post-employment Superannuation \$	Total \$
I M McLachlan, Chairman	112,000	18,200	11,718	141,918
B P van Rooyen	84,000	24,920	9,803	118,723
C J Abell	56,000	13,720	6,275	75,995
K J Bell	56,000		5,040	61,040
W B Merriman	56,000	5,600	5,544	67,144
H P Nivison	56,000	14,000	6,300	76,300
P S Sykes	56,000	5,600	5,544	67,144
Total	476,000	82,040	50,224	608,264

Executive pay

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

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

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

Key management personnel compensation for the years ended 30 June 2007 and 2006 is set out below. The key management personnel of Australian Wool Innovation Limited include those executives who have the authority and responsibility for offices of the company, either directly or indirectly.

Directors are also classed as key management personnel. However, the total remuneration of Directors is separately disclosed above in greater detail and accordingly excluded from the table below.

	2007 \$	2006 \$
Short-term employee benefits	1,759,728	1,810,093
Post-employment benefits	140,964	138,138
Termination benefits	200,000	-
	2,100,692	1,948,231

Executive Service Agreements

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

INSURANCE OF OFFICERS

During the year, Australian Wool Innovation Limited paid an insurance premium of \$50,065 (2006: \$32,753) to insure the Directors and Officers of the entity against liability and professional indemnity.

NON-AUDIT SERVICES

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

Details of the amounts paid to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in Note 19 to the Financial Statements.

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 24.

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

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

SHARE OPTIONS

AWI's Constitution does not allow the Company to grant any share options to any directors or executives of the Group.

ENVIRONMENTAL REGULATION

The Group'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 3 of the Statutory Funding Agreement between Australian Wool Innovation Limited and the Commonwealth of Australia. These are all dealt with in this annual report with the exception of a listing of the projects for which Commonwealth Matching Funds have been claimed. This will be provided separately to the government.

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

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



I M McLachlan AO
Chairman

Sydney
20 September 2007

AUDITORS' INDEPENDENCE DECLARATION

As lead auditor for the audit of Australian Wool Innovation Limited for the year ended 30 June 2007, 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;
- (b) No contraventions of any applicable code of professional conduct in relation to the audit.

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



John Gordon
Partner
PricewaterhouseCoopers

Sydney
21 September 2007

FINANCIAL REPORT – 30 JUNE 2007

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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 (as listed in Note 9 to the financial report). The financial report is presented in the Australian currency.

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

Level 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 20–23, which is not part of this financial report.

The financial report was authorised for issue by the Directors on 20 September 2007. The company has the power to amend and reissue the financial report.

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

INCOME STATEMENTS

For the year ended 30 June 2007

	Notes	Consolidated		Parent entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revenue from ordinary activities	3	63,964	57,035	63,964	57,035
Research, development and innovation program expenditure	5	(63,853)	(70,421)	(63,105)	(70,385)
RDI support services expenditure					
– Employee expenses		(4,070)	(4,727)	(4,070)	(4,727)
– Legal and professional expenses	5	(2,422)	(1,615)	(2,422)	(1,615)
– Travel expenses		(644)	(809)	(644)	(809)
– Depreciation and amortisation expenses		(1,164)	(1,399)	(1,164)	(1,399)
– Other expenses from ordinary activities		(3,300)	(3,707)	(4,084)	(3,707)
		(11,600)	(12,257)	(12,384)	(12,257)
Deficit from ordinary activities	17	(11,489)	(25,643)	(11,525)	(25,607)
Loss attributable to members of Australian Wool Innovation Limited		(11,489)	(25,643)	(11,525)	(25,607)

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

BALANCE SHEETS

As at 30 June 2007

	Notes	Consolidated		Parent entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
CURRENT ASSETS					
Cash assets	6	46,409	27,114	46,280	27,102
Current assets available for sale	6	35,991	50,000	35,991	50,000
Receivables	7	5,968	4,054	6,097	4,089
Other	8	423	970	423	970
Total current assets		88,791	82,138	88,791	82,161
NON CURRENT ASSETS					
Investment in controlled entities	9	–	–	–	13
Property, plant and equipment	10	3,845	4,260	3,845	4,260
Livestock	11	138	326	138	326
Total non current assets		3,983	4,586	3,983	4,599
Total assets		92,774	86,724	92,774	86,760
CURRENT LIABILITIES					
Payables	12	11,320	8,857	11,320	8,857
Provisions	13	561	518	561	518
Deferred income	14	15,000	–	15,000	–
Total current liabilities		26,881	9,375	26,881	9,375
NON CURRENT LIABILITIES					
Provisions	15	33	–	33	–
Total non current liabilities		33	–	33	–
Total liabilities		26,914	9,375	26,914	9,375
Net assets		65,860	77,349	65,860	77,385
EQUITY					
Contributed equity*	16	–	–	–	–
Retained surplus	17	65,860	77,349	65,860	77,385
Total equity		65,860	77,349	65,860	77,385

*At 30 June 2006 and 2007 contributed equity in the parent entity was \$100.

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2007

	Notes	Consolidated		Parent entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Total equity at the beginning of the financial year	17	77,349	102,992	77,385	102,992
Total recognised income and expense for the year		(11,489)	(25,643)	(11,525)	(25,607)
Total equity at the end of the financial year		65,860	77,349	65,860	77,385

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

CASH FLOW STATEMENTS

For the year ended 30 June 2007

	Notes	Consolidated		Parent entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Levy, government grant and other receipts (inclusive of goods and services tax)		62,597	56,004	62,597	56,004
Payments to suppliers and employees (inclusive of goods and services tax)		(78,321)	(84,469)	(78,450)	(84,481)
		(15,724)	(28,465)	(15,853)	(28,477)
Interest received		4,786	5,433	4,786	5,433
Other revenue		487	22	487	22
Net cash outflow from recurring operating activities		(10,451)	(23,010)	(10,580)	(23,022)
One off restricted grant from Federal Government	14	16,500	-	16,500	-
Net cash inflow (outflow) from operating activities	25	6,049	(23,010)	5,920	(23,022)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		(810)	(1,282)	(810)	(971)
Proceeds from sale of property, plant and equipment		47	327	47	16
Net cash inflow/(outflow) from investing activities		(763)	(955)	(763)	(955)
Net increase/(decrease) in cash held		5,286	(23,965)	5,157	(23,977)
Cash at the beginning of the financial year		77,114	101,079	77,114	101,079
Cash at the end of the financial year	6	82,400	77,114	82,271	77,102

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

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Note 1. Summary of significant accounting policies

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

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporation Act 2001*.

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

This financial report has been prepared under the historical cost convention, except for certain assets which, as stated, 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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no critical estimates or judgements.

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 2007 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

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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

NOTES TO THE FINANCIAL REPORT (CONTINUED)

Note 1. Summary of significant accounting policies (continued)

(iii) Group companies

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

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

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.

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

B(2) Government grants

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

B(3) 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;
- 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(4) 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.

B(5) Research, Development and Innovation

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

B(6) Leases

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

Note 1. Summary of significant accounting policies (continued)

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 investment securities. There were no standby credit facilities in place at 30 June 2007.

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) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is assured through reference to the depreciated replacement cost for an equivalent asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

C(5) Intangible Assets

(i) Intellectual property

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

C(6) Investments and other financial assets

Classification

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

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (notes 7 and 8).

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

NOTES TO THE FINANCIAL REPORT (CONTINUED)

Note 1. Summary of significant accounting policies (continued)

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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

Subsequent measurement

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

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

Fair value

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

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities

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

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
Furniture, fittings and equipments	2–6 years	straight line

Land is not depreciated.

All assets are stated at historical cost, less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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.

C(9) Livestock

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

Note 1. Summary of significant accounting policies (continued)

D LIABILITIES

D(1) Trade and other creditors

These amounts represent liabilities for goods and services provided to the Group 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.

Note 2. Segment information

Business Segments

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

Geographical segments

Australian Wool Innovation Limited operates primarily in one geographic segment, that being Australia. The Group has opened offices in Shanghai and Hong Kong, China, New York, USA, New Delhi, India, Treviso, Italy and Leicester, UK, which are responsible for growing domestic demand for Australian Merino wool in key international markets through strategic engagements with manufacturing and retail brand partners. They do this by building business relationships which facilitate innovative wool based product development and its commercialisation into the consumer market. However, these offices do not enter into research, development and innovation contracts or conduct business in their own right and accordingly no geographic segment split is considered appropriate.

Note 3. Revenue

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
REVENUE FROM OPERATING ACTIVITIES				
Government Contributions	11,572	11,048	11,572	11,048
Sale of goods and services	329	606	329	606
Royalties	286	574	286	574
Wool levy	46,526	38,359	46,526	38,359
Other	443	1,011	443	1,011
	59,156	51,598	59,156	51,598
REVENUE FROM OUTSIDE THE OPERATING ACTIVITIES				
Interest	4,808	5,437	4,808	5,437
Revenue from ordinary activities	63,964	57,035	63,964	57,035

NOTES TO THE FINANCIAL REPORT (CONTINUED)

Note 4. Expenses

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

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
EXPENSES				
Depreciation				
– Buildings	278	269	278	269
– Furniture, fittings and equipments	886	1,130	886	1,130
Total depreciation	1,164	1,399	1,164	1,399
Other Provisions				
– Employee entitlements	77	(183)	77	(183)
Rental expense relating to operating leases	945	750	862	750
Impairment losses	13		13	

Note 5. Research, development and innovation expenditure

Consolidated:	2007 \$'000			2006 \$'000		
	External costs	Internal costs	Total	External costs	Internal costs	Total
PRODUCT DEVELOPMENT						
Education and Training	2,201			2,177		
Fundamental Science	1,117			2,765		
Knitwear	2,391			4,982		
Non Apparel	1,486			635		
Target Science	3,211			8,662		
Woven	1,367			2,282		
	11,773	1,576	13,349	21,503	2,449	23,952
PRODUCT MARKETING						
B2B Product Marketing	7,857			4,085		
Fashion Communications	546			613		
Knitwear Marketing	2,903			–		
Supply Chain	1,305			1,381		
	12,611	6,237	18,848	6,079	3,439	9,518
WOOL PRODUCTION						
Animal Health & Welfare	5,222			7,410		
Sheep Productivity	5,754			6,398		
Sustainable Production System	8,484			10,748		
Wool Harvesting	2,517			3,084		
	21,977	2,660	24,637	27,640	1,959	29,599

Note 5. Research, development and innovation expenditure (continued)

	External costs	2007 \$'000 Internal costs	Total	External costs	2006 \$'000 Internal costs	Total
AWS INTEGRATION	807		807	240		240
CORPORATE AFFAIRS*	4,313	1,899	6,212	6,327	785	7,112
Total RDI expenditure	51,481	12,372	63,853	61,789	8,632	70,421

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

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

INTERNAL COSTS

Consolidated:	2007 \$'000			2006 \$'000		
	RDI Program	RDI Support	Total cost	RDI Program	RDI Support	Total cost
Employee expenses	7,505	4,070	11,575	5,391	4,727	10,118
Legal and professional expenses	1,295	2,422	3,717	303	1,615	1,918
Travel expenses	1,960	644	2,604	1,393	809	2,202
Depreciation and amortisation expenses	–	1,164	1,164	–	1,399	1,399
Other expenses from ordinary activities	1,612	3,300	4,912	1,545	3,707	5,252
	12,372	11,600	23,972	8,632	12,257	20,889

PARENT ENTITY

As above except for \$748,000 expenditure incurred by AWI LLC (100% owned US subsidiary) excluded from Product Marketing internal costs.

Note 6. Current assets – Cash assets and current assets available for sale

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash Assets:				
Cash on hand and at bank	1,409	687	1,280	675
Funds invested – term deposit	45,000	26,427	45,000	26,427
	46,409	27,114	46,280	27,102
Current assets available for sale:				
Funds invested – floating rate note	35,991	50,000	35,991	50,000
	35,991	50,000	35,991	50,000

NOTES TO THE FINANCIAL REPORT (CONTINUED)

Note 6. Current assets – Cash assets and current assets available for sale (continued)

	2007 \$'000	2006 \$'000
Representing:		
Unrestricted cash and cash investments	48,568	43,876
Restricted as security against guarantees issued by the company's bankers (a)	291	327
Restricted by the Directors in respect of:		
– Capital reserve (b)	20,606	20,606
– Emergency reserve (c)	5,000	5,000
– Operating reserve (c)	7,935	7,305
– Government grant for AWS purchase (d)	15,000	–
	82,400	77,114

(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 to set aside funds received from the sale of the company's interest in CSIRO properties as a capital sum for special purposes.

(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.

(d) \$15 million has been set aside for the purpose as described in note 14.

Note 7. Current assets – Receivables

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Trade debtors	1,035	595	1,035	595
Provision for doubtful debts	–	–	–	–
	1,035	595	1,035	595
Accrued wool levy	4,443	2,992	4,443	2,992
Other debtors	490	467	1,390	502
Provision of intercompany receivable	–	–	(771)	–
	5,968	4,054	6,097	4,089

Note 8. Current assets – Other

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Goods and services tax receivable	–	628	–	628
Prepayments	320	169	320	169
Others	103	173	103	173
	423	970	423	970

Note 9. Investment in controlled entities

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Investment in controlled entities	-	-	13	13
Provision of impairment of investment	-	-	(13)	-
	-	-	-	13

Name of entity	Country of incorporation	Cost of Investment		Equity holding	
		2007 \$	2006 \$	2007 \$	2006 \$
Australian Wool Innovation LLC	USA	13,000	13,000	100	100

Australian Wool Innovation LLC was formed on 13th September 2005 with initial capital contribution of USD \$10,000.

Note 10. Non current assets – Property, plant and equipment

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
LAND AND BUILDINGS				
Freehold land – at cost	425	425	425	425
Buildings				
At cost	2,913	2,639	2,913	2,639
Less: Accumulated depreciation	(745)	(474)	(745)	(474)
	2,168	2,165	2,168	2,165
Total land and buildings	2,593	2,590	2,593	2,590
FURNITURE, FITTING AND EQUIPMENT				
Furniture, fitting and equipment				
At cost	4,222	4,079	4,222	4,079
Less: Accumulated depreciation	(2,970)	(2,409)	(2,970)	(2,409)
Total furniture, fitting and equipment	1,252	1,670	1,252	1,670
	3,845	4,260	3,845	4,260

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 2006	2,590	1,670	4,260
Additions	288	522	810
Disposals	(7)	(54)	(61)
Depreciation/amortisation expense	(278)	(886)	(1,164)
Carrying amount at 30 June 2007	2,593	1,252	3,845

NOTES TO THE FINANCIAL REPORT (CONTINUED)

Note 11. Livestock

	Consolidated		Parent entity	
	2007	2006	2007	2006
Number of livestock – sheep	2,977	7,569	2,977	7,569
	\$'000	\$'000	\$'000	\$'000
Value	138	326	138	326

Livestock are carried on the balance sheet at cost, with adjustment made to reflect net market value as appropriate.

Note 12. Current liabilities – Payables

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Unsecured				
Trade creditors	5,437	4,066	5,437	4,066
Other payables – RDI contract payments accrued	3,994	4,094	3,994	4,094
Other creditors	1,889	697	1,889	697
	11,320	8,857	11,320	8,857

Note 13. Current liabilities – Provisions

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Annual leave	561	518	561	518
	561	518	561	518

Note 14. Current liabilities – Deferred income

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Deferred Income	15,000	–	15,000	–
	15,000	–	15,000	–

The Australian Government provided \$15 million (excl GST) for the purchase of certain assets of Australian Wool Services Limited. This is a specific purpose government grant which must be repaid if the business acquisition does not proceed.

Note 15. Non current liabilities – Provisions

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Long service leave	33	–	33	–
	33	–	33	–

Note 16. Contributed equity

	Consolidated		Parent entity	
	2007 Shares	2006 Shares	2007 Shares	2006 Shares
(A) SHARE CAPITAL				
Ordinary shares – fully paid	37,462	37,462	37,462	37,462

(B) ORDINARY SHARES

The \$100 represents the initial capital contribution on the establishment of the company. Each woolgrower has a right to one vote for every \$100 of wool levy or wool tax contributed during the three previous financial years, as defined in the *Wool Services Privatisation Act 2000 (Cth)*. These shares do not entitle woolgrowers 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 2005	Opening balance	37,462	–	100
30 June 2006	Balance	37,462	–	100
30 June 2007	Balance	37,462	–	100

(D) SHAREHOLDER STATISTICS

State	30 June 2007	30 June 2006
ACT	103	110
NSW	10,671	11,631
NT	9	12
QLD	1,089	1,241
SA	4,755	5,194
TAS	775	857
VIC	6,537	7,239
WA	5,293	5,705
Balance	29,232	31,989

NOTES TO THE FINANCIAL REPORT (CONTINUED)

Note 17. Retained surplus

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Retained surplus at the beginning of the financial year	77,349	102,992	77,385	102,992
Net surplus/(deficit) attributable to shareholders of Australian Wool Innovation Limited	(11,489)	(25,643)	(11,525)	(25,607)
Retained surplus at the end of the financial year	65,860	77,349	65,860	77,385

Note 18. Financial instruments

(a) Credit risk exposures

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

Risk of principal amounts invested is minimised by only investing in securities or deposits with Standard & Poors ratings AAA, AA and A for long term and A1 and A2 for short term.

Risk of loss due to adverse interest rate movements is minimised by investing in securities or deposits with a maximum term of 90 days or in Floating Rate Notes which reset the interest rates to market every 90 days.

All funds invested at 30 June 2007 were in Australian dollars thereby eliminating any currency risk.

As at 30 June 2007, Australian Wool Innovation Limited had the following categories of funds invested:

	2007 \$'000	2006 \$'000
Deposits and Floating Rate Notes (FRNs) with Australian Banks (rated A2 or better)	53,991	46,927
Deposits and FRNs with non-bank financial institutions (rated A/A1 or better)	24,000	23,500
FRN with overseas bank (rated AA)	3,000	6,000
	80,991	76,427

(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
2007					
FINANCIAL ASSETS					
Cash and deposits	6	5.75	1,398	11	1,409
Funds invested	6	6.58	80,991	-	80,991
Receivables	7		-	5,968	5,968
FINANCIAL LIABILITIES					
Trade and other creditors	12		82,389	5,979	88,368
			-	(11,320)	(11,320)
Net financial assets/(liabilities)			82,389	(5,341)	77,048

Note 18. Financial instruments (continued)

	Notes	Weighted average interest rate %	Floating interest rate \$'000	Non interest bearing \$'000	Total \$'000
2006					
FINANCIAL ASSETS					
Cash and deposits	6	5.25	681	6	687
Funds invested	6	5.97	76,427	-	76,427
Receivables	7		-	4,054	4,054
FINANCIAL LIABILITIES					
Trade and other creditors	12		77,108	4,060	81,168
			-	(8,857)	(8,857)
Net financial assets/(liabilities)			77,108	(4,797)	72,311

(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 19. Remuneration of auditors

	Consolidated		Parent entity	
	2007 \$	2006 \$	2007 \$	2006 \$
During the year the auditor of the parent entity and its related practices earned the following remuneration:				
Audit of financial reports of the entity or any entity in the consolidated entity	105,000	105,000	105,000	105,000
Other audit-related work	-	-	-	-
Other assurance services	-	19,580	-	19,580
Total audit and other assurance services	105,000	124,580	105,000	124,580
Advisory services	55,165	54,071	55,165	54,071
Total remuneration	160,165	178,651	160,165	178,651

As part of the review of Corporate Governance practices, the consolidated entity segregated its taxation, internal audit and certain advisory services from statutory audit within Australia.

Note 20. Commitments for expenditure

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
OTHER COMMITMENTS				
Commitments in relation to research and development, technical proving and transfer, and the cost of various goods, services and acquisitions contracted for at the end of the reporting date but not recognised as liabilities, payable:				
Within on year	51,169	33,690	51,169	33,690
Later than on year but not later than 5 years	14,230	20,332	14,230	20,332
	65,399	54,022	65,399	54,022

NOTES TO THE FINANCIAL REPORT (CONTINUED)

Note 20. Commitments for expenditure (continued)

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
LEASE COMMITMENTS				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	1,083	845	960	789
Later than one year but not later than 5 years	4,343	647	4,108	647
	5,426	1,492	5,068	1,436
Representing:				
Non cancellable operating leases	5,426	1,492	5,068	1,436

A small number of commitments are denominated in currencies other than Australian dollars. It is currently the company's policy to translate those commitments at the exchange rate at 30 June 2007, and to subsequently meet those commitments as they fall due by purchasing foreign currency at spot rates. This policy is reviewed by the Board from time to time.

Note 21. Employee benefits

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
EMPLOYEE BENEFIT AND RELATED ON-COSTS LIABILITIES				
Provision for employee benefits – current (Note 13)	561	518	561	518
Provision for employee benefits – non-current (Note 15)	33	–	33	–
Aggregate employee benefit and related on-costs liabilities	594	518	594	518
	Number	Number	Number	Number
EMPLOYEE NUMBERS				
Number of employees at 30 June	94	85	92	83
	94	85	92	83

Note 22. Related parties

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

Interests in subsidiaries are set out in note 9.

Disclosures relating to key management personnel are set out in Directors' report.

Loan to US subsidiary	–	–	900	36
Provision of intercompany receivable	–	–	(900)	–
	–	–	–	36

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, W B Merriman, H P Nivison, P S Sykes.

All of these persons were also Directors during the year ended 30 June 2007.

Note 22. Related parties (continued)

Remuneration

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

Directors' interests in contracts

During the year ended 30 June 2007 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 2007.

Note 23. Economic dependency

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

Note 24. Events occurring after reporting date

A contract for the purchase of Australian Wool Services Limited assets by AWI for \$15 million has been signed by the both companies in early August 2007 and has been approved by AWS on 28 August. Completion is subject to certain conditions precedent being satisfied. On completion, expected to be by the end of October 2007, the Woolmark operations will be under AWI managerial control. It is intended that business will be fully integrated at the earliest possible opportunity.

Note 25. Reconciliation of deficit from ordinary activities to net cash inflow from operating activities

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Deficit from ordinary activities	(11,489)	(25,643)	(11,525)	(25,607)
Depreciation and amortisation	1,164	1,399	1,164	1,399
(Profit)/Loss on sale of property, plant and equipment	12	(157)	12	(157)
Change in operating assets and liabilities				
Decrease (increase) in trade debtors	(440)	(326)	(440)	(326)
Decrease (increase) in prepayments	(151)	(34)	(151)	(34)
Decrease (increase) in other operating assets	188	(100)	188	(100)
Decrease (increase) in accrued wool levy	(1,451)	506	(1,451)	506
Decrease (increase) in other debtors	676	256	(201)	208
Decrease (increase) in provision of intercompany receivable	-	-	771	-
Decrease (increase) in investment in controlled entities	-	-	13	-
Increase (decrease) in creditors	2,463	1,272	2,463	1,272
Increase (decrease) in provisions	77	(183)	77	(183)
Increase (decrease) in deferred income	15,000	-	15,000	-
Net cash inflow/(outflow) from operating activities	6,049	(23,010)	5,920	(23,022)

DIRECTORS' DECLARATION

30 June 2007

In the Directors' opinion:

- (a) The financial statements and notes set out on pages 26 to 45 are in accordance with the *Corporations Act 2001*, including:
 - (i) Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) Giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Chief Executive Officer and General Manager – Finance required by section 295A of the *Corporations Act 2001*.

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



I M McLachlan AO
Chairman

Sydney
20 September 2007

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of Australian Wool Innovation Limited for the financial year ended 30 June 2007 included on the Australian Wool Innovation Limited web site. The company's directors are responsible for the integrity of the Australian Wool Innovation Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report identified above. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

INDEPENDENT AUDITORS' REPORT

To the members of Australian Wool Innovation Limited and its controlled entities

Report on the financial report

We have audited the accompanying financial report of Australian Wool Innovation Limited (the company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Australian Wool Innovation Limited and the Australian Wool Innovation Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

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

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

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

Independence

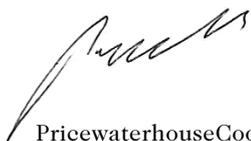
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

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

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.



PricewaterhouseCoopers



John Gordon
Partner
Sydney
21 September 2007

APPENDIX A[†] – OPERATIONAL PLAN PROGRESS

Apparel product development and marketing

B2B PRODUCT MARKETING

Target

To develop the brand image of AWI as the partner and service provider of choice for brands, retailers and manufacturers seeking to develop a commercial edge by using Australian Merino wool. It will do this by establishing commercial partnerships with textile market leaders and trend setters around the world in both the manufacturing and retail brand sectors. The B2B strategy aims to enable AWI to link its innovations to the market, so building demand for Australian Merino wool. This program will contain the sub-programs of: (i) Market Information, (ii) Market Research (which includes the TWC Test Marketing Campaign), (iii) Fairs/Sponsorship, (iv) Product Branding, and (v) Regional Representation (establishment of regional offices in Shanghai, Hong Kong, Italy, USA etc).

Performance against target

- Three marketing projects showcasing 20 new Merino products and a variety of wool innovations were presented to the textile world at Spin Expo 2006, in Shanghai – one of the biggest international trade shows dealing with the apparel market. Merino Care, Merino Visual and Merino Soft are the new collections that will take wool to the world textile and fashion audience. The three collections mark an important new phase in wool marketing. Wool's presence at Spin Expo 2006 was a much bigger event than previous years.
- This year AWI lent its support to Fabrics China Creation, one of the most highly regarded professional competitions in the Chinese textile industry. AWI's support for Fabrics China Creation aims to encourage innovation in the field of textile fabric and pattern design within the Chinese textile industry.
- AWI's Merin02 range of sports and performance fibres was this year eagerly received at the US's Outdoor Retailer and Germany's ISPO – two of the world's biggest trade fairs for outdoor and sports apparel. The new range of AWI products recently showcased has special properties designed to provide distinctive benefits to wearers. The capacity to ward off insects and sun and resist fire and water are among the attributes of some 17 high-performing Australian Merino products.
- AWI hosted a number of seminars in Hong Kong, India, Bangladesh and Japan to educate retailers from around the world about the unique properties and new technology furthering Australian Merino wool.
- After opening its New Delhi office in mid-2006, AWI has showcased Australian Merino in India opening the eyes of retailers, designers, manufacturers and fashion media to the possibilities with wool.
- AWI launched Verification of Australian Merino (VAM), the new procedure to assist retailers worldwide who are interested in validating the Australian Merino content of their products.
- AWI's offices are strategically located to develop direct business relationships with global brands/retailers, textile manufacturers and fashion designers operating in key markets. Through this network, AWI works to increase the global demand for Australian Merino wool. AWI has overseas offices in the USA (New York), Western Europe (Treviso, Italy), India (New Delhi), China (Shanghai), Hong Kong and the UK.
- More than 100 people participated in the inaugural Australian Wool Textile Training Centre Program held at CSIRO's Textile and Fibre Technology division in Geelong, Victoria. Attendees represented all sectors of the wool-processing pipeline, and came from as far afield as China and India to gain a greater understanding of specific processes and market sectors.
- Young textile and fashion design students from around the world were given a taste of the Australian wool pipeline, in an extensive Wool Study Tour hosted and organised by AWI. Students from Italy, China and Australia were taken through a program that offers insight into the qualities and properties of Australian Merino wool.
- The North Face has released a new clothing collection made from Australian Merino wool. The new collection includes two ranges: the Summit Series lightweight performance items and the Extreme Wool styles, which can be either layered under The North Face technical shells or worn as an outer layer. 70,000 units were produced in the first season.
- Following the success of its first generation next-to-skin range, Driza-Bone has launched second generation – a range of lightweight activewear garments. It is a range of fine Australian Merino wool garments that have been designed as lightweight, comfortable, high-quality activewear.
- Mercerised Australian Merino wool – breathable, silky, soft and flexible – forms the foundation of US base-layer clothing giant Kenyon's new range. Kenyon claims to be the largest producer in this market, and its range is made using innovative mercerised Merino wool. The mercerising procedure leaves the Merino fibre with a silk-like appearance.

[†] Appendix A does not form part of the audited financial reports.

- AWI and Sugoi, a leading athletic apparel manufacturer, teamed up to introduce the new Wallaroo line of Merino wool active wear to retailers across North America.
- A legendary destination for top international skiers, Red Mountain Resort in British Columbia, Canada, has partnered with AWI to showcase Merino wool as a top-performing base layer for skiers.
- The manufacture of Heilan machine-washable and Aoyama high-twist Merino 'cool wool' suits swung into full production after successful trials in China and Japan. The demand for full production shows the interest in Australian Merino wool products is strengthening in key Asian markets.
- Merino Travel was created by AWI in partnership with the Ningbo Youngor Group – one of the largest fabric and suit manufacturers in China – to meet the needs of China's growing business travel market. The lightweight fabric, created to withstand the rigours of travel, is crease-resistant and has natural stretch and anti-stain qualities.
- The development of Merino Retro – a world-first textile with a special stonewash treatment technology to produce a fashionable washed-out look – was created by China's largest worsted enterprise, the Jiangsu Sunshine Group, with AWI's assistance. Designed to appeal to today's trends, it provides a vintage look with the competitive edge of a modern fibre.
- A partnership between AWI and technology giant INVISTA has resulted in the development of a textile that is durable and soft, a textile that makes life more comfortable. The Merino Coolmax® blend has created a textile with enhanced performance attributes, fashionable qualities and a unique handle and drape that will benefit an entire range of designers from active outdoor apparel, through to intimate lingerie and haute couture designs.
- Klimeo, a new fabric that keeps its wearer at a similar temperature regardless of the weather, was launched at the world's leading fabric fair, Premiere Vision, held in Paris.
- A new range of wool fabrics especially created for warmer weather has resulted from collaboration between AWI and the Shandong Ruyi Group – one of the most famous textile and garment manufacturers in China. The range of fabrics in the Merino Fresco collection have excellent breathability and have been specially created for the spring and summer seasons.
- AWI and Jayashree Textiles Ltd have launched an innovative range of super-lightweight Australian Merino wool and linen blended fabrics. The new Merino Linen collection was launched in India in January to designers, manufacturers and retailers. It can also be purchased in Australia.

KNITWEAR AND WOVENS

Target

Knitwear: To progressively increase the consumption of Australian Merino knitted apparel in existing and new markets by delivering innovative products to key brand and retail partners. The product scope of this program is apparel formed by a knit construction using flatbed, V-bed, circular, and warp knitting frames. This includes but is not limited to cut and sew knitwear, socks, knitted underwear, knitted fashion, knitted sportswear and other knitted apparel.

Wovens: To progressively increase the consumption of Australian Merino woven apparel in existing and new markets by delivering innovative products to key brand and retail partners. The product scope of this program is apparel formed by woven construction. Apparel categories targeted include menswear, womenswear, corporate and sportswear.

Performance against target

A range of Merino Care innovations was launched by AWI.

Included in the range during the year were:

- Aloe Vera Merino:* Micro-capsulated aloe vera is applied during the final finishing of knitted fabrics and garments. Movement opens the micro-capsules, gently releasing refreshing moisturiser over the lifetime of the garment.
 - Nano-tech AM:* Nano-tech AM is a highly effective nanotechnology-based anti-moth treatment that can be applied to the top, the yarn or the fabric. It is odourless and has no impact on fabric feel or colour.
 - Nano-tech AB:* Along the same lines as the AM treatment, this nanotechnology takes advantage of the anti-bacterial properties of silver and binds silver particles with Merino fibres to give an anti-bacterial finish.
 - Easycare Merino:* Applied at top stage for worsted spun garments or at garment stage to woollen spun, Easycare makes garments machine-washable and in some cases they can also be tumble dried.
 - Quick Dry Merino:* This technology can deliver fabrics that wash 'drier' with improved stain resistance – making fabrics easier to maintain. A fluorocarbon/nanoparticle finish is applied to knitted sweaters or fabrics, making it ideal for a whole range of garments – particularly those in the sportswear and outdoor markets.
- The *Merino Soft* range showcases Merino at its finest. Innovations in developing this suite of fabrics give a feel of two microns finer than the original wool. Included in the range during the year were:
- Soft Merino Lambswool:* Based on a chemical treatment applied on scoured loose Merino wool, creating a perceived improvement in hand-feel of two to three microns, it catches the eye with brighter, more intense shades.

APPENDIX A – OPERATIONAL PLAN PROGRESS (CONTINUED)

- *Shetland Merino*: A 21st century makeover has been given to the Shetland woollen sweater, with a 24 to 25-micron blend treated to improve the softness by a perceived further two to three microns.
- *Light and Soft Merino*: Innovative manufacturing blends Merino with a 30 per cent water-soluble plastic fibre, which forms part of the fabric. It later dissolves and washes out in final finishing, leaving a garment that is soft, light and ‘fluid’.
- *Fine Tipped Wool*: Evolved from WA Merino-growing conditions – with sheep shorn in the autumn rather than spring – this fine tip wool bends more easily and reduces the level of prickle for garments worn against the skin.
- *Aqua Merino*: A moisture-friendly treatment is applied during the final garment finishing, which allows the finished product to absorb enough moisture from the air to feel cool, very faintly moist and more comfortable.
- *Mercerised Merino*: A chemical treatment is applied to the worsted top, which then improves the lustre and brightness of the fibre and makes it ideal for blending with novel fibres, such as cashmere or silk.
The *Merino Visual* range bringing together multiple concepts that allow for more urban, casual and individual touches. Included in the collection during the year were:
 - *Microfibre Merino*: By matching Merino with microfibre polyester to bring the fibre diameter down ever more, the end product is lighter and softer than traditional Australian Merino.
 - *Homespun Merino*: By introducing long-tailed neps and slubs, a unique new fabric has evolved with novel textures and an irregular ‘homespun’ look. The result is a vintage look and high aesthetic and textural appeal.
 - *Textured Merino*: Combining EasyCare yarns that do not felt with untreated Merino yarns that felt or shrink is the key element of textured Merinos. It is ideal for ultra-casual street urban knitted outerwear.
 - *Colorclear™ WB*: Merino wool is now brighter than ever with Colorclear™ bleaching, a technology from the Rohm and Hass company. Whiter white means more clarity in fibre colouring.
 - *Vintage Look Merino*: Washed down, worn out, frosted, faded, antique, distressed – call it what you will, but new processes can make a new garment feel and look like a comfortable old favourite while still on the rack.
- *3D Merino*: Using machines that currently produce flat smooth fabrics, technology now allows a pile fabric to be created through novel combinations of worsted yarn and knitting constructions. Terry loop and three-dimensional surface textures in a knitted wool fabric of 19.5 microns means a soft and fluid garment with great thermal insulation.
- *Merino and Lycra®*: Using existing single and double jersey knitting machines, trials are under way on novel combinations of yarn and knitting constructions to deliver a fabric with high stretch and recovery.
- *Faded Merino*: The wash-down effect, increasingly sought after by apparel brands aiming at the young fashion market, is possible in dyed knitted wool fabrics using enzyme treatments.
- *Novel felted fabrics*: A new feel can be given to wool fabrics from a technical process that allows the use of low-twist yarn structures, long float stitches and variations in fabric finishing.
- *Spectrum Merino*: By applying dye control resins to loose Merino top, yarn or garments before dyeing, colour multiplicity is now even greater in wool fabrics.

FASHION COMMUNICATIONS

Target

To get Australian Merino wool back in the spotlight of the international fashion apparel and retail industry as an innovative and modern fibre and to introduce AWI as the authority on Australian Merino wool in the global apparel industry through key media channels.

Performance against target

Through AWI projects undertaken globally, our Fashion Communications program assisted the regions to promote and increase awareness about Australian Merino wool through the media.

- The 200th anniversary of the Australian wool trade was marked with a series of special events in London, Milan and Sydney. Fashion milestones were featured in a major ‘Fashion from Fleece’ exhibition at the Sydney Powerhouse Museum. The exhibition generated over \$3 million in editorial coverage and placed AWI in front of over 500 key Australian fashion industry and media representatives.
- The Protégé Project was launched that will see top fashion designers Karl Lagerfeld, Donatella Versace, Francisco Costa for Calvin Klein, Paul Smith, and the editor of Vogue Italia, Franca Sozzani, mentoring five young protégés, who will each create a fashion collection made primarily from Australian Merino wool.

- The designer program continued with the support of local designers such as Jayson Brunson, Josh Goot, and Akira Isogawa. Australian Merino wowed the New York fashion scene with its modern versatility and style – in February Josh Goot and Jayson Brunson, who worked in partnership with AWI, showed their autumn/winter 2007 collections in the Big Apple. Jayson Brunson and Tina Kalivas, in collaboration with AWI, took Australian Merino wool to the catwalk during Rosemount Australian Fashion Week in Sydney. The latest in Australian Merino wool went on show at the recent L'Oréal Melbourne Fashion Festival when AWI presented a unique industry event.
- The *Josh Goot for Target* collection was launched with over 12,000 Australian Merino wool jersey items sold through the chain's stores nationally from June.
- Support for AWI's trade shows is a key element of the program with Public Relations support at Spin expo in September 2006. The fashion parade and showcase walls were all created and designed to increase AWT's profile within the Chinese and international apparel trade.
- From a product development perspective the Fashion Communications program is responsible for managing colour and design consultants and overseeing the development of AWI's knitwear collection to ensure the range will appeal to global customers. The first AWI Colour Trend books were created to ensure AWI's products have a consistent look and will sit as a collection in a showroom or when taken out for showings to retailers globally.
- AWI again supported the Australian Wool Fashion Awards to encourage the use of Australian Merino wool by young designers. And for the third consecutive year, AWI worked with RMIT University to ensure final-year students in the Bachelor of Arts Textile Design are aware of the benefits and versatility of Australian Merino wool.

WOOL SCIENCE, PROCESSING AND EDUCATION

Target

To undertake collaborative projects with both key research and non-traditional providers in (i) Fundamental Wool Science (Surface properties; Whiteness of wool; Structure and properties; Physics of processing); (ii) Targeted Wool Science (Prickle; Bright fast colours; Pilling of knitwear; Wrinkle recovery; Eco-wool; New product technology; Cost Competitive Processes); (iii) Education & Training.

Performance against target

Rationalising of the projects in this area saw the number of potential outputs reduced in line with reduced budget and a more focused programme was required to complete projects with specific, targeted outcomes, especially those with commercial partners involved.

The Fundamental Wool Science area was reduced. Targeted Wool Science became the focus of this portfolio to provide solutions for industry as well as product development. Highlights have included:

- Development by CSIRO of methods to reduce spirality in knitwear. Commercial trials were completed and publication of results in literature is possible. Project complete Aug '07.
- Development of fire resistant clothing with CSIRO for rural fire brigades has been completed with successful product development and positive wearer trial feedback. Commercial partners are being sought to take the technology to market.
- Development with AgResearch of dyeing technology to produce knitwear products with washed out effects required by retailers. Successful technical transfer to 9 mills in China and Hong Kong completed.

Education & Training was also reduced in scale due to a focus on commercial outcomes and training of mill staff. The China Australian Wool Innovation Network project was terminated as a result. AWTTC provided good feedback with the course repeated for 07/08. IWTO saw the presentation of the AWI/DWI Award.

APPENDIX A – OPERATIONAL PLAN PROGRESS (CONTINUED)

Wool production

ANIMAL HEALTH AND WELFARE

<i>Target</i>	<i>Performance against target</i>
Broad scale, commercial proof testing transfer to commercial partner(s) of mulesing alternatives.	Transfer of the clip and intradermal alternatives to mulesing to commercial partners at an advanced stage.
Support the implementation of National Mulesing Accreditation Program.	Support ongoing. To June 2007, 556 contractors and 274 woolgrowers have been trained and assessed.
Increased emphasis on research, monitoring and extension programs associated with wool chemical residues.	Annual wool chemical residue survey continued. CSIRO administers the survey and analyses 600 fleece samples taken at random by the Australian Wool Testing Authority from all woolgrowing states and territories across the seasons. The annual survey shows Australian wool is the cleanest in the world, revealing that 14 per cent of the clip has no reportable residues and 42 per cent meets EU Eco-label residue requirements.
Completion and evaluation of Integrated Parasite Management project with next phase initiated if promising.	Project EC306 (Integrated Parasite Management for Sheep) complete. Critical research component produced three PhD and 1 MSc theses. Demonstration farm network to be rationalised and continued. Various adoption approaches being investigated.
Commercialise new diagnostic tests for lice, footrot and worms.	Lice detection test in laboratory form expected to be commercially available from NSW DPI by end of 2007; in-shed test requires further development. Footrot PCR diagnostic test (differentiating benign/virulent isolates) adopted by NSW DPI. Barbers Pole Worm diagnostic test being commercialised.
Initiate registration and commercialisation of new fox bait.	Fox bait registration application to be submitted to the Australian Pesticides and Veterinary Medicines Authority (APVMA) by October 2007.
Second phase of GINTIP sub program investigates potential new drench targets.	Contract signed with ANU for continuation of gastrointestinal nematode program (GINTIP) research based on outcomes of first phase.
Potential for new vaccines against ARGV and footrot investigated.	Annual ryegrass toxicity (ARGT) trial started to test serological response to single and booster vaccinations. Sequential vaccination trial with various footrot serotypes underway in several locations.

SUSTAINABLE PRODUCTION SYSTEMS

<i>Target</i>	<i>Performance against target</i>
Pastures Australia, a partnership of five RDCs, will implement a new approach to support pasture plant breeding, focussing on increased commercial use of existing cultivars, more commercial sector involvement, clearer evaluation of performance of different cultivars.	<p>A range of projects underway to increase producer uptake of new pasture varieties such as Serradella, Biserrula and Sulla through better agronomy and management information.</p> <p>Pastures Australia is working with public and private sector plant breeders to scope the potential for a National Variety Testing system and to encourage the increased adoption of genetic evaluation tools to increase the efficiency of pasture plant breeding and the rate of genetic gain for the industry.</p> <p>A web based Pasture Picker will provide a “one stop” pasture selection tool to industry, drawing on all the latest information relating to pastures and their performance.</p>
Implement a new NRM strategy with emphasis on delivery of LWW products, improving rabbit and weed control, and developing a practical Environmental Stewardship program for wool producers.	<p>Land, Water & Wool (LWW) final reports launched in Canberra in June.</p> <p>Strong demand for LWW products and tools continued. During 2006/07, 9344 products were ordered and approximately 10,900 unique visitors viewed the website. During the program life, approximately 23,200 woolgrowers interacted with LWW information and activities and 3,200 of these adopted a practice change.</p> <p>Landleader – environmental stewardship program has completed its first trial with over 1200 producers participating. Recommendations arising from the trial will be implemented in the following consolidation and collaboration phase involving CMAs.</p> <p>Best Management Practice Guidelines and Case Study brochures for control of Silver leaf Nightshade and Paterson’s Curse released. Brochures for Chilean Needle Grass, African Love Grass, Serrated Tussock and Thistles are currently in production.</p> <p>A CD on the biological control of Paterson’s Curse was produced for distribution at training and biocontrol agent distribution days.</p>
Complete and release an economic analysis of Lifetime Wool project benefits.	Economic analysis completed for south-west WA and southern Victoria and made available via the Lifetime Wool website. Northern NSW analysis still to be completed. Drought feeding and annual pasture feed budgeting tools developed and 5900 copies distributed. During 2006/07, 2250 woolgrowers, 400 consultants and 710 industry peers have been exposed to Lifetime Wool messages.
Test and demonstrate improved productivity of low input pasture systems with benefits for animal production and natural resource management (Evergraze project collaboration with MLA and Salinity CRC).	Three proof sites established at Orange, Tamworth and Albury/Wodonga, NSW to test management techniques to improve the perenniality and productivity of unimproved pasture systems. Up to 50 supporting sites to be established through collaboration with 13 regional NRM bodies and producer productivity groups.

APPENDIX A – OPERATIONAL PLAN PROGRESS (CONTINUED)

<p>Implement new pastoral zone strategy with emphasis on evaluation of alternative breeds and finishing systems, practical revegetation techniques, environmental monitoring, improved rabbits and weed control, supporting pastoralist group network activities.</p>	<p>250 pastoral zone producers involved with the Bestprac network and implementing improved management practices on farm. A guide for producers and group leaders conducting participatory action research in the pastoral zone drafted.</p> <p>Evaluation of alternative sheep breeds in the pastoral zone delayed because of lack of on-farm economic data available from case study subjects. Report containing economic analyses and desktop review findings is due in October 2007.</p> <p>Through 'Enrich', more than 10 forage shrub species containing natural compounds that can modify rumen function, eg reduce methane production and internal parasite populations, were identified. Grazing to utilise these compounds in mixed shrub based pastures began in WA and SA. Knowledge from 40 producers from WA, SA, Victoria and NSW, along with existing literature was incorporated into the draft 'Guidelines for successful use of forage shrubs in Southern Australia', to be published in 2008.</p> <p>Glasshouse trials of a number of seed treatments improved the reliability of germination of saltbush seed with and without bracts. Severe drought forced a one-year postponement of new sowing techniques to improve saltbush establishment.</p>
<p>With MLA, develop new Best Management Package for sheep and wool production and plan delivery strategy via state producer networks and other means.</p>	<p>Making More from Sheep manual developed and currently being prepared for printing. CD and website currently in development phase. Co-ordinators to manage events and forums in each state have been appointed. Package and event program to be launched in February 2008.</p>
<p>SHEEP PRODUCTIVITY</p>	
<p><i>Target</i></p>	<p><i>Performance against target</i></p>
<p>Develop and enact extension plan for Sheep Genetics to increase participation by breeders.</p>	<p>National Extension plan has been developed and is being enacted. An increase in participation has been seen via a series of 'try before you buy' offers which has seen over 30 breeders and 50,000 new records enter the database. The first of the ram breeder workshops have been delivered for introductory clients as well as established clients with many being rolled out in the second half of 2007.</p>
<p>Develop Sheep Genetics service levels with a view to build capacity to support breeders.</p>	<p>Two part time staff have been added to the Sheep Genetics team specifically in anticipation of the increase in demand from the Merino sector. A Southern States officer based in Melbourne and a Western Australian Officer based in Perth are available to service enquiries in those regions in addition to the team based in Armidale.</p>
<p>Maintain support for genetic benchmarking activities such as Sire Evaluation and bloodline comparisons.</p>	<p>Merino Superior Sires 12 was produced using Australian Sheep Breeding Values (ASBVs), hence is now comparable with Sheep Genetics and released to over 4,000 woolgrowers. The Merino Bloodline Package was also updated with 2300 copies issued to growers over the past two years. Positive endorsement has been received on the value of both publications.</p>
<p>Continue work on integration of gene markers in ASBVs in SGA.</p>	<p>The integration of gene markers into ASBVs is still considered a work in progress with generation of gene test results on a sufficient number of animals to enable integration taking additional time to complete. The first gene markers will be integrated into ASBVs during the second half of 2007.</p>
<p>As phenotype collection in the gene mapping project at FMFS approaches completion, commence genotyping and statistical analysis.</p>	<p>Phenotype collection in the gene mapping flock is largely complete, hence the statistical analysis has commenced on the phenotype data. Genotyping will take place after the DNA chip is developed around the end of 2007 with further analysis required once genotyping data becomes available.</p>

Continue progress of Sheep Genomics program as informed by mid-term review.

Sheep Genomics is proceeding according to the recommendations made in the mid-term review, that is to pursue DNA markers and parasite resistance diagnostics that can be validated and rolled out to industry whilst maintaining capacity in the functional genomics area.

WOOL HARVESTING

Target

Performance against target

Continue field trials with remaining UPSPs, with a focus on improving productivity further and lowering build costs. Focus on commercialisation of successful designs.

All field trials of AWI developed UPSP have been completed. The productivity of the Peak Hill ShearEzy now approaches on the board shearing in large and difficult to shear sheep.

Peak Hill Industries has completed the development of a MKIII version of the ShearEzy UPSP. Now at \$15,000 for a bare single unit a reduction in technology has seen a halving of the previous unit's cost.

This project has also seen the development of a multi-stand trailer mounted system. Now fully commercialized, the system has been demonstrated at a number of field days and contractor events.

Continue to deliver shearer and wool handler training and resource development initiatives across Australia so as to address the supply and skill levels of wool harvesting labour.

Shearer and wool handler training was delivered in all the wool producing states of Australia with AWI funded training reaching 2607 individuals consisting of professional and improver shearers, novice and improver wool handlers and students (Vet in schools workshops).

The development and distribution of additional DVD training titles has been completed. As well as the production of three new titles revision occurred to the novice shearer DVD and a promotional DVD was completed. Approximately 5,500 DVD resources have been distributed in 2006/07.

Commence first stage filtering projects on previously identified biological and chemical harvesting options.

A range of molecules and compounds have been tested via three projects during 2006/07 using four research processes. From this work a small number of interesting compounds have been identified for further investigation with three showing promise as biological harvesting agents. One very successful trial confirmed that a weakening strategy was practicable with 95% to 98% of fleece being retained after the fleece was weakened below 13N/kt – no retention device used.

Develop and commercialise safety devices for handpieces as well as improving handpiece and grinding technology.

Project EC855 undertook the development of a dynamic braking deadman switch unit. This project is now on track and has completed the significant milestone, proving the technology, and is expected to be completed by the beginning of 2008.

Research has been completed into the mechanics of handpiece lockup with the findings having significant implications on safety clutch design and anti-lock motors.

No research was done on grinding technology as commercial interests have little incentive to place any developments in to the market place.

APPENDIX A – OPERATIONAL PLAN PROGRESS (CONTINUED)

Corporate Affairs

STAKEHOLDER COMMUNICATIONS

Target

To ensure stakeholders are kept up-to-date on AWI activities, provide information on new products and practices to improve on-farm productivity and profitability, and increase awareness of initiatives and activities to increase the demand for Australian Merino wool.

Performance against target

Events: AWI staff or Board members presented at over 50 industry forums and events around Australia during 2006/07. Events of particular note were:

- The Seventh World Merino Conference, sponsored by AWI, held in Perth during July – more than 1000 visitors saw the latest trends and technology driving the industry, at the conference's Innovation Day.
- An 'Innovation in Action' forum held immediately prior to the company's AGM in Armidale in November.
- Four 'Bounce Back' from Drought forums were held in March and April at Parkes, Ararat, Jamestown and Corowa to give sheep and wool producers practical advice on how to plan for a speedy recovery from drought.
- Shear\$marter was held in Dubbo in June – the crowd of woolgrowers, shearers, handlers and classers heard how to prepare a clip for maximum profit.

Media: Media is an important communication tool for AWI, and media releases, advertisements and television were used to gain widespread coverage for AWI projects and initiatives. There was wide coverage in the rural and regional media, as well as in the metropolitan media, and international textile and trade media. AWI research and innovation initiatives were also featured in the 'Landline' rural TV show broadcast across Australia.

Publications: AWI's flagship publication 'Beyond the Bale' was published six times during 2006/07 and distributed to over 25,000 shareholders and 1,000 other stakeholders. Three supplements to Beyond the Bale were distributed during the year on the subjects of fashion and textiles, tools to help minimise flystrike, and the 'Land, Water & Wool' natural resource management outcomes.

A Product Catalogue of all AWI products and publications was published and distributed to shareholders in April 2007. By the end of June 2007, nearly 400 shareholders made requests for over 3000 publications. A smaller catalogue of drought related and other on-farm publications was distributed in November; during the year, AWI distributed over 10,000 drought related publications. Publications were also available on request from the AWI helpline on 1800 070 099, distributed at industry events and most are available electronically on the AWI website wool.com.au.

Online Communications: AWI launched a new corporate website (www.woolinnovation.com.au) and a new website for woolgrowers (www.wool.com.au) in November, with visitors to the websites staying longer and looking at more pages.

AWI's Merino Innovation website (www.merinoinnovation.com) designed to help retailers, manufacturers and designers find information about using Australian Merino wool, received the Australian Interactive Media Industry Association (AIMIA) Award for the Best Corporate or Business-to-Business website. A new monthly e-newsletter (SPUN) was launched and several viral e-marketing campaigns were undertaken to help retailers, manufacturers and designers keep up-to-date with everything that's happening in the world of Merino.

INDUSTRY AND GOVERNMENT RELATIONS AND TRADE DEVELOPMENT

Target

To ensure that industry and government stakeholders regard AWI as transparent, accountable and delivering value on investment.

Performance against target

- AWI undertook meetings with key government and industry stakeholders in June to receive a briefing on their current issues and future plans, and to provide them with an update on current key AWI activities. Meetings were also held with Parliamentary Secretary Sussan Ley in October and March to provide an update on AWI's performance on performing its functions and in delivery of the Government's broad priorities for industry R&D.
- In April 2007 AWI held an industry consultation workshop on the AWI Strategic Plan. The workshop was attended by industry and government representatives.
- Industry Information Exchanges were held with industry associations and State Farmer Organisations to ensure that these key groups are well informed about AWI RDI, marketing and other activities.
- Six Merino wool industry participants (sourced from WoolProducers, Australian Association of Stud Merino Breeders, Department of Agriculture, Fisheries and Forestry, and a leading woolgrower/Nuffield Scholar) completed the 2006 Industry Leaders Research tour in China in August/September.
- Three 'Next Generation' workshops were held in October, January and March, which were attended by under-35 year olds from across the wool industry, from woolgrowers to brokers and designers. The group was provided with insight into AWI company direction, research, development and marketing priorities, both on and off-farm.
- The AWI Statutory Funding Agreement 2007-10 was executed by the Chairman and the Minister for Agriculture, Fisheries and Forestry and is effective as of 1 July 2007.
- AWI continued to take a leading role in the Wool and Sheep Industry Taskforce, which was formed to respond to the campaign by extremist animal rights groups against the Australian wool industry. During 2006/07, the Taskforce's global strategy to minimise the campaign continued to be vigorously applied to ensure a positive outcome for the Australian industry.
- The ninth round of China FTA Negotiations was completed in June, however overall progress of the negotiations has been very slow. AWI and the Australian Wool Industry Free Trade Committee have been working with the Department of Foreign Affairs and Trade to ensure that wool, as Australia's second largest export to China, is well represented on the agenda.
- AWI has contracted the University of Queensland's China Agricultural Economics Group to undertake an agricultural technical assistance project in China aimed at improving China's wool supply chain. This program is funded by the Department of Agriculture, Fisheries and Forestry. The first phase of this project has been completed, with the implementation phase scheduled for early 2008.

APPENDIX B† – PROJECT LIST

Project Title	Provider	Full Contract Value (\$'000)	Paid in 2006/2007 (\$'000)	Start date	Finish date
Off-Farm					
B2B PRODUCT MARKETING					
M200 Domestic Australian Program	Australian Wool Services Ltd, Blainey Associates Pty Ltd, Charlie Massy, Concept + Image, Creative Justice, Freshweb Solutions Pty Ltd, Jane de Teliga, Powerhouse Museum, Sefton & Associates Pty Ltd, Studio Nuvu, Tardis Studios, Zelda Cawthorne	219	110	Dec 06	Dec 07
Wool production forecasting committee	Australian Wool Exchange Ltd, Ecoservices Pty Ltd, TWC	808	93	Feb 02	Sep 07
The Australian Wool Fashion Awards (TAWFA)	Australian Wool Fashion Awards Ltd	335	100	Dec 04	Dec 07
Mens Business Suits (Merino Travel) for the Chinese Domestic Market	Global Textiles Associates Limited, Kate de Brito, Ningbo Youngor Worsted Spinning Weaving & Dyeing Co.Ltd, The Devotion Group PTY LTD, Youngor Group Co. Ltd	135	17	Jan 06	Nov 07
Australian Merino Travel Range	Eskimo Pty Ltd, Purely Merino, The Devotion Group PTY LTD	103	2	Feb 06	Feb 08
Launch of Drizabone range	Driza-Bone Pty Ltd	300	250	Jun 06	Jul 07
Machine Washable Suit Commercialisation	Nanjing Yin Dou Advertising Business Limited Liability	265	159	Oct 05	Feb 08
Consumer marketing of fine and superfine wool – test marketing in the USA	TWC – The Woolmark Company Pty Ltd	4,400	2,509	Feb 06	Dec 08
Off Farm Business to Business Brand Strategy	Publicis Mojo Pty Limited	500	414	Apr 06	Oct 06
Market Intelligence Services by The Woolmark Company	TWC	319	255	Jul 07	Jul 07
AWI Newsletter Update and Content Sourcing	China Interactive Co. Ltd.	140	57	Apr 06	Mar 08
Product Collections for Fashion & Sportswear SA06/56	Apparel Management Pty Ltd	147	127	May 06	Apr 07
Spin Expo Autumn / Winter exhibition in Shanghai	Creative Justice, Manning Selvage & Lee, Publicis Mojo Pty Limited, Well Link Consultants Ltd.	130	78	May 06	Sep 06
Market Development Manager – USA	DP Woodrow & Company	237	220	Jul 06	Jul 07
Chargeurs Fashion – KLIMEO	Chargeurs Fashion	375	375	Aug 06	Jan 07

† Appendix B does not form part of the audited financial reports.

Project Title	Provider	Full Contract Value (\$'000)	Paid in 2006/2007 (\$'000)	Start date	Finish date
Outdoor Retailer Winter Market Trade Fair	Eskimo Pty Ltd, GES Exposition Services Inc, Nationwide Advertising Group, Patrick Jones Photographic Studio, Smartwool Corp, VNU Expositions	120	134	Aug 06	May 07
Trade Fairs	Blink, Dobsons Printing Pty Ltd, Driza-Bone Pty Ltd, Eskimo Pty Ltd, Fair bright Consultants Limited, Messe Munchen GmbH, Nationwide Advertising Group, Nielsen, Proconcept, Publicis Mojo Pty Limited, Well Link Consultants Ltd.	256	177	Dec 06	Nov 07
Development of Marketing Support Material	Catapult Graphics, Brand Logic, Devotion Group Unit Trust, Kate de Brito, Publicis Mojo Pty Limited, Relax, Shanghai Mao Xin Printing Service Co	177	169	Nov 06	Aug 07
Implementation of the AWI B2B Branding strategy	Publicis Mojo Pty Limited	244	213	Aug 06	May 07
M200 International – UK Program	Susan McHugh Associates, The British Wool Textile Export Corporation	112	*	Apr 07	Jul 08
The Mountain Project	RED MOUNTAIN RESORT, Rhizome	144	105	Oct 06	Oct 07
M200 Commemoration (A)	Catapult Graphics, Charles Parson & Co, Charlie Massy, Clifton Clothing Pty Ltd, Core Clothing Pty Ltd, Craftpak Pty Ltd, Creative Justice, Film Central, Freshweb Solutions Pty Ltd, Gday LA and NY Qantas Airways Limited, International Language Company, Media Networking Pty Ltd, Powerhouse Museum, Publicis Mojo Pty Limited	297	239	Dec 06	Jun 08
M200 Europe (Gala, Protege Collection, Vogue)	Attila & Company	727	*	Dec 06	Jan 08
M200 Europe (Protege Fashion Show)	Attila & Company	500	*	Dec 06	Jul 08
M200 Commemoration (B)	Catapult Graphics, Chargeurs Fashion, Saville Row Bespoke	163	63	Jun 07	Jun 08
EDUCATION AND TRAINING					
China Australia Wool Innovation Network (CAWIN)	Deakin University	3,976	1,665	Aug 03	Jul 08
AWI International Student Exchange Program	International Wool Textile Organisation	135	5	Oct 04	Sep 06

APPENDIX B – PROJECT LIST (CONTINUED)

Project Title	Provider	Full Contract Value (\$'000)	Paid in 2006/2007 (\$'000)	Start date	Finish date
Australian Wool Textiles Training Centre	Apical International Pty Limited, Darren Charles Cornish Trading Dish Creations, Fresh Web Solutions Pty Ltd, Judith Turk Consulting, South West Institute of TAFE	149	74	Oct 05	Nov 07
Wool on the web – Phase II	Apical International Pty Limited, Christoe Consulting, Fresh Web Solutions Pty Ltd, Right Now Technologies	217	66	Nov 05	Jan 08
AWI/DWI Awards	Canesis Pty Ltd, DWI	126	23	Sep 02	Dec 07
Scale-up, Technology Transfer and Commercialisation of a new ZAOX process for wool	Parachem Ltd	473	105	Jan 06	Mar 07
Post Doctoral Fellowship – Dr Dong Ruan (Swinburne University)	Swinburne University of Technology	195	65	Mar 05	Mar 08
FASHION COMMUNICATIONS					
Implement communication activities to increase the profile of AWIs apparel product innovations within the fashion media locally and internationally	Corban & Blair, Creative Justice, Eva Kossoff Designs, Kate de Brito, Nationwide Advertising Group, Screen Pty Ltd, Spruson&Ferguson, The Names Agency	152	8	Jul 05	Jul 06
PR support for Australian designers	Akira Isogawa Designs, Elias Brunsdon Pty Ltd, Josh Goot, Loyamere Pty Ltd, Tina Kalivas	192	166	Jul 06	Jul 07
FUNDAMENTAL SCIENCE					
Fundamental Wool Science Collaboration: Target Topic B: Element Mapping of Wool Fibre Morphological Components – DWI	DWI, The University of Adelaide	526	37	Dec 02	Jul 06
Fundamental Wool Science Collaboration: Target Topic B: Fibre Ultrastructure and Cellular Morphology	Canesis Pty Ltd, The University of Adelaide	1,143	82	Apr 03	Aug 06
Fundamental Wool Science Collaboration: Target Topic A – Fibre Surface and Cuticle Studies	Canesis Pty Ltd, The University of Adelaide	1,323	60	May 03	Nov 06
Fundamental Wool Science Collaboration: Target Topic C Brighter White Wool – Phase 2	CSIRO Textile & Fibre	1,550	290	Jul 05	Jul 08
Causes and Consequences of Yarn Instability	CSIRO Textile & Fibre	1,169	383	Aug 04	Aug 07

Project Title	Provider	Full Contract Value (\$'000)	Paid in 2006/2007 (\$'000)	Start date	Finish date
Soft Wool	DWI	530	72	Jul 05	Jul 08
Chromophores in Brighter Whiter Wool	Canesis Pty Ltd	949	157	Dec 05	Dec 08
Wool Delipidisation to improve coloration and batch shrinkproofing of knitwear	University of Leeds	113	*	Feb 07	Aug 07
KNITWEAR					
Total Easy Care, Superfine pure wool fabrics for the Chinese domestic market	Beijing Beiguo Garments Co, Canesis Pty Ltd, Cindy Cui, Longkou Donghai Trade Co Ltd	164	6	Nov 04	Jan 07
Development, engineering and initial commercialisation of wool containing ergonomic high performance apparel systems and technical products	RMIT University	530	237	Jul 05	Jan 07
Anti Moth Treatment for Wool Apparel – using Nano Tech	Australian Wool Testing Authority Ltd, I.W.S Nominee Co Ltd, NP Tech – Nano Technology, TWC – The Woolmark Company (HK) Ltd	156	*	Sep 05	Aug 06
Merino Super Soft for Fully Fashioned Knitwear in Europe	TWC	873	*	May 05	Oct 06
'Merino-Ice' Soft-Touch Merino enzyme treatment platform	AgResearch Ltd – Textiles Group	495	275	Mar 06	Apr 07
Bright fluorescent dyes and optical brighteners for wool and wool blends based on coumarin	CSIRO Textile & Fibre, University of Leeds	302	*	Feb 06	Feb 07
Yarn / Product Development of Total Easy Care Knitwear for the Japanese Market	IWS Nominee Company Limited	263	*	Jul 05	Dec 06
Wind Factor – Wool Fleece	Texmaco	270	*	Aug 05	Feb 07
Cotton/Wool Golf Polo Shirt with Enhanced Functionalities	Esquel Enterprise Limited	173	76	Sep 05	Feb 07
Trans Seasonal Cool Touch Merino	CSIRO Textile & Fibre	446	263	Mar 06	Jul 07
Merino Fleece Transfer to China and Commercialisation of Merino Active product	CSIRO Textile & Fibre, Haitian Textile Co. Limited, Manning Selvage & Lee, Ningbo Huafeng Knitting Co. Ltd, The Devotion Group PTY LTD, Zhejiang Xinao Textiles Group Co.Ltd	101	*	Aug 05	Jul 06
USA Outdoor Retailer Hosiery	Nester Hosiery Inc, Teko	189	38	Nov 05	Nov 06
Turnkey Sports Program	Additiv AG, Albert Liu, Avalanche Ski Company, Hong Kong Polytechnic University, Patrick Jones Photographic Studio, Robert Bernthal, Vision Tex Co Ltd, Zspace Pty Ltd	657	20	Nov 05	May 07

APPENDIX B – PROJECT LIST (CONTINUED)

Project Title	Provider	Full Contract Value (\$'000)	Paid in 2006/2007 (\$'000)	Start date	Finish date
NuYarn Product Developments	AgResearch Ltd – Textiles Group	876	195	Jan 06	Jul 07
Torque Free Singles Worsted Yarn Production Technology	PolyU Technology & Consultancy Company Limited (PTeC)	339	319	Jul 06	Nov 07
Fine ends development with Zegna Baruffa	Department of Agriculture of Western Australia(DAWA), Zegna Baruffa – Lane Borgosesia S.p.a.(ZB)	229	179	Apr 06	Apr 07
Collaborative Product Development with Benetton	Benetton Group Spa, Fox and Lillie Woolcombing Pty Ltd	1,616	13	May 06	May 08
3 tons ring spun yarn on cone waxed Q0057 FT10052006	Freight On Board, SudWolle Gmbh and Company, The Merino Company Pty Ltd, Zhangjiagang Yangtse Spinning	104	39	May 06	Aug 07
Fibre Commitment (Nuyarn)	Nuyarn Corporation Ltd	103	78	Jun 06	Jul 07
Exploitation of AWI Technologies	All in One Group Ltd	165	17	Sep 06	Sep 07
CamoMerino Active Clothing	CSIRO Textile & Fibre	179	119	Dec 06	Aug 07
Wrap knot wool/nylon and wool/nylon/lycra fabrics	CSIRO Textile & Fibre	176	*	Mar 07	Sep 07
Development of Five Novel Fabric structures	AgResearch Ltd – Textiles Group	158	79	Dec 06	Jul 07
KNITWEAR MARKETING					
Marketing Publicity for Australia, USA, Italy, France, UK, Japan and China	Attila & Company, Flash Photobition, GolinHarris, Open Dialogue, Pietri I Publicis Consultants, Publicis Public Relations Consultants, RXPR Consulting Co Ltd	432	264	Nov 06	Aug 07
Trade and Consumer Insights	Catapult Graphics, Flash Photobition, Millward Brown Pty Ltd, Publicis Mojo Pty Limited	873	803	Sep 06	Jun 07
Image Library	Catapult Graphics, Brand Logic, Devotion Group Unit Trust, Eskimo Pty Ltd, Publicis Mojo Pty Limited	217	217	Nov 06	Feb 07
Marketing Communications	Catapult Graphics, Devotion Group Unit Trust, Graham Meadows Limited, Nationwide Advertising Group, Publicis Mojo Pty Limited	155	138	Nov 06	May 07
Educational Video	Devotion Group Unit Trust, Film Central, International Language Company, Media Networking Pty Ltd, Republic Films	300	298	Nov 06	May 07
Platform Promotional Videos	Celebrity Speakers, Film Central, Republic Films, Total Audio Sound Protection Ltd	252	252	Nov 06	May 07

Project Title	Provider	Full Contract Value (\$000's)	Paid in 2006/2007 (\$000's)	Start date	Finish date
Marketing Collateral	Catapult Graphics, COJO, Devotion Group Unit Trust, Eskimo Pty Ltd, Graham Meadows Limited, International Language Company, Patrick Jones Photographic Studio, Publicis Mojo Pty Limited, Relax	388	346	Nov 06	May 07
Trend Forecasting	Publicis Mojo Pty Limited	223	231	Nov 06	May 07
NON APPAREL					
Introducing Wool to Automotive Upholstery	Apical International Pty Limited	284	70	Dec 04	Dec 06
Spunlaced & Thermobonded Non-Woven Wool Materials	Deakin University	304	58	Jul 05	Jul 07
Intissel Woollen Non Woven	Intissel	200	*	Jun 05	Aug 06
Supply Chain & Sourcing Opportunities in the USA	CMK Consulting LLC, RJCK Consulting LLC	230	212	Jun 06	Dec 06
Wool product development and marketing services	Oversees Textile Consulting Ltd	2,719	817	Feb 06	Feb 09
Business Support for AWI	Apparel Management P/L	119	24	Nov 05	Nov 06
SUPPLY CHAIN					
DMF Program Co-ordinator Position	Australian Wool Industries Secretariat, Australian Wool Testing Authority Ltd, CSIRO Textile & Fibre	464	60	May 05	May 07
Dark and Medullated Fibre (DMF) presale screening 1.5% of Australian wool clip	Australian Wool Testing Authority Ltd	255	16	Aug 05	Jan 09
Wool Producer Delivery To Direct Retail Specification	The Cicerone Project Inc, TQW Trading	187	38	Apr 02	Oct 06
Relationship between greasy and processed DMF contamination levels	Australian Wool Testing Authority Ltd, SARDI	270	39	Sep 04	Jul 07
Integrated Web Based Wool Supply Chain Management System – From Retailer / Manufacturer to Grower	Graeme Forsythe & Associates Pty Ltd	224	157	Nov 05	Mar 07
Tasmanian Merino Brand Supply Chain in Japan	Austrade – Japan, Hori Professional Engineer Office, Roberts Limited	281	166	Apr 06	Aug 07
Random testing of 1% of the Australian Wool Clip	Australian Wool Testing Authority Ltd	156	151	Jul 06	Jun 07
Sheep CRC Wool Prgram Funding – 06/07 Fin Year	Sheep CRC	275	275	Jul 06	Jul 07

APPENDIX B – PROJECT LIST (CONTINUED)

Project Title	Provider	Full Contract Value (\$'000)	Paid in 2006/2007 (\$'000)	Start date	Finish date
DMF Instrument Commercialisation	Australian Wool Testing Authority Ltd,CSIRO Textile & Fibre	349	97	Jul 06	Jul 08
TARGET SCIENCE					
Merinofleece Market Extension	TWC	273	*	Aug 04	Jun 07
Globalisation of TopMaker and TopSpin – Transferred to Trade Development	Australian Software for Topmaking	180	*	Aug 03	Aug 06
Application of Colorstrip Technology to Australian wool	CSIRO Textile & Fibre	527	137	May 05	Jun 07
Wet sel cleaning through extreme waterproofing – Lapsed	University of NSW	857	*	Mar 05	Mar 08
AOX – Free SR Treatment	BENTEC	151	*	Dec 04	Mar 07
Low Pill Knitwear	TWC	546	131	Oct 04	Nov 06
Washable Australian Merino Wool Knitwear in the USA	TWC	949	*	May 04	Nov 06
Multi-Purpose Finishing of Wool with Selected Oxidants	Peradox Ltd	124	31	Jan 05	Sep 06
Wool Coatings	CSIRO Textile & Fibre	816	284	May 05	Dec 06
Wool Armourline	Nonwovens Innovation & Research Institute Ltd(NIRI-Leeds University)	460	80	May 05	Nov 06
Pilling & Softness of Wool Fabrics	Deakin University	521	138	Jul 05	Jul 08
Nouveau Classique	TWC	1,505	*	Nov 04	Oct 07
New Wool Micro-Fibre Blends	CSIRO Textile & Fibre	538	*	Apr 05	Jun 07
Wool Splittable – Micro-Fibre Blends	CSIRO Textile & Fibre	1,298	349	Jul 05	Aug 07
Lightweight Fluid Fabrics	CSIRO Textile & Fibre	454	91	May 05	Jul 06
Super White Wool/Polyester Blend Fabrics	CSIRO Textile & Fibre	145	37	Apr 05	Aug 06
Enhancing fabric skin comfort via finishing	CSIRO Textile & Fibre	226	57	Aug 05	Jan 07
UK innovation Clusters for supersoft hoisery, Lingerie and nightwear	TWC	534	*	May 05	Nov 06
Chlorine Free Shrink Resistance	CSIRO Textile & Fibre	1,230	*	Jun 05	Dec 06
A total colour solution for wool and wool blend	AgResearch Ltd – Textiles Group	825	328	Jun 05	Jan 07
Wool and Wool Cotton Fire Resistant Clothing	CSIRO Textile & Fibre	244	244	May 05	Apr 07
Engineering Enhancements to wool fabrics through commercial atmospheric plasma	Deakin University	192	130	Sep 06	Oct 07
‘Coolest Comfort Feasibility Study’	Nano-Tex Inc	250	100	Feb 06	Nov 06

Project Title	Provider	Full Contract Value (\$'000)	Paid in 2006/2007 (\$'000)	Start date	Finish date
Development of Washable Shape Memory Wool Garment	PolyU Technology & Consultancy Company Limited (PTeC)	463	329	Jul 06	Nov 07
Waterproof, Windproof, Breathable Wool Garments	AgResearch Ltd – Textiles Group	698	382	Mar 06	Sep 07
Self Cleaning Surface treatment for wool fabrics	PolyU Technology & Consultancy Company Limited (PTeC)	327	228	Jul 06	Nov 07
Wrinkle resistant extra fine Merino wovens	TWC	150	*	Apr 07	Feb 08
TRADE DEVELOPMENT					
China FTA Negotiation	Agriculture, Fisheries & Forestry AUS, Australian Wool Exchange Ltd, Cox Inall Communications Pty Limited, Spinifex Interactive, Glen Joseph Productions Pty, H G Heilbron, John W Longworth, Monash University, S G Heilbron Pty Ltd, Scott Waldron, The University of Queensland, Zhao Yutian	165	25	Jul 06	Jul 07
Consultancy for SG Heilbron re China FTA	SG Heilbron Pty Ltd	102	76	Feb 06	Feb 07
China FTA Strategy – Management of Stage 2 Process	ITS Global	164	141	Apr 06	Nov 06
WOVEN					
Application of Wool in Bullet Proof Vest Sector	RMIT University	460	88	Dec 04	Dec 06
Natural Machine Washable Wool Fabrics	AgResearch Ltd – Textiles Group	175	*	Jun 05	Aug 06
Performance plus	TWC	691	126	Mar 05	Sep 06
Technical Marketing Packages for Textile Marketing Platforms	CSIRO Textile & Fibre	377	73	Apr 05	Nov 06
Corporate Wear – Business to Business	TWC	665	*	Apr 05	Apr 07
Innovative pure Merino and Merino blend woven fabrics for ladies apparel and menswear markets	AgResearch Ltd – Textiles Group, Zhangjiagang Yangtse Spinning	659	287	Apr 05	Jul 07
Softer Easycare	Canesis Pty Ltd	498	335	Mar 06	Apr 07
‘Ceramic – Cool’ Lightweight Suits	CSIRO Textile & Fibre, TWC – The Woolmark Company, Japan	145	58	Jul 05	Mar 07
Super Light Worsted fibre blend with well-being fibre for Fashion Wear	Tai Fung Textiles Co Ltd	168	40	Jan 06	Jan 07
Development of Delay Cure Machine Washable Wool Garment Technology	TWC – Woolmark (Europe) Limited, University of Manchester	168	47	Jul 06	Nov 07

APPENDIX B – PROJECT LIST (CONTINUED)

Project Title	Provider	Full Contract Value (\$'000)	Paid in 2006/2007 (\$'000)	Start date	Finish date
Innovative Ladies Wear Merino Woven Fabrics for the Chinese Domestic Market Autumn/Winter 07	Global Textiles Associates Limited	147	134	May 06	Dec 06
On-Farm					
ANIMAL HEALTH AND WELFARE					
Enhancing Australia's Diagnostic and Surveillance Capabilities for Diseases (Sheep & Goat Pox) Caused by Capripox Viruses	CSIRO Livestock Industry	1,416	177	Nov 03	May 07
A Vaccine for Wool Production	CSIRO Livestock Industry, Els Meeusen	3,337	156	Jan 03	Aug 06
Development and Field Validation of a Lice Detection Test	NSW Agriculture	374	140	Apr 03	Sep 06
Environmentally friendly insecticides targeting the sheep blowfly ecdysone receptor	CSIRO Livestock Industry	1,615	489	May 05	May 08
Integrated parasite management for sheep (IPM-s)	The University of New England	2,711	345	Aug 03	Feb 08
IPM Lice Management Model	Queensland Government Dept of Primary Ind	504	166	Jul 04	Jun 07
Genomic analysis and transformation of <i>Lucilia cuprina</i>	Massey University, University of Melbourne	1,482	212	Oct 04	Feb 08
Development and Augmentation of Poison Baits with Enhanced Canid Specification	Invasive Animals Cooperation Research Centre – University of Canberra, Pest Animal Control CRC(sms)	3,178	200	Feb 03	Aug 08
Depilation Technologies	The University of Adelaide	105	26	Sep 03	Feb 07
Eradication of virulent ovine footrot by sequential specific vaccination	University of Sydney	1,102	361	May 05	May 10
Fungal biopesticide control of the Australian sheep blowfly and the sheep body louse.	Queensland Government Dept of Primary Ind	301	50	Nov 04	Jan 07
WormMaster Coordination	Mike Stephens & Associates Pty Ltd	202	27	Nov 02	Nov 07
IGR resistance in sheep lice and blowflies	NSW Agriculture	157	62	Apr 04	Oct 06
GINTIP – MLA Agent – Toward Novel Approaches for the control of Parasitic Nematodes of Sheep (AWH.022)	Meat & Livestock Aust	268	23	Jun 03	Aug 06

Project Title	Provider	Full Contract Value (\$'000)	Paid in 2006/2007 (\$'000)	Start date	Finish date
GINTIP Enabling technologies to advance research into control of internal parasites of sheep	Meat & Livestock Aust	164	8	Jun 03	Jan 07
Veterinary pharmaceutical and toxicological support services for the AWI Animal Health and Welfare Program	Advanced Veterinary Therapeutics, Meat & Livestock Aust	125	31	Sep 03	Jun 07
Development of WormBoss information resources	Sheep CRC	134	10	Jul 04	May 07
Project Management 'Alternative to mulesing'	Dr J Rothwell, Genesis Industries (Australia) Pty Ltd	231	15	Jun 04	Mar 07
Formulation of AWI formulations for use in alternatives to mulesing	Victorian College of Pharmacy (Monash University)	121	45	Mar 05	Dec 06
Revisiting the mules operation	University of Sydney	271	98	May 05	Jul 08
Welfare impacts of mulesing alternatives	Animal Welfare Centre, MH & JI Heard	235	112	Jul 05	Jan 07
Commercialisation of Improved Footrot Diagnosis	The University of New England	445	62	Mar 05	Mar 08
GINTIP – MLA agent – Novel Approaches for Control of Sheep Nematode Parasites (AHW.033)	Meat & Livestock Aust	425	94	Jan 04	Apr 07
Trials to evaluate field efficacy of current mulesing alternatives	Veterinary Health Research Pty Ltd	160	74	Oct 05	Nov 07
Survey of pesticide residues on greasy wool 2005/06	CSIRO Textile & Fibre	115	26	Sep 05	Sep 06
Development of a vaccine against annual ryegrass toxicity	CSIRO Livestock Industry, Meat & Livestock Aust	416	215	Jun 06	Dec 08
Development of diagnostic assays for sheep nematodes based on faecal antigen detection	Meat & Livestock Aust	123	30	Oct 05	Jul 07
Clip and Applidyne Injector developments 2006	Applidyne Pty Ltd	671	312	Jan 06	Oct 06
National Mulesing Accreditation Program	Kondinin Group Incorporated, Mike Stephens & Associates Pty Ltd, Sefton & Associates Pty Ltd	191	182	Apr 06	Apr 07
Jun Jul national alternative to mulesing clip trial	Andrew McDermott, JWG Contracting Pty Ltd, PJ & SK Jacka PL, RE & JA Powell, Trevor Carmichael Livestock Services, Veterinary Health Research Pty Ltd	228	162	Jun 06	Oct 06

APPENDIX B – PROJECT LIST (CONTINUED)

Project Title	Provider	Full Contract Value (\$'000)	Paid in 2006/2007 (\$'000)	Start date	Finish date
Worm diagnostic test using PCR technology	Meat & Livestock Aust	375	*	Dec 06	Dec 09
Pre-commercial clip road test	Andrew McDermott, EJ & LM McEllister Pty Ltd, Futura Kelpies, Future Livestock Pty Ltd, Greg Smith, JWG Contracting Pty Ltd, PJ & SK Jacka PL, RE & JA Powell, Warren Godson	189	118	Jul 06	Jul 08
Universal Clip (one-clip-fits-all)	Applidyne Pty Ltd	258	209	Nov 06	Nov 07
SHEEP PRODUCTIVITY					
Analysis and Reporting of National Merino Sire Evaluation	Australian Merino Sire Evaluation (AMSEA), University of Melbourne – AMSEA	420	42	Aug 04	Feb 07
Understanding the Breeding Decisions of Merino Wool Producers	Department of Primary Industries, Victoria	197	10	Mar 05	Oct 06
Wool follicle relationship identification of the founder cell population	University of Western Sydney	229	70	Mar 04	Nov 07
Identification of therapeutic molecules for increasing follicle density and reducing follicle appendage formation	Meat & Livestock Aust, The University of Adelaide	391	39	Mar 04	Apr 08
Development of in vitro assays measuring resistance to nematode infection in sheep	Meat & Livestock Aust, University of Melbourne	187	*	Jul 04	Aug 07
Secondary Wool Follicle Development	CSIRO Livestock Industry, Meat & Livestock Aust	106	38	Feb 04	Aug 07
Investigate and apply innovation in Merino Sire Evaluation	Australian Merino Sire Evaluation (AMSEA), Meat & Livestock Aust	211	53	May 05	Dec 07
Australian sheep genetics database management	Dr Bronwyn Clarke, Meat & Livestock Aust	1,634	681	Apr 04	Jul 10
Development of a highly heritable correlate of Staple Strength	Australian Wool Testing Authority Ltd, CSIRO Textile & Fibre, Department of Agriculture of Western Australia(DAWA)	499	435	Jan 04	Apr 07
National Merino Bloodline Evaluation (Support, Analysis and Research)	Meat & Livestock Aust, NSW Department of Primary Industries	385	102	Dec 04	Jun 09
Crutchless Mutation	Brecon Breeders, Calcookara Stud, Lincoln Veterinary Centre, Luke Ramsey, Meat & Livestock Aust, P.Mills, PA & JL Webb, S.F + T.J Wildman, The University of Adelaide	159	1	Dec 04	Jan 08

Project Title	Provider	Full Contract Value (\$'000)	Paid in 2006/2007 (\$'000)	Start date	Finish date
Increased Resources for Mulesing Alternative Project and other High Priority Research Projects at the University of Adelaide	The University of Adelaide	1,372	275	Mar 05	Jul 10
QA Program Implementation AWEX – OFFM Phase two	Australian Wool Exchange Ltd	480	86	Feb 04	Jul 08
Reaping the rewards of the Qplus Project.	NSW Department of Primary Industries	147	75	Sep 05	Aug 07
Evaluation of breeding to reduce breech strike susceptibility	Agriculture Western Australia, CSIRO Livestock Industry	1,978	425	Jul 05	Jul 10
Phenotypic characterization of sheep genetic variants – SG103	Meat & Livestock Aust	174	19	Oct 03	Aug 07
Phenotypic characterisation of sheep genetic variants – SG104	Meat & Livestock Aust	143	33	Oct 03	Aug 07
MEUSP Proteomics	Meat & Livestock Aust	232	77	Feb 04	Dec 06
Identification of Major Genes and Proteins Responsible for Muscle Hypertrophy and Leanness in Callipyge and Carwell Sheep	Meat & Livestock Aust	236	75	Jan 04	Jan 07
SGP Sub-Program Leader Muscle and Energy	Meat & Livestock Aust	147	45	Apr 05	Jun 08
Molecular dissection of muscle and growth related traits in sheep	Meat & Livestock Aust	238	*	Jan 06	Jul 08
Muscle Sub-Program Phenotyping R&D	Meat & Livestock Aust	200	40	Jan 06	Jul 08
Validation of DNDA tests for the Australian Sheep Industry – CSIRO component	Meat & Livestock Aust	113	*	Mar 07	Aug 08
Discovering Genes for Susceptibility to Haemonchus contortus Infestation	Meat & Livestock Aust, University of Sydney	383	191	Mar 05	Jul 08
Discovery of Genes Involved in Resistance to Gastro-intestinal Nematodes in Sheep, High Throughput Identification of Genes Involved in Resistance to GIN	CSIRO Livestock Industry	329	-25	Jul 03	Aug 06
Discovering Genes Involved in Resistance to Gastrointestinal Nematodes (GIN) in Sheep- Candidate Gene Approach	CSIRO Livestock Industry	186	53	Jan 04	Jan 07
Sub-Program Leader HRIP	Meat & Livestock Aust	144	38	Jan 05	Jul 06
Discovering genes involved in resistance to Gastrointestinal Nematodes (GIN) in sheep – phase 2 in fine mapping	CSIRO Livestock Industry, Meat & Livestock Aust	121	175	Mar 07	Jul 08

APPENDIX B – PROJECT LIST (CONTINUED)

Project Title	Provider	Full Contract Value (\$'000)	Paid in 2006/2007 (\$'000)	Start date	Finish date
Identification of marker haplotypes for resistance to <i>Haemonchus contortus</i> II	Meat & Livestock Aust, University of Sydney	150	125	Mar 07	Aug 08
Identification of marker haplotypes for resistance to <i>Haemonchus contortus</i> III	Meat & Livestock Aust, The University of New England	125	25	Mar 07	Aug 08
Development of a diagnostic tool using gene expression markers associated with Gastrointestinal Nematode infections	CSIRO Livestock Industry, Meat & Livestock Aust	200	200	Jan 07	Jul 08
Expression Profiling and Gene Discovery in the Wool Follicle – Characterisation of the Spatiotemporal Programme of Expression of Key Molecules Involved in Wool Follicle and accessory Gland Development and Function	Meat & Livestock Aust, The University of Adelaide	299	36	Jul 04	Jun 07
Wool Biology SPL for SGP	The University of Adelaide	138	39	Apr 05	Jun 08
Enabling technology for Testing Gene Function in Wool Follicle Growth and Development	AgResearch, Meat & Livestock Aust	361	120	Sep 05	Jul 08
Genomics of fleece patterning in Merino sheep	AgResearch, Meat & Livestock Aust	240	120	Sep 05	Jun 08
SG512 MLA-AWI Sheep Genomics Program Mapping Flock: FMFS	Falkiner Memorial Field Station (FMFS)	507	*	Oct 04	Jan 07
Detection of genes which significantly influence parasite resistance and skin and wool attributes – Part 1 Gene Mapping	Meat & Livestock Aust	274	110	Jul 03	Nov 06
SGP Sub-Program Leader Core Technologies	Meat & Livestock Aust	147	44	Dec 04	Dec 07
Bioinformatics Integrated Databases	Meat & Livestock Aust	389	110	Sep 05	Jul 08
Harnessing the bovine and other mammalian genomes for ovine research and applications	Meat & Livestock Aust	354	132	Sep 05	Jul 08
Enhancing bioinformatics resources for sheep gene mapping	Meat & Livestock Aust	290	160	Oct 05	Jul 08
Provision of a comprehensive integrated map and information on ovine single-locus traits	Meat & Livestock Aust	137	64	Feb 06	Jul 08
Bioinformatics Coordinator	Meat & Livestock Aust	195	108	Jan 06	Jul 08
International Science Linkages (ISL) Grant	Meat & Livestock Aust, University of Sydney	239	302	Jun 07	Jun 09

Project Title	Provider	Full Contract Value (\$'000)	Paid in 2006/2007 (\$'000)	Start date	Finish date
MLA/AWI Mapping Flock FMFS	Falkiner Memorial Field Station (FMFS)	492	-18	May 06	May 07
SheepGenomics Biostatistics Support CSIRO	Meat & Livestock Aust	171	*	Jan 07	Aug 08
Merino Superior Sires – Innovation, Administration and Publication	Australian Merino Sire Evaluation (AMSEA), Meat & Livestock Aust	181	134	Oct 06	Apr 08
SUSTAINABLE PRODUCTION SYSTEMS					
Nuffield Scholarship	Australian Nuffield Farming Scholars Association	165	75	Nov 03	Jul 08
Australian Rural Leadership Program – (ARLP)	Australian Rural Leadership Foundation Limited	227	46	Nov 03	Nov 08
Development of Triple P Beyond the Paired Paddock – Mike Stephens & Associates	Mike Stephens & Associates Pty Ltd	308	-1	Sep 01	Jul 06
SheepPlus – SA Extension Program	Primary Industries And Resources SA	300	22	Sep 03	Mar 07
The Sheeps Back – WA Extension Program	JRL Hall & Co	1,005	182	Sep 04	Nov 07
AWI/CRC On-Farm Scholarships	Sheep CRC, The University of New England	996	309	May 05	Jun 08
Scholarship and Studentship Program	Various	2,518	666	Jul 03	Jul 09
Wool 4 Wealth – NSW Extension Program	John McKenzie & Associates Pty Ltd, Mike Stephens & Associates Pty Ltd	1,835	550	Nov 04	Nov 07
Leading Sheep – QLD Extension Program	Dept of Primary Industries & Fisheries, QLD Government, John McKenzie & Associates Pty Ltd	999	236	Sep 04	Jan 08
Develop a specialised approach to recruiting wool producers into extension and adoption activities.	J T Agri-Source Pty Ltd	172	30	Jan 05	Aug 06
Farm Health and Safety Joint Venture 2002/2003 to 2006/2007	Rural Industries R & D Corp	300	60	Jul 02	May 07
AWI School Resources and Projects	Sheep CRC	178	5	Jan 04	May 07
Expansion, Operation and Promotion of the Sheep CRC and Beef CRC Livestock Library	Sheep CRC	197	86	Mar 05	Jul 08
Bestwool/Bestlamb – Vic Extension Program	Department of Primary Industries, Victoria	596	214	Nov 05	Sep 08

APPENDIX B – PROJECT LIST (CONTINUED)

Project Title	Provider	Full Contract Value (\$'000)	Paid in 2006/2007 (\$'000)	Start date	Finish date
The Cicerone Project – Harvest Year	The Cicerone Project Inc.	159	*	Nov 05	Nov 06
8x5 Wool Profit Program Phase II – Tas Extension Program	University of Tasmania	299	*	Jul 06	Jul 09
Phalaris Improvement	CSIRO Plant Industry	611	71	Dec 00	Dec 07
Land, Water and Wool	Land and Water Australia	19,150	150	Dec 01	Jun 09
The National Rhizobium Program 2002-2007.	Grains Research & Development Corporation	958	639	Jul 05	Jun 08
Improved Farming System for Degraded Soil in High Rainfall Zone of SE Australia	Cummings Pasture Service, NSW Agriculture, NSW Department of Primary Industries	345	92	Jan 04	Aug 07
Increased Adoption of Timerite to Improve Feed Utilization	Channel Enterprises Pty Ltd, CSIRO Entomology	144	1	Mar 03	Dec 06
Lifetime Wool Production	Department of Primary Industries, Victoria	6,741	754	Oct 03	Sep 08
Increased Investment in NAPLIP	Applied Economic Solutions Pty Ltd, SARDI, The University of Adelaide	1,351	190	Jul 03	Jun 06
Developing new and innovative perennial Lotus species for grazing systems	NSW Agriculture	1,267	258	Aug 02	Feb 08
Validation and Communication of Evergreen Farming Systems	Evergreen Farming	528	176	May 04	Apr 07
Use of Stockplan to manage the production, social and environmental impacts of climate variation.	NSW Agriculture	181	66	Apr 04	Jul 06
Soil Biology Program	Meat & Livestock Aust	1,125	275	Jul 03	Sep 07
Surface-applied lime to ameliorate acid soils – NSW Agriculture	NSW Agriculture, NSW Department of Primary Industries	526	190	Jul 04	Jan 08
Facilitator – Decision support for grazing systems	CSIRO Plant Industry	550	28	Apr 05	May 08
Grain and Graze	Land and Water Australia	3,000	1,500	Oct 04	Oct 07
Plant Breeding Co-ordinator	Abbott Innovation Pty Ltd	111	12	Sep 04	Jul 07
Enrich – multi-purpose ‘healthy’ grazing systems using perennial shrubs	CRC for Plant based management of Dryland Salinity	150	25	Jul 06	Aug 08
Reliable establishment of non-traditional perennial pasture species	CRC for Plant based management of Dryland Salinity	160	20	Aug 06	Apr 10
Project Management	Smith Comyn & Associates	101	55	Jan 06	Jun 07
Rabbits	Invasive Animals Cooperation Research Centre – University of Canberra, Meat & Livestock Aust	529	300	Apr 06	Jan 07

Project Title	Provider	Full Contract Value (\$'000)	Paid in 2006/2007 (\$'000)	Start date	Finish date
Evergraze	CRC for Plant based management of Dryland Salinity, Evaluation and Facilitation Specialists, GR & SL Saul Trading as PSA Services, RPC Solutions Pty Ltd	3,056	873	Jul 06	Jul 10
Biocontrol of Patersons curse	Meat & Livestock Aust, NSW Department of Primary Industries	150	-10	Jun 07	Jul 10
Breeding new pod holding medics	Willandra Pty Ltd T/A Pristine Forage Technologies	104	78	Feb 07	Oct 07
WOOL HARVESTING					
Shearer & Wool Handler Training – NSW	Agforce Queensland, TAFE NSW – New England Institute, TAFE NSW – Western Institute, Wool Industry Training Australia Pty Ltd	402	3	Jul 04	Sep 06
Shearer & Wool Handler Training – WA	Challenger TAFE, Great Southern Regional TAFE, Lens & Shutter Pty Ltd, WA Shearing Contractors Association Inc (WASCA), Western Aust.Farmers Federation(Inc)	352	5	Jul 04	Jul 06
Shearer and Woolhandler Training – Resource Development – 06/07	Lens & Shutter Pty Ltd, University of Otago	150	150	Jun 06	Jun 07
Shearer and Woolhandler Training – NSW State Allocation Training/ Delivery 2006/07	Redishear Pty Ltd	201	184	Jun 06	Jun 07
Shearer and Woolhandler Training – VIC State Allocation Training/ Delivery 06/07	Gordon Institute of TAFE, Primary Skills Victoria, SCAA Shearer Shedhand Training Incorporated	153	147	Jun 06	Jun 07
Shearer and Woolhandler Training – WA State Allocation Training/ Delivery 06/07	C Y OConnor College of TAFE, Great Southern Regional TAFE, WA Shearing Contractors Association Inc (WASCA)	123	92	Jun 06	Jun 07
Shearer and Woolhandler Training – Project Management – Ross Pollock 06/07	Y & R Consulting Pty Ltd	149	147	Jun 06	Jun 07
Shearer and Woolhandler Training – Evaluation 06/07	Field Learning Pty Ltd	122	115	Jun 06	Jun 07

APPENDIX B – PROJECT LIST (CONTINUED)

Project Title	Provider	Full Contract Value (\$'000)	Paid in 2006/2007 (\$'000)	Start date	Finish date
UPSP Stage 1 – UPSP suppliers & technical consultants	Bearfacts Consulting Pty Ltd, Catford Engineering, ManuTech (VIC) P/L, Michael Lawrance and Associates Pty Ltd, Peak Hill Industries Pty Ltd, Prattley Industries Ltd, Shearing Industry Consultants, SLAMP Ltd, Tectra Limited, WAUPSP, WoolTrain Pty. Ltd	2,387	274	Apr 04	Jul 07
Handpiece safety – deadman switches – stage 2	HRL Technologies Pty Ltd, Lyco Industries Pty Ltd	243	177	Dec 05	Dec 06
UPSP stage 1 & 2 commercialisation	Action Shear Pty. Ltd, AD & JA Grigg, Advance Shearing Services, BCS Agribusiness Solutions, Blue Shearing Services Pty Ltd, Charles de Fegely, Cronin Shearing, David Kemp, M & E Philipson, Flood Shearing Contractors, G & V & A Steventon, GJ & SJ Leersen Shearing Contractors, Gulargambone Employment Management Services, Meat and Wool New Zealand, Peak Hill Industries Pty Ltd, PJ and LD Stephens, Pyksis Pty Limited, Pyrenees Rural Services, Qualshear Pty Ltd, R. M. Baldwin (Shearing) Pty Ltd, SLAMP Ltd, Smithys Shearing Service, WAUPSP	293	205	May 05	May 07
Estimating market demand for a series of shearing platform system concepts	TQA Research	172	32	Jun 04	Dec 06
Opportunities for Research Investment into new Biological / Chemical Wool Harvesting Techniques	PD Analytical Pty Ltd, The University of Adelaide	259	158	Apr 06	Jul 06
UPSP Project Management Consultancy	BCS Agribusiness Solutions	125	125	Jul 06	Dec 06
Biological harvesting – screen alternative compounds (AgResearch)	AgResearch	121	62	Oct 06	Oct 07

Project Title	Provider	Full Contract Value (\$'000)	Paid in 2006/2007 (\$'000)	Start date	Finish date
Corporate Affairs**					
MARKETING COMMUNICATIONS					
World Merino Conference	Australian Business Theatre P/ L, Sefton & Associates Pty Ltd, Stud Merino Breeders Association of WA (SMBAWA)	132	49	Jul 06	Jul 07
AWI product showcase	Anvil Media Pty Ltd, Australian Business Theatre P/ L	141	127	Jul 06	Jul 07
Woolcheque Market Pricing Service	Australian Wool Exchange Ltd, Doppio Design Pty Ltd, Fresh Web Solutions Pty Ltd, Sefton & Associates Pty Ltd	347	153	Jul 04	Jul 07
STAKEHOLDER COMMUNICATIONS					
Media, media liaison, distribution, media database, media management	Corporate Ambience Pty Ltd, Cox Inall Communications Pty Limited, GRS Communications, Sefton & Associates Pty Ltd	132	5	Jul 05	Jul 06
Beyond the Bale	Coretext Pty Ltd	904	576	Jul 06	Dec 07
		156,406	40,407		
	Projects with a value of \$100K or less	12,327	6,006		
	Confidential projects		2,105		
	Ancillary costs		3,063		
	Total contract payments		51,581		
	Movement in accruals		(100)		
	Total RDI expenditure		51,481		

* Work under way: no amounts invoiced during the year ended 30/06/07.

** Corporate Affairs projects are mainly less than \$100K.

APPENDIX C† – INTELLECTUAL PROPERTY

APPENDIX C

PATENTS (registered in Australia and overseas)

* A rotary cutting device * Altered wool and hair fibres * Chemically-assisted protein annealing treatment * Control circuit for a power-driven tool and touch-activated shearing system * Control of wool growth in sheep and related animals * Deadman switch * Device for sampling liquids * DNA encoding ovine adenovirus and its use as a viral vector * Docking mechanism for use in treating or shearing animals * Doffing animal coats and fleece removal * Enzyme based bio-remediation * Fitting animal coats * Gene therapy using ovine adenoviral vectors * Heated Wool Garment System – Sock * Improved process and apparatus for stretching slivers of animal fibre * Inclined blade * Iron-regulated promoter * Method for separating keratinous proteins from materials * Method of harvesting wool * Continuous pressure decatising of fabrics and setting of staple fibre assembles * Saponin Adjuvant Composition * Semi-automated manipulator for manual shearing * Shearing Platform * Sheep handling and manipulation for automated shearing * Sorting pneumatically-conveyed material

PATENTS (registered in Australia but not overseas)

* Animal handling system * Animal restraining device * Annual Rye Grass Toxicity * Bush Fire Curtain * Detection, isolation of and protective immunisation against, the phomopsin mycotoxins * Drenchrite – Larval development assay * Heated Wool Textile * Paper products for colour printing * Vaccine and assay

PATENTS (registered overseas but not in Australia)

* Fibre coating compositions * Handpiece for shearing equipment * Head restraint for use in treating or shearing animals * Instrument for on-line detection of coloured contaminants in white fibre mass * Leg restraint for use in treating or shearing sheep * Malathion Carboxylesterase * Plasma Treatment of Wool – apparatus and method

REGISTERED DESIGNS (registered in Australia and overseas)

* A liquid sample collection card

TRADEMARKS (registered in Australia and overseas)

* Australian Wool Innovation Limited & Device * Australian Wool Innovation * SGP (Sheep Genomics Programme) * Wormboss

TRADEMARKS (registered in Australia but not overseas)

* Future Fleece * Grassgro * Merino Innovation & Device * Rampower * Rural Connect * Siromark * Siromin * Timerite * Triple P * Wool Profit Map & Device * Woolcheque * Woolpoll & Device * Woolpro

TRADEMARKS (registered overseas but not in Australia)

* Posh Merino

PLANT VARIETIES (registered in Australia but overseas)

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

SOFTWARE (registered in Australia but not overseas)

* Sirodec Software

NEW INTELLECTUAL PROPERTY LODGED OR ACQUIRED IN 2006/07

PATENTS (registered in Australia and overseas)

* Method for administering a composition to an animal * Non surgical mulesing * Raised Shearing Platform * Treatment of sheep to reduce flystrike

PATENTS (registered in Australia but not overseas)

* A fibre coating process * Semi-synthetic Material

TRADEMARKS (registered in Australia and overseas)

* Australian Merino * Merino Active * Merino Travel * Merin02 * Red Island & Device

TRADEMARKS (registered in Australia but not overseas)

* Bestprac

TRADEMARKS (registered overseas but not in Australia)

* Merino 2nd Skin

REGISTERED DESIGNS (registered in Australia and overseas)

* Breech Clip * Dog Bone Clip * Hockey Stick Clip

† Appendix C does not form part of the audited financial reports.

CORPORATE DIRECTORY

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

This document has been produced according to sound environmental practices.

Information on our activities and products are available via publications, events and online. For more information:

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ISBN 192 090 8110

Front cover image by Dave Rankine.

Back cover image by Leonie Scarlett.

Produced by Hill & Knowlton, Sydney.

Designed by Frost*Design, Sydney.

Printed by Finsbury Press Adelaide, Australia.

Printed on Sovereign Offset with sustainable forest fibre using world's best practice ISO14001

Environment Management Systems.

