



Australian Wool Innovation Limited
Annual Report 2008/09



WOOLMARK

One company. One brand. One direction.



AWI's mission

The mission of AWI is to increase the demand for wool by actively selling Merino wool and its attributes through investments in marketing and R&D – from farm to fashion.

Contents

Up front

- 2 About AWI
- 4 Highlights of 2008/09
- 5 Financial summary
- 6 AWI Board of Directors
- 8 Chairman's report
- 9 CEO's report

Operational Reports

- 10 Marketing and sales
- 18 R&D
- 28 Support

Financial Report

- 30 Directors' Report
- 34 Auditor's Independence Declaration
- 35 Financial Report
- 36 Income statements
- 37 Balance sheets
- 38 Statements of changes in equity
- 39 Cash flow statements
- 40 Notes to the financial statements
- 64 Directors' declaration
- 65 Independent auditor's report to the members of AWI

Appendices

- 66 Project List 2008/09

About AWI

What AWI does

Established in 2001, AWI is a not-for-profit company owned by over 29,000 wool levy payers who have registered as AWI shareholders.

AWI's primary role is to manage innovation, marketing, sales, and research and development (R&D) to increase the long term profitability of Australian woolgrowers.

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

An agreement exists between AWI and the Australian Government, called the Statutory Funding Agreement, which defines the conditions under which AWI may invest levy and Government-matched funds.

AWI activities include:

- investing in and managing innovation, marketing, sales and R&D to increase demand for wool;
- the communication and commercialisation of research results;
- providing services such as education, on-farm extension and fashion forecasting; and
- a network of staff in overseas markets – AWI's Global Sales Network – working to increase the sale of wool products at retail.

AWI's offices are strategically located to develop direct business relationships with global brands/retailers, textile manufacturers and fashion designers in key markets across Asia, Europe and the Americas.

From 1 July 2009, AWI has been working under a new Strategic and Operational Plan developed with input from Australian woolgrowers. The new marketing strategy aims to provide a much needed boost to wool demand across key world markets through targeted and leveraged campaigns with retail and brand partners around the globe.

How AWI is funded

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

The sale of Woolmark licences contributes a further source of income for AWI, directly funding AWI's Global Sales Network.

Woolgrowers vote every three years on the percentage of wool proceeds they would like to invest in wool innovation, marketing, sales, off-farm R&D and on-farm R&D. There is currently a vote – WoolPoll 2009 – underway. The result of the vote will be announced at the AWI Annual General Meeting on 27 November 2009.

How AWI has evolved

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

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

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

AWI shareholders

AWI has more than 29,000 shareholders who are Australian woolgrowers. The shareholders of AWI contribute to the wool levy. The shareholders are able to shape the decision making process of the company via their access to information and right to vote at Annual General Meetings.

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

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

AWI had 29,754 shareholders at 30 June 2009, a decrease of 571 shareholders over the past twelve months.

AWI's new strategy for 2009/10

While this Annual Report covers AWI's activities during 2008/09, it should be noted that from 1 July 2009, AWI has been operating under a new Strategic and Operational Plan.

Wool, like many industries at this time, is going through a challenging period.

On-farm, wool production and sheep numbers have declined substantially over recent years.

However, AWI has demonstrated what is possible when woolgrowers pool their resources for marketing and research and development. For example, targeted programs such as the Japanese and Korean marketing campaigns have had significant impact on wool apparel sales.

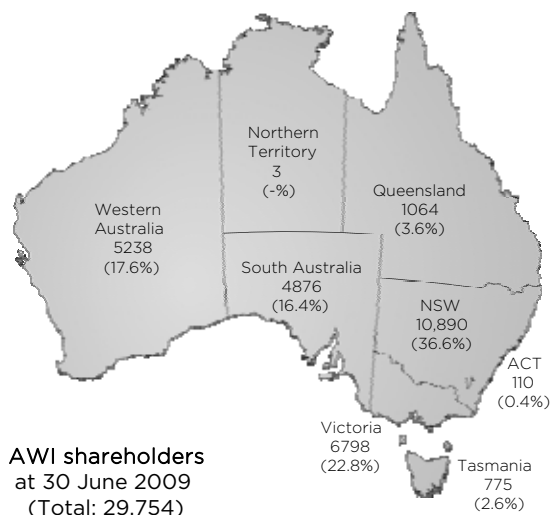
AWI's new Strategic and Operational Plan is a roadmap to getting on with the business of selling the world's best fibre. AWI has and will continue to focus on improving the operations of the company to help make this happen. By reducing costs and improving efficiency, AWI can increase its marketing efforts.

AWI is now a more commercially oriented company with a sales and customer-focused culture.

Every AWI team member is either selling wool and its attributes or serving someone who is - from woolgrowers to processors, manufacturers and retailers.

AWI's goal is to increase the demand for wool by actively selling Merino wool and its attributes in the apparel trade. Cross-bred and broader micron wools are the focus of AWI's work in the interior textiles market.

AWI is increasing the demand for all wool by investing in marketing, R&D and innovations - from farm to fashion.



AWI shareholders at 30 June 2009 (Total: 29,754)

AWI is now structured and funded to lead marketing initiatives, which is something licensees and woolgrowers have been requesting for years.

AWI's Global Sales Network is able to assist retailers increase sales of products through education about the natural benefits of wool.

Similarly, AWI's on-farm education and extension programs benefit woolgrowers.

AWI asks the following key questions to determine whether a project will generate a return on investment:

- Will this help sell more wool?
- Will this help increase the price of wool?
- Will this help increase woolgrower and licensee confidence?

AWI is working towards its Global Sales Network becoming a self-funding business unit for possibly the first time ever.

This funding is generated through the sale of Woolmark licences.

This means that woolgrower levy money is preferentially directed towards the funding of marketing and R&D projects.

Most Woolmark licensees sell finer wool in apparel while broader micron and cross-bred wools are a significant part of the interior textiles business.

The increasing proportion of cross-bred wool in the Australian clip is driving renewed efforts in this product area and is therefore an important part of AWI's new marketing strategy.

Highlights of 2008/09



AWI's Japan Marketing Program was hailed a success by its retail partners.



AWI's super-soft Merino Touch™ 2009/10 apparel collection was successfully launched.



MERINOSELECT is helping drive genetic progress and increased productivity.



A DVD outlining ways to improve clip preparation was launched.

Marketing and sales operations

Japan Marketing Program

AWI's Japan Marketing Program was hailed a success by its retail partners after they recorded a 26 per cent incremental growth in sales of Australian Merino wool products.

Prestige Collection: fifteen&finer

AWI presented ultra-fine Australian Merino wool to the global apparel market in a new 'Prestige Collection' 'fifteen&finer' – a collection of yarns made from Merino wool of 15 microns or less.

Merino Touch™

AWI launched its super-soft Merino Touch™ autumn/winter 2009/10 collection at the SpinExpo trade show in Shanghai.

Shower Clean Suit

Tokyo businessmen have been rushing to get their hands on the latest must-have clothing item – the suit that can be cleaned using a domestic shower – since its arrival in Japanese department stores last year.

Merino Perform™

AWI's new range of next-to-skin performance fabrics was launched; made from Extrafine Merino (17 to 19.5 micron), Merino Perform™ fabrics were the centrepiece of a global partnership between AWI and some of the world's best circular knitters.

Woolmark Prize

Australian Merino wool was showcased to the world's fashion media when the 2008 winner of the inaugural Woolmark Prize was presented at the Palais de Tokyo, Paris.

Colour and fashion trends

AWI engaged world-renowned style and innovation agency Peclers Paris to provide exclusive colour and trend directions for the autumn/winter 2010/11 retail season.

Interiors

AWI launched a new Woolmark Interiors program, a fusion of the former Woolmark Interior textiles brands from the Woolmark Interiors business division.

R&D operations

Shearer and wool handler training

AWI funded training for 1555 'improver' and professional shearers, as well as for 1231 novice and improver wool handlers.

Breecch flystrike prevention

Leader Products commercialised breecch clips. Field trials of the Cobbett Technologies Skintraction™ intradermal technology were also encouraging. Around the country, a large proportion of growers use best practice, welfare-enhanced surgery with pain relief.

Weed management

AWI, together with Meat and Livestock Australia, released a series of weed-management guides and case studies that outline the key steps for managing weeds in a grazing system.

MERINOSELECT

In 2008 there were 39 Merino studs that each sold over 300 rams; of these rams, 70% were sold by members of MERINOSELECT. Similarly, 43 studs each sold 200-300 rams, of which 46% of these rams were sold by MERINOSELECT members.

Pick of the Draft DVD

AWI in conjunction with AWEX made available a free DVD 'Pick of the Draft' to help woolgrowers save money by making small changes in their clip preparation.

For further information, refer to the reports beginning on page 10.

Financial summary

Revenue for 2008/09

Total revenue for 2008/09 was \$61,716,000, a 32 per cent decrease over total revenue in 2007/08 of \$90,812,000, due primarily to lower wool sales and prices over the 2008/09 season. Sources of revenue are shown in the table below.

	2007/08 \$'000	2008/09 \$'000
Wool levy	45,110	34,307
Government contributions	12,312	11,395
Licence fees	7,547	9,134
Interest	4,978	3,267
Sales of goods and services	4,198	1,531
Royalties	1,642	1,805
Other	25	277
Government grant	15,000	-
Total revenue	90,812	61,716

Expenditure for 2008/09

Total expenditure in 2008/09 was \$78,577,000, an 8 per cent decrease over total expenditure in 2007/08 of \$85,354,000. Expenditure is shown in the table below. More detailed information can be found in the Financial Report beginning on page 35.

	2007/08 \$'000	2008/09 \$'000
International network	20,719	25,540
Knowledge, Innovation, Marketing	18,636	13,852
Wool production	15,473	14,382
Sheep technologies	6,438	3,598
Corporate communications	5,028	4,220
Corporate services	19,060	16,985
Total expenditure	85,354	78,577

Financial history and forecasts

AWI's expenditure has been more than its revenue in four out of the past five years. Consequently, AWI reserves have fallen significantly. By running a leaner, commercially oriented company in the future, AWI plans to maintain its current reserves.

	2004/05 \$'000	2005/06 \$'000	2006/07 \$'000	2007/08 \$'000	2008/09 \$'000	Forecast 2009/10 \$'000	Forecast 2010/11 \$'000
Revenue	64,999	57,035	63,964	90,812*	61,716	51,399	51,399
Expenditure	78,497	82,678	75,453	85,354	78,577	51,399	51,399
Balance	(13,498)	(25,643)	(11,489)	5,458	(16,861)	0	0
AWI reserves	102,992	77,349	65,860	71,318	54,457	54,457	54,457

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

Australian wool production history and forecasts

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

	2006/07	2007/08	2008/09	Forecast 2009/10	Forecast 2010/11
Market price EMI* (cents per kg clean)	729	861	789	775	785
Flock size** (opening sheep numbers, in millions)	91.0	85.7	(e) 81.0	77.1	74.0
Wool production** (shorn greasy wool*** in millions of kg)	456.3	424.5	(e) 359.0	339.7	309.7

* Actual figures from AWEX

** Actual figures from the AWPFC; forecast figures calculated by AWI

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

(e) Estimate

AWI Board of Directors

The Directors of Australian Wool Innovation Limited, their qualifications, experience and special responsibilities as at 30 June 2009 are listed below.



Mr Walter B Merriman, AWI Chairman

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

Special responsibilities: Member of the Remuneration & Appointments Committee, Marketing & Intellectual Property Committee and On-Farm RDI Scientific & Welfare Committee.

Mr Roger Fletcher, AWI Deputy Chairman

Mr Fletcher is the Managing Director of Fletcher International Exports Pty Limited (Dubbo Abattoirs and Wool Scour & Top Making Plant) New South Wales, and Fletcher International WA (Narrikup Abattoirs) Western Australia. He is also a wheat and wool farmer. He is Chairman of the National Export Lamb, Sheep and Goat Industries Council and Director of the Australian Meat Industry Council and former Director of Sheep CRC Ltd.

Special responsibilities: Chairman of the Remuneration & Appointments Committee and Member of the Finance & Audit Committee.

Dr Kevin J Bell B.V.Sc. (Hons), Ph.D., AAAC (WA)

Dr Bell is Professor of Animal Production Systems at Murdoch University in Western Australia and has been a private consultant with sheep growers in South-western Australia since 1983. He has long-standing experience in international livestock development and management projects, as well as Australian sheep research promotion and facilitation. He is a practical and respected scientist familiar with the requirements of both farming and science communities.

Dr Bell retired from the Board with effect from 1 November 2009.

Special responsibilities: Member of the On-Farm RDI Scientific & Welfare Committee.

Mr George B S Falkiner BCom, OPM (Harvard Business School)

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

Special responsibilities: Chairman of the On-Farm RDI Scientific & Welfare Committee and Member of the Marketing & Intellectual Property Committee and Finance & Audit Committee.

Mr Laurence Modiano

Mr Modiano is a Director and shareholder of G. Modiano Limited, an international wool trading and processing company, owned and run by his family since 1957. Mr Modiano has spent his entire working career with the company, which has a respected name in the wool industry, as well as being a top-ten buyer of Australian wool in recent years. G. Modiano Limited is the largest wool processor in Europe.

Special responsibilities: Member of the Marketing & Intellectual Property Committee.

Mr Charles (Chick) Olsson BEc, MAICD

Mr Olsson is part of the Olsson family group of companies, known for their agricultural and salt mining interests throughout Australia. His business career has essentially been involved in business management and marketing roles. Mr Olsson runs fine wool Merinos at 'Royal Oak' Goulburn in NSW.

Special responsibilities: Chairman of the Finance & Audit Committee and Marketing & Intellectual Property Committee, and Member of the Remuneration & Appointments Committee.

Dr Meredith Sheil MBBS FRACP Ph.D.

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

Special responsibilities: Member of the Marketing & Intellectual Property Committee and On-Farm RDI Scientific & Welfare Committee.

Mr Brian P van Rooyen

Mr van Rooyen is currently Chairman of Australian Country Spinners Pty Ltd and a Director of PFG Australia Pty Ltd and Power Farming New Zealand Ltd. He is a former Director of Australian Wool Testing Authority Ltd.

Special responsibilities: Member of the Remuneration & Appointments Committee.

Mr David Webster

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

Special responsibilities: Member of the Finance & Audit Committee and Remuneration & Appointments Committee.

Company Secretary

The company secretary is Ms S C Myers (BA, LLB, FCIS).

Refer to page 31 for details of the experience of Ms Myers.

The Board of AWI

The Board continued to meet regularly during 2008/09.

The number of Board members permanently reduced from nine to eight members from November 2009.

A number of AWI Board committees monitor and guide specific activities. These committees assist the Board to effectively implement, monitor and enforce appropriate corporate governance throughout the Company. A report on corporate governance is on page 28.

There are currently four Board committees:

- Finance & Audit Committee - chaired by Chick Olsson
- Marketing & Intellectual Property Committee - chaired by Chick Olsson
- Science & Welfare Committee - chaired by George Falkiner
- Remuneration & Appointments Committee - chaired by Roger Fletcher

The objectives and responsibilities of the Board committees is set out in the 'Charter of the Committees of the Board' available on the AWI website www.wool.com and from the AWI Helpline on 1800 070 099.

The Directors' Report is on page 30.

Chairman's report



It has been another big year of challenges and opportunities for AWI and its shareholders.

Since last November, it has become apparent that, in the current environment, our business model was unsustainable. The company needed a major overhaul and that's what the new Board has delivered.

We are now a leaner company, one that is run in a cost-conscious and business-like manner – how you and I run our businesses. We have examined and changed many processes within the company to become a more efficient, accountable and performance-based organisation with reduced overhead costs.

Focus on increasing demand

This streamlining has helped provide a better focus on our core goal of increasing demand for wool.

Under the new business plan, 70 per cent of the overall spend will involve marketing and off-farm research, and 30 per cent will be allocated to on-farm R&D. This allocation is based on the assumption that the present 2 per cent wool levy is continued at WoolPoll this year.

There has been much discussion about the new business plan, and I am pleased to report of its wide acceptance among woolgrowers, industry stakeholders and wool processors at this year's International Wool Textile Organisation (IWTO) congress. It is not only you, AWI shareholders, who have requested a revival of targeted and effective wool marketing, our Woolmark licensees in key markets across the world have joined you in the call. We have started the wool revival and will continue the momentum.

More market-based activity is being undertaken by the daily services of AWI's global sales network. These staff work the supply chain, collaborating with knitters, weavers and retailers across all key markets to increase the demand for wool under the Woolmark logo and the many associated brands woolgrowers also own. The sales network creates offers and products for business to business (B2B) marketing initiatives as well as working with retailers directly to promote Merino innovations and establish business to business to consumer (B2B2C) marketing campaigns to ensure the sell-through of Merino wool at retail.

Action on key on-farm areas

While our major investments will be in marketing, the Board's review process identified that action is still needed in the on-farm areas of lice, wild dogs, flystrike prevention and shearer training. Although the overall on-farm R&D budget has been reduced, investment in these key areas will increase.

Flystrike prevention strategies have been introduced into the National Wool Declaration to allow transparency for buyer and seller: woolgrowers can now declare their practices and wool buyers can reward them. Ultimately, the world market will decide the issue.

AWI's new flystrike prevention policy supports a scientific, fact-based approach to ensure the optimal health, welfare and productivity of Australian sheep, and to ensure they are protected from the risks of disease and death. AWI supports all woolgrowers in their choice of best practice made in the interests of their animals.

Rebuilding the national flock

Merinos have long been the core of the national flock, and they have never been as important to the sheep industry as now. They underpin the meat industry as well as the wool industry. Prices such as the \$156 for Merino wethers we saw at Katanning earlier this year show how valuable Merinos have become.

However, Merino ewe numbers are down at the moment due to the drought and enterprise choice. Consequently Australian shorn wool production has fallen – national production is now at its lowest in about 85 years. It is crucial to rebuild Merino ewe numbers again. This may take some time, but it is necessary so that Australian woolgrowers can take advantage of higher wool prices when global economies pick up. I believe that businesses with a self-replacing Merino flock will be the most profitable businesses into the future.

Improving AWI's performance

AWI has to continue to improve. The review of AWI's performance for the three years to July 2009 confirmed what many woolgrowers already knew: their organisation needed to change the way it conducted business. Strategic planning, governance, stakeholder consultation and performance measurement are areas where improvements have been and continue to be made with the aid of expert advice from leaders in these fields. The review and AWI's response to it has formed part of WoolPoll, through which woolgrowers have again had the opportunity to have a say in the future of AWI.

The wool industry continues to evolve, and AWI evolves to meet it. Despite the many changes around us on-farm and in the market, our commitment to the woolgrowers who fund us, the Woolmark licensees that work with us, and the brands and retailers who take wool to the consumer gets stronger.

Together, we are working for a better future for wool.

I would like to thank Dr Bell for his years of service to AWI as a Director, and we wish him well on his retirement.

Wal Merriman
Chairman, Australian Wool Innovation
15 October 2009

CEO's report



Since joining AWI in March, I have been delighted to meet with and listen to many woolgrowers across the country.

You have been telling me "we can grow wool, but what we need is help to market it to retailers and consumers overseas".

I am pleased to say that AWI, your company, has listened to you and has changed significantly during

the past year to enable it to do more marketing. AWI has cut many of its overhead costs to become a leaner commercially oriented company with a sales and customer focused culture.

We have worked hard to develop a new Strategic and Operating Plan, effective from 1 July 2009. The company now has one voice, one brand, one direction.

Marketing

What's different in AWI's new approach to marketing? Firstly, our marketing is focused on products that are actually available in retail stores; secondly, the campaigns are targeted; and thirdly, the funds we invest are leveraged with our business partners' marketing budgets.

AWI's recent intervention in the Japanese market is a good example of how AWI now operates. In this campaign, we targeted the largest retailers in Japan; the marketed garments were available in 2647 retail stores across the country; and every dollar AWI invested was matched by \$4.70 from the retail partners. All retail partners recorded incremental growth in sales of Australian Merino wool products. Overall, the campaign saw a 26 per cent increase in Merino wool demand - bucking a forecast decline in national demand of approximately 14 per cent (due to the global financial downturn).

Last year's Korean Marketing program worked on the same principle, with similar results. A modest campaign investment by AWI was more than matched by our partners, with Cheil Industries even recruiting former OO7 Pierce Brosnan for its campaign. So forming relationships and collaborating financially and intellectually with other companies is a very cost-effective way of operating.

One of the ways we have been building relationships with the major apparel and textile companies is by showcasing Merino collections at the key international trade shows, such as Spin Expo and Premier Vision for apparel and Heimtextil for interiors. We have then been doing follow-up work at retailer workshops with high street brands, which is where the real product marketing goes on.

Products that we have been marketing this year include the shower clean suit in Japan, which sold out over the spring/summer season; the lightweight Merino Cool™ woven fabrics, which are redefining wool as a fibre that can be worn all year round; and the super soft Merino Touch™ knitwear which is now competing with the more expensive cashmere. We have also recently released a new Merino Casual™ collection which is AWI's response to the threat to wool's market share posed by synthetics.

Another area of optimism and market growth is the expanding active/outdoor market. Ten years in the making, Merino Perform™ is the second-generation Sportwool innovation that is driving AWI's work in this area.

Meanwhile new markets for broader micron and cross bred wool have been explored in the interior textile markets, using our many brand and retail partners in that sector.

Integrated R&D

While AWI is driven by sales, there is now an integrated on- and off-farm R&D approach, with a tighter set of more focused R&D projects. Our teams are driven by sales, and backed by science.

Our off-farm R&D team has been focusing on product technology and delivering knitwear and woven collections for the 2010 retail season. Meanwhile, our on-farm R&D team has been pushing forward in the key areas of flies, lice and worms, shearer and wool handler training, wild dogs, and extension groups.

Of major importance of course is flystrike prevention. We are making headway in animal welfare R&D. A Sheep Breeding Value for breech wrinkle is one important step in the road to long term natural flock resistance. Trials of the intradermal treatment known as Skintraction™ have been encouraging and breech clips became commercially available by Leader Products in May. The introduction of the National Wool Declaration is giving the supply chain transparency about woolgrowers' flystrike control strategies.

Living within our means

On the financial front, AWI has been cutting its cloth to fit and live within its means, freeing up funds to enable more marketing of wool. We have been simplifying our support processes to take the complexity and cost out of the business.

Since November we've cut \$25 million in costs and 100 staff from the time of integration of the two companies, and reduced the number of individual projects from 500 to 200. Further, our global sales network will work towards becoming self-funding.

AWI has further work to be done, but we now have a blueprint of proven methods in place. This year we have reshaped to focus on marketing, while retaining the important aspects of our R&D.

With everything we do we ask: will this help sell more Merino wool? Will this help increase the price of Merino wool? Will this help increase grower and licensee confidence in the future of the wool industry?

Over coming months I look forward to more opportunities to discuss with you our plans to build demand for this wonderful natural fibre and re-ignite confidence in the long term viability of Australia's wool industry.

Brenda McGahan
CEO, Australian Wool Innovation
15 October 2009

Marketing and sales operations

Woolmark brand

Since purchasing the assets of The Woolmark Company Pty Ltd in October 2007, AWI has been revitalising the Woolmark brand to enhance its appeal to today's consumers. Quality is the backbone of the Woolmark brand, and AWI has reviewed and strengthened this element of its business.

New look swing tickets and labels for the apparel market which give the Woolmark brand a fresh, contemporary look and feel that builds on the natural, timeless qualities of wool will be available in the second half of 2009. AWI has consolidated the Woolmark sub brand portfolio into Pure New Wool, Wool Rich Blend, Wool plus Lycra, Natural Stretch, Merino Extrafine, and Super S to ensure the brand is not diluted through over extension.

AWI has retained the popular Woolmark and Woolmark Blend care claims - Machine Washable and Total Easy Care - and they feature prominently on the reverse of the new swing tickets. There is also a new range of retail merchandising materials, including new signage, care claim booklets and educational materials which promote the natural benefits of wool.

The Woolmark product specifications have been updated to meet the needs of today's consumers for finer, softer, next-to-skin products, effective 15 December 2009. AWI has strengthened its Quality Care regime, with a focus on false Woolmark swing tickets in the Chinese domestic market.



The winning design of the 2008 Woolmark Prize on show at the SpinExpo trade fair in Shanghai, China.

Woolmark marketing activities

A key focus of AWI's marketing activities during 2008/09 was building demand for the Woolmark brand among its licensees' direct customers such as retailers, brands, buying houses and sourcing agents.

Trade events were an important part of this strategy, and AWI participated in a targeted selection of international trade fairs such as Pitti Filati (Italy), Première Vision (France), Intertextile (Shanghai), and SpinExpo (Shanghai). These created valuable introductions to buyers and designers, increased awareness of the Woolmark brand, and helped drive new business for Woolmark licensees.

Another objective was creating demand for the Woolmark brand among retailers worldwide. Our retail seminars, for example, were specifically designed for this purpose. Here, buyers and designers were educated about the innovation potential of wool, wool trends, Woolmark quality specifications, and the value of sourcing through a trusted Woolmark supply chain.

AWI also offered training programs for retail sales staff who sell Woolmark-certified products. AWI aimed to engage, inspire and educate these staff so that they became passionate about selling Woolmark-branded products to retail consumers. Retail staff worldwide participated in AWI programs designed to improve their understanding of the Woolmark brand and product specifications.

Woolmark Prize

Australian Merino wool was showcased to the world's fashion media in July 2008 when the 2008 winner of the inaugural Woolmark Prize was presented at the Palais de Tokyo, Paris.

The aim of the Woolmark Prize was to underscore the importance of Merino wool to the fashion world by recognising, rewarding and showcasing emerging talents and cutting-edge creativity that emphasise the sensual, sculptural aspects of knit.

The original wool awards were held between 1954 and 1992 by the International Wool Secretariat (IWS). The Woolmark Prize took up where IWS left off, upholding the original foundations on which the award was built: excellence, innovation and distinction.

Sonia Rykiel, patron of the Woolmark Prize, announced that China's Qiu Hao would now join design greats Karl Lagerfeld, Yves Saint Laurent, Donna Karan, Ralph Lauren, Romeo Gigli, Dolce & Gabbana and Giorgio Armani in the Woolmark hall of fame, as the 2008 winner of the Woolmark Prize.

Open to young designers who had recently graduated and are already professionally active, the Woolmark Prize was conceived to help nurture those most in need: the fashion designer on the cusp of commercial credibility.

For the inaugural Woolmark Prize 2008, designers from cultures as diverse as China, Japan, Norway, England, Belgium, Germany and France were selected by an international panel of fashion experts to participate.





Japan Marketing Program

AWI's Japan Marketing Program (JMP) was hailed a success by its five retail partners after all recorded incremental growth in sales of Australian Merino wool products. The five retail partners - Isetan, Onward Kashiya, Sanyo Shokai, Aoyama Trading and Flandre - were later joined in AWI's marketing efforts by two more Japanese retail partners Uniqlo and Konaka, who also increased the volume of their wool apparel sold.

The campaign launched in 2008 resulted in a 26 per cent increase in Merino wool demand - bucking a forecast decline in national demand of 14 per cent.

The nationwide campaign blended a mix of television and magazine advertising, product catalogues, direct mailers, a special educational website, in-store displays and an extensive program of retail sales staff training. The print advertising alone was seen by more than 2.75 million magazine readers, while posters in trains and at train stations accounted for another 41.7 million commuter impressions. Topping these numbers were the 370 million promotional inserts in major newspapers the length and breadth of Japan. In sum, the partners invested a combined total of \$5.3 million in media spending.

This investment in consumer marketing helped lift the ratio of AWI/partner-matched funding from an original target of 1:2 to an impressive 1:4.7 - affirming the five partners' commitment to the program and their confidence in its ability to deliver sales growth.

Key product innovations

During 2008/09, AWI released premium value-adding innovations for the knitwear, woven, sports/active and corporate wear sectors:

Merino Perform™

Merino Perform™ is AWI's new range of next-to-skin performance fabrics. Made from Extrafine Merino (17 to 19.5 micron), Merino Perform™ fabrics were the centrepiece of a global partnership between AWI and some of the world's best circular knitters.

The supply chain currently includes market-leading companies in Australia, China, Europe, Japan, Korea and Vietnam.

Merino Perform™ is the fruit of development work by AWI and The Woolmark Company, over several years, to introduce Merino to the sports and outdoor arena. Launched in January 2009 at three consecutive sport/outdoor trade exhibitions - Outdoor Retailer in Salt Lake City, PGA Golf show in Orlando and ISPO in Munich, Germany (which is the biggest in the world, with about 2,000 exhibitors) - Merino Perform™ has become very successful.

The Merino Perform™ program, which has two key components - 'Next-to-Skin' and 'Advantage' (formerly 'Sportwool') - drew accolades from the brands, retailers and manufacturers at each of the trade shows.



AWI's Merino Perform™ program is targeting the fast-growing global sports and active wear segments.

There was much industry excitement about the potential of Merino Perform™, particularly as AWI has developed new product segments such as seamless knitwear, second layers, socks and base layers.

Shower Clean Suit

Tokyo businessmen have been rushing to get their hands on the latest must-have clothing item - the suit that can be cleaned using a domestic shower - since its arrival in Japanese department stores last year.

The Shower Clean Suit, which was a joint product development between AWI and leading Japanese suit retailer Konaka & Co Ltd, sold out in Japan over the spring/summer season.

The suit is the world's first Merino wool, non-iron suit that can be rinsed under a normal shower stream to remove the dirt, stains and smells of the day.

The suit can be washed in the evening, hung up to dry and be ready to wear the following morning, with no ironing required.

Through the Merino Fresh™ campaign, the technology was transferred to companies in China, India and Korea. Retail interest across the globe was high.

AWI launched the Merino Fresh™ program for the autumn/winter 2009/10 retail selling season at the Première Vision trade show in Paris in September 2008 and Intertextile in Shanghai in October 2008.





Merino Cool™

Twenty years ago, the International Wool Secretariat's 'Cool Wool' campaign introduced consumers to the idea that wool was not just something you wear in winter. This year, thanks to new processing technologies and the efforts of woolgrowers who continue to produce finer wools, consumers had access to a new generation of lightweight Merino wool.

AWI's Merino Cool™ campaign was a revamp of Cool Wool targeting the wovenwear fashion market with new lightweight fabrics.

Where the standard weight for Cool Wool 20 years ago was 220g/m² grams per metre squared, the new Merino Cool™ fabric is 165g/m². Coupled with that, the program uses the latest soft-tailoring techniques in its range of jackets, trousers, skirts and other garments. The program also catered to the demand for layered clothing. More than 15 supply chain partners were involved in the project, which targeted the smart casual market in Italy, France, Japan, Korea, India and China.

Along with Merino Touch™, the campaign was launched at *Première Vision* in Paris in September 2008 and *Intertextile* in Shanghai in October 2008. The launch was followed by one-on-one regional retail workshops.

Merino Touch™

AWI launched its Merino Touch™ autumn/winter 2009/10 collection at the SpinExpo trade show in Shanghai in September 2008. SpinExpo is the largest knitwear trade show in Asia, attracting spinners, knitters, garment manufacturers, retailers and designers from all over the world.

Underneath the banner of Merino Touch™, there were three sub-platforms - 'Mercerised Merino', which promoted soft lustrous knits; 'Soft Classic Merino', which promoted classic style knitwear with a soft hand-feel; and 'Merino Intimates', soft and smooth next-to-skin intimates.



AWI's super-soft Merino Touch™ 2009/10 collection was successfully launched.

AWI conducted two seminars during SpinExpo to explain the Merino Touch™ collection and seminars on 'Communicating compliance and credibility in an eco-crowded market: re-launching the Woolmark with green credentials from farm to fashion.' AWI also used SpinExpo to showcase the innovative use of Australian Merino by the young international designer entrants in the 2008 Woolmark Prize.

The Merino Touch™ collection was promoted to retailers in Asia, Europe and the US through AWI's global network of key account managers.

Merino corporate-wear and uniforms

AWI released a collection during 2008/09 specifically developed for the school, airline and banking sectors, and it is also proving of interest to the military. The fabrics in the collection are knitted and woven Merino blends made up of a simple weave structure of plain twill or gabardine, ranging from 220g/m to 340g/m.

The collection was sent to the four regions (Korea, Japan, China and Australia) at the end of May 2009 together with a marketing toolkit. AWI key account managers have started presenting the collection to licensees and clients.

The following finishes have been added to the garments to increase their practicality and suitability:

- Easy care treatment - developments initiated by AWI have delivered woven garments that can be machine-washed and tumble dried.
- Merino Easyclean™ technology - this technology enables woven products made from Merino wool, such as suits, trousers or skirts, to be simply cleaned and refreshed using a domestic shower.
- Stain-resist treatment - treatments can be added to the fabric to reduce the likelihood of staining from food and liquid spillages.
- Anti-static technology - where static electricity presents a particular hazard and garments must meet strict standards of surface resistivity or static build-up then Merino's natural conductivity can be further enhanced.

Prestige Collection: fifteen&finer

AWI presented ultra-fine Australian Merino wool to the global apparel market in a new 'Prestige Collection' 'fifteen&finer'. It is a collection of yarns made from Merino wool of 15 microns or less and tells the story of ultra-fine Merino from its origins in Australia to its use in the most famous design houses in the world.

The fifteen&finer collection brought together for the first time a group of dedicated producers and spinners. Ultra-fine Merino for the collection was sourced from fibre producers Gostwyck, Jemala, AUSFINE, Escorial and the Australian Superfine Wool Growers' Association.

Well-known Italian spinners Zegna Baruffa, Filatura Botto Poala, Lora Festa and Filatura di Tollegno were key partners, along with Australian companies Michell and The Merino Company.

AWI launched the collection in July 2008 at the 63rd Pitti Filati in Florence, Italy - a showcase of the latest knitting yarn innovations - in preparation for the autumn/winter 2009/10 fashion season.





Colour and fashion trends

In 2008, AWI engaged world-renowned style and innovation agency Peclers Paris to provide exclusive colour and trend directions for the autumn/winter 2010/11 retail season.

During 2008/09, the Woolmark Trend Service by Peclers Paris provided wool specific fashion guidance for AWI's seasonal workshops in the lead up to the autumn/winter 2010/11 yarn and fabric events. This included a concise colour and fabric sampler for a wide range of fashion styles in the menswear and womenswear markets.

These valuable and generally costly forecasting services gave licensees advanced market information at no cost.

From April 2009, AWI key account managers, trained by Peclers Paris, began a series of workshops, unveiling colour and fashion trends, and supplying yarn and fabric samples.

Over two months, hundreds of workshops were held for representatives from all areas of the global fashion supply chain, including spinners, knitters, weavers, designers, clothing manufacturers and leading retailers.

Interiors

AWI launched a new Woolmark Interiors program, a fusion of the former Woolmark Interior textiles brands from the Woolmark Interiors business division.

Woolmark Interiors licensees are benefiting from a refreshed and vibrant look and feel that builds on the branding of recent years. The successful product themes - 'sleep', 'walk' and 'sit on wool' - form the basis of rejuvenated marketing materials and promote the versatility of the interiors offering.

The 'natural fibre' story is a key element of the Woolmark Interiors brand message.

AWI, in association with Wools of New Zealand, has produced colour trend information for our interior textile licensees with a focus on floor coverings.

The colour trend service is helping licensees stay relevant and competitive in the global market.

AWI continued to serve its interior textiles licensees by promoting the Woolmark brand at leading trade events such as Inter Tex, in Shanghai, and Heimtextil, in Frankfurt, where licensees were able to present their products to potential buyers and generate new business.

AWI provided technical training services to its interior textile licensees through workshops that focus on Woolmark product specifications and raw material selection to improve product quality.

Marketing collaboration

Forming relationships and collaborating financially and intellectually with other organisations along the wool supply chain is an important and fundamental part of AWI strategy. Collaboration helps ensure AWI delivers the best return for Australian woolgrowers.



AWI conducted successful workshops in Hong Kong - Hong Kong is the global hub for sourcing wool garments.

A key strategy of AWI has been to work directly with key processing, manufacturing and retail apparel companies around the world to increase the demand for Australian wool.

AWI targets leading and influential companies in key markets including the processing and manufacturing powerhouse of China, the influential trend setting centres of Europe, the global retail brand and sportswear hub of the US, emerging markets such as India, and the world knitwear centre of Hong Kong.

AWI is building partnerships with these companies, the decision-makers in world apparel, and encouraging them to take up new wool fabrics, yarns and products that will give their business an edge.

AWI is working closely with the retail industry and aligning its activity with the apparel development calendar. This change is being driven through AWI's Global Sales Network.

For AWI to invest in a marketing project, it is necessary that its business partners also spend money on marketing, often more than AWI. By leveraging marketing funds with significant retailers, AWI aims to get more wool moving in knitwear, apparel and homewares markets.

AWI also collaborated in 2008/09 with organisations and companies in product technology research. These organisations included the Cooperative Research Centre (CRC) for Sheep Industry Innovation, the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and AgResearch in New Zealand. This research underpins a range of technical developments in wool processing and textile design.





Marketing and sales operational report 2008/09

AWI's 2008/09 Operating Plan included the following marketing initiatives: • Brand Revitalisation; • Marketing Support; • Brand Management System; • Tickets and Labels; • Quality Assurance System; • Knowledge Services; • Product Innovation – Sports/Outdoor; • Product Innovation – Workwear (Corporate/Uniforms); and • Product Technology.

The 2008/09 Operating Plan also included the following key account management (KAM) initiatives: • Build KAM Scale, Capability and Centralised Database; • Reconnecting with Retail – High Street and High End; • Repositioning of the Woolmark Business/Brand; • Improve our “Voice” in the Market; • Retail Education and Training; • Green Credentials; and • Interiors, Rugs and Carpets.

Activities undertaken and progress made in 2008/09 were as follows:

Brand management

Activity	Progress in 2008/09
Brands: Core brands.	<ul style="list-style-type: none"> Core brand propositions for Woolmark and Australian Merino were defined in August 2008. Following review, a new brand strategy is currently being defined.
Brands: Review and rationalise other AWI/The Woolmark Company brands.	<ul style="list-style-type: none"> This is on-going. Woolmark licensees were given 12 months notice in December 2008 of changes to Woolmark brands and sub-brands.
Brands: Build core brand toolkits.	<ul style="list-style-type: none"> The following were developed and delivered: appropriate templates, tickets and labels, base brochures and posters, updated educational materials (retailer, consumer), trade videos, core brand imagery, and colour and trends forecasts.
Brands: Build non apparel brand tool kits.	<ul style="list-style-type: none"> The product themes 'sleep on wool', 'walk on wool' and 'sit on wool' were developed as the basis of rejuvenated marketing materials. AWI, in association with Wools of New Zealand, produced colour trend information with a focus on floor coverings.
Brands: Ensure effective support across apparel, interiors and aftercare.	<ul style="list-style-type: none"> Global teams were developed specialising in the areas of (1) wovens, (2) knitwear, (3) sports and (4) corporate wear to support the key account managers.
Brands: Define roles and recruit high quality global Brand Management function to retain, define and rebuild brand equity.	<ul style="list-style-type: none"> This is on-going. The strategy is contained in the Strategic and Operational Plan 2009/10. The definition of brands is now underway.
Brands: Implement timely and effective Woolmark License Renewal program.	<ul style="list-style-type: none"> This is on-going. The renewal program commenced in April 2009
Brands: Repositioning of the Woolmark business and brand.	<ul style="list-style-type: none"> New offering for licensees was developed and validated.
Woolmark ticket and labels: design.	<ul style="list-style-type: none"> New ticket and label designs were agreed in May 2009. These will be launched alongside a new global supplier in the second half of 2009.
Ticket and labels: Complete an audit of suppliers and processes for provision of AWI tickets and labels. Review proposals and appoint global supplier.	<ul style="list-style-type: none"> An audit of suppliers and processes for the provision of AWI brand tickets and labels has been completed. Implementation is in progress with the target launch in the second half of 2009.
Quality assurance system: Review and revise Woolmark specifications and testing methods.	<ul style="list-style-type: none"> A review of specifications and testing methods were conducted. New specifications were released in December 2008; testing methods will be released in 2009 to support the new specifications.
Quality assurance system: Develop and introduce a compliance and testing system that provides a reliable assurance that products carrying AWI brands meet the agreed specifications.	<ul style="list-style-type: none"> A laboratory authorisation program was introduced with regular round trials for laboratories. A new sampling and testing program was developed for Woolmark products and is ready for introduction with the new branding strategy.





Apparel marketing

Activity	Progress in 2008/09
Reconnecting with retail: Identify the key target retailers/brands (approx. 200 in total) in each geographical area for each product offering: 1. High End (Premium Collection) autumn/winter 2009/10: Knitwear. 2. High Street (Innovations Collection) autumn/winter 2009/10: Knitwear, Wovens, Sports/Outdoor, Workwear.	<ul style="list-style-type: none"> Key retailers/brands identified and details such as the following noted: contact details, size of business, customer demographics, price points, corporate strategies, and buying strategies.
Build sales force and support team in each of the regions.	<ul style="list-style-type: none"> Key Account Management team in place in Asia, Europe and the USA.
Regional segmentation of product categories to be implemented.	<ul style="list-style-type: none"> Key Account Management team in place with new demand building targets.
Segmentation of the top 200 key accounts, and key licensees.	<ul style="list-style-type: none"> Top 200 key accounts identified. Accounts can be separated into (1) global premiere accounts and (2) leaders in national markets.
Corporate/uniforms: <ul style="list-style-type: none"> Develop a technical collection. Develop a workwear and corporate collection based on the Shower Suit technology to be marketed as Merino Easyclean™. Set up supply chains focusing on Asia and Oceania. Gather information and data including needs, requirements and key companies. 	<ul style="list-style-type: none"> The collection was developed for the school, airline and banking sectors. The fabrics in the collection are knitted and woven Merino blends made up of a simple weave structure of plain twill or gabardine, ranging from 220g/m to 340g/m. The collection was sent to the four regions (Korea, Japan, China and Australia) at the end of May 2009 together with a marketing toolkit. AWI Key Account Managers have started presenting the collection to licensees and clients. Current projects include: <ul style="list-style-type: none"> Korea: Merino Easyclean™ school uniforms (wool 60% blended) are being commercialised for the next winter season with partners Aztech WB (weaver) and Elite Basic Co (retailer). The marketing volume for the first season autumn/winter 2010/11 is predicted to be 50,000 outfits. AWI has set up a new product development schedule with Cheil (the premier weaver in Korea) for multi functional corporate uniforms and will get fabrics for protective uniforms (military/fire brigade) by the end of July 2009. The predicted marketing volume is 30,000 outfits in the first year. Japan: The NIKKE School Uniform project started in February 2009. It is a long term project with a goal over three years to increase their wool use by five per cent (70 tons). Toyobo Japan is providing AWI with a multi functional fabric to target the military/fire brigade and other corporate wear markets.
Merino Touch™: Based around softness and luxury 'hand feel', whilst still offering enhanced fluidity, drape and comfort.	<ul style="list-style-type: none"> AWI launched its Merino Touch™ autumn/winter 2009/10 collection at the SpinExpo trade show in Shanghai in September 2008. There are three sub-platforms – Mercerised Merino, which promotes soft lustrous knits; Soft Classic Merino, which promotes classic style knitwear with a soft hand-feel; and Merino Intimates, soft and smooth next-to-skin intimates. AWI conducted two seminars during SpinExpo to explain the Merino Touch™ collection. The Merino Touch™ collection was promoted to retailers in Asia, Europe and the US through AWI's key account managers.
Merino Fresh™: Based on the successful commercialisation of the Shower Suit in Japan, AWI now wants to take it globally under the registered trademark of Merino Fresh™.	<ul style="list-style-type: none"> AWI launched the Merino Fresh™ program for the autumn/winter 2009/10 retail selling season at the Première Vision trade show in Paris in September 2008 and Intertextile in Shanghai in October 2008.
Merino Cool™: New re-vamp of International Wool Secretariat's successful 'Cool Wool' Program.	<ul style="list-style-type: none"> AWI's Merino Cool™ campaign was launched at Première Vision in Paris in September 2008 and Intertextile in Shanghai in October 2008. The launch was followed by one-on-one regional retail workshops. The products are light weight trans-seasonal fabrics with an emphasis on women's wear.





Apparel marketing (continued)

Activity	Progress in 2008/09
Merino Prestige: Develop an exclusive premium collection of yarns aimed at the very high end retail/brand sector in France, Italy, UK and Japan.	<ul style="list-style-type: none"> A collection of yarns made from Merino wool of 15 microns or less was launched in a new 'Prestige Collection' 'fifteen&finer' in July 2008 at Pitti Filati in Italy in preparation for the autumn/winter 2009/10 fashion season. These yarns enable AWI to position itself with the major brands and enable the company to have a dialogue with them about further innovations.
Sport/outdoor: Produce sports/outdoor selections based on base layers, golf wear and outdoor wear. Develop and transfer the technology, and set up the supply chain.	<ul style="list-style-type: none"> A collection of 10 garments in base layers, golf and outerwear (soft shell) garments has been produced and launched as Merino Perform™. All garments are made from <19.5 micron Merino. Currently, 10 circular knitters (in Australia, Japan, South Korea, China, Denmark, UK and Italy) are taking part in the program.
Sport/outdoor: Sportwool - Transfer the business model from a selling to a royalty based business.	<ul style="list-style-type: none"> All suppliers of the Sportwool fabric have been transferred into a royalty based model since August 2008. This includes, ABMT (Australia), Pontetorto (Italy), Cloverbrook (UK), Thygesen (Denmark), Nikke (Japan) and Ducksan (South Korea).
Woolmark Prize	<ul style="list-style-type: none"> Australian Merino wool was showcased to the world's fashion media in July 2008 when the 2008 winner of the inaugural Woolmark Prize was presented at the Palais de Tokyo, Paris, in July 2008.
Trade shows and workshops	<ul style="list-style-type: none"> Several major tradeshows were attended with workshops undertaken. These included: Pitti Filati (Florence), Spin Expo (Shanghai), Intertextile (Shanghai), Premier Vision (France) and Outdoor Retailer.
Trade Workshops: Hong Kong, China, India.	<ul style="list-style-type: none"> Trade workshops undertaken.
Retailer Workshops (Front & Back end): Organise and deliver workshops.	<ul style="list-style-type: none"> Retailer workshops delivered in Australia, US, EU and eastern Europe, Japan and China.
Marketing to consumers (through B2C)	<ul style="list-style-type: none"> Successful programs undertaken in Japan, Korea and China.

Interiors marketing

Activity	Progress in 2008/09
Define market segments and key accounts globally – top 20-30. Define target market segments in the emerging markets, USA and China to enable market development strategy.	<ul style="list-style-type: none"> Europe: 45 key accounts in seven differentiated market segments like bedding, floor covering and upholstery. Japan: Seven key accounts in bedding and two key accounts in carpets. China: 40 key accounts in bedding and two key accounts in carpets. India: Eight key accounts in carpets with a total of 33 licensees in carpets; ten licensees in blankets.
Product Development Programs: <ul style="list-style-type: none"> Live with Merino: Launch to contract market 2009. Sleep with Merino: take product range to market 2009. Walk on Merino/Australian wool: identify program partners and develop products in 2008/09. Wellbeing with Merino/Australian wool: identify program partners and develop products in 2008/09. 	<ul style="list-style-type: none"> <i>Europe:</i> <ul style="list-style-type: none"> 74,000 trade visitors from 121 countries visited Heimtextil 2009 in Frankfurt at which AWI/Woolmark had a stand. The main theme was 'Sleep on wool'. Global rollout of mattress tickings developed with Bekaert, Belgium with up to 50% Merino wool content. Global cooperation with Balta, Belgium for their Woolmaster range of partly newly developed Woolmark and Woolmark Blend wall to wall carpets. The Program will run from January 2009 to June 2011. Balta wool consumption is 12 million kgs. Trend information for interiors 2010/11 was completed in April 2009; it consists of: 165 colour cards for carpet licensees, Powerpoint presentation, trend boards. Trend information was presented to >20 partners up to June 2009 and is to be continued after June 2009. Rollout of the WOW! product developed within the wool bedding club. Two companies already offer the machine washable (60°C) wool mattress protector in their collection. <i>Japan:</i> <ul style="list-style-type: none"> Two projects were carried out with Glenwood & Kurabo as part of Sleep with Merino product development. Samples were developed of very good quality using Ecowash.





Interiors marketing (continued)

Activity	Progress in 2008/09
Participation in international trade fairs.	<ul style="list-style-type: none"> AWI participated at two international trade fairs. New developments on interior textiles were presented at (1) Inter Tex, Shanghai (2) Heimtextil 2009, Frankfurt.
Carpet Inspection Service.	<ul style="list-style-type: none"> Three years of operation in India have been successfully completed. Two leading rug manufacturers have appointed AWI to conduct independent third party inspection of their rugs. To date approximately 150,000 rugs have been inspected.
Development of color trend forecast for 2010/11, for the rugs/carpet sector.	<ul style="list-style-type: none"> AWI has developed the color trend forecast in association with 'Wools of New Zealand' and the forecast has been distributed to all the licensees.
Licensee meeting.	<ul style="list-style-type: none"> In India, a successful Licensee Meet for the rug sector was organised at the Indian Institute of Carpet Technology, Bhadohi on 27th April, 2009. It was attended by all the major licensees as well as by the relevant trade associations and industry bodies.

Knowledge

Activity	Progress in 2008/09
<p>Pursue NBS strategy:</p> <p><i>Natural:</i> Produced in extensive grasslands, Merino is an entirely natural fibre, evolved over millions of years to create effective all-weather protection against elements.</p> <p><i>Biodegradable:</i> Although Merino is durable, it will degrade and return to its component elements. Most synthetics are extremely slow to degrade.</p> <p><i>Sustainable:</i> Merino is a sustainable resource. Every year a new fleece grows on the sheep's back, and can be removed without any harm to the animal.</p>	<ul style="list-style-type: none"> An on-farm environmental management system has been successfully linked to a retailer through the ALMS-Onwards Linkage project. An Onwards (Japan) representative visited Australia and presented Australian Land Management Group (formerly ALMS) with a monetary contribution of A\$160,000 to support the system. Life cycle assessment (LCA) work was completed, and presented to different sectors of the global textile industry (notably RITE London, FAO Rome, Prime Source Forum Hong Kong, and IWTO Frankfurt). A chapter regarding the study will be published in a volume on textiles and the environment in 2009. The LCA work will now be used in the development of the Chemicals Energy Water (CEW) product for supply chain licensees and the Woolmark Corporate Social Responsibility (CSR) platform.
Pursue Corporate Social Responsibility (CSR) feasibility study: CSR attributes: environment, chemical, ethical production and traceability.	<ul style="list-style-type: none"> Trials of the CSR platform for key licensee/manufacturing partners have progressed in Italy, Japan and China. The concept and platform is a key part of the integrated Woolmark and AWI business going forward. Communication of the program with retailers and manufacturers has commenced in Japan, China and Europe with retailers and manufacturers showing interest. Education of internal staff has commenced and has progressed very well in China and Europe (Italy). Specification for an online platform and integration with Verification of Australian Merino (VAM) has commenced.
Verification of Australian Merino (VAM)	<ul style="list-style-type: none"> Supply chain integrity continues to be a core platform for building demand of Australian Merino and revitalising the Woolmark business. VAM remains a key offer to retailers particularly in Japan. To date AWI has verified the origin of over 1.8 million garments mainly in the Japanese market but manufactured in diverse locations such as India, Thailand, Vietnam, China, Korea and Japan. Development of an online VAM platform has been completed and will be extended to the market place in 2009/10.
Education and training/know-how transfer supply chain.	<ul style="list-style-type: none"> Education and training increases with relevance. Training workshops in conjunction with product development seminars in Hong Kong, India, US and China are particularly well received.
Develop and implement supply chain information database as resource for key accounts.	<ul style="list-style-type: none"> Work was progressed on a global Client Relationship Management (CRM) database that incorporated product development contacts, manufacturers and their licensee status. Further work continues on integrating this into the Woolmark administration.



R&D operations

Shearer and wool handler training

Skilled staff are seen by the Australian wool industry as being integral to the harvesting and preparation of the Australian wool clip. AWI's shearer and wool handler training program has aimed to:

- help the wool harvesting industry ensure the availability of competent workers through the delivery of industry relevant training programs and credible skill assessment;
- attract and retain new entrants;
- build the capacity of existing workers;
- increase the profitability of woolgrowers; and
- maximise government funding and support for shearer and wool handler training.

AWI has funded training for 'improver' and professional shearers, as well as for novice and improver wool handlers. Provided by registered training organisations, the training focuses on shearers and wool handlers in the shed, particularly on increasing their productivity and skill development.

1555 shearers and 1231 wool handlers have been trained directly through the AWI program in 2008/09.

During 2008/09, AWI has reduced its operating costs in shearer and wool handler training, to allow more of its funding to be targeted directly to the training.

AWI has also worked hard to increase the Federal and State contributions to training delivery. The promotion of traineeships has been at the heart of this work.



Improving the numbers, quality and productivity of shearers and wool handlers is a focus for AWI.

Breec flystrike prevention

AWI supports all woolgrowers in their choice of best practice animal health and hygiene in flystrike control.

AWI is undertaking a fast tracked R&D program to deliver welfare improved methods of flystrike prevention.

- **Genetic research and breeding:** Research over the past four years based at Armidale (Commonwealth Scientific and Industrial Research Organisation - CSIRO) and Mt Barker (Department Of Agriculture and Food WA) confirms that breech wrinkle is the major predictor of breech strike followed by dags, breech cover (bare area) and wool colour.
- **National Mulesing Assurance Program:** Training was conducted across Australia for accreditation of mulesing operators.
- **Pain relief:** Around the country, a large proportion of growers use best practice, welfare-enhanced surgery with pain relief.
- **Clips:** Breech clips were commercially released by Leader Products in May. An increasing number of farmers are expected to adopt this new technology.
- **Intradermals:** AWI-assisted research continues with the Cobbett Technologies 'Skintraction'TM, option that involves using a needleless applicator and air pressure to apply the SkintractionTM product to the breech of lambs.
- **National Wool Declaration (NWD):** The introduction of the NWD is giving the supply chain transparency about woolgrowers' flystrike control strategies.

Wild dog control initiatives

The wool industry is acting to combat a growing number of attacks by wild dogs on stock, with several initiatives being undertaken by the Invasive Animals Cooperative Research Centre (CRC) and collaborators, with support from AWI.

One such project aims to deliver a new toxin option for control of wild dogs, and foxes, with improved target specificity and faster, more humane action. One agent, para-aminopropiophenone (PAPP) has shown considerable promise in pen and field trials for foxes, and is currently being assessed for efficacy in wild dogs. The correct formulation to induce lethal effects in the most rapid manner is being calibrated.

PAPP has greater specificity to the canid and felid families and is fast acting, with no visible signs of distress. An antidote compound has been developed for instances when baits are accidentally taken by working dogs.

A National Wild Dog Management Advisory Group (NWD MAG) has been instigated to provide a national approach to wild dog management replacing the previous state-by-state approach. Since its inception in 2008, the NWD MAG has been establishing collaboration between wild dog management groups, land managers, industry and researchers within and across states.





MERINOSELECT

In 2008 there were 39 Merino studs that each sold over 300 rams; of these rams, 70% were sold by members of MERINOSELECT. Similarly, 43 studs each sold 200-300 rams, of which 46% of these rams were sold by MERINOSELECT members.

MERINOSELECT provides genetic information to Merino breeders through Australian Sheep Breeding Values (ASBVs). MERINOSELECT ASBVs for objective traits are directly comparable across flocks, providing breeders with the opportunity to benchmark their animals' performance against other animals in the industry.

The use of MERINOSELECT ASBVs is continuing to expand particularly for the harder to assess traits such as Pedigree, Worm Egg Count (WEC), Eye Muscle Depth (EMD) and Staple Strength (SS).

Genetic progress is a key driver of productivity improvement in the sheep industry, so keeping track of trends is an important activity for MERINOSELECT. As an example, there has been a dramatic reduction in MERINOSELECT worm egg counts over the past five years, which shows the progress the industry is making towards breeding a sheep that is naturally resistant to worms.

Other available industry trends suggest that the Merino industry is also maintaining or improving its performance in liveweight, fibre diameter, fleece weight, fertility, staple strength and carcass attributes.

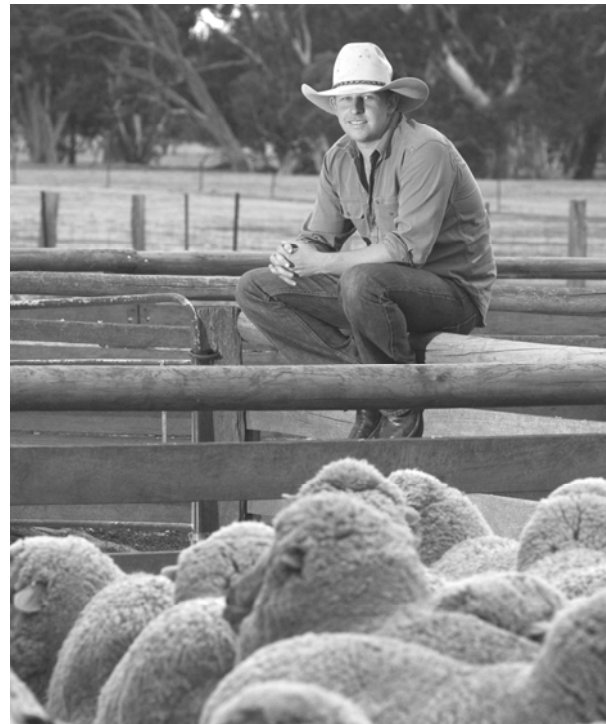
3-D weed management

AWI, together with Meat and Livestock Australia (MLA), released a series of weed-management guides and case studies in October 2008. These outline the three key steps for managing weeds in a grazing system:

- deliberation - taking stock to determine where it is and how dense it is (early detection is best);
- diversity - using several tools together to weaken and kill the weed and prevent it from establishing; and
- diligence - persist with your strategy to do it right, on time, every year.

These '3Ds' of weed management in grazing systems can help reduce the costs of weeds. They focus on implementing a program of weed management, rather than just spraying the weed when it appears. In fact, a pasture that is competitive at the right time can stop many weeds from establishing in the first place. Careful planning and timely use of several weed and pasture-management tactics are the keys to cost-effective weed management.

There are separate weed management guides, with case studies, for each of the following weeds: serrated tussock, Chilean needle grass, African lovegrass, Paterson's curse, silverleaf nightshade, and Onopordum thistles (Scotch thistle, Illyrian thistle).



Tom Small of St Arnaud, Victoria. One of the five woolgrowers featured in AWI's 'Pick of the Draft' DVD.

Pick of the Draft DVD

In June 2008, AWI made available a free DVD 'Pick of the Draft' to help woolgrowers save money by making small changes in their clip preparation. The DVD was produced by AWI and the Australian Wool Exchange (AWEX).

The DVD puts dollar values on changes in sheep management and shearing practices and estimates the money that can be saved through simple improvements.

The DVD walks woolgrowers through simple steps in how to prepare the shearing shed and yards; staff issues; communication with shearing contractors, woolclassers and wool brokers; and practicalities like pre-shearing crutching, lice control, time of shearing and how to keep costs down.

Five woolgrowers feature in the DVD, showing how they've successfully addressed one or more of these factors contributing to the quality of their wool clip and the profitability benefits. Their experiences are backed up by interviews with shearing contractors, woolclassers, wool brokers, processors and buyers.

The program is more than just a training program, according to DVD presenter Scott McGregor. It's great entertainment as well as showing how simple steps can make a big difference in profitability.

The DVD presents a computer-based financial model developed by AWEX to show how much cutting corners with your wool clip is really costing. Throughout the DVD, senior market analyst for AWEX Lionel Plunkett applies this model to each of the featured woolgrowers' real-life examples.





R&D collaboration

R&D collaboration with other organisations during 2008/09 made AWI investments more efficient by reducing duplication, maximising leverage and providing a greater platform for adoption.

During 2008/09, AWI was involved in a significant number of collaborations with research bodies such as rural research and development corporations (RDCs), government departments of agriculture, CSIRO, universities and commercial partners.

Major collaborations during 2008/09 include:

- EverGraze, which is helping high rainfall producers increase the profitability of grazing systems (with Meat & Livestock Australia (MLA) and the Future Farm Industries Cooperative Research Centre);
- Pastures Australia, which is the vehicle for industry investment in annual and perennial grasses and legumes, shrubs and herbs (with MLA, Dairy Australia, Grains Research & Development Corporation (GRDC) and the Rural Industries RDC);
- WormBoss, which is helping producers with worm management practices (with the CRC for Sheep Industry Innovation and leading Australian parasitologists, researchers and consultants);
- LiceBoss, which is helping producers with lice-management issues in their flock (with the Qld, WA and Tas departments of agriculture);
- Sheep Genetics, which is enabling breeders to achieve higher rates of genetic gain (with MLA);
- SheepGenomics, which aims to discover sheep genes and their functions (with MLA and nine other partners);
- Lifetime Wool, which is providing practical guidelines for the nutritional management of the breeding ewe (with five state departments of agriculture: Vic, WA, NSW, SA and Tas, CSIRO and farmer co-operators across southern Australia);
- fast-tracking the development of a new breech strike prevention product called Skintraction™ with Cobbett Technologies;
- shearer and wool handler training with providers;
- a number of projects with the CRC for Sheep Industry Innovation; and
- Making More From Sheep, which is the best practice manual plus ongoing workshops for sheep producers (with MLA).



3430 copies of the Making More from Sheep manual, developed with MLA, have been distributed.

Government funding and research priorities

The Australian Government is a major investor in the Australian wool industry by providing statutory levy collection power plus taxpayer funds.

AWI is obliged to contract with the Australian Government on the use of the 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 in which AWI invests are for the benefit of Australian woolgrowers, and that projects are efficient, effective and ethical. The SFA is available on the AWI website www.wool.com.

AWI gratefully acknowledges the funds provided by the Australian Government to support the initiatives undertaken by the company for the benefit of Australian woolgrowers. AWI believes that it is using the funds in an effective way to maximize the creation and adoption of R&D and innovation along the global wool supply chain.

AWI takes into account the Government's National Research Priorities (NRPs) and Rural Research and Development Priorities (RRDPs) when planning and reporting on its programs.

National Research Priorities

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

Further information about the NRPs is available on the Department of Education, Employment and Workplace Relations website: www.dest.gov.au.

Rural Research and Development Priorities

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

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

Alignment of AWI programs to Government research priorities

The table opposite summarises how the programs undertaken by AWI during 2008/09 align with the RRDPs and the NRPs. Each AWI program is aligned with more than one research priority.





Alignment of AWI programs to Government research priorities

National Research Priorities (NRP)	Rural Research & Development Priorities (RRDP)	AWI program	International Network	Knowledge	Innovation	Marketing	Wool Production	Sheep Technologies	Corporate Communications	TOTAL
Frontier Technologies for Building and Transforming Australian Industries	Innovation Skills (supporting RRDP)	\$'000	-	-	596	-	2,876	720	768	4,960
		%	-	-	12.0%	-	58.0%	14.5%	15.5%	100%
	Technology (supporting RRDP)	\$'000	-	-	1,400	-	2,129	1,284	768	5,581
		%	-	-	25.1%	-	38.1%	23.0%	13.8%	100%
Promoting and Maintaining Good Health (including strengthening Australia's social & economic fabric)	Productivity and Adding Value	\$'000	5,119	-	1,400	1,713	5,034	1,284	1,135	15,685
		%	32.6%	-	8.9%	10.9%	32.1%	8.2%	7.2%	100%
	Supply Chain and Markets	\$'000	20,476	1,081	580	6,851	733	310	1,549	31,580
		%	64.9%	3.4%	1.8%	21.7%	2.3%	1.0%	4.9%	100%
An Environmentally Sustainable Australia	Natural Resource Management	\$'000	-	155	-	-	2,445	-	-	2,600
		%	-	6.0%	-	-	94.0%	-	-	100%
	Climate Variability and Climate Change	\$'000	-	76	-	-	432	-	-	508
		%	-	15.0%	-	-	85.0%	-	-	100%
Safeguarding Australia	Biosecurity	\$'000	-	-	-	-	733	-	-	733
		%	-	-	-	-	100%	-	-	100%

Note: allocations are approximate; figures may not total due to rounding. The costs of the Corporate Services program have not been included.

R&D operational report 2008/09

AWI's 2008/09 Operating Plan included the following R&D initiatives: • Husbandry and Management Systems for Flystrike Prevention; • Productive and Easy to Manage Sheep; • Easier Wool Harvesting and Enhanced Wool Quality to Meet Customer Needs; • Ethical and Environmentally Sustainable Wool; and • Increased Woolgrower Pride and Profit through the Adoption of Innovation.

Activities undertaken and progress made in 2008/09 were as follows:

Flystrike prevention

Activity	Progress in 2008/09
Breeding for breech flystrike resistance.	<ul style="list-style-type: none"> Newsletters were produced and field days held. There was assistance into the technical development of visual Australian Sheep Breeding Values (ASBVs).
National Mulesing Assurance Program.	<ul style="list-style-type: none"> Training program conducted across Australia for accreditation of mulesing operators.
Assist development of pain relief product in partnership with commercial operators.	<ul style="list-style-type: none"> The Australian Pesticides and Veterinary Medicines Authority (APVMA) is reviewing its policies which hopefully will streamline the process to get new products on the market while continuing to safeguard consumers.
Clip R&D.	<ul style="list-style-type: none"> Trials conducted. Clips were subsequently made commercially available by Leader Products.





Flystrike prevention (continued)

Activity	Progress in 2008/09
Development of intradermal.	<ul style="list-style-type: none"> Phase 1 trials were successfully conducted with Cobbett Technologies to test the effectiveness of an intradermal alternative for flystrike control. There was positive progress with a positive outlook for this alternative. Phase 2 development has commenced.
Marketing and communications of alternatives to growers.	<ul style="list-style-type: none"> In conjunction with AWI's Corporate Affairs department, 16 roadshows were conducted around Australia, attended by 700 woolgrowers. The roadshows were supported by brokers, AWEX, commercial companies and farming representative bodies. Articles regarding R&D into flystrike prevention were included in AWI's <i>Beyond the Bale</i> magazine. A summary report on R&D progress was distributed to woolgrowers in August 2008.
Economic evaluation of flystrike prevention and control strategies.	<ul style="list-style-type: none"> An economic evaluation tool has been created to assist adoption of alternative blowfly management strategies – a full peer review of the tool is occurring.
Flystrike prevention trials of Alginate (FSP-1) and Cyanoacrylate (FSP-2).	<ul style="list-style-type: none"> An external scientific body conducted an evaluation of the trials and concluded the technology was unsuccessful. No further funding provided; IP being sold.
Blowfly genome project.	<ul style="list-style-type: none"> Most of the blowfly genetic code has been 'mapped' and 400 genes considered to be unique to the blowfly have been identified. The project found a transformer gene for female development and a transgenesis vehicle for weakening the blowfly.

Animal health and welfare

Activity	Progress in 2008/09
Parasite control.	<ul style="list-style-type: none"> A project to develop a fungal sheep lousicide is nearing completion and has moved to the commercialisation phase. A partner has been secured to develop the registration package. A project to discover new anthelmintic targets, using Ribonucleic acid (RNA) interference on previously identified targets and cloning newly discovered targets, continued. One gene sequence was proposed for patent protection mid project; the project continued according to milestone schedules. Validation of Integrated Parasite Management principles on demonstration farms has been completed. Wool residue monitoring has continued during the year. The development of a polymerase chain reaction (PCR) for major sheep nematode parasites has continued according to milestone schedules.
Cooperative Research Centre for Sheep Industry Innovation – Improved Parasite Management.	<ul style="list-style-type: none"> The WormBoss website was regularly reviewed and updated. Targeted treatment methods were assessed according to milestone schedules. Content for a FlyBoss website was developed according to milestone schedules.
Cooperative Research Centre for Sheep Industry Innovation – Reproduction Efficiency.	<ul style="list-style-type: none"> Cost:benefit analysis of weaner management strategies continued according to milestone schedules. The development of a compelling case for improving reproductive performance in sheep flocks continued according to schedule. Delivery programs for improved ewe, lamb and weaner survival continued according to milestone schedules.
Improved disease control.	<ul style="list-style-type: none"> A polymerase chain reaction (PCR) footrot diagnostic test is now commercially available in NSW. Results support test application to Victorian flocks as well. The Annual Ryegrass Toxicity (ARGT) vaccine antibody response project was completed. The commercialisation plan continued according to milestone schedules. A search for new footrot antigens for vaccines halted, having found some initial vaccine candidates. Work on a sequential vaccination with custom serotypes continued.





Animal health and welfare (continued)

Activity	Progress in 2008/09
Wild dogs.	<ul style="list-style-type: none"> A registration package for (wild dog and fox baits containing) para-aminopropiophenone (PAPP) compound was submitted. The project continued according to milestone schedules.

Wool harvesting and wool quality

Activity	Progress in 2008/09
Shearer and wool handler training.	<ul style="list-style-type: none"> 1555 shearers were trained in 2008/09 to improve shearing efficiency and quality. 1231 individuals completed an AWI-Skilled Wool Handler regional coaching program in 2008/09. 129 individuals underwent skills development through AWI's Shear\$marker workshops. Five workshops were held to provide training to coaches, trainers and Registered Training Organisation (RTO) managers (through National Consistency Workshops held in July-Aug 2008).
Mechanical harvesting technologies.	<ul style="list-style-type: none"> The final stage developments in chemical sharpening have yielded something of a breakthrough. Shearers now rate the chemical sharpened gear "as good or better" than conventionally sharpened combs and cutters. A proposal for further testing under Australian conditions will be developed. The Shearing Shed Guidelines are being updated with five case studies (complete) demonstrating the practical implementation of improved design features in shearing sheds. 13 Upright Posture Shearing Platforms (UPSP) were sold as of the end of June 2009 (Peak Hill's ShearEzy UPSP)
New generation wool harvesting.	<ul style="list-style-type: none"> Cystamine and AAM full trial infusions in Merinos completed. Skin and wool samples collected for analysis. High AAM doses for larger body weights affected the health of some animals. Analyses of cystamine and ethylenediaminetetraacetic acid (EDTA) as wool fibre weakening agents completed. Fibre diameter, staple strength and follicle activity (cell division) were unaffected. Thus neither compound effected weakening the wool fibre for fleece removal. Analyses of lithium chloride, cyclopamine, Nolatrexed, and SU4502 as fibre weakening agents completed. Fibre diameter, staple strength and follicle activity (cell division) were unaffected. Thus none of these compounds effected weakening the wool fibre for fleece removal. All AAM formulations tested weakened the wool fibre by varying degrees. AAM induced the greatest effect primarily by reducing intrinsic fibre strength. Several mechanical devices were trialled for fleece removal. Unfortunately none met efficacy for ongoing funding.
Clip quality.	<ul style="list-style-type: none"> The Pick of the Draft DVD, which demonstrates opportunities for woolgrowers to improve clip quality and profitability, has been developed and distributed. There were over 1800 orders as at September 2009.
Interactive Wool Group (IWG) Pty Ltd - Predicted Staple Strength commercial roll out.	<ul style="list-style-type: none"> OFDA 2000 (Optical Fibre Diameter Analysis) software has been successfully updated for commercial rollout. A Licensee Marketing Plan requires further development.
On Farm Fibre Measurement (OFFM) National Quality Assurance (QA) Program.	<ul style="list-style-type: none"> The Communication sub-program activities as recorded in the scheduled milestones have been successfully delivered to stakeholders. The cost of managing the OFFM National QA Scheme is not achievable through self funding. The development of an ongoing management plan between the Australian Wool Exchange (AWEX) and AWI has been placed on hold as a result of funding priorities.





Breeding and genetics

Activity	Progress in 2008/09
MERINOSELECT.	<ul style="list-style-type: none"> • Membership has held up in a market with reducing numbers of ram breeders. • 70% of rams sold by studs that sell more than 300 rams per year are sold by MERINOSELECT members. • Merino types were introduced to website site search and reports. • Visual Australian Sheep Breeding Values (ASBVs) were launched September 2009. • Service provider webinars were held. • Information sheets were produced highlighting the range of entry levels offered by MERINOSELECT that accommodates nearly all stud breeder requirements and maintains quality assurance (QA).
Australian Merino Sire Evaluation Association.	<ul style="list-style-type: none"> • A commercialisation plan for industry consultation was completed. • Merino Superior Sire No 14 was released.
Bloodline analysis.	<ul style="list-style-type: none"> • The next bi-annual analysis of wether trials was developed for release in November 2009.
Cooperative Research Centre (CRC) for Sheep Industry Innovation – Information Nucleus Flock (INF).	<ul style="list-style-type: none"> • Genotyping of the INF research flocks completed using the Illumina Inc. single nucleotide polymorphism (SNP) chip. The first phase of WGA has progressed in parallel with the Falkiner Memorial Field Station flock data. A combined analysis of the Sheep CRC INF and SheepGenomics data sets is scheduled for the second half of 2009. • The collection of Sheep CRC INF phenotype data collection for Year 2 has been completed and will be used for ongoing whole genome association (WGA) and validation studies. • A Sheep CRC Open Day for stakeholders at each of the INF sites has been hailed by participants as a great success. Attendance rates at each site were high.
Sheep Genomics.	<ul style="list-style-type: none"> • A high quality Ovine SNP 55 Bead Chip manufactured by Illumina Inc. was initially released to SheepGenomics and the Sheep CRC, and later to the international research community in January 2009. • A targeted single nucleotide polymorphism (SNP) chip for parasite resistance genotyping of research flocks was completed. The first phase of association analyses indicates SNPs align with key genomic regions of parasite resistance as identified by classical genetics. • Genotyping by Geneseek Inc. of SheepGenomics Falkiner Memorial Field Station marker resource flock and selected industry sires from Sheep Genetics was completed. • The first phase of SNP-based whole genome associations (WGA) indicates an SNP (DNA) based parentage test can be commercially developed for industry use. • The incorporation of accurate parentage information linked to a non-SNP based Agouti DNA test dramatically increases the accuracy of identifying Agouti carriers. The highly complex nature of the Agouti mutation leaves some 25% of animals with only an estimate of carrier status. Commercial reality of the test thus remains under consideration and is linked to an accurate parentage test. Useful SNPs could not be identified. • Plasma biomarker research to identify prognostic candidates for parasites resistance continued throughout the year and is due for completion by December 2009. • Gene candidates for fleece rot identified. Four SNPs were associated with fleece rot status. The reduction in levy funding has postponed further research in this area. • A product development forum (AWI, MLA, Sheep CRC, Sheep Genetics) for SheepGenomics outcomes has been established. The principal focus is the pre-commercial validation of a SNP chip for parentage with a limited number of traits such as WEC and muscle phenotypes. • The Year 2 Reproduction sub-program studies have been completed and the results incorporated into the Falkiner Memorial Field Station phenotype database for WGA.





Pastures

Activity	Progress in 2008/09
EverGraze.	<ul style="list-style-type: none"> • 57 active demonstration sites delivered EverGraze principles with 2000 producers engaged. Four EverGraze Actions were released on the EverGraze website with two in draft form: <ul style="list-style-type: none"> o Split joining o Native Pastures of the Eastern Namoi o Native Pastures of Bundarra region (Nth NSW) o Native Pastures for Sustainable Agriculture - Identification (re-write) o Management of Native Pastures - NE Vic & central NSW (draft) • An EverGraze Exchange on improving lamb survival was released via the EverGraze website. • 150 EverGraze field days, farm walks and open days were held with an average of 20 producers, agribusinesspeople and consultants attending each event.
Lifetime Wool.	<ul style="list-style-type: none"> • Lifetime Wool final report was finalised and more than 3000 producers adopted Lifetime Wool principles.
GrassGro.	<ul style="list-style-type: none"> • 122 public and private advisers were trained to use GrassGro v3 in WA, SA, Tas, Vic and NSW. • Two GrassGro case studies were published: <ul style="list-style-type: none"> o Impact of high fertilizer prices (NSW) o Pros & cons of rotational grazing (Vic).
Feedbase productivity.	<ul style="list-style-type: none"> • Draft guidelines for the successful management of forage shrubs are being finalised for publishing in 2009. • Preliminary information packages prepared for reliable establishment of saltland/rangeland species, exotic warm season and native perennials were agreed to at a March 2009 project team meeting. • 19 training workshops were held on biological control techniques and practices for Paterson's Curse. • Two different biological control agents for Paterson's Curse were released - there were 11 releases of <i>Longitarus echii</i> and four releases of <i>Mogulones larvatus</i> across NSW and WA.
Pastures Australia.	<ul style="list-style-type: none"> • A field day to present the first season results from Moonbi and Wipena Sulla grazing and agronomy trials was held on 12 December 2008 with over 40 farmers and advisors in attendance. • An investment plan to encourage private plant breeders to use new genetic improvement and evaluation techniques has been developed and interaction is underway with two multinational seed companies for implementation. • Seven seed companies have co-invested in a pilot National Variety Test for pastures to establish industry acceptance of the assessment methodologies. Three sites have been established in Victoria. • A value proposition for investment in pastures and pasture plant improvement has been developed. This is both at an industry level and for the individual farmer. An application of this proposition to be considered by the Industry Strategy Group. • Plans for a Pastures Australia website have been collated. The Pasture Picker is ready for a soft launch. Training of key advisors is the first action prior to broadscale public promotion. • Extension packages for <i>Biserrula</i> and weed management using delayed germination pasture legume varieties was completed and submitted by 30 June 2009. • AWI negotiated an exit from Pastures Australia. Funding ceased at the end of June 2009.





Extension and adoption

Activity	Progress in 2008/09
Education and extension.	<ul style="list-style-type: none"> • Marketing of the ‘Making More from Sheep’ (MMFS) program to industry has been successful. According to a June 2009 survey: <ul style="list-style-type: none"> ○ 17,400 sheep producers are aware of the program ○ 3,430 hard copy, CD and web versions of the manual have been distributed ○ 4,700 sheep producers participated in MMFS learning activities ○ Adoption of a new MMFS procedure: <ul style="list-style-type: none"> ▪ 44% by manual users ▪ 45% by workshop participants ▪ 67% by those both attending workshop and using manual. • AWI has worked with project managers and marketing experts to develop innovative and original products to promote the uptake of wool industry innovations. We have delivered: <ul style="list-style-type: none"> ○ a DVD on wool preparation ○ flip charts on pillars of shearing and wool handling for shearer and wool handler trainers, ○ lice extension campaign, ‘LiceSense’ ○ Lifetime Wool recommendations available ○ website updates for EverGraze and Making more from Sheep. • Benchmarking the financial performance of wool relative to other enterprise choices occurred for 2007/08. • AWI extension network programs have continued to develop as a mechanism for effective marketing of AWI innovations to industry. Flystrike prevention, lice and drought management have been the key focus. • Delivery of Cost of Production workshops and training to industry were postponed until 2009/10 due to technical complications with software program and usability. • A “Raising the Baa” competition to promote efficient sheep management by recognising highly efficient woolgrowers was not progressed due to lack of co-investment interest. • AWI has lobbied Federal and State governments for increased investment in biological control agents for rabbits. Via the Invasive Animals Cooperative Research Centre (CRC) and the Rabbit Management Advisory Group, funding has been received through Caring for our Country to assess alternate Rabbit Hemorrhagic Disease (RHD) strains with high lethality. An Invasive Animals CRC Supplementary Bid application is still under consideration.
Industry leadership.	<ul style="list-style-type: none"> • Eleven students who have been provided postgraduate scholarships in wool industry related fields of research have completed their theses and are awaiting graduation. Other students will complete their studies by Dec 2010. • AWI has supported the Cooperative Research Centre (CRC) for Sheep Industry Innovation’s postgraduate program. The CRC for Sheep Industry Innovation has awarded 16 scholarships. • AWI intellectual property ownership in the Livestock Library (www.livestocklibrary.com.au) has been transferred to the Sheep CRC. Negotiations are ongoing with Australian Agriculture and Natural Resources Online (AANRO) (www.aanro.net) by the CRC for Sheep Industry Innovation. • An Australian Rural Leadership Program scholarship was awarded by AWI to Ben Watts of Molong, NSW. • A Nuffield Farming Scholarship was awarded to David Cussons of Kojonup, WA. • Professional development to the Young Stud Merino Breeders and Next Generation Groups were provided until January 2009 when the programs were concluded.





Sustainability

Activity	Progress in 2008/09
Supplying environmentally friendly wool.	<ul style="list-style-type: none"> Monitoring was undertaken of the mulesed/non mulesed/ceased mulesing declaration system through the auction system.
Climate change and pastures.	<ul style="list-style-type: none"> Carbon Pollution Reduction Scheme (CPRS) policy development has been monitored. Information on CPRS has been made available to industry by the National Farmers Federation (NFF). Preliminary GrassGro and MIDAS modeling has been completed to identify potential strategies for reducing methane emissions from sheep. Work has progressed to develop a simple method for measuring methane emissions from sheep. The impact of climate change and increased climate variability on pasture species selection, productivity and enterprise performance has been modeled using GrassGro for the NSW Southern Tablelands. Information was delivered at two workshops with 100 attendees.

Off-farm R&D

Activity	Progress in 2008/09
<p>Identify, approve and manage long term projects with off-farm R&D providers aimed at:</p> <ul style="list-style-type: none"> developing processes which provide new product opportunities; developing new ways of minimising perennial problems; addressing immediate big issues, eg chlorine free; and working on building green credentials (NBS), in particular Chemicals, Energy and Water in the manufacturing industry (CEW). 	<ul style="list-style-type: none"> A project working on wrinkle recovery technology for wovens progressed through 2008/09. The final report was received in June 2009; the results are to be assessed for a commercial roll out. A new project aimed at achieving more robust whiter wool textiles (knitwear and wovens) began in October 2008 with final laboratory results due in September 2009. Further commercial assessment will then be required. This work builds on previous feasibility work. Research has been carried out for all manufacturing areas to support traceability and supply chain. Initial trials proved unsuccessful, with new trials delivering results in late June 2009. If successful, this will support both wovens and knits. A feasibility study began on the prevention of pilling in knitwear; results are due in October 2009. Another feasibility study began on cockling reduction in knitwear; final results are due in February 2010. New projects have begun regarding the removal of chlorination from shrink resist/anti felt processes. These projects will be completed August 2009 to October 2010. A separate project investigating potential alternatives to the use of chlorine in the mercerisation/soft lustre process is due to be completed by August 2009. Work on building green credentials has largely been directed to chlorine removal from processing.



Support operations

Living within its means

During 2008/09, AWI has simplified its support strategies to take complexity out of the business.

Since last November, it has become apparent that in the current environment our business model was unsustainable. Since then we have cut \$25 million in costs and 100 staff from the time of integration with The Woolmark Company Pty Ltd, and reduced the number of individual projects from 500 to 200.

We have lifted the company's overall performance in the areas of governance and cost control based on a comprehensive review of business support functions, processes and systems. These include a revised approach to tendering and procurement; simplified workflows and redesigned project and contract management tools, and general process improvements in the support streams of finance, IT, human resources, legal and corporate communications.

The business is now living within its means.

However, there is more work to be done. The recent independent review of AWI's performance for the three years to July 2009 confirmed that AWI has ample room for improvement. We are already making positive changes in specific areas such as strategic planning, governance, stakeholder consultation and performance measurement.

This change is what shareholders asked for when they elected the new AWI Board nine months ago.

Corporate governance

Overview

The AWI corporate governance framework is designed to support the strategic and operational objectives set out in the 2009/10 Strategic and Operational Plan by defining accountability and establishing controls.

The framework aims to meet stakeholder expectations of sound corporate governance practice, and to foster a strong culture of good governance in the company.

Improving governance

The Board and senior management team have identified areas for improvement in corporate governance at AWI, referred to in the three-year Review of Performance, and (with expert independent advice where needed) are overhauling the company's corporate governance structure.

This includes developing and adopting new and more comprehensive methods of strategic planning, setting objectives, developing effective Key Performance Indicators, and measuring and reporting performance against objectives. It also involves developing vastly improved methods of monitoring compliance, as well as risk and fraud prevention, and improved opportunities for shareholder and stakeholder input.

Composition of the Board

The Board has eight directors, nominated and elected by shareholders.

AWI continues to defend the freedom of woolgrowers to nominate and elect the Board of their marketing and research and development company. It is central to wool

grower freedom, and their right to choose their leadership.

The AWI Board elected by shareholders includes grass roots connections and widespread industry experience, complete with marketing, research governance, accounting and business skills.

This year, the AWI Board acknowledged the distraction and cost of annual elections of directors, and at the Annual General Meeting on 27 November, it is proposing that shareholders vote to change the AWI Constitution so an election of directors by rotation will be held every two years, not every year.

In 2009, the Board also permanently reduced its membership from nine to eight. Additional directors may be appointed if specialist skills are required from time to time.

Board and Committees

The Board has a formal Charter that sets out its specific functions and responsibilities, as does each Board Committee. Board Committees are the Finance and Audit Committee, the Remuneration and Appointments Committee, the Marketing and Intellectual Property Committee, and the Science and Welfare Committee.

Board meetings

Board meetings are held regularly, usually every month, and additional meetings are held when required.

All AWI directors are involved in the wool industry, which is a key strength of the Board. Directors disclose their interests, and these are properly managed. A Conflicts of Interest Policy has been introduced by the Board, to give stakeholders transparency on this issue.

Corporate governance documents

The AWI corporate governance documentation is on the AWI website at www.wool.com and includes:

- AWI's Constitution
- Statutory Funding Agreement
- Corporate Governance Policy
- Code of Conduct – Obligations to Stakeholders
- Board Charter
- Code of Conduct – Directors and Officers
- Charters of the Committees of the Board
- Conflicts of Interest Policy
- Rules and Procedures Governing Election of Directors.

Audit

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

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

Deloitte Touche Tohmatsu conducts a regular cycle of internal audits as part of a three year program, reporting on risk, internal controls, processes and the day-to-day management of AWI to the Finance & Audit Committee.

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





Intellectual property

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

In addition to the above IP assets, AWI owns all of the IP assets of The Woolmark Company Pty Ltd (TWC), which includes the Woolmark logo and Woolblend logo which are registered in over 90 countries across multiple classes of goods (see page 10).

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

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

Royalty income from IP assets owned by AWI, excluding TWC assets contributed \$107,076.76 to AWI in 2008/09 (2007/08: \$396,804.94).

During 2008/09, AWI signed 18 commercial contracts with industry and commercial entities for use of its IP.

Income from IP assets owned by TWC, via the licensing of the Woolmark brands contributed US \$7.9 million during the 2008/09 licence year which ran from 1 May 2008 to 30 April 2009.

The number of active licences with entities certified to use the Woolmark brand was over 1750 for the 2008/09 licence year.

During 2008/09, AWI acting solely or jointly with various research partners, lodged or acquired six trademarks and a patent. A table of registered IP which is owned by AWI (including TWC) or in which AWI has an interest is shown below.

IP assets owned by AWI and its associated entities

Below is a list of IP assets owned by AWI and its associated entities, as at 30 June 2009:

PATENTS (registered in Australia and overseas)

* Altered Wool & Hair Fibres * Chemically assisted protein annealing treatment * Control circuit for a power driven tool and touch activated shearing system incorporating same * Control of wool growth in sheep and related animals * Device for sampling liquids * DNA encoding ovine adenovirus and its use as a viral vector * Doffing animal coats and fleece removal * Fitting Animal Coats * Gene therapy using ovine adenoviral vectors * Improved process apparatus for stretching slivers of animal fibre * Iron regulated promoter * Method for administering a composition to an animal * Method for separating keratinous proteins from materials * Non Surgical Mulesing * Plasma Treatment of Wool-Apparatus and Method * Raised Shearing Platform * Saponin Adjuvant Composition * Shearing Platform * Sorting pneumatically conveyed material * Treatment of sheep to reduce flystrike * Heated Wool Garment System * Twisting Device

PATENTS (registered in Australia - not overseas)

* Annual Rye Grass Toxicity * Deadman Switch * Detection and isolation of, and protective immunization against, the phomopsis mycotoxins * Detection of Parasites * Drenchrite-Larval development assay * Heated Wool Textile * Semi Synthetic Material * Vaccine and assay

PATENTS (registered overseas - not in Australia)

* Enzyme Based Bioremediation * 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 animals * Malathion Carboxylesterase * Method of harvesting wool * Sheep handling and manipulation for automated shearing * Stretching of Wool Fibre * Stretching of staple fibres

REGISTERED DESIGNS (registered in Australia and overseas)

* Breech Clip * Dog Bone Clip * Hockey Stick Clip

TRADEMARKS (registered in Australia and overseas)

* a Device * Arcana * Australian Wool Innovation * Merino Active * Merin02 * Merino Travel * Red Island * Sportwool * Sportwool Pro * Wool Blend * Optim * Cool Wool * Woolmark, Pure Merino Wool * Wool Science * Wormboss * Flyboss * Liceboss * Merino Active * Australian Merino * Australian Wool Innovation & Swirl Device * awi & Swirl Device

TRADEMARKS (registered in Australia - not overseas)

* Bestprac * FutureFleece * Merino Innovation * Merino To Go * Rampower * School Wool * SGP * Timerite * Triple P * Wool Profit Map * Woolcheque * Woolmark Cool Wool & Device * Wool Poll * Wool Pro * Grass Gro * Livestock Library

TRADEMARKS (registered overseas - not in Australia)

* Active Wool * Arnhem Land * Born To Be Worn * Device Mark * Heartmark * IWS * IWS-Superwash * Laine Superlavable * Lana Creativa * Merino 2nd Skin * Merino Extrafine Wool * Merino Rich * Merion Exelana * Neva-Shrink * New Wool 100% * Pura lana Virgine merino extrafine & Woolmark Device * Pure Merino Wool * Pure New Wool * Portugal & Woolmark Blend Device * Posh Merino * Siroset * Solospun * Super Crimp * Super S * Super-Wash

* Superlavabile * Superlavabile Superwash * Superwash * Woolmark Blend Device * Superwash & Woolmark Device * Superwash Maskintvattbar Ren Ny Ull & Woolmark Device * Superwash Pura Lana Virgen & Woolmark Device * Superwash Wool & Woolmark Device * Superwash Wool Machine Washable Handknitting Yarn & Woolmark Device * Take Comfort In Wool * Total Easy Care Wool * Vivalana * Wollsiegel * Wool In Heart * Wool Plus * Wool Rich Blend * Wool The Heart of a good & Device * Wool The Heart of a good carpet * Woolmark (stylised) * Woolmark pure merino wool & Device * Woolmark Sleep In Merino * Wooscientific & Device * MerinoFresh * merinoeasclean * MerinoCool

TRADEMARKS (registered globally)

* Woolmark * Woolmark Blend * Australian Merino

PLANT VARIETIES (registered in Australia - not overseas)

* Cefalu Clover * Balansa Clover-Bolta * Balansa Clover-Frontier * Barrel Medic-Caliph * Barrel Medic-Jester * Barrel Medic-Scimitar * Biserrula-Mauro * Burr Medic-Cavalier * French Serradella-Cadiz * French Serradella-Margurita * French Serradella-Erica * 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 - not overseas)

* Sirodec

NEW IP LODGED OR ACQUIRED IN 2008/09

PATENTS (Registered in Australia only)

* Methods and compositions for skin necrosis (provisional patent)

TRADEMARKS (registered in Australia and overseas)

* Merino Touch * Merino Perform * Wormboss * Superior Merino * Superior Merino Blend

TRADEMARKS (registered in Australia only)

* Licesense

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



Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Australian Wool Innovation Limited and the entities it controlled at the end of, or during the year ended 30 June 2009.

Directors

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

Mr W B Merriman
 Mr R J Fletcher
 Mr B P van Rooyen
 Mr C R Olsson
 Dr K J Bell

Mr W B Merriman became the Elected Chairman of the Board on 19 November 2008.

Mr R J Fletcher became the Elected Deputy Chairman of the Board on 19 November 2008.

Mr B P van Rooyen resigned as Chairman of the Board and was re-elected as a director on 19 November 2008.

Mr G B S Falkiner, Mr L S Modiano, Dr M L Sheil and Mr D A A Webster were all appointed as directors on 19 November 2008 and remain in office at the date of this report.

Dr C J Abell, Mr K A Boundy, Ms R Clubb and Dr J S Keniry were all directors from the beginning of the financial year until 19 November 2008.

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 and the Woolmark brands. To achieve this mission, the Group receives funding from the Commonwealth Government of Australia by way of a statutory wool levy imposed upon Australian woolgrowers and a capped matching fund contribution. Funding is also generated from revenue in respect of the Woolmark certification and ordinary trademark annual licence fees.

Significant changes in the state of affairs

There has been no matter or circumstance which has arisen since 30 June 2009 that has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

Review of operations and results

	2009	2008
	\$'000	\$'000
Revenue	61,716	90,812
Profit/(Loss) from ordinary activities	(17,393)	5,458

Reconciliation of 2008 operating profit to 2009 operating (loss):

	\$'000
2008 profit from ordinary activities	5,458
Less:	
2008 net government grant income	(10,250)
2009 reserves drawdown	(9,336)
30 June 2009 restructuring provision	(3,265)
2009 (loss) from ordinary activities	(17,393)

The 2008 \$5.458m profit included a \$10.25m net government grant for the acquisition of The Woolmark Company Pty Ltd. Included in the 2009 reserves drawdown was the projected loss result of \$9.278m per the 2008/09 Operational Plan. At 30 June 2009, a restructure of AWI's internal operations to reduce ongoing expenditure, resulted in the provision of \$3.265m.

Matters subsequent to the end of the financial year

There were no significant matters subsequent to the end of the financial year.

Likely developments and expected results of operations

During 2009, AWI restructured its internal operations to streamline and support its international sales and marketing business which is backed by an integrated on-farm and off-farm R&D program. AWI is now a leaner, more commercially oriented company with a sales and customer-focused culture. By actively selling wool and its attributes through investments in marketing and R&D - from farm to fashion - AWI aims to achieve its goal of increasing the demand for wool.

Company secretary

On 5 May 2009 Ms S C Myers (BA, LLB, FCIS) was appointed as Company Secretary and General Counsel of Australian Wool Innovation Limited. She has extensive experience as a lawyer and as a company secretary for ASX listed companies. From 2005-2008, she was Special Counsel to Ridley Corporation Limited, and before that she was Company Secretary and General Counsel of the Mirvac Group and of Deutsche Asset Management (Australia) Limited. Ms Myers was a solicitor in private practice, including with Freehills, before moving to work in-house with corporations. She has also been a board member of the NSW Coal Compensation Board and of the Australian Red Cross Blood Service.

Past company secretaries were Mr L M Targ (26 May 2003 - 21 November 2008); Mr C Chapman (Barrister and Solicitor, Dip Law, Dip CM, Dip CD, FCIS, FAICD, MBA (UNE)), (16 October 2003 - 18 December 2008) and Ms S B M Palmer (Barrister and Solicitor, Dip Law, MAICD), (25 October 2007 - 11 May 2009).

Meetings of directors

The numbers of meetings of the company's Board of directors and of each board committee held during 30 June 2009, and the numbers of meetings attended by each director were:

Director	Committees									
	Full meetings of directors		Finance & Audit		Remuneration & Appointments		Marketing & Intellectual Property**		On-Farm RDI Scientific & Welfare	
	A	B	A	B	A	B	A	B	A	B
Mr W B Merriman	16*	15^	-	-	9	9	3	2^	7	4^
Mr R J Fletcher	16	16	7	7	6*	6	-	-	-	-
Mr B P van Rooyen	16	16	4	4	9	9	-	-	-	-
Mr C R Olsson	16	15^	3*	3	6	6	4*	4	-	-
Dr K J Bell	16	16	-	-	-	-	1	1	10	9^
Mr G B S Falkiner (Appointed 19 November 2008)	10	10	3	3	-	-	3	3	7*	7
Mr L S Modiano (Appointed 19 November 2008)	10	9^^	-	-	-	-	3	0^^	-	-
Dr M L Sheil (Appointed 19 November 2008)	10	10	-	-	-	-	3	3	7	7
Mr D A A Webster (Appointed 19 November 2008)	10	9^	3	3	6	5^	-	-	-	-
Dr C J Abell (From 1 July 2008 - 19 November 2008)	6	6	4	4	-	-	1	1	3	3
Mr K A Boundy (From 1 July 2008 - 19 November 2008)	6	6	-	-	3	3	1	1	-	-
Ms R Clubb (From 1 July 2008 - 19 November 2008)	6	5^	4	4	-	-	-	-	-	-
Dr J S Keniry (From 1 July 2008 - 19 November 2008)	6	6	-	-	3	2^	-	-	3	3

A = number of meetings held when a director

B = number of meetings attended by director

* = denotes Chairman as at 30 June 2009

^ = denotes leave of absence granted

^^ = denotes unable to attend because of time zone differences, leave of absence granted

** Formerly known as the Intellectual Property & Commercialisation Committee from 1 July 2008 - 19 November 2008

Directors' report (continued)

Chairmanship

Mr W B Merriman was appointed Chairman of the Board on 19 November 2008.

Mr R J Fletcher was appointed Deputy Chairman of the Board and Chairman of the Remuneration & Appointments Committee on 19 November and 26 November 2008 respectively.

Mr B P van Rooyen resigned as Chairman of the Board on 19 November 2008.

Mr K A Boundy resigned as Chairman of the Remuneration & Appointments Committee on 19 November 2008.

Mr C R Olsson was appointed Chairman of the Finance & Audit and Marketing & Intellectual Property Committees on 26 November 2008 and 29 January 2009 respectively.

Dr M L Sheil was appointed Chairman of the Marketing & Intellectual Property Committee on 26 November 2008 and resigned on 29 January 2009.

Dr C J Abell resigned as Chairman of the Finance & Audit and Marketing & Intellectual Property Committees on 19 November 2008.

Mr G B S Falkiner was appointed Chairman of the On-Farm RDI Scientific & Welfare Committee on 26 November 2008.

Dr J S Keniry resigned as Chairman of the On-Farm RDI Scientific & Welfare Committee on 19 November 2008.

Insurance of officers

During the year, Australian Wool Innovation Limited paid an insurance premium of \$55,885 (2008:\$52,939) to insure the directors and officers of the entity against liability and professional indemnity.

Proceedings on behalf of the company

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

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

Non-audit services

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

Details of the amounts paid to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in note 27 to the Financial Statements.

Dividends Paid

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

Environmental regulation

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

Statutory funding agreement obligations

In addition to annual reporting requirements, there are additional reporting requirements imposed upon the company under clauses 16-18 of the Statutory Funding Agreement between Australian Wool Innovation Limited and The Commonwealth of Australia.

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 38.

Rounding of amounts

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

Auditor

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

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



Mr W B Merriman
Chairman

Sydney
15 September 2009

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of Australian Wool Innovation Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

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

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



Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
15 September 2009

Financial Report - 30 June 2009

Contents

	Page
Financial report	
Income statements	36
Balance sheets	37
Statements of changes in equity	38
Cash flow statements	39
Notes to the financial statements	40
Directors' declaration	64
Independent auditor's report to the members	65

This 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 32 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 30, 580 George Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and principal activities is included with the review of operations and activities in the directors' report on page 30, which is not part of this financial report.

The financial report was authorised for issue by the directors on 15 September 2009. 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.wool.com.

Income statements

For the year ended 30 June 2009

	Notes	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue from continuing operations					
Operating revenue	3	58,449	85,834	46,359	73,206
Other revenue	3	3,267	4,978	3,215	4,893
		61,716	90,812	49,574	78,099
Expenses					
Project expenditure	5	(29,846)	(40,436)	(27,333)	(41,202)
International network	5	(22,863)	(20,034)	(4,717)	(4,975)
Wool production & sheep technologies	5	(2,528)	(2,852)	(2,528)	(2,852)
Global marketing	5	(5,116)	(4,408)	(5,116)	(4,408)
Corporate communications	5	(2,491)	(2,024)	(2,491)	(2,024)
Corporate services	5	(15,788)	(15,214)	(15,788)	(15,214)
Profit/(Loss) before income tax		(16,916)	5,844	(8,399)	7,424
Income tax expense	6	(477)	(386)	-	-
Profit/(Loss) from continuing operations		(17,393)	5,458	(8,399)	7,424
Profit/(Loss) attributable to:					
Members of Australian Wool Innovation Limited		(17,393)	5,458	(8,399)	7,424

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

Balance sheets

As at 30 June 2009

	Notes	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	7	9,493	64,574	5,546	59,862
Held-to-maturity investments	8	43,749	237	43,000	-
Trade and other receivables	9	9,262	13,626	5,989	9,114
Inventories	10	145	961	-	-
Total current assets		62,649	79,398	54,535	68,976
Non-current assets					
Property, plant and equipment	11	4,271	5,240	3,618	4,359
Investment in controlled entities	12	-	-	10,000	10,000
Intangible assets	13	10,867	10,000	867	-
Receivables	14	-	-	6,462	1,652
Deferred tax assets	15	-	40	-	-
Livestock	16	35	75	35	75
Other assets	17	725	1,123	118	223
Total non-current assets		15,898	16,478	21,100	16,309
Total assets		78,547	95,876	75,635	85,285
LIABILITIES					
Current liabilities					
Trade and other payables	18	10,487	13,467	6,431	9,096
Provisions	19	3,327	2,010	3,290	1,797
Current tax liabilities	20	542	730	-	-
Deferred income	21	8,705	7,243	-	-
Total current liabilities		23,061	23,450	9,721	10,893
Non-current liabilities					
Provisions	22	105	37	105	37
Other	23	924	1,071	924	1,071
Total non-current liabilities		1,029	1,108	1,029	1,108
Total liabilities		24,090	24,558	10,750	12,001
Net assets		54,457	71,318	64,885	73,284
EQUITY					
Contributed equity *	24	-	-	-	-
Reserves	25(a)	532	-	-	-
Retained profits	25(b)	53,925	71,318	64,885	73,284
Total equity		54,457	71,318	64,885	73,284

* As at 30 June 2008 and 2009 contributed equity in the consolidated and 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 2009

	Notes	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Total equity at the beginning of the financial year		71,318	65,860	73,284	65,860
Exchange differences on translation of foreign operations	25(a)	532	-	-	-
Profit/(Loss) for the year	25(b)	(17,393)	5,458	(8,399)	7,424
Total recognised income and expense for the year		(16,861)	5,458	(8,399)	7,424
Total equity at the end of the financial year		54,457	71,318	64,885	73,284

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

Cash flow statements

For the year ended 30 June 2009

	Notes	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash flows from operating activities					
Levy, licence, government grant and other receipts (inclusive of goods and services tax)		68,658	77,954	54,202	63,599
Payments to suppliers and employees (inclusive of goods and services tax)		(82,679)	(92,956)	(63,040)	(78,357)
		(14,021)	(15,002)	(8,838)	(14,758)
Interest received		3,444	5,056	3,392	4,971
Other revenue		45	690	45	677
Income taxes paid		(625)	(386)	-	-
Net cash inflow (outflow) from operating activities	35	(11,157)	(9,642)	(5,401)	(9,110)
Cash flows from investing activities					
Payments for property, plant and equipment		(450)	(1,855)	(277)	(1,648)
Proceeds from sale of property, plant and equipment		58	108	38	-
Proceeds from finalisation/(Payments for) purchase of business, net of cash acquired	31	1,262	(6,200)	-	(10,000)
Payments for held-to-maturity investments		(43,512)	(237)	(43,000)	-
Payments of website development costs		(867)	-	(867)	-
Funding to related parties		-	-	(4,809)	(1,652)
Net cash (outflow) inflow from investing activities		(43,509)	(8,184)	(48,915)	(13,300)
Net increase (decrease) in cash and cash equivalents					
		(54,666)	(17,826)	(54,316)	(22,410)
Cash and cash equivalents at the beginning of the financial year		64,574	82,400	59,862	82,272
Effects of exchange rate changes on cash and cash equivalents		(415)	-	-	-
Cash and cash equivalents at end of year	7	9,493	64,574	5,546	59,862

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

Notes to the financial statements

30 June 2009

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.

(a) Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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 Group's accounting policies. There are no material areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Australian Wool Innovation Limited as at 30 June 2009 and the results of all controlled entities for the year then ended. Australian Wool Innovation Limited and its controlled entities together are referred to in this financial report as the consolidated entity or the Group.

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

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

(c) Segment reporting

As Australian Wool Innovation Limited is a not-for-profit entity, it is not required to disclose segment reporting and accordingly has not done so.

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement.

(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); and
- all resulting exchange differences are recognised as a separate component of equity. Until 30 June 2008 these exchange differences were not material and were recorded in the income statement. From 1 July 2008 these exchange differences have been recorded as a separate component of equity.

NOTE 1: Summary of significant accounting policies (continued)

(e) Revenue recognition

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

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

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

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

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

Invoiced licence fees are deferred as a liability on the balance sheet and brought to account as revenue over the 12 months of the licence period.

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

(f) Income tax

(i) Parent entity

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

(ii) Consolidated entity

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Australian Wool Innovation Limited and its wholly owned Australian controlled entities have not implemented the tax consolidation legislation.

(g) Leases

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

Notes to the financial statements

30 June 2009

(continued)

NOTE 1: Summary of significant accounting policies (continued)

(h) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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

(i) Impairment of assets

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

(j) Cash and cash equivalents

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

(k) Trade receivables

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

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

(l) Inventories

(i) Raw materials and finished goods

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

(ii) 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)

(m) Investments and other financial assets

Classification

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

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in current trade and other receivables (note 9) and non-current receivables (note 14) in the balance sheet.

(ii) *Held-to-maturity investments*

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

Recognition and derecognition

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

Subsequent measurement

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

(n) Property, plant and equipment

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

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

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

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

	2009	2008
- Buildings	10-20 years	10-20 years
- Plant and equipment	2-10 years	2-10 years
- Leasehold improvements	10 years	10 years

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(o) 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.

Notes to the financial statements

30 June 2009

(continued)

NOTE 1: Summary of significant accounting policies (continued)

(p) Intangible assets

(i) *Research and development*

Research expenditure is recognised as an expense as incurred.

(ii) *Trademarks*

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

(iii) *IT development and software*

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised are external direct costs of materials and service. Amortisation is calculated on a straight line basis over 5 years.

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

(q) Trade and other payables

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

(r) Employee benefits

(i) *Wages and salaries, annual leave and sick leave*

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

(ii) *Long service leave*

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

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

(s) Dividends

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

(t) Goods and Services Tax (GST)

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

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

(u) Rounding of amounts

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

NOTE 2: Financial risk management

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

Risk management is carried out by the finance department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

The Group and the parent entity hold the following financial instruments:

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Financial assets				
Cash and cash equivalents	9,493	64,574	5,546	59,862
Trade and other receivables (excluding prepayments)	8,351	13,237	5,749	9,034
Held-to-maturity investments	43,749	237	43,000	-
	61,593	78,048	54,295	68,896
Financial liabilities				
Trade and other payables	10,487	13,467	6,431	9,096

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the CNY, EUR and USD currencies.

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

The Group has introduced new foreign exchange management policies during the year ending 30 June 2009 including wherever possible creating natural hedges with the collection of licence income in the same currencies as the expenditure specifically across Europe in Euros. The Group has also purchased foreign exchange contracts during the year to minimise the exposure to fluctuations in the currency markets based on a proportion of budgeted cash flows. The Group had no outstanding foreign exchange hedges at 30 June 2009 or 30 June 2008.

The Group's exposure to foreign currency risk at the reporting date, expressed in Australian dollar, was as follows:

	30 June 2009			30 June 2008		
	CNY \$'000	EUR \$'000	USD \$'000	CNY \$'000	EUR \$'000	USD \$'000
Bank accounts	2,706	1,199	1,392	1,837	975	862
Trade receivables	60	1,662	752	-	457	2,577
Trade payables	-	(133)	(83)	-	(425)	(132)

Group sensitivity

Based on the financial instruments held at the 30 June 2009, had the Australian dollar weakened/strengthened by 10% against the main trading currencies with all other variables held constant, the Group's income statement exposure, expressed in Australian dollar, would have been effected as follows:

	30 June 2009			30 June 2008		
	CNY \$'000	EUR \$'000	USD \$'000	CNY \$'000	EUR \$'000	USD \$'000
10% Higher	251	248	187	167	92	301
10% Lower	(307)	(303)	(229)	(204)	(112)	(367)

Parent entity sensitivity

The parent entity operates predominately in Australia and has no significant exposure to foreign exchange risk.

Notes to the financial statements

30 June 2009

(continued)

NOTE 2: Financial risk management (continued)

(ii) Cash flow and fair value interest rate risk

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

As at reporting date, the Group's exposure to interest rate risk and the effective weighted average interest rates are as follows:

	30 June 2009		30 June 2008	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Cash on hand - interest bearing	3.17%	656	6.32%	91
Cash on hand - non-interest bearing*		5,814		4,983
Funds invested - term deposits	3.97%	46,772	7.78%	59,737
Net exposure to cash flow interest rate risk		53,242		64,811

* The majority of the non-interest bearing cash is held in overseas jurisdictions where restrictions for repatriation and low interest regimes exist.

Group sensitivity

At 30 June 2009, if interest rates had changed by +/-100 basis points from the year end rates with all other variables held constant, post tax profit for the year would have been \$468,000 lower/higher (2008 - change of 100 bps: \$598,000 lower/higher) or post tax (loss) for the year would have been \$468,000 higher/lower (2008 - change of 100 bps: \$598,000 higher/lower), mainly as a result of lower/higher interest income from cash and cash equivalents and held-to-maturity investments.

Parent entity sensitivity

The parent entity's main interest rate risk arises from cash and cash equivalents and held-to-maturity investments. At 30 June 2009, if interest rates had changed by +/- 100 basis points from the year end rates with all other variables held constant, post tax profit for the year would have been \$467,000 lower/higher (2008 - change of 100 bps: \$597,000 lower/higher) or post tax (loss) for the year would have been \$467,000 higher/lower (2008 - change of 100 bps: \$597,000 higher/lower), as a result of lower/higher interest income from these financial assets.

(b) Credit risk

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

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

Risk of principal amounts invested is minimised by only investing in deposits with Standard & Poor's ratings AAA, AA 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 term deposits with a maximum term of 148 or 369 days in Australia and overseas respectively.

Funds invested at 30 June 2009 were predominantly in Australian dollars thereby minimising any foreign exchange risk.

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

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Financial assets				
Deposits with Australian Banks (rated A2 or better)	48,426	59,605	48,426	59,605
Deposits with overseas banks	4,816	5,206	120	257
	53,242	64,811	48,546	59,862

The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

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

NOTE 2: Financial risk management (continued)**(c) Liquidity risk**

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

Financial liabilities of the Group relate to trade and other payables amounting to \$10,487,000 (2008: \$13,467,000) all of which are payable within one year (parent entity \$6,431,000 (2008: \$9,096,000)).

(d) Fair value estimation

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

NOTE 3: Revenue

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
From continuing operations				
<i>Operating revenue</i>				
Licence fees	9,134	7,547	-	-
Government contributions	11,395	12,312	11,395	12,312
Sale of goods and services	1,531	4,198	505	376
Royalties	1,805	1,642	107	397
Wool levy	34,307	45,110	34,307	45,110
Other (includes an Australian Government \$15 million grant received in 2008)	277	15,025	45	15,011
	58,449	85,834	46,359	73,206
<i>Other revenue</i>				
Interest	3,267	4,978	3,215	4,893
	61,716	90,812	49,574	78,099

NOTE 4: Expenses

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Depreciation				
Buildings	270	279	270	279
Plant and equipment	787	885	496	727
Leasehold improvements	194	127	181	127
Total depreciation	1,251	1,291	947	1,133
Other losses				
Impairment - plant and equipment	(122)	300	-	-
Impairment - controlled entity receivable	-	-	1,442	1,106
Net foreign exchange losses	2,633	352	694	30
Net loss on property, plant & equipment disposals	34	26	32	3
Total other losses	2,545	678	2,168	1,139
Rental expense relating to operating leases				
Minimum lease payments	2,116	1,819	835	949
Defined contribution superannuation expense	1,157	1,127	716	661

Notes to the financial statements

30 June 2009

(continued)

NOTE 5: Research, development and marketing expenditure

Consolidated:	2009			2008		
	External costs \$'000	Internal costs \$'000	Total \$'000	External costs \$'000	Internal costs \$'000	Total \$'000
International network						
Asia	2,291	10,188	12,479	160	7,821	7,981
Europe	140	9,206	9,346	-	8,041	8,041
Americas	301	1,454	1,755	139	2,233	2,372
Internal costs	-	2,015	2,015	-	1,939	1,939
	2,732	22,863	25,595	299	20,034	20,333
Wool production & sheep technologies						
Wool production	12,311	2,071	14,382	13,045	2,428	15,473
Sheep technologies	3,141	457	3,598	6,014	424	6,438
	15,452	2,528	17,980	19,059	2,852	21,911
Global marketing*						
Knowledge	650	662	1,312	1,037	491	1,528
Innovation	2,008	1,968	3,976	3,255	1,829	5,084
Marketing	6,078	2,486	8,564	9,936	2,088	12,024
	8,736	5,116	13,852	14,228	4,408	18,636
Corporate communications	1,729	2,491	4,220	3,004	2,024	5,028
Corporate services						
AWS integration	1,197	-	1,197	3,846	4,750	8,596
Internal costs	-	15,788	15,788	-	10,464	10,464
	1,197	15,788	16,985	3,846	15,214	19,060
Total expenditure	29,846	48,786	78,632	40,436	44,532	84,968

*Global Marketing includes knowledge, innovation and marketing support services that AWI offers its off-farm gate partners namely wool processors, manufacturers, designers and retailers to enhance and promote the Woolmark brand.

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

Internal costs

Consolidated:	2009 \$'000	2008 \$'000
Contractor, legal & professional fees expenses	4,864	3,456
Employee expenses	20,585	17,712
Infrastructure expenses	6,266	6,353
Other expenses from ordinary activities	8,814	9,300
Restructure expenses	5,436	4,822
Travel expenses	2,821	2,889
Total	48,786	44,532

Parent entity:

As above except for \$18,146,255 (2008: \$15,058,951) international network expenses and \$2,512,675 (plus for 2008: \$766,000) project expenditure relating to The Woolmark Company Pty Ltd (100% owned subsidiary of AWI).

NOTE 6: Income tax expense

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(a) Income tax expense				
Current tax	465	453	-	-
Adjustments for current tax of prior periods	12	(67)	-	-
	477	386	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit/(Loss) from continuing operations before income tax expense	(16,916)	5,844	(8,399)	7,424
Tax at the Australian tax rate of 30% (2008 - 30%)	(5,075)	1,753	(2,520)	2,227
Tax exempt under section 50-40 of the <i>Income Tax Assessment Act 1997</i>	2,520	(2,227)	2,520	(2,227)
Tax losses and temporary differences not brought to account	3,208	892	-	-
Difference in overseas tax rates	(176)	(32)	-	-
Income tax expense	477	386	-	-

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

NOTE 7: Current assets - Cash and cash equivalents

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash at bank and in hand	6,470	5,074	2,523	362
Term deposits	3,023	59,500	3,023	59,500
	9,493	64,574	5,546	59,862

Further details of cash and cash equivalents are set out in note 8.

Notes to the financial statements

30 June 2009

(continued)

NOTE 8: Current assets - Held-to-maturity investments

	Consolidated		Parent	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Term deposits	43,749	237	43,000	-

	Consolidated	
	2009	2008
	\$'000	\$'000
Cash and cash equivalents (note 7) and held-to-maturity investments (note 8) are represented as follows:		
Unrestricted	6,942	18,511
Restricted as security against guarantees issued by the company's bankers ^(a)	2,700	2,700
Restricted by the Directors in respect of:		
Forward contract commitments ^(b)	22,200	22,200
Emergency funds ^(c)	5,000	5,000
Operating funds ^(c)	16,400	16,400
	53,242	64,811

- (a) Bank guarantees have been issued to a number of parties in respect of the company's liabilities. The company has given its primary bankers security over term deposits in respect of those amounts, such deposits attracting commercial interest rates.
- (b) A reserve of \$22.2 million has been created to cover forward commitments.
- (c) The directors resolved in September 2007 to set aside \$5 million as emergency funds to cover any unforeseeable expenditure and nine months of operating costs in respect of future liabilities.

NOTE 9: Current assets - Trade and other receivables

	Consolidated		Parent	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Net trade receivables				
Trade receivables	4,124	8,375	672	3,729
Provision for doubtful receivables	(912)	(381)	(59)	-
	3,212	7,994	613	3,729
Net other receivables				
Commonwealth matching funds & wool levy accruals	4,583	2,895	4,583	2,895
Other receivables	556	2,348	3,885	4,300
Provision for impairment of intercompany receivable	-	-	(3,332)	(1,890)
	5,139	5,243	5,136	5,305
Prepayments				
Insurance	163	108	150	80
Other	748	281	90	-
	911	389	240	80
	9,262	13,626	5,989	9,114

NOTE 10: Current assets - Inventories

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Raw materials - at cost	26	13	-	-
Other inventories - at net realisable value	119	948	-	-
	145	961	-	-

NOTE 11: Non-current assets - Property, plant and equivalent

Consolidated	Buildings \$'000	Freehold land \$'000	Plant and equipment \$'000	Leasehold improvements \$'000	Total \$'000
Year ended 30 June 2008					
Opening net book amount	2,168	425	1,252	-	3,845
Additions	4	-	494	1,356	1,854
Disposals	-	-	(65)	-	(65)
The Woolmark Company Pty Ltd acquisition	-	-	1,160	37	1,197
Depreciation charge	(279)	-	(877)	(135)	(1,291)
Impairment loss	-	-	(300)	-	(300)
Closing net book amount	1,893	425	1,664	1,258	5,240
At 30 June 2008					
Cost or fair value	2,917	425	9,613	1,421	14,376
Accumulated depreciation	(1,024)	-	(7,949)	(163)	(9,136)
Net book amount	1,893	425	1,664	1,258	5,240
Year ended 30 June 2009					
Opening net book amount	1,893	425	1,664	1,258	5,240
Additions	47	-	395	8	450
Disposals	(7)	-	(74)	(11)	(92)
Reclassification	(24)	-	-	24	-
The Woolmark Company Pty Ltd acquisition	-	-	(198)	-	(198)
Depreciation charge	(270)	-	(787)	(194)	(1,251)
Impairment write-back (note (a))	-	-	122	-	122
Closing net book amount	1,639	425	1,122	1,085	4,271
At 30 June 2009					
Cost or fair value	2,747	425	7,560	1,406	12,138
Accumulated depreciation	(1,108)	-	(6,438)	(321)	(7,867)
Net book amount	1,639	425	1,122	1,085	4,271

Notes to the financial statements

30 June 2009

(continued)

NOTE 11: Non-current assets - Property, plant and equivalent (continued)

Parent	Buildings \$'000	Freehold land \$'000	Plant and equipment \$'000	Leasehold improvements \$'000	Total \$'000
Year ended 30 June 2008					
Opening net book amount	2,168	425	1,252	-	3,845
Additions	4	-	289	1,356	1,649
Disposals	-	-	(2)	-	(2)
Depreciation charge	(279)	-	(727)	(127)	(1,133)
Closing net book amount	1,893	425	812	1,229	4,359

At 30 June 2008					
Cost or fair value	2,917	425	4,460	1,356	9,158
Accumulated depreciation	(1,024)	-	(3,648)	(127)	(4,799)
Net book amount	1,893	425	812	1,229	4,359

Parent	Buildings \$'000	Freehold land \$'000	Plant and equipment \$'000	Leasehold improvements \$'000	Total \$'000
Year ended 30 June 2009					
Opening net book amount	1,893	425	812	1,229	4,359
Additions	47	-	230	-	277
Disposals	(7)	-	(51)	(13)	(71)
Reclassification	(24)	-	-	24	-
Depreciation charge	(270)	-	(496)	(181)	(947)
Closing net book amount	1,639	425	495	1,059	3,618

At 30 June 2009					
Cost or fair value	2,747	425	3,076	1,356	7,604
Accumulated depreciation	(1,108)	-	(2,581)	(297)	(3,986)
Net book amount	1,639	425	495	1,059	3,618

(a) Impairment write-back

An impairment write-back of \$122,000 relating to the Optim machine owned by The Woolmark Company Pty Ltd has been recognised in the consolidated income statement due to a recovery from its former owner, Graziers' Investment Company Limited. The asset is carried in the consolidated balance sheet at its estimated recoverable amount.

NOTE 12: Non-current assets - Investment in controlled entities

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Investment in controlled entities	-	-	10,013	10,013
Provision for impairment of investment	-	-	(13)	(13)
	-	-	10,000	10,000

Australian Wool Innovation LLC was incorporated on 13 September 2005 in the USA with an initial capital contribution of \$13,000 (USD\$10,000.00), which represented 100% of the equity holding.

Woolmark Holdings Pty Ltd was incorporated on 28 February 2007 in Australia with an initial capital contribution of \$1.00 being 100% of the equity holding.

On 5 October 2007 Australian Wool Innovation Limited purchased key assets of Australian Wool Services Limited (AWS) for \$10 million.

NOTE 13: Non-current assets - Intangible assets

Consolidated	Certification trademarks \$'000	Website development costs \$'000	Total \$'000
--------------	---------------------------------------	--	-----------------

Year ended 30 June 2008

Opening net book amount	-	-	-
Additions	10,000	-	10,000
Closing net book amount	10,000	-	10,000

At 30 June 2008

Cost	10,000	-	10,000
Net book amount	10,000	-	10,000

Consolidated	Certification trademarks \$'000	Website development costs \$'000	Total \$'000
--------------	---------------------------------------	--	-----------------

Year ended 30 June 2009

Opening net book amount	10,000	-	10,000
Additions	-	867	867
Closing net book amount	10,000	867	10,867

At 30 June 2009

Cost	10,000	867	10,867
Net book amount	10,000	867	10,867

Parent	Website development costs \$'000
--------	--

Year ended 30 June 2009

Opening net book amount	-
Additions	867
Closing net book amount	867

At 30 June 2009

Cost	867
Net book amount	867

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

NOTE 14: Non-current assets - Receivables

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Net related party receivables				
The Woolmark Company Pty Ltd	-	-	6,462	1,652

Notes to the financial statements

30 June 2009

(continued)

NOTE 15: Non-current assets - Deferred tax assets

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
The balance comprises temporary differences attributable to:				
Miscellaneous	-	40	-	-

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

NOTE 16: Non-current assets - Livestock

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Livestock (sheep) value - at cost	35	75	35	75

Livestock are carried on the balance sheet at cost, with adjustment made to reflect net market value as appropriate. The consolidated and parent entity closing sheep stock on hand as at 30 June 2009 was 2,384 (2008: 2,300).

NOTE 17: Non-current assets - Other assets

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Lease deposits	725	1,123	118	223

NOTE 18: Current liabilities - Trade and other payables

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade payables	1,643	3,342	1,296	1,945
Project payment accruals	3,562	5,136	3,562	5,136
Other payables	5,282	4,989	1,573	2,015
	10,487	13,467	6,431	9,096

NOTE 19: Current liabilities - Provisions

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Long service leave	62	213	25	-
Restructuring	3,265	1,797	3,265	1,797
	3,327	2,010	3,290	1,797

NOTE 20: Current liabilities - Current tax liabilities

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Income tax	542	730	-	-

NOTE 21: Current liabilities - Deferred income

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Unearned licence income	8,705	7,243	-	-

NOTE 22: Non-current liabilities - Provisions

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Long service leave	105	37	105	37

NOTE 23: Non-current liabilities - Other

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Lease incentive - 580 George St fitout	924	1,071	924	1,071

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

NOTE 24: Contributed equity

	Parent entity		Parent entity	
	2009 Shares	2008 Shares	2009 \$	2008 \$
(a) Share capital				
Ordinary shares - fully paid	37,462	37,462	100	100

(b) Movements in ordinary share capital:

Date	Details	Number of shares	\$
1 July 2007	Opening balance	37,462	100
30 June 2008	Balance	37,462	100
1 July 2008	Opening balance	37,462	100
30 June 2009	Balance	37,462	100

(c) Ordinary shares

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

Notes to the financial statements

30 June 2009

(continued)

NOTE 24: Contributed equity (continued)

(d) Shareholder statistics

Details	30 June 2009	30 June 2008
Australian Capital Territory	110	110
New South Wales	10,890	11,086
Northern Territory	3	12
Queensland	1,064	1,097
South Australia	4,876	4,941
Tasmania	775	789
Victoria	6,798	6,874
Western Australia	5,238	5,416
Balance	29,754	30,325

NOTE 25: Reserves and retained profit

	Consolidated		Parent	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
(a) Reserves				
Foreign currency translation reserve	532	-	-	-

	Consolidated		Parent	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Movements:				
<i>Foreign currency translation reserve</i>				
Balance 1 July	-	-	-	-
Currency translation differences arising during the year from the Group:	532	-	-	-
Balance 30 June 2009	532	-	-	-

(b) Retained profits

	Consolidated		Parent	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Retained surplus at the beginning of the financial year	71,318	65,860	73,284	65,860
Net surplus/(deficit) attributable to the shareholders of Australian Wool Innovation Limited	(17,393)	5,458	(8,399)	7,424
Retained surplus at the end of the financial year	53,925	71,318	64,885	73,284

NOTE 26: Key management personnel disclosures

(a) Non-executive directors

The following persons were non-executive directors of Australian Wool Innovation Limited during the financial year:

Mr W B Merriman (Chairman, appointed 19 November 2008)
 Mr R J Fletcher (Deputy Chairman, appointed 19 November 2008)
 Mr B P van Rooyen (former Chairman, resigned 19 November 2008)
 Mr C R Olsson
 Dr K J Bell
 Mr G B S Falkiner (appointed 19 November 2008)
 Mr L S Modiano (appointed 19 November 2008)
 Dr M L Sheil (appointed 19 November 2008)
 Mr D A A Webster (appointed 19 November 2008)
 Dr C J Abell (resigned 19 November 2008)
 Mr K A Boundy (resigned 19 November 2008)
 Ms R Clubb (resigned 19 November 2008)
 Dr J S Keniry (resigned 19 November 2008)

(b) Other key management personnel*

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position	Employer
Ms B J McGahan (appointed 2 March 2009)	Chief Executive Officer	AWI Limited
Mr C S Welsh (until 12 December 2008)	former Chief Executive Officer	AWI Limited
Mr L M Targ (until 31 December 2008)	former Deputy Chief Executive Officer	AWI Limited
Ms S C Myers (appointed 5 May 2009)	Company Secretary & General Counsel	AWI Limited
Ms S B M Palmer (appointed 1 January 2009 until 15 May 2009)	former Company Secretary	AWI Limited
Mr J J Barry (until 30 June 2009)	former General Manager, Finance & IT and former Chief Operating Officer (from 16 December 2008 until 31 March 2009)	AWI Limited
Mr J Jackson	General Manager - Product Development and Commercialisation	AWI Limited
Mr P Senkoff	General Manager - Asia	AWI Limited
Mr N Bensid	General Manager - Europe	AWI Limited
Mr S McCullough	General Manager - Australia	AWI Limited
Mr E Nazario	General Manager - Americas	AWI LLC
Ms K M Newton (appointed 9 February 2009)	Human Resource Manager	AWI Limited
Ms F S Leyden (from 1 January 2009 until resignation on 5 February 2009)	former Head of HR	AWI Limited
Mr M Cuming (appointed 6 May 2009)	Manager - Corporate Communications	AWI Limited
Mr M D Gleeson (appointed 22 December 2008 until 3 April 2009)	former Senior Manager - Corporate Communications	AWI Limited
Mr M P Flugge (until 19 December 2008)	former General Manager - Corporate Affairs	AWI Limited
Mr D J Yardley (until 1 February 2009)	former General Manager - Global Marketing	AWI Limited
Ms L M Hogan (until 28 June 2009)	former General Manager - Wool Production	AWI Limited

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

Notes to the financial statements

30 June 2009

(continued)

NOTE 26: Key management personnel disclosures (continued)

(c) Key management personnel compensation

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Non-executive directors				
Short-term employee benefits	701,724	570,258	701,724	570,258
Post-employment benefits	63,055	51,367	63,055	51,367
	764,779	621,625	764,779	621,625
Other key management personnel				
Short-term employee benefits	3,387,070	2,027,047	2,249,808	1,912,975
Post-employment benefits	205,701	119,969	155,701	119,969
Termination benefits	1,402,707	245,740	1,402,707	245,740
	4,995,478	2,392,756	3,808,216	2,278,684

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

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

During 2009 AWI was restructured, the CEO position replaced and executive roles rationalised. This resulted in the reduction from three to two layers of management and created additional key management personnel directly reporting to the CEO.

(d) Remuneration principles and policies

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

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

- competitiveness and reasonableness
- acceptability to shareholders
- transparency

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

(ii) Directors' fees

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

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

NOTE 26: Key management personnel disclosures (continued)*(iii) Executive pay*

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

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

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

(iv) Executive Service Agreements

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

NOTE 27: Remuneration of auditors

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

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
(a) Audit services				
Audit fees - domestic	172,000	153,500	172,000	102,000
Audit fees - international	158,914	151,317	-	-
Other audit services	22,200	53,413	22,200	31,500
Total remuneration for audit services	353,114	358,230	194,200	133,500
(b) Non-audit services				
<i>Audit-related services</i>				
Advisory services	127,925	27,165	21,779	2,000
<i>Taxation services</i>				
Tax compliance services	64,095	74,746	-	-
Total remuneration for non-audit services	192,020	101,911	21,779	2,000
Total Remuneration	545,134	460,141	215,979	135,500

NOTE 28: Contingencies**Contingent liabilities**

The parent entity and Group had contingent liabilities at 30 June 2009 in respect of potential tax liabilities in two Asian countries. If proven, the majority of the liability pre-dates the acquisition of The Woolmark Company Pty Ltd and therefore would be the responsibility of the former owner, Graziers' Investment Company Limited.

Notes to the financial statements

30 June 2009

(continued)

NOTE 29: Commitments

(i) Research and development

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Commitments in relation to research and development are payable as follows:				
Within one year	5,298	13,077	5,298	13,077
Later than one year but not later than five years	2,400	4,465	2,400	4,465
	7,698	17,542	7,698	17,542

(ii) Non-cancellable operating leases

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	1,677	1,793	890	843
Later than one year but not later than five years	3,528	4,075	3,080	3,103
Later than five years	1,095	1,944	1,095	1,944
	6,300	7,812	5,065	5,890

NOTE 30: Related party transactions

(a) Parent entities

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

(b) Directors

The names of persons who were directors of the company at any time during the financial year are as follows: W B Merriman, R J Fletcher, B P van Rooyen, C R Olsson, K J Bell, G B S Falkiner, L S Modiano, M L Sheil, D A A Webster, C J Abell, K A Boundy, R Clubb and J S Keniry. All of these persons were also directors during the year ended 30 June 2008, except for G B S Falkiner, L S Modiano, M L Sheil and D A A Webster who were appointed on 19 November 2008.

(c) Subsidiaries

Interests in subsidiaries are set out in note 32.

(d) Remuneration

Disclosures relating to directors and key management personnel remuneration are set out in note 26 to the Financial Statements.

(e) Other transactions with directors and key management personnel or entities related to them

(i) Loan transactions and balances

There were no loan transactions or balances with directors and key management personnel or entities related to them during the year ended 30 June 2009.

(ii) Other transactions and balances

No director, or director-related entity entered into a contract or had any other transactions other than normal terms and conditions with Australian Wool Innovation Limited during the year ended 30 June 2009.

NOTE 30: Related party transactions (continued)

Other transactions relating to subsidiaries:

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Current receivables</i>				
Loan to AWI LLC (US subsidiary)	-	-	3,332,738	1,960,450
Provision for impairment of intercompany receivable	-	-	(3,332,738)	(1,890,312)
	-	-	-	70,138

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Non-current receivables</i>				
The Woolmark Company Pty Ltd	-	-	6,461,837	1,651,623

(f) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Sales of services</i>				
Sale of co-funded projects and testing services to key management personnel* of the entity or its parent	-	38,767	-	30,000
<i>Purchases of services</i>				
Purchases of project services relating to animal health and welfare, sheep genetics and wool testing from key management personnel* of the entity or its parent	886,254	1,564,421	826,567	1,502,905

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

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

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

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Current payables (purchases of services)</i>				
Key management personnel of the entity or its parent	66,132	193,377	65,598	190,401

Notes to the financial statements

30 June 2009

(continued)

NOTE 31: Business combination

The Woolmark Company Pty Ltd

In the previous financial year, the Group acquired 100% of the issued shares of The Woolmark Company Pty Ltd. The finalisation of the acquisition accounting during 2009 resulted in a reduction in net tangible assets acquired (excluding cash balances) of \$1,262,000, which was offset by a cash refund received from Graziers' Investment Company Limited of an equivalent amount.

There were no changes to the value of intangible assets acquired.

NOTE 32: Controlled entities

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

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2009 %	2008 %
Subsidiaries controlled by Australian Wool Innovation Limited:				
Australian Wool Innovation LLC	USA	Ordinary	100	100
Woolmark Holdings Pty Limited	Australia	Ordinary	100	100
Woolshare Nominees Pty Limited	Australia	Ordinary	100	100
Subsidiaries controlled by Woolmark Holdings Pty Ltd:				
The Woolmark Company Pty Ltd	Australia	Ordinary	100	100
Australian Merino Pty Ltd	Australia	Ordinary	100	100
Subsidiaries controlled by The Woolmark Company Pty Ltd:				
Woolmark International Pty Ltd	England	Ordinary	100	100
IWS Nominee Company Limited	England	N/A	100	100
Woolmark (Americas) Inc.	USA	N/A	100	100
Stichting International Wool Secretariat	Netherlands	N/A	100	100
Osterreichischer Wollsiegel-Verband des Internationalen Vollsekretariates	Austria	N/A	100	100
Wollsiegel Verband	Germany	N/A	100	100
IWS Marke AG	Switzerland	Ordinary	100	100
Woolmark (Italy) SRL	Italy	Ordinary	100	100
The Woolmark Company (HK) Limited	Hong Kong	Ordinary	100	100
The Woolmark Company (Shanghai) Limited	China	Ordinary	100	100
Woolmark Services India Private Limited	India	Ordinary	100	100
Secretariado Internacional De La Lana SA	Mexico	N/A	-	100
International Wool Secretariat SA de C.V.	Mexico	Ordinary	-	100

NOTE 33: Economic dependency

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

NOTE 34: Events occurring after the balance sheet date

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

NOTE 35: Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Profit/(loss) from continuing operations	(17,393)	5,458	(8,399)	7,424
Depreciation and amortisation	1,251	1,291	947	1,133
Acquisition depreciation adjustment	198	-	-	-
Net (gain)/loss on sale of non-current assets	34	22	32	2
Effect of movements in exchange rates	947	350	-	-
Impairment of assets	(122)	300	-	-
Change in operating assets and liabilities, net of effect from purchase of controlled entity				
Decrease (increase) in trade debtors	4,783	(2,957)	3,116	(2,694)
Decrease (increase) in prepayments	(522)	528	(160)	240
Decrease (increase) in other operating assets	438	(1,822)	145	(1,740)
Decrease (increase) in other receivables	104	1,168	169	1,374
Decrease (increase) in inventories	816	347	-	64
Increase (decrease) in creditors	(2,980)	(3,492)	(2,664)	(3,492)
Increase (decrease) in provisions	1,385	2,638	1,560	2,508
Increase (decrease) in deferred income	1,462	(14,158)	-	(15,000)
(Decrease) increase in other operating liabilities	(1,410)	685	(147)	1,071
Increase (decrease) in taxes	(148)	-	-	-
Net cash (outflow) inflow from operating activities	(11,157)	(9,642)	(5,401)	(9,110)

Directors' declaration

30 June 2009

In the directors' opinion:

- (a) the financial statements and notes set out on pages 35 to 63 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 2009 and of their performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Mr W B Merriman
Chairman

Sydney
15 September 2009

Independent auditor's report

30 June 2009

Independent auditor's report to the members of Australian Wool Innovation Limited

Report on the financial report

We have audited the accompanying financial report of Australian Wool Innovation Limited (the company), which comprises the balance sheet as at 30 June 2009, 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.

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*.

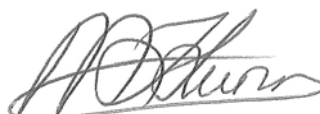
Auditor's opinion

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 2009 and of its 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



Matthew Lunn
Partner

Sydney
15 September 2009

Project list 2008/09

This list contains details of AWI projects in which payments to providers made during 2008/09 totalled more than \$75,000 for each project. The payment figures (in the right-hand columns) include both contract and ancillary payments. The payments in this list represent 'external costs' to suppliers directly related to the projects and not the 'internal costs' of AWI staff who manage those projects and other operating expenses.

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

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

Marketing

Project title	Key providers*	\$ paid in 2008/2009
AWI brand launch program - AWI core brand strategy	Action Plastics, Austage - The Australian Staging Company, Australia Post, Belgair Graphics Pty Ltd, Bencom S.R.L, CHIC ARTIST Pty Ltd, Chic Management, Duet Entertainment Pty Ltd, East-8 Strategic Public Relations Group (Beijing) Co. Ltd, Film Central, Gavin Anderson & Company Australia Ltd, Getty Images, Indesign, JRL Hall & Co, Loiseau Conseil, Mike Da Silva Pty Ltd, Oz Street Communications, Premium Fulfilment Services Pty Ltd, Relax, Studio Nuvu, Suede, Sydney Theatre Co, World Textile Publications Limited, Yaffa Publishing Group Pty Ltd	1,187,129
Japan Marketing Program - marketing program for fine and superfine wool in Japan	Aoyama Trading, Flandre, Onward Kashiyama, Isetan, Sanyo Shokai	1,077,579
AWI brand and collateral design and origination	Australasian Textiles Publishers, Bee Dee Bags Australia, Bold Signs, Catapult Graphics, CHIC ARTIST Pty Ltd, Conomos Corporate Marketing, David Gray Freight Contractor, Flash Photobition, Getty Images, Jac & Jack, Kaye E. Blum, Landor Associates Pty Ltd, Media Networking Pty Ltd, Melacreative, Promotions Only, Relax, Sharman Shawls, Shoot Studios, Suede, The Dominion Group, The International Language Company, Vivans Model Management	998,858
Registration of trademarks globally	Spruson&Ferguson	680,839
Woolmark Prize	Concept + Image, Le Palais de Tokyo, Qiu Hao, Story Box Press	518,708
Colour trend book - concept and creation	Peclers Paris	479,292
Wool UK - marketing proposal for the UK	Keep	366,326
Trade show fairs 2008-2009: Pitti Filati, Florence - Italy, SpinExpo, Shanghai - China, Premiere Vision, Paris - France, Intertextile, Shanghai - China, Outdoor Retailer, Salt Lake City - USA	Construct Data Publishers AG, Downing Displays, Fair bright Consultants Limited, Hangar Design Group, Milos Knitwear (international) Ltd, Outdoor Retailer, Shanghai Boashan Printing, Well Link Consultants Ltd.	326,168
Merino Touch trade marketing and consumer education campaign for the Chinese domestic market with a view to repositioning the Woolmark in Greater China	East-8 Strategic Public Relations Group (Beijing) Co. Ltd, Norun China, ViewShop Marketing Communications Consulting (Shanghai)	303,226
Korean Marketing Program - fine and superfine wool	Lotte, Cheil Industries	249,836
International public relations (PR)	Australian Wool Fashion Awards Ltd, LaForce and Stevens, Pietri I Publicis Consultants	209,424
Public relations (PR) international 2008 (Japan) - maximise marketing and media communications for Woolmark re-branding	Wag Inc	171,247
Merino Fresh™ - Global product development and marketing in a new business model	Catapult Graphics, Chadwicks Model Agency Pty Ltd, China National Garment Association, I.W.S Nominee Co Ltd, IWS Nominee Company Limited, Jacqueline Nicole Lau, Jiangshu Sunshine Group, Premium Fulfilment Services Pty Ltd, Relax, Siroset (The All Japan Si-ro-set Processors Association), Spruson&Ferguson	161,801
Marie Claire - Anterprima collaboration (Japan)	Wag Inc	151,187



Marketing (continued)

Project title	Key providers*	\$ paid in 2008/2009
Woolmark repositioning in USA	Conde Nast Publications, Tom Suey Inc.	144,559
Pure Merino school uniform (Japan)	Nikke	133,949
Brooks Brothers joint promotion	Retail Brand Alliance, LLC	116,934
Total Easy Care casualwear product marketing in Japan	Isetan Co. Ltd., Com Solutions, Koike Keori Co. Ltd.	111,440
Dillard's Fall 2008 Merino campaign	Dillard's, Federation of Aust Wool Organisations	111,019
The Australian Wool Fashion Awards - TAWFA	The Australian Wool Fashion Awards	100,075
Organic/eco wool strategy	Balance Carbon Pty Ltd, CSIRO Textile & Fibre, Hyder Consulting Pty Ltd, The Merino Company Pty Ltd, TM Organics, Winemakers Federation of Australia	91,145
America's public relations (PR): consultancy extension	LaForce and Stevens	88,067
Developing the criteria for accreditation of the processors and entry to the AWI Superior Merino Club.	Agustin Domingo Baixauli, Burch Consulting Service, CSIRO Textile & Fibre, David Tester, Deetek Services, Gary Robinson, Global Textiles Associates Limited, Larson O'brian/dashi (Shanghai) Co Ltd, Lorraine Zhang	85,286
International public relations (PR) 2008	Attila & Company, Margit Jandali	80,497
G'DAY USA 2009 sponsorship	Australian Consulate General, DHL International (Aust) Pty Ltd	78,551
L'Oréal Melbourne Fashion Festival 2009	Melbourne Fashion Festival Limited	76,345
Total of payments on marketing projects (of more than \$75,000 per project during 2008/09)		8,099,487

Off-farm R&D

Project title	Key providers*	\$ paid in 2008/2009
Chlorine-free shrink resistance	CSIRO Textile & Fibre	265,990
Sheep CRC 2 Project 2.1.1 Skin Comfortmeter for knitted wool fabrics	Sheep CRC	235,222
Sheep CRC 2 Project 2.2.1 Whiter lightfast wools	Sheep CRC	160,000
Sheep CRC Wool Program Funding (APDM)	Sheep CRC	136,500
Improved wrinkle recovery treatment for wool fabrics	AgResearch Ltd - Textiles Group	130,129
Sheep CRC 2 Project 2.3.1 Desirable wool handle	Sheep CRC	110,000
Development of new generation inorganic fluorescent whitening agents	AgResearch Ltd - Textiles Group	87,500
A new chlorine-free shrink proofing technology	Deakin University	82,500
Development of a wool-based marker fibre	AgResearch Ltd - Textiles Group	75,800
Total of payments on off-farm R&D projects (of more than \$75,000 per project during 2008/09)		1,283,641



Breeding and genetics

Project title	Key providers*	\$ paid in 2008/2009
Sheep CRC 2 Project 4 2 1 Information Nucleus - operations	Sheep CRC	439,750
MLA Agent - Genotyping Falkiner Memorial Field Station progeny	Meat & Livestock Australia	338,677
Merino Superior Sires - Australian Merino Sire Evaluation Assoc (AMSEA) 2008-11	Australian Merino Sire Evaluation (AMSEA)	315,822
Sheep Genetics - MERINOSELECT	Meat & Livestock Australia	279,931
Sheep CRC 2 Project 4 1 1 Information Nucleus - design and analysis	Sheep CRC	271,500
SheepGenomics mapping flock reproduction traits	Falkiner Memorial Field Station (FMFS), Future Livestock Pty Ltd, Meat & Livestock Australia	186,252
CRC for Sheep Industry Innovation - Program 4 - Information Nucleus	Sheep CRC	143,750
National Merino Bloodline Evaluation (support, analysis and research)	NSW Department of Primary Industries	106,807
Sheep CRC 2 Project 1 2 1 reproduction efficiency	Sheep CRC	100,000
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	The University of Adelaide	99,500
MLA Agent - Harnessing the bovine and other mammalian genomes for ovine research and applications	Meat & Livestock Australia	95,732
International Science Linkages (ISL) Grant	Meat & Livestock Australia, University of Sydney	88,500
MLA Agent - Validation of DNA tests for the Australian sheep industry - CSIRO component	Meat & Livestock Australia	80,000
Total of payments on breeding and genetics projects (of more than \$75,000 per project during 2008/09)		2,546,221

Animal health and welfare

Project title	Key providers*	\$ paid in 2008/2009
Vaccine potential of surface antigens of Dichelobacter Nodosus (footrot)	Monash University	328,595
Identification and validation of new drug targets for control of gastrointestinal nematode parasites of sheep	Australian National University, Meat & Livestock Australia	313,055
Eradication of virulent ovine footrot by sequential specific vaccination	University of Sydney	182,403
Fungal biopesticide for lice control	Queensland Government Dept of Primary Ind	150,194
Development of a vaccine against annual ryegrass toxicity	CSIRO Livestock Industry	147,408
Identification of marker haplotypes for resistance to Haemonchus contortus (Barbers Pole worm) III	Meat & Livestock Australia, The University of New England	137,500
Worm diagnostic test using PCR technology	Meat & Livestock Australia	110,000
Sheep CRC 2 Project 1 3 1 Improved parasite management	Sheep CRC	100,358
Total of payments on animal health and welfare projects (of more than \$75,000 per project during 2008/09)		1,469,513



Flystrike prevention

Project title	Key providers*	\$ paid in 2008/2009
Breeding for breech strike resistance	Department of Agriculture and Food Western Australia, CSIRO Livestock Industry	606,505
Cobbett Technologies intradermal	Cobbett Technologies Pty Ltd, CSIRO Livestock Industry	555,445
Flystrike prevention road show - spring 2008	Agforce Queensland, Agriculture Publishers Pty Ltd, BCS Agribusiness Solutions, Belgair Graphics Pty Ltd, Dept of Natural Resources & Environment, Para-Tech Veterinary Services, Sefton & Associates Pty Ltd, The Trustee for The Hodgson Family Trust, XPEDITE Systems Pty Ltd	277,707
2008 clip trials	Applidyne Pty Ltd, AusVet Animal Health Services, James Beer, Joan Lloyd Consulting Pty Ltd, NSW Department of Primary Industries, RE & JA Powell, Veterinary Health Research Pty Ltd, Warren Godson	269,874
Environmentally friendly insecticides targeting the sheep blowfly ecdysone receptor	CSIRO Livestock Industry	220,500
National Mulesing Accreditation Program 2008/09	Kondinin Group Limited, Livestock Contractors Association Inc, Mike Stephens & Associates Pty Ltd	132,870
Flystrike prevention trials of Alginate (FSP-1) and Cyanoacrylate (FSP-2)	Advanced Veterinary Therapeutics, SARDI	131,639
Grower awareness and communications 2007/08	Agriculture Publishers Pty Ltd, Belgair Graphics Pty Ltd, Integrated Marketing Communications Pty Ltd, Rainbow Displays, Sefton & Associates Pty Ltd	128,389
Flystrike prevention project and other high priority research projects	The University of Adelaide	100,000
Genomic analysis and transformation of the sheep blowfly	Massey University, University of Melbourne	96,761
Total of payments on flystrike prevention projects (of more than \$75,000 per project during 2008/09)		2,519,690

Pastures

Project title	Key providers*	\$ paid in 2008/2009
Evergraze	Australian Alpine Valleys Agribusiness Forum, Border Rivers - Gwydir Catchment Management Authority, Central Highlands Agribusiness Forum, CRC for Plant Based Management of Dryland Salinity, GR & SL Saul t/a PSA Services, Holbrook Landcare Group, Lachlan Catchment Management Authority, Meat & Livestock Australia, Murrumbidgee Catchment Management Authority, Namoi Catchment Management Authority, NSW Department of Primary Industries, SARDI, South Coast Natural Resource Management Inc., University of Tasmania, VIC Department of Primary Industries, Warren Catchments Council Committee of Manjimup	1,043,152
Facilitator - decision support for grazing systems	CSIRO Plant Industry	165,493
Rabbits research co-ordination	Invasive Animals Cooperative Research Centre	150,059
Agronomy and management of new legumes	NSW Department of Primary Industries	148,900
Developing systems to exploit the newly released varieties of the biennial forage legume sulla (hedysarum coronarium)	SARDI	102,903
Lifetime Wool project	Department of Primary Industries, Victoria	99,220
Reliable establishment of non-traditional perennial pasture species	CRC for Plant Based Management of Dryland Salinity	80,306
Total of payments on pastures projects (of more than \$75,000 per project during 2008/09)		1,790,033



Wool harvesting and wool quality

Project title	Key providers*	\$ paid in 2008/2009
New generation wool harvesting - biological harvesting developmental program	Brooke and Mackenzie Pty Ltd, The B&B Trust t/a BW Field Pty Ltd, The University of Adelaide	237,501
A quality and profitable clip - the woolgrowers responsibility	BCS Agribusiness Solutions, Sefton & Associates Pty Ltd, The Country Advertising Agency	172,904
Shearer and wool handler training - Vic training delivery 08-09	Primary Skills Victoria, SCAA Shearer Shedhand Training Incorporated	170,410
Shearer and wool handler training - NSW training delivery 08-09	TAFE NSW - Western Institute	164,323
Random testing of 1% of the Australian wool clip	Australian Wool Testing Authority Ltd	136,820
Shearer and wool handler training - WA training delivery 08-09	C Y O'Connor College of TAFE	131,877
National Wool Production Forecasting Committee 08/09	Department of Agriculture of Western Australia (DAWA), Miracle Dog Pty Ltd, Poimena Trust t/a Poimena Analysis	120,881
Dark and medullated fibre (DMF) instrument commercialisation	Australian Wool Testing Authority Ltd	118,559
Shearer and wool handler training - project management 08-09	Y & R Consulting Pty Ltd	107,137
Shearer and wool handler training - SA training delivery 08-09	TAFE SA	105,524
Biological harvesting strategy 3 weakening the fibre - phase 2	The University of Adelaide	97,944
Shearer and wool handler training - evaluation 08-09	Field Learning Pty Ltd	83,800
Shearer and Wool Handler Training - Qld Training Delivery 08-09	Australian Agricultural College Corporation, Queensland Rural Industry Training Council Inc	83,096
Shearer & Wool Handler Training - National Consistency Workshops 08-09	Debs Woolaway Services, DP & CN Crean t/a Mountain Valley Partnership, Mcknest Family Trust, NS & CL Endacott, Sarah Cunningham, TAFE NSW - Western Institute, The University of Adelaide, The University of New England, University of Melbourne	81,180
Annual Wool Residue Survey 2008/2009	CSIRO Textile & Fibre	79,545
Total of payments on wool harvesting and wool quality projects (of more than \$75,000 per project during 2008/09)		1,891,501

Extension and adoption

Project title	Key providers*	\$ paid in 2008/2009
Working with growers to overcome the constraints to adoption of new annual pasture legumes in the medium and low rainfall areas of southern Australia	Department of Agriculture of Western Australia (DAWA)	372,000
Making More from Sheep - delivery strategy	Australia Post, Charles Sturt University, Department of Primary Industries and Water, GHD Pty Ltd, Jarrapool Project Management and Consulting Pty Ltd, JRL Hall & Co, L & L Communications Australia Pty Ltd t/a LCUBED, Landmark Operations Ltd, Meat & Livestock Australia, NSW Department of Primary Industries, Primary Industries And Resources SA, Queensland Government Dept of Primary Ind, Sefton & Associates Pty Ltd, Vic Department of Primary Industries	356,676
Scholarship and studentship program	Angus Winterflood, Benjamin Thomas, CSIRO Livestock Industry, Mark Alchin, Sophie Curtis, The University of Adelaide, Tim Salmon, University of Melbourne, University of Sydney, University of Technology Sydney	174,737



Extension and adoption (continued)

Project title	Key providers*	\$ paid in 2008/2009
8x5 Wool Profit Program phase II - (Tas extension program)	University of Tasmania	154,335
Leading Sheep 2008-2011 (Qld Extension Program)	Queensland Government Dept of Primary Ind	152,378
Sheepconnect SA 2008-2011 (SA extension program)	Primary Industries And Resources SA	151,131
The Sheeps Back 2007-2010 (WA extension program)	JRL Hall & Co	150,018
Landleader project	Agriculture, Fisheries & Forestry AUS, L & L Communications Australia Pty Ltd t/a LCUBED, Meat & Livestock Australia, Resourced Pty Ltd, Roberts Evaluation Pty Ltd, The Bushka Family Trust t/a Dart Data Entry Services Pty Ltd	120,298
Bestwool/Bestlamb 2008-2011 (Vic Extension Program)	Department of Primary Industries, Victoria	100,000
Postgraduate training - CRC for Sheep Industry Innovation	Sheep CRC	100,000
Grower Adoption project manager - Peter Hanrahan, 2008-09	Peter Hanrahan Consulting Pty Ltd	95,031
Bestwool/Bestlamb (Vic extension program)	Department of Primary Industries, Victoria	84,904
Total of payments on extension and adoption projects (of more than \$75,000 per project during 2008/09)		2,011,508

Support operations

Project title	Key providers*	\$ paid in 2008/2009
Australian Wool Services integration project	Australia Post, Fine Moves, Hays Personnel Services, Hill & Knowlton Australia Pty Ltd, PricewaterhouseCoopers	827,632
Beyond the Bale	Coretext Pty Ltd	454,637
AWI R&D review and AWI Operational Plan development	Lori Sutej, Paul Swan & Associates Pty Ltd	124,101
Annual Report	Yello Brands (Sydney) Pty Ltd, Paragon Printing	115,774
Joint RDC evaluation and communications	Acil Tasman Pty Ltd, Rural Industries R & D Corp	109,814
Shareholder research	Gavin Anderson & Company Australia Ltd	99,346
AGM marketing activities	Australian Business Theatre Pty Ltd	98,775
Harvest and Woolcheque	Australian Wool Exchange Ltd	89,304
Australian wool industry free trade	Department of Agriculture, Fisheries and Forestry (Bureau of Sciences), ITS Global, S G Heilbron Pty Ltd, The University of Queensland	88,463
Australian Wool Production Forecasting Committee	Agriculture Western Australia, Miracle Dog Pty Ltd	88,157
Total of payments on support projects (of more than \$75,000 per project during 2008/09)		2,096,003



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