

AUSTRALIAN WOOL INNOVATION LIMITED



ANNUAL REPORT
2010/11



AWI'S MISSION

AWI's mission is to invest in research, development, marketing and promotion in order to:

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

CONTENTS

UP FRONT

- 2 About AWI
- 4 Highlights of 2010/11
- 5 Financial summary
- 6 AWI Board of Directors
- 8 Chairman's report
- 9 CEO's report

OPERATIONAL REPORTS

- 10 R&D on-farm
- 16 R&D off-farm
- 21 Marketing Australian wool
- 27 Woolmark brand
- 28 Market access
- 29 Good business

FINANCIAL REPORT

- 38 Directors' report
- 41 Auditor's independence declaration
- 43 Consolidated statement of comprehensive income
- 44 Consolidated balance sheet
- 45 Consolidated statement of changes in equity
- 46 Consolidated cash flow statement
- 47 Notes to the consolidated financial statements
- 68 Directors' declaration
- 69 Independent auditor's report

APPENDICES

- 70 Report on compliance with the SFA
- 72 Project list 2010/11

ABOUT AWI

WHAT AWI DOES

Established in 2001, AWI is a not-for-profit company owned by over 28,000 wool levy payers who have registered as AWI shareholders.

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

AWI's vision is for it to be a significant contributor to a vibrant, stable and profitable wool industry providing the world with the best natural fibre.

AWI's goal is to help increase stable and sustained demand for wool through investments in marketing, innovations and R&D - from farm to fashion.

HOW AWI IS FUNDED

AWI investments are funded through a wool levy paid by woolgrowers (currently two per cent of the sale price received for their shorn greasy wool) and a matching contribution from the Australian Government for eligible R&D activities, capped at 0.5 per cent of the 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 business development 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. In the most recent vote - WoolPoll 2009 - 73.13 per cent of votes cast were in favour of a levy of two per cent or more. The next vote is in 2012.

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. The latest three year Statutory Funding Agreement came into effect on 1 July 2010.

BUSINESS MODEL

In the WoolPoll conducted of woolgrowers in November 2009, our shareholders voted to continue the wool levy at two per cent, allocated with the Government's matching contribution for eligible R&D activities as follows:

Research & Development 50%		Marketing 50%
On-farm R&D 30%	Off-farm R&D 20%	Off-farm Marketing 50%
On-farm activities 30%	Off-farm activities 70%	

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.

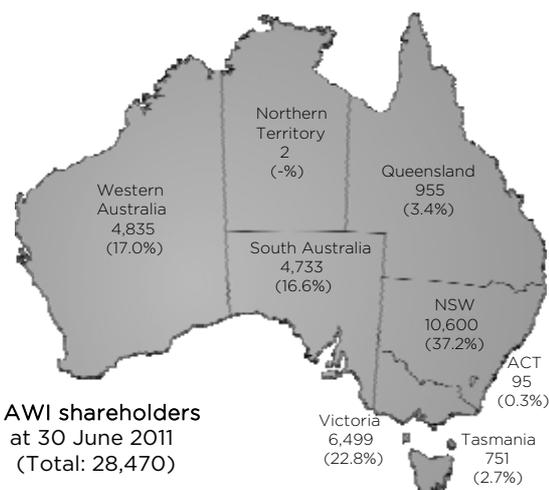
AWI SHAREHOLDERS

AWI has more than 28,000 shareholders who are Australian woolgrowers. The shareholders of AWI contribute to the wool levy. The shareholders are able to shape the decision making process of the company via their access to information and right to vote at Annual General Meetings.

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

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

AWI had 28,470 shareholders at 30 June 2011, a decrease of 877 shareholders over the past 12 months. There were a total of 55,977 wool levy payers at 30 June 2011.



AWI shareholders
at 30 June 2011
(Total: 28,470)



STRATEGY FOR THE FUTURE

Since 1 July 2010, AWI has been operating under a new three-year Strategic Plan for the years 2010/11 through to 2012/13.

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

1. Wool industry R&D – On-farm

Objective: To help build a sustainable Australian wool industry through improvements in productivity and profitability on-farm.

Strategy 1: Sheep health, welfare and productivity

Strategy 2: Wool harvesting and clip quality

Strategy 3: The environment, climate change and carbon

Strategy 4: Education and extension.

2. Wool industry R&D – Off-farm

Objective: To help increase demand for Australian Merino wool by recognising and addressing through off-farm R&D the product and process barriers to consumption at trade level through consumer-driven, targeted research, development and innovation programs.

Strategy 1: Quality assurance, eco and carbon management

Strategy 2: Health and environmental attributes and benefits of wool

Strategy 3: Performance apparel and safety attributes

Strategy 4: Fibre quality, innovation and textile development

Strategy 5: Interior textiles and floor coverings

Strategy 6: Marketplace extension of fibre knowledge and textile innovation.

3. Marketing Australian wool

Objective: To help increase demand for Australian Merino wool by recognising and addressing the information barriers to consumption at consumer and trade level, and informing people of the Merino wool fibre story.

Strategy 1: Fibre marketing partnerships

Strategy 2: Product partnership marketing

Strategy 3: Market intelligence.

4. Woolmark/International Sales Network

Objective: To review the role and value of the Woolmark brand, revitalise it and, where markets and partners permit, maximise the presence and income streams of the brand.

Strategy 1: Build Woolmark brand presence through partnership marketing

Strategy 2: Maximise income and royalties from AWI brands

Strategy 3: Evaluate feasibility of extending Woolmark into retail operations.

5. International trade and market access

Objective: To define threats and opportunities facing the wool industry, and build strategies and programs to ensure market access, sustainable production and improved trading environment across the supply chain.

Strategy 1: Expand market access for Australian wool

Strategy 2: Identify and develop new markets for Australian wool.

HIGHLIGHTS OF 2010/11



AWI launched a major new global marketing campaign promoting Merino wool.



AWI informed companies about the benefits of wool and the latest AWI innovations.



2,269 shearers and wool handlers were trained through AWI training programs.

MARKETING AUSTRALIAN WOOL

Merino. No Finer Feeling™ campaign

AWI launched a new global marketing campaign that talks to a new generation of consumers about the attributes and benefits of Merino wool. The campaign is being undertaken in partnership with manufacturers, retailers and the media over the next three years across all AWI's marketing initiatives.

Campaign for Wool

The Campaign for Wool, initiated by and with patronage from His Royal Highness The Prince of Wales, was rolled out in the UK and Australia to educate consumers about the fibre's unique natural benefits.

Woolmark Gold campaign

The largest wool marketing program ever undertaken in China began last year. The Woolmark Gold campaign aims to position wool as the prestigious fibre of choice in the rapidly growing Chinese domestic market for luxury goods.

Social media

AWI began using the popularity of "social media" on the internet to help generate online conversation about wool and reconnect a new generation of consumers with the natural wonders of the fibre.

R&D OFF-FARM

Merino Touch™ knitwear collection

AWI launched a new Merino Touch™ knitwear collection comprising commercial apparel made from super-soft yarns and fabrics that provide a touch of luxury in an affordable knitted garment.

Merino Casual collection

AWI launched an autumn/winter 2011/12 season Merino Casual collection that has a stylish new "edge" targeted at the young fashion-conscious street wear and casual wear markets.

Retail staff trained about wool

AWI has been working with many of its retail partners to help educate their sales staff about the natural properties and benefits of wool, so they can advise their consumers more appropriately.

R&D ON-FARM

Shearers and wool handlers trained

1,357 shearers and 912 wool handlers have been trained directly through the AWI shearer and wool handler training program in 2010/11. An additional 239 participants attended crutching and other introductory workshops.

Flystrike R&D continued

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

Wild dog control strengthened

The wool industry has acted to combat a growing number of attacks by wild dogs on stock, with several initiatives being undertaken by the Invasive Animals CRC, with support from AWI.

National Wool RD&E Strategy

AWI participated in the development of the National Wool Research, Development and Extension (RD&E) Strategy.

For further information on AWI program operations during 2010/11, refer to the reports beginning on page 10.

FINANCIAL SUMMARY

REVENUE FOR 2010/11

Total revenue for 2010/11 was \$72,698,000, compared to \$62,437,000 in 2009/10. Sources of revenue are shown in the table below.

	2009/10 \$'000	2010/11 \$'000
Wool levy	35,319	47,026
Government contributions	10,483	11,342
Licence fees	10,606	7,380
Interest	2,713	4,413
Sales of goods and services	1,254	783
Royalties	1,299	1,410
Rents and sub-lease rentals	74	187
Other operating revenue	92	21
Other income	597	136
Total revenue	62,437	72,698

EXPENDITURE FOR 2010/11

Total expenditure in 2010/11 was \$48,307,000, a 5.7 per cent increase over total expenditure in 2009/10 of \$45,687,000. Expenditure is shown in the table below. More detailed information can be found in the Financial Report beginning on page 42.

	2009/10 \$'000	2010/11 \$'000
Global business development	12,609	8,903
Global marketing	9,884	16,179
Off-farm R&D	5,259	5,508
On-farm R&D	9,703	8,986
Corporate services	8,232	8,731
Total expenditure	45,687	48,307

FINANCIAL HISTORY AND FORECASTS

Prior to 2009/10, AWI's expenditure was more than its revenue in four out of the previous five years. Consequently, AWI reserves had fallen significantly. By running the company in a leaner, commercially oriented manner in the past two years, this trend has been reversed. AWI will invest funds in line with its Strategic Plan, drawing on some of its reserves when appropriate.

	2004/05 \$'000	2005/06 \$'000	2006/07 \$'000	2007/08 \$'000	2008/09 \$'000	2009/10 \$'000	2010/11 \$'000	Forecast 2011/12 \$'000
Revenue	64,999	57,035	63,964	90,812*	61,716	62,437	72,698	65,471
Expenditure	78,497	82,678	75,453	85,354	78,577	45,687	48,307	71,625
Balance	(13,498)	(25,643)	(11,489)	5,458	(16,861)	16,750	24,391	(6,154)
AWI reserves	102,992	77,349	65,860	71,318	54,457	71,207	95,598	89,444

* 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. Wool production and prices are used to calculate wool levy income using the following formula: Eastern Market Indicator (EMI) price in cents per kg clean *multiplied* by shorn greasy wool production adjusted to kilogram clean *multiplied* by the levy percentage (two per cent).

	2006/07	2007/08	2008/09	2009/10	2010/11	Forecast 2011/12
Market price EMI* (cents per kg clean)	856	948	793	872	1143	1170 (f)
Flock size** (opening sheep numbers, in millions)	91.0	85.7	76.9	72.7 (e)	68.1 (e)	70.8 (f)
Wool production** (shorn greasy wool*** in millions of kg)	430	400	362	343 (e)	345 (e)	355 (f)

* Actual figures from AWEX. Forecast figure from ABARES.

** Figures from the Australian Wool Innovation Production Forecasting Committee.

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

(e) Estimate

(f) Forecast

AWI BOARD OF DIRECTORS



Mr Walter B Merriman



Mr Roger J Fletcher



Mr George B S Falkiner



Dr Meredith L Sheil



Mr Brian P van Rooyen



Mr David A A Webster

THE BOARD OF AWI

The Board continued to meet regularly during 2010/11.

The number of Board members reduced from seven to six members during the year, following the resignation of Mr Charles Olsson.

The AWI Board sets the Company's strategic direction and delegates responsibility for day-to-day management to the Chief Executive Officer (CEO). The Board is committed to governance systems that enhance performance and ensure AWI operates according to accountability provisions required by various Acts, Regulations and Guidelines. A report on corporate governance is on page 30.

The Board has established a number of committees that monitor and guide specific activities. These committees assist the Board to effectively implement, monitor and enforce appropriate corporate governance throughout the Company. There are currently three Board sub-committees and a Board Nomination Committee:

Finance & Audit Committee

Chaired by David Webster

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

Remuneration & Appointments Committee

Chaired by Roger Fletcher

This Committee provides guidance and recommendations to the Board and the CEO in matters pertaining to recruitment and retention of employees and policies governing remuneration for current and

potential employees. The Remuneration & Appointments Committee meets periodically to address all matters within its charter.

Science & Welfare Committee

Chaired by George Falkiner

This Committee was established to provide guidance and recommendations to the Board and CEO regarding the scientific and research policies of the Company and on the conduct of programs relating to activities undertaken by the Company that utilise science or impact animal welfare activities. The Science & Welfare Committee meets periodically to address all matters within its charter.

Board Nomination Committee

Chaired by Jock Laurie

Established to assess the skills of those seeking election to the Board of AWI, the five-member Committee is part of a new process put in place under AWI's 2010-2013 Statutory Funding Agreement with the Federal Government. The Committee members comprise three external members and two AWI Board members: Mr Colin Bell, Executive Chairman of Bell Financial Group Ltd; Mr Jock Laurie, President of the National Farmers Federation; Mr Will Wilson, General Manager Sales & Marketing, Australian Securities Exchange, together with AWI Chairman Mr Wal Merriman and AWI Deputy Chairman Mr Roger Fletcher.

The objectives and responsibilities of the Board sub-committees and the Board Nomination Committee are 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 40.

The Directors of Australian Wool Innovation Limited, their qualifications, experience and special responsibilities as at 30 June 2011 are listed below.

MR WALTER B MERRIMAN, CHAIRMAN OF AWI

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

Special responsibilities:

Remuneration & Appointments Committee member
Science & Welfare Committee member
Board Nomination Committee member.

MR ROGER J FLETCHER, DEPUTY CHAIRMAN OF AWI

Mr Fletcher is the Managing Director of Fletcher International Exports Pty Limited (Dubbo Abattoirs (NSW) and Narrikup Abattoirs (WA), rail infrastructure and meat and grains export). He is also a wheat and wool farmer. He is Chairman of the National Export Lamb, Sheep and Goat Industries Council, Director of the Australian Meat Industry Council, and a Board Member of Infrastructure NSW.

Special responsibilities:

Chair, Remuneration & Appointments Committee
Finance & Audit Committee member
Board Nomination Committee member.

MR GEORGE B S FALKINER BCOMM, 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 NSW, and home to the renowned Peppin Merino Stud. Through Haddon Rig Pty Ltd, 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 Sotheby's auction house and George Brown electronics.

Special responsibilities:

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

DR MEREDITH L SHEIL MBBS FRACP PHD

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 councillor, and is an Honorary Associate of the University of Sydney Veterinary School.

Special responsibilities:

Science & Welfare Committee member.

MR BRIAN P VAN ROOYEN

Mr van Rooyen is currently Chairman of Australian Country Spinners Pty Ltd and a Director of Power Farming New Zealand Ltd, PFG Australia Pty Ltd and Cologix Inc, (USA). He has extensive experience in processing wool and synthetic fibres and marketing to retailers in Australia, South Africa, United States of America, Japan, Korea and Canada.

Special responsibilities:

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

MR DAVID A A 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 a 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:

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

COMPANY SECRETARY

The Company Secretary and General Counsel is Ms Sally Holmes (BSc., LLB (Hons), Dip Leg Prac, GAICD, Unrestricted Legal Practising Certificate).

CHAIRMAN'S REPORT



As you all know, this year has been a much more positive one for woolgrowers. Undoubtedly a lot of this is driven by strong prices – the highest seen for over two decades – and improved rainfall that has created the best grazing conditions for many years.

While there is still much work to do, our marketing initiatives are starting to gain traction with consumers in key markets, and

our R&D is well executed and focused on areas that really matter to woolgrowers. These initiatives are giving confidence to manufacturers, retailers and brands to use wool in their product ranges.

This year was the first year covered by the company's new, three year Strategic Plan. In the previous twelve months, AWI had engaged in a comprehensive strategic planning process – involving woolgrowers and other major stakeholders – to develop the Plan. I believe it is now helping the Australian wool industry to prosper again, despite the current challenging economic conditions around the world.

In 2011/12 and subsequent years, we intend to double our expenditure from 2010/11 levels, targeting strategically driven programs across marketing, on-farm R&D and off-farm R&D. We will draw on company reserves when appropriate.

On-farm profitability

Merinos have long been the foundation of the national flock, and they are now as important to the sheep industry as ever. As confidence returns to the Australian wool industry, there has been strong woolgrower sentiment to retain older ewes and ewe lambs for breeding purposes and invest in wool. It might take some time for woolgrowers to rebuild their flocks, but it is necessary so that Australian woolgrowers can take advantage of these higher demand-driven wool prices.

The gross margins of sheep and wool enterprises have risen sharply since last year. In particular, enterprises running self-replacing Merino flocks have returned very solid profits and are the best business to be in at the moment.

AWI is focusing its on-farm R&D efforts on helping build woolgrowers' resources and confidence to build and maintain a sustainable and profitable wool industry. We are targeting fewer programs with greater impact, addressing issues that woolgrowers have told us are important to their businesses: flystrike, lice, wool harvesting and wild dogs.

Increasing the demand for wool

As directed by woolgrowers at WoolPoll, and as per the company's new Strategic Plan, AWI this year has undertaken a large amount of work to market Australian wool. We have rolled out, not one, but three major global marketing campaigns around the world.

The 'Merino. No Finer Feeling™' campaign is showing a new generation of consumers, who have grown up without wool, that Merino delivers a better experience than synthetics. The 'Campaign for Wool' is educating these consumers about the natural benefits of wool.

And the 'Woolmark Gold' campaign is targeting the increasingly lucrative market for premium products in China.

There now appears to be a genuine trend in northern hemisphere markets towards wool, as indicated by increased stocking levels and sales of wool products by retailers in their autumn/winter 2010/11 season. The increased demand for wool in the fashion markets is expected to filter down over the next 12-18 months into more high street retail stores.

By our endeavours to increase global demand for Australian wool, we are influencing the decision making process of retailers and consequently the price that Australian woolgrowers get for their quality product.

But it must be noted that the current unsettled global economic conditions can make our job challenging.

Ongoing improvement in performance

As well as the independent review of AWI's performance that is required by statute prior to each WoolPoll, AWI has also initiated annual independent reviews of the company's performance, covering strategy, operations, governance, and monitoring and evaluation. The assessment of the company's performance shows that we are improving across all these areas.

These reviews and ongoing improvements demonstrate how we are determined to continually monitor and weigh up every decision and investment made on your behalf, to ensure it maximises returns to woolgrowers.

The company is run in a cost-conscious and business-like manner – efficient, accountable and performance-based – just how you and I run our businesses.

I want to note the establishment of a Board Nomination Committee which was appointed to assess the skills of those seeking election to the Board. The five-member Committee is part of a new process put in place under AWI's 2010-2013 Statutory Funding Agreement with Federal Government.

The future

While the company has turned a corner, there is still plenty of work to be done.

By actively and efficiently marketing wool and its attributes through investments in marketing and R&D – from farm to fashion – we will continually endeavour to achieve our goal of increasing the demand for wool.

We will continue our broad directional strategy that was established by WoolPoll 2009. We have another WoolPoll next year at which woolgrowers can again consider where they want their levies spent and the direction of the company.

You have my commitment that this company – your company – will continue to operate for the benefit of its shareholders.

Wal Merriman
Chairman, Australian Wool Innovation
2 September 2011

CEO'S REPORT



Following the outcome of WoolPoll 2009 the company has undertaken a reallocation of human and financial resources to align its operations to the decision made by woolgrowers.

Whilst challenging, we have met, indeed exceeded a number of the tasks set for the company, and in most cases these tasks have been achieved on strategy, under budget and on time.

Marketing

Three major marketing campaigns were rolled out this year to help build the demand for Australian wool.

AWI launched a new global marketing campaign to promote the attributes and benefits of Merino wool to a new generation of consumers. The 'Merino. No Finer Feeling™' campaign is being undertaken in partnership with manufacturers, brands, retailers and the media across all AWI's marketing initiatives. It was launched to the trade in October 2010, and consumers in November 2010, to take advantage of the 2010/11 autumn/winter northern hemisphere retail season, and it will continue for a further two years.

Another high profile campaign rolled out this year is the 'Campaign for Wool', with its patron His Royal Highness The Prince of Wales. This is a five year campaign supported by a coalition of international industry groups including AWI that is educating consumers about wool's unique natural benefits. The first year of the Campaign has been a great success with a series of high profile events and promotions held across the UK, and a launch in Australia at the end of March to coincide with the start of our mid winter retail season.

The largest wool marketing program ever undertaken in China also began last year. The 'Woolmark Gold' campaign is positioning wool as the prestigious fibre of choice in the rapidly growing Chinese domestic market for luxury goods. The story and heritage of Merino wool as a premium natural fibre was told through a co-ordinated media and retail campaign. Luxury European fabric and tailoring brands united under a common banner for the first time in a century to sell the message.

The Woolmark brand, as the world's best known textile brand, is central to all the marketing that we undertake. We have been building consumer awareness of the brand through our major marketing initiatives. The 'Merino. No Finer Feeling™' campaign included the Woolmark logo in all its marketing collateral and the 'Campaign for Wool' used a stylised green Woolmark logo to reinforce the 'eco' credentials of wool.

Off-farm R&D

AWI continued to develop and launch important new collections of wool innovations this year to inspire high volume manufacturers and brands to work with Merino wool.

AWI launched an autumn/winter 2011/12 season Merino Casual collection that has a stylish new "edge" targeted at the young fashion-conscious street wear and casual wear markets. AWI also launched a new Merino Touch™ knitwear collection comprising commercial apparel

made from super-soft yarns and fabrics that provide a touch of luxury in an affordable knitted garment.

By scheduling the AWI's product development and marketing to fit in exactly with the retailers' fashion calendar, the company effectively presented and marketed its products to retailers and brands. This year, AWI offices around the globe have also been working with many of its retail partners to help inform and educate their sales staff about the natural properties and benefits of wool.

On-farm R&D

Flystrike prevention remains AWI's highest on-farm research priority. We have continued to fast track our R&D program, including genetic research and breeding, and intradermals, to deliver welfare improved methods of flystrike prevention. Sheep Genetics, a joint initiative of AWI and MLA, this year released ASBVs for dags and breech cover.

Our commitment to shearer and wool handler training continued, with 1,357 shearers and 912 wool handlers trained directly through the AWI shearer and wool handler training program in 2010/11. An additional 239 participants attended crutching and other introductory workshops.

AWI has a broad approach to investments in wild dog control from risk management, through research, development and extension, to funding on-ground control activities.

In 2010/11 AWI also participated in the development of a National Wool Research, Development and Extension Strategy.

The future

Other initiatives that bode well for the future have seen us improve governance, increase our levels of consultation with stakeholders right along the supply chain, respond to the Productivity Commission's review of the RDC model, conduct an independent performance review, increase our collaboration with the other rural RDCs and ensure that we are measuring everything we do.

The company's finances are very healthy. AWI will continue to invest funds in line with its Strategic Plan, drawing on some of its reserves when appropriate. There will be a continued emphasis on cost effective, results-driven marketing and R&D - from farm to fashion - to achieve our goal of increasing the demand for wool.

I am extremely proud of our achievements over the past year. I am very hopeful that we can achieve even more for our shareholders in the years ahead.

Stuart McCullough
CEO, Australian Wool Innovation
2 September 2011

R&D ON-FARM

Objective: To help build a sustainable Australian wool industry through improvements in productivity and profitability on-farm.

WILD DOG CONTROL INITIATIVES

AWI has a broad approach to investments in wild dog control from risk management through research, development and extension to crisis management funding on-ground control activities.

AWI continues to fund the Invasive Animals CRC to trial development of the lethal trap device and the demonstration site in NSW to provide extension to dog control groups and a NSW DPI research project on aerial baiting with 1080. AWI also funds the National Wild Dog Facilitator position and associated group work through the CRC and some of the landholder representatives that manage that project.

AWI has supported nine workshops in WA and five in SA for developing local control plans and providing information.

In 2011/12, AWI will continue to invest in community development and review of landscape level wild dog management plans in Queensland, NSW and Victoria.

AWI initiated a funding scheme for on-ground control activities such as salary of trapper for a few months, freezers and meat purchases. Funds were concentrated in Queensland, SA and WA and this project will spread to NSW and Victoria as applications under local control plans are received.

The new toxin option, paraaminopropiophenone, for control of wild dogs, and foxes, with faster, more humane action is nearing the completion of its research phase.



Farmers getting instruction on laying baits for wild dogs at an information day.

BREECH FLYSTRIKE PREVENTION

AWI continues to fast track its R&D program to deliver welfare improved methods of flystrike prevention.

- **Genetic research and breeding:** Research over the past six years based at Armidale (CSIRO) and Mt Barker (Department Of Agriculture and Food WA) confirms that Australia does have the genetics to produce sheep that are highly resistant to flystrike. However, there are huge differences in breech strike susceptibility between sites and sires.
- **Intradermals:** AWI-assisted research continues with the Cobbett Technologies 'Skintraction™' option that involves using a needleless applicator and air pressure to apply the Skintraction™ product to the breech of lambs.
- **National Wool Declaration (NWD):** The NWD is giving the supply chain transparency about woolgrowers' flystrike prevention strategies.
- **Pain relief:** Around the country, a large proportion of growers use best practice, welfare-enhanced surgery with pain relief.
- **Clips:** Leader Products continues to make breech clips commercially available to farmers.
- **Training:** AWI continues to support training for best practices in clip application and mulesing.

NEW BREEDING VALUES

Sheep Genetics, a joint initiative of AWI and MLA, this year released breeding values (BV) for:

- dags (ASBV)
- breech cover (ASBV)
- greasy wool colour (research BV)
- fleece rot (research BV)
- wool character (research BV).

These add to breech wrinkle ASBV that was released in 2009.

Breech wrinkle, dags, breech cover and greasy wool colour have all been shown to be associated with risk of flystrike in AWI's 'Breeding for Breech Flystrike Resistance' trial sites at Mt Barker, WA (run by the Department of Agriculture and Food, WA) and Armidale, NSW (run by CSIRO).

Dags and wrinkle are most strongly associated with risk of flystrike. Their relative importance depends on the sheep and the country in which they are run. In high dag regions, dags are likely to be the most important risk; in low dag regions, wrinkle is likely to be the most important.

Adoption of the ASBVs by MERINOSELECT members has been rapid.



1357 shearers and 912 wool handlers were trained directly through AWI funded programs in 2010/11.



AWI continues to fast track its R&D program to deliver welfare improved methods of flystrike prevention.

SHEARER AND WOOL HANDLER TRAINING

Adequate numbers of highly skilled professional staff to harvest and handle the Australian wool clip in a timely manner, are key to the continued rise of profitability in the Australian wool industry.

In 2010/11 AWI funded training for shearers and wool handlers across a range of skill development activities. These included from learner to professional shearers and from novice to professional wool handlers. Provided by registered training organisations, the training focused on shearers and wool handlers in the shed, particularly on increasing their productivity and skill development. Training was also offered as short term, intensive “schools” across a range of skill levels.

1357 shearers and 912 wool handlers were trained directly through AWI funded programs in 2010/11, with an additional 239 participants who attended crutching and other introductory workshops. Crutching workshops serve an important role in introducing new participants to sheep handling and the operation of the shearing handpiece.

In 2010/11, AWI continued its focus on reduced operating costs in shearer and wool handler training, to allow more of its funding to be targeted directly to the training.

In 2011/12, the AWI Shearing Industry Development Program will aim to:

- continue to train shearers and wool handlers across a broad range of skills
- strategically fund training to complement state and federal training initiatives in a way which maximises leverage for woolgrower funding
- provide flexibility in funding to ensure that a continuous training pathway from beginner/novice to highly skilled professional is available in all wool growing states
- attract, induct and retain new entrants to the shearing industry
- promote the shearing industry as a desirable career choice to the wider community including non-traditional areas
- increase the promotion of the shearing industry to young people at schools and tertiary institutions,
- continue to reduce overhead costs by reducing the administration involved in the delivery of shearer and wool handler training.

NATIONAL WOOL RD&E STRATEGY

In 2010/11 AWI participated in the development of the National Wool Research, Development and Extension (RD&E) Strategy.

While the Strategy incorporates the AWI Strategic Plan 2010-2013, it does go beyond it because the investment base for wool RD&E includes state governments and other sources such as the CSIRO and the universities. In 2010/11 AWI agreed to take a major role in RD&E that supports its marketing program as there would be little investment expected from state governments in this area.

See page 33 for further details.

SOUTHERN LIVESTOCK ADAPTATION 2030

The majority of future climate predictions suggest that much of southern Australia will become more difficult to farm in the future, with potentially more droughts and higher temperatures. Australian woolgrowers will need consistently better information on climatic conditions and the impact on plant and animal growth to enable them to successfully negotiate these challenges.

AWI is jointly investing in a project to help woolgrowers do just that – both today and in the longer term. Southern Livestock Adaptation 2030 is a joint project with MLA, DAFF, CSIRO, University of Melbourne and state agencies which uses sophisticated computer models to predict pasture growth and animal production at a local level under a range of climatic conditions. These models can then be adjusted to see what impact various management strategies have on production and profit. Such strategies may involve changing lambing times, altering stocking rates or feedlotting sheep at key times of the year.

To date, models have been developed for 32 locations (country towns) across southern Australia with producer workshops held at each. Nearly 1,000 sheep and cattle producers have been directly engaged in these workshops and have provided input on strategies they would like explored.

Some general trends are beginning to emerge from the project:

- Future climatic conditions generally show shorter growing seasons and thus reduced stocking rates, so as to maintain ground cover.
- Relatively small temperature and rainfall changes can have big impacts on farm profit.
- Modelling of the period 2000-2009 is similar to what some predict may occur over the next 20 years.
- Management strategies are available which can help overcome the negative impacts of drier and hotter weather. And many of these work as well today as they do in the future. Most importantly, better animals (genetic improvement) will lessen the impacts.

The key message for woolgrowers from this project is that there are tools and people that can help look at existing practices as well as peer into the future to better prepare for longer term uncertainties

EVERGRAZE

Monitoring continued at the remaining EverGraze proof sites, Orange, Chiltern, Albany and Wagga Wagga. The native Chiltern site demonstrated the increased stocking rate possible with grazing management and a good season, while Orange continued data collection to support increased per hectare production and improved groundcover from intensive rotational grazing. The Wagga Wagga site also demonstrated the value of Lucerne in that system. Hamilton and Albany Proof sites moved to an analysis, modelling and publication phase.

EverGraze Regional Packages were developed from synthesis of EverGraze research outputs and when combined with other research to provide “evidence” supporting regional recommendations for practices which align to the EverGraze principles of profit, risk and natural resource management. Tactical management modelling to test Proof Site results with alternative management decisions were completed for Albany, Wagga Wagga and Hamilton and two training programs (Pastures for Place and Purpose, and Whole Farm Grazing Strategies) were piloted in North East Vic and southern NSW.

Over the past 12 months 2,286 participants (1109 producers and 1179 next users) engaged with EverGraze activities. Three new EverGraze Exchanges have been completed and a further four are being drafted. Six case studies have also been developed and the newsletter distributed quarterly to 4800 recipients. The EverGraze website received between 4000-8000 hits per month.

Research on the effect of grazing management on per hectare production and pasture quality at Orange and Chiltern will continue into 2011/12. The hydrology and persistence of lucerne/grass mixtures will continue to be investigated in Tamworth as a potential component to native farming systems, filling a feed quality gap and reducing recharge and erosion. 2011/12 will focus on delivery of EverGraze Regional Packages and driving adoption.



EverGraze is developing and testing new farming systems in different environments across the high rainfall zone of southern Australia.

OPERATIONAL REPORT 2010/11 - WOOL INDUSTRY R&D ON-FARM

Strategy 1: Sheep health, welfare and productivity

Program	Progress
Sheep health, welfare and productivity	<p>Reduce impact of flystrike</p> <ul style="list-style-type: none"> • Research based at Armidale (CSIRO) and Mt Barker (Department Of Agriculture and Food WA) into the breeding of flystrike resistant sheep continued with results disseminated via newsletters and updates on www.wool.com/flystrike. • Trials of the Skintraction™ intradermal breech strike prevention method by Cobbett Technologies continued. It involves using a needleless applicator and air pressure to apply the Skintraction™ product to the breech of lambs. • AWI funding for the Sheep CRC helped develop FlyBoss, an internet based resource that enables sheep producers to easily and quickly obtain proven information about breeding and managing sheep to reduce the risk of flystrike. See www.flyboss.org.au • AWI issued a 'Managing Breech Flystrike' manual covering a range of on-farm options such as the strategic use of chemicals; shearing and crutching; breech modification; scouring and worm control; and breeding for breech strike resistance. It's available free to woolgrowers from the AWI Helpline on 1800 070 099. • The AWI Animal Welfare Forum, that includes the key animal welfare groups in Australia, met on a 6 monthly basis. • Independent audits of AWI's Breech Strike Prevention research, development and extension program were undertaken quarterly by the Australian Veterinary Association. • There was ongoing communications with global retailers and retailer associations. • AWI continued to provide financial support for training in best practice mulesing, including the use of pain relief. • Market research was obtained into woolgrowers' flystrike prevention strategies. <p>Reduce impact of worm and lice infestation</p> <ul style="list-style-type: none"> • The WormBoss e-newsletter was distributed to about 2000 people each month during the year. To view past editions and to subscribe, visit www.wool.com/wormboss. WormBoss is a tool to help woolgrowers maximise the timing and effectiveness of drenching and other worm management practices. Preparation for the relaunch of a new WormBoss website was undertaken. • The decision support system LiceBoss continued to be made available on the AWI website at www.wool.com/liceboss. to help woolgrowers control lice more effectively, minimise pesticide residues and reduce the cost of lice control. • The LiceSense extension program continued to be rolled out during 2010/11. An updated LiceSense manual to help woolgrowers manage lice was produced. • The Sheep CRC has submitted a project plan to AWI for a ParaBoss tool – to integrate the current WormBoss, LiceBoss and FlyBoss tools to reduce duplication and improve efficiencies. • Monthly wool residue surveys funded and undertaken. • AWI has worked with pharmaceutical companies with the intention to reregister Diazinon use. <p>Reduce impact of dog predation</p> <ul style="list-style-type: none"> • AWI continues to fund the Invasive Animals CRC to trial development of the lethal trap device and the demonstration site in NSW to provide extension to dog control groups and a NSW DPI research project on aerial baiting with 1080. • AWI funded the National Wild Dog Facilitator position and associated group work through the CRC and some of the landholder representatives that manage that project. • AWI supported nine workshops in WA and five in SA for developing local control plans and providing information. • AWI initiated a funding scheme for on ground control activities such as salary of trapper for a few months, freezers and meat purchases. • The new toxin option, paraaminopropiophenone, for control of wild dogs, and foxes, with faster, more humane action, is nearing the completion of its research phase.

Strategy 1: Sheep health, welfare and productivity (continued)

Program	Progress
Sheep health, welfare and productivity (continued)	<p>Genetics and genomics</p> <ul style="list-style-type: none"> • A new management agreement was signed with MLA for the continued running of Sheep Genetics and MERINOSELECT. • Australian Sheep Breeding Values (ASBVs) for dags and breech cover now available through MERINOSELECT. • Ongoing funding to the Sheep CRC for the Information Nucleus Flock enabled flock data to be fed through to the Sheep Genetics ASBV analysis. • The first genomic enhanced ASBVs were supplied to breeders via a pilot project. • Merino Superior Sires No 16 released. • Merino Bloodline Comparison 1999-2010 released. • A DAFWA trial was funded to find cost effective ways to access staple strength using new management technologies. <p>General</p> <ul style="list-style-type: none"> • AWI is a signatory to the National Animal Welfare RDE Strategy and Implementation.

Strategy 2: Wool harvesting and clip preparation

Program	Progress
Shearer and wool handler training	<ul style="list-style-type: none"> • 1357 shearers and 912 wool handlers were trained directly through AWI funded programs in 2010/11, with an additional 239 participants who attended crutching and other introductory workshops. Crutching workshops serve an important role in introducing new participants to sheep handling and the operation of the shearing handpiece. AWI continued its focus on reduced operating costs in shearer and wool handler training, to allow more of its funding to be targeted directly to the training. • AWI held a series of national Consistency Workshops in Armidale, NSW; Dookie, Victoria; and Broomehill, Western Australia, for trainers and Registered Training Organisation (RTO) managers. There was a maximum attendance of over 50 trainers. The workshops facilitated an exchange of information between trainers and RTOs and ensured a high standard of training consistent across the country.
Quality assurance – wool clip	<ul style="list-style-type: none"> • An update on the genetics of dark and medullated fibre has been requested from CSIRO in response to recent advances in genomic technology.

Strategy 3: Environment, Climate change and carbon

Program	Progress
Environment and climate change	<ul style="list-style-type: none"> • Funding of the EverGraze program continued. EverGraze is developing and testing new farming systems in different environments across the high rainfall zone of southern Australia. A 2011/12 – 2013/14 project was negotiated focusing on extension and adoption of the EverGraze decision making package. • 32 producer workshops on Adaptation to Climate Change were held and locations modeled with 1,000 producers participating. • A commercial partner for lotus has been selected and a seed evaluation is underway (as part of the Future Farm Industries CRC).
Provenance, verification and promotion of eco and carbon credentials	<ul style="list-style-type: none"> • The “Protect Your Farm’s Natural Assets” module in the Making More From Sheep program was updated. It is available at www.makingmorefromsheep.com.au. • A company has been contracted to undertake a lifecycle analysis and carbon footprint of wool. Work will begin in 2011/12.

Strategy 3: Environment, Climate change and carbon (continued)

Program	Progress
Carbon	<ul style="list-style-type: none"> • A Wool carbon Alliance meeting was held in November 2010 to update members and provide AWI with strategic direction. • Quarterly advice received from the Australian Farm Institute on domestic and international climate policy and its implications. • Productivity modeling of Carbon Farming Initiative (CFI) opportunities completed. • A company has been contracted to produce on-farm carbon balance case studies to provide woolgrowers with information on participation opportunities in a carbon market. Work will begin in 2011/12. • With funding from AWI, MLA and DAFF, CSIRO has developed a prototype device for measuring individual methane emissions. • The role of hydrogen (the metabolic precursor of methane) has been clarified by a project investigating rumen physiology of low methane producing animals. The project was undertaken by CSIRO with funding from AWI, MLA and DAFF. • A one hour methane test has been validated as suitable for screening for methane production. The project was undertaken through the Sheep CRC. • Extension on the genetic management of methane emissions has been completed through the Reducing Emissions for Livestock program, undertaken through the Sheep CRC.

Strategy 4: Education and extension

Program	Progress
Education and extension to woolgrowers	<ul style="list-style-type: none"> • AWI has continued to support the state based extension networks which reach nearly 4,000 woolgrowers and secure funding and in-kind contributions from state departments and woolgrowers: SheepConnect NSW, BESTWOOL/BESTLAMB (Vic), The Sheep's Back (WA), SheepConnect SA, Leading Sheep (Qld), SheepConnect TAS, and Bestprac (Pastoral). Six editions of a new newsletter The Network's News were produced which provided information on the recent activities of all of the AWI state networks. The newsletter is available at www.wool.com/networks. • Funding for Making More From Sheep continued, with MLA as the managing agent. Updated information was incorporated into the online modules. Seven "It's Ewe Time" forums were hosted by Making More From Sheep in July and August 2010. • Funding from AWI enabled the running of the Lifetime Ewe Management (LTEM) courses during 2011. 39 LTEM training groups have been established across all states (objective was 30). These 39 groups encompass 151 participants who commenced LTEM training with the weaning of the 2010 drop lambs, prior to mating for the 2011 lambing. The training program concludes with the weaning of the 2011 drop. • AWI sponsored Nuffield scholar James Robertson of Chowilla Station near Renmark, South Australia, who is studying intensive weaning, animal nutrition and methane emissions. • AWI continued its investment in future professionals of the industry through the Sheep CRC Postgraduate Program. In addition, AWI funded three PhD scholarships, two of which completed their PhD during 2010/11.
Education and extension to stakeholders and the marketplace	<ul style="list-style-type: none"> • AWI participated in the development of the National Wool RD&E Strategy. A robust and lengthy consultation process accompanied its development, with industry views canvassed in a range of methods including eight woolgrower workshops and two state surveys; and feedback from AWI's woolgrower forums and supply chain groups. State departments for agriculture, CSIRO and universities were also consulted. The Strategy was submitted to the Federal Government in July 2011.
Wool forecasting and market feedback	<ul style="list-style-type: none"> • The forecasting process undertaken by the Australian Wool Production Forecasting Committee was reviewed and an updated and streamlined forecasting process put in place of value to growers and to the global supply chain. Forecasts generated under the revised process were released in December 2010 and April 2011, and reports made available at on the AWI website at www.wool.com/forecasts.

R&D OFF-FARM

Objective: To help increase demand for Australian Merino wool by recognising and addressing through off-farm R&D the product and process barriers to consumption at trade level through consumer-driven, targeted research, development and innovation programs.

THE FASHION CYCLE AND TRADE SHOWS

Retailers and brands are crucial to selling more wool, which is why AWI put a lot of effort during 2010/11 into presenting and marketing products to them.

AWI scheduled its product development and marketing to fit in exactly with the retailers' fashion calendar. AWI did its product marketing at precisely the time the retailers are considering what products to put in their seasonal collections.

It was also important to market products to the large spinners, knitters and weavers, to persuade them to switch fibres to wool, because this is where retailers target their buying strategies. The knitters and weavers must be able to work with wool, to enable the retailers to buy wool products to put on their shelves.

AWI begins developing its product offering a full two years before the garments start being sold in the shops. July to October is the crucial time in the fashion cycle; it's during this time that retailers and brands in the northern hemisphere collect product ideas.

AWI launched its collections to brands and retailers at the major international trade shows of SpinExpo in New York and Shanghai, and Première Vision in Paris (September).

Good contacts were made at these events, but the follow-up work by the AWI global sales team at workshops with the high street brands was where the real product marketing went on. AWI then worked with supply chain partners to help transfer the technology to develop the products.



Trade shows provide AWI with the opportunity to market its product innovations to the textile trade.

MERINO CASUAL INNOVATION COLLECTION

AWI launched an autumn/winter 2011/12 season Merino Casual collection that has a stylish new "edge" targeted at the young fashion-conscious street wear and casual wear markets.

The collection builds on the success of last year's inaugural Merino Casual collection.

The Merino Casual collection addresses the global trend towards a more informal style of dressing. Busy lifestyles and changing workplace fashions have reduced the need for consumers to have multiple wardrobes - and there is also an increasing desire for individualism.

To enable wool to take advantage of this global trend, AWI has worked closely with the manufacturing industry to develop new processes that give the Merino Casual collection a range of unique effects on wool.

A range of novel dyeing and finishing techniques has been applied to the Merino wool to create garments with distinctive textures and aesthetics.

This year, new 'Merino Vintage' yarns were designed to create rustic yet soft feeling knits straight from the cone. An increasing number of new sources of 'Merino Vintage' muted and heathered knits and denim looks are available.

New colouration techniques using coating, printing and injection systems enable innovative urban designs. 'Colour 3-D Merino' combines colour printing with felted texture effects in pure Merino and value blends such as wool/polyamide.

MERINO RETRACT TECHNOLOGY

The reception to AWI's new 'Merino Retract' knitwear technology - part of AWI's Merino Casual autumn/winter 2011/12 collection - has been particularly positive.

Garments made from 'Merino Retract' yarns have the attractive look and feel of boiled wool, but have none of the deficiencies of normal boiled wool products. The garments are fully machine washable and have excellent stretch recovery properties, so they don't suffer from bagging.

'Merino Retract' is based on the use of specially engineered wool yarns, which can be simply knitted and the boiled wool appearance and texture is then developed during the subsequent garment finishing process.

The resulting fabric and garment has the look of 'boiled' wool but with excellent stretch recovery properties and is also fully machine washable. In addition the styles of garments which can be produced are not as limited.



Three of the textures and aesthetics in the Merino Casual collection.



AWI has been helping educate textile companies about the natural properties and benefits of wool.

MERINO TOUCH™ INNOVATION COLLECTION

AWI launched a new Merino Touch™ knitwear collection comprising commercial apparel made from super-soft yarns and fabrics that provide a touch of luxury in an affordable knitted garment.

Sourced from around the world, the commercial garments demonstrate how the industry's most innovative spinners and knitters have embraced the Merino Touch™ concept and made it their own.

Australian Merino wool is well known as one of the finest and softest fibres in the world, but thanks to the innovative mercerising Merino process, it now feels even finer and softer.

The process of mercerising makes the Merino wool feel on average two micron finer, which gives the Merino Touch™ collection such an incredible next-to-skin softness and smooth surface finish.

The commercial garments demonstrate that knitters can produce classic garments that look and feel luxurious, yet be reasonably priced.

Retailers are able to offer new ranges with the drape and fluidity of silk and the touch and sheen of cashmere, but with the performance and price point of Merino wool.

TRAINING RETAIL STAFF AND EDUCATING COMPANY BUYERS

This year, AWI offices around the globe have been working with many of its retail partners to help inform and educate their sales staff about the natural properties and benefits of wool. This helps enable them advise their customers more appropriately.

The retailer training takes place at two broad levels. First, there is training of shop floor staff. This focuses on the staff who actually talk to, interact with and sell products to customers. Retail store managers can also be trained, who in turn train their own staff.

Second, there are the retail decision makers such as the company's buyers, merchandisers, designers and technologists. This training is focused on providing them with a 'toolkit' that both stimulates interest and builds their confidence to invest in wool product lines. It enables them to take full advantage of wool's technical and aesthetic properties.

For example, the AWI Hong Kong office has helped educate companies in the region about Merino wool, regularly holding seminars on technical topics, such as manufacturing systems, as well as promotional topics, such as the benefits of Merino wool.

While AWI Hong Kong has over the past few years focused training on the clothing and textile trade, AWI this year has also promoted Merino and the Woolmark brand to a younger generation. This has been done by providing in-house training for the major educational institutions, such as the Hong Kong Polytechnic University and the Hong Kong Design Institute, and high schools.

As well as face to face meetings and seminars, AWI has been developing new training materials in digital format that can be delivered to a wider audience and in a more cost effective manner.

OPERATIONAL REPORT 2010/11 – WOOL INDUSTRY R&D OFF-FARM

Strategy 1: Quality assurance, eco and carbon management

Program	Progress
Quality assurance	<ul style="list-style-type: none"> Audit visits to AWI-authorized laboratories were undertaken. Staff in the regional offices have been trained to conduct all subsequent laboratory review visits so that formal reviews by Sydney-based staff on an annual basis will no longer be required. On 1 January 2011 new editions of the Woolmark Product Specifications became active. Preparation of 2013 Specifications and 2012 Test Methods is under way. Several new and renewed licenses are under negotiation for products and brands to be added to the Apparel Care Program. Woolmark Specifications have been modified to reflect the changes in the IWTO Code of Practice for the Super S program approved at the IWTO congress which allow only pure wool fabric after 1 January 2012.
Sustainable and ecological processing – chemicals, dyes, water and energy	<ul style="list-style-type: none"> An AOX (chlorine) forum during Sept 2010 in China brought together top-processors accounting for 80 per cent of production in China. The forum agreed on a meaningful definition of AOX-free and that companies should work together to develop a true AOX-free process. An AOX-free easy care project with an Italian easy care processor continues with encouraging results. Details are being collated of the best available technologies in the manufacturing sector for raw wool scouring and dyeing and finishing.
Off-farm carbon footprint, garment care, decomposition and recycling	<ul style="list-style-type: none"> Cold Water Wash – yarn development with a commercial partner continues with a new stain blocking system being evaluated. Samples are currently being tested. Minimum Iron – a project with a major Chinese knitter continues.
Increasing global processing capacity	<ul style="list-style-type: none"> AWI's "Out of Bangladesh" collection has been presented to retail buyers at trade shows and retailer workshops. AWI is currently assessing potential opportunities in Russia, Belorussia, Ukraine, Vietnam and South & Central America. Six circular knitters and six commission dyers in Turkey, all new to AWI, have been visited and trials on Merino wool set up. Merino Yarns are being supplied to each knitter for sampling.

Strategy 2: Health and environmental attributes and benefits of wool fibre and products

Program	Progress
Consolidate, enhance and transfer knowledge regarding the health attributes of wool	<ul style="list-style-type: none"> A new "Mother and Baby" program has been established to drive demand for Merino wool in the market for maternity, baby and infant wear. The program works in three main areas: funding scientific research into Merino's health benefits, innovative product development and creating awareness of the fibre's benefits. The Mother and Baby program has made good progress on product development and linkages to retail/brands in China, USA, Australia, Denmark and the UK. A University of Sydney sleep study (focused on sleep quality and quantity) is under way, following successful 'set-up' trials. A University of New South Wales sleep study (focused on core temperature impacts) has been completed with results being analysed. Plans for dermatological studies are progressing. A literature review into the association of 'wool' with preventing allergies has been completed, and sent to peers in the field for comment.
Consolidate, enhance and transfer knowledge regarding the ecological and environmental advantages of wool	<ul style="list-style-type: none"> Marketing materials include references to the natural, biodegradable and renewable attributes of wool.

Strategy 3: Performance apparel and safety attributes

Program	Progress
Consolidate, enhance and transfer knowledge regarding the performance, thermal regulatory, odour and moisture management and fire safety attributes of wool	<ul style="list-style-type: none"> • Development of moisture management yarns continues with commercial partner. First trials with hydrophilic top treatment carried out. Technical manuals and instructions are distributed to, and discussed with, partner knitters. First trials of development sample fabrics completed and feedback from testing has been positive. • Marketing of Merino Perform™ was undertaken during 2010/11, including at major international sports/outdoor trade shows such as ISPO in Munich. A new innovation, MerinoPerform™ Pro, was added to the collection, alongside MerinoPerform™ Next to Skin and MerinoPerform™ Advantage. MerinoPerform™ Pro has the advanced vapour and liquid moisture management of MerinoPerform™ Advantage but in a 100 per cent Merino knitted fabric. • Work on a three year plan for the Merino Perform™ platform is completed and discussions have been held with potential marketing partners for an upcoming campaign in Europe, Australia and the U.S, with the intention to extend it to Korea and Japan in the near future.

Strategy 4: Fibre quality, innovation and textile development

Program	Progress
Wool whiteness and colour absorbency	<ul style="list-style-type: none"> • AWI invests in the Sheep CRC “Whiter Lightfast Wool” project. This project aims to deliver to both breeders and processors simple tools which improve their ability to enhance the whiteness and photo-stability of Australian wool, with the intent of producing, using natural means, Merino wool of comparable whiteness to conventional peroxide bleached wool. Dyeing trials, that quantify the relationship between photostability performance and application rate of a UV absorber, have been completed. This work now awaits the results of the photostability tests so the analysis can be completed. This is fundamental information for the White Wool Technology Manual under development. Bleached white and brilliant pink CRC wool fabrics have been shown to local and overseas retailers with positive feedback received.
Next to skin comfort	<ul style="list-style-type: none"> • AWI invests in the Sheep CRC “Skin comfortmeter for knitted wool fabrics” project. This project aims to develop and commercialise practical fabric measurement technology and related know-how to enable the production and marketing of wool garments meeting critical next to skin performance criteria for consumers in the key emergent wool apparel markets. The 11th and final wearer trial has been completed, including garments made from the four benchmark fabrics manufactured as part of the ultrafine wool trial. • AWI invests in the Sheep CRC “Desirable, specified handle in Merino wool fabrics” project. While the Comfort-meter will measure the amount of prickle in a fabric, a separate machine, a ‘PhabrOmeter’, is being used to measure a fabric’s handle – the way a fabric feels. Work is underway to provide garment developers with effective tools for benchmarking and engineering the handle of knitted fabrics desired by consumers.
Casualisation	<ul style="list-style-type: none"> • AWI’s Merino Casual knitwear innovation collection for the autumn/winter 2011-12 season was presented at SpinExpo Shanghai and Premier Vision Paris. Follow-up meetings with retail HQs and their buying houses have taken place. • AWI’s Merino Casual wovens collection for the autumn/winter 2011-12 was launched at Première Vision Paris in September 2010. Follow-up meetings with retail HQs and their buying houses have taken place. • Sampling for retailers has been undertaken, resulting in orders being made and knitwear produced for sale at retail. • New developments are under way for an AWI’s Merino Casual collection for the autumn/winter 2012-13 season which will be presented at SpinExpo Shanghai.

Strategy 4: Fibre quality, innovation and textile development (continued)

Program	Progress
Improved aesthetics	<ul style="list-style-type: none"> AWI's Merino Touch™ knitwear collection was presented at SpinExpo Shanghai. The collection comprises commercial apparel made from super-soft yarns and fabrics that provide a touch of luxury in an affordable knitted garment. Follow-up meetings with retail HQs and their buying houses have taken place.
Womenswear	<ul style="list-style-type: none"> Meetings with the Lenzing Group (a world market leader in man-made cellulose fibres) have defined areas of common benefit for both parties, namely womenswear wovens for the China domestic market. A joint promotion is planned for September 2011.
Wool for all seasons	<ul style="list-style-type: none"> Italian-designed collections of lightweight menswear and womenswear garments in knits and wovens were prepared along with marketing collateral and marketed during February 2011.

Strategy 5: Interior textiles and floor coverings

Program	Progress
Increase consumer awareness and preference for wool in interior textiles and floor coverings.	<ul style="list-style-type: none"> Woolmark licensees that attended the 2011 Heimtextil international trade show for interior textiles have reported some of the strongest interest in their products for many years. Over 73,000 trade visitors from 136 countries attended the four-day trade show in Frankfurt, Germany. AWI and eight licensees exhibited in the Woolmark Wool Arena – a hub where AWI and the licensees showcased to visitors the natural benefits of interior textile products made from wool. The interior textiles sector – including bedding, carpets and furnishing – supports woolgrowers whose clip is broader micron and crossbred wool. In addition to Heimtextil in Frankfurt, AWI attended other interiors trade shows including Domotex in Hannover, India Carpet Fair in Delhi and Surfaces in Las Vegas.

Strategy 6: Marketplace extension of fibre knowledge and textile innovation

Program	Progress
Trade fairs	<ul style="list-style-type: none"> AWI attended various international trade shows to launch its collections to brands and retailers and inform them about the benefits of wool. Trade shows attended during 2010/2011 included: SpinExpo in New York and Shanghai, Intertextile in Shanghai and Beijing, Première Vision in Paris, Pitti Immagine Uomo and Pitti Filati in Florence, Milano Unica in Milan, Texworld in Paris, ISPO in Munich, Outdoor Retailer in Salt Lake City, Outdoor in Friedrichshafen, Heimtextil in Frankfurt, Domotex in Hannover, India Carpet Fair in Delhi, Surfaces in Las Vegas and ITMA in Barcelona.
Retail workshops	<ul style="list-style-type: none"> Retail workshops have been held to help educate sales staff around the world about the natural properties and benefits of wool, so they can advise the consumer more appropriately.
Market extension (product marketing) materials	<ul style="list-style-type: none"> Marketing materials were produced to support the launch of AWI's seasonal innovation collections (eg Merino Casual, Merino Touch™, Merino Cool™), including flyers, PowerPoint presentations and supplier listings.
Colour trends	<ul style="list-style-type: none"> AWI has created "The Wool Lab" – a seasonal guide to the best wool fabrics and yarns in the world. It has been produced to offer a collective vision of the ultimate in wool trends for the fashion industry, including brands, retailers, manufacturers, spinners, weavers and the media. The Woolmark Company is presenting The Wool Lab at the most important textile and fashion trade shows in the world, both inside the company's exhibiting areas and also through special workshops. The Wool Lab guide for the autumn/winter 2012-13 retail season was launched at the Pitti Immagine Uomo trade show in Florence, Italy in June 2011.
Consumer and trade education	<ul style="list-style-type: none"> See Marketing Australian Wool section, beginning opposite.

MARKETING AUSTRALIAN WOOL

Objective: To help increase demand for Australian Merino wool by recognising and addressing the information barriers to consumption at consumer and trade level, and informing people of the Merino wool fibre story.

MERINO. NO FINER FEELING™ CAMPAIGN

AWI launched to the trade in October 2010 a new global marketing campaign that talks to a new generation of consumers about the attributes and benefits of Merino wool. A consumer campaign commenced in November 2010.

The theme-line of the campaign is 'Merino. No Finer Feeling™'. The campaign is being undertaken in partnership with manufacturers, retailers and the media over the next three years across all AWI's marketing initiatives.

The global consumer campaign aims to position Merino as the premium, luxury fibre of choice making a connection between how it feels to touch, and how it makes the wearer feel.

There are several 'streams' to the campaign:

- Fibre advocacy – contemporary fashion that connects the source of the fibre to quality fashion apparel.
- Fibre ambassadors – leaders in the wool industry talking about the reasons why Merino wool is their preferred luxury fibre. The campaign commenced with Margherita Missoni and Alessandro Benetton, and will expand to include other designers and industry leaders over the next three years.

The campaign is under way in influential magazines such as Vogue, GQ, Vanity Fair, Harpers Bazaar, Tatler and WWD targeting fashion conscious consumers. It is also building a digital presence through AWI's partnership with Apple Inc.

Initially launched in the UK, Italy, Germany, Japan, France, Australia and the USA, a wider global program is planned for 2011/2012 to include China and other growth markets, with further supporting trade activities in China, Italy and France. The campaign has been seen by over 40 million people across five key markets.

WOOL FIT FOR A PRINCE CAMPAIGN

In response to an idea raised by woolgrowers at the AWI Annual General Meeting, AWI rolled out an initiative in January to enable Australian woolgrowers to donate small samples of their wool to be made into fabric as a wedding gift for Prince William.

The project generated an unprecedented amount of positive domestic and international media interest about Australian wool.

Woolgrowers from every wool-growing region in Australia posted samples of their wool to AWI. The vast majority of wools were either superfine or fine Merino wool and therefore perfect for suiting. The wool to be made into suiting fabric was sent to the Yennora Wool Centre, NSW for packing. (The broader wools are being made into a more suitable bedding product.)

The 94 kilogram bale was sent to Biella, Italy where the specialty combing plant Pettinatura di Verrone owned by the Schneider Group produced approximately 60 kilograms of wool top. As the premier commission comber of small wool batches, Verrone could process the raw wool relatively quickly.

The wool top was sent from Italy to Woolmark licensee Bulmer & Lumb in Bradford, England where it was dyed, spun, woven and finished into luxury suiting fabric by Taylor & Lodge. Over 100 metres of fabric were produced from the donated wool, enough for 27 suit lengths. The remaining 26 have been auctioned for charity.

The selvedge of the cloth reads: "Specially woven in Huddersfield England by Taylor & Lodge in fine Australian Merino wool to celebrate the marriage of H.R.H. Prince William & Kate Middleton 29th April 2011".



Advertisements from the Merino. No Finer Feeling™ global marketing campaign. The two advertisements on the left are from the fibre advocacy campaign, with young models wearing contemporary Merino fashion. The two advertisements on the right are from the fibre ambassador campaign: Margherita Missoni wears a dress made of Merino wool from the Missoni 2011 pre-fall collection; Alessandro Benetton wears Merino from the United Colours of Benetton autumn/winter 2011/12 collection.

CAMPAIGN FOR WOOL - INTERNATIONAL

The 'Campaign for Wool' – a major promotion of wool to key consumer markets – was launched last year.

The Campaign, initiated by and with patronage from His Royal Highness The Prince of Wales, is supported by a coalition of international industry groups, including AWI, that are united by a common goal to educate consumers about wool's unique natural benefits.

The Campaign for Wool is a five year initiative to build a lasting profile for the fibre across all its product categories. Following its launch last year in the UK, the Campaign is being expanded globally in 2011 into key consumer markets including the USA, France, the Netherlands, Spain, Italy, New Zealand, Germany, Japan and Korea. Retailers, fashion designers, manufacturers, woolgrowers and publishers are supporting the Campaign, aiming to reconnect consumers with the versatility of wool, from luxurious next to skin Merino apparel to the safety and comfort of natural carpets, interiors and domestic products.

The first year of the Campaign was a great success with a series of events and promotions held across the UK, including sheep grazing on historic Savile Row in London. During 2010 the Campaign attained the following achievements:

- 118 companies supported the Campaign
- 891 stores installed Point of Sale material
- 415 store windows were dressed
- Over 164.5 million people were reached with the Campaign message
- £1,608,703 (AU\$2.5 million +) advertising value achieved via media communications
- Over 6,000 consumers attended key events
- Over 200,000 people received campaign information via email.



Sheep graze Savile Row in London to launch the Campaign for Wool.

CAMPAIGN FOR WOOL - AUSTRALIA

Following its successful launch in the UK, the Campaign for Wool expanded globally and has been launched in Australia.

Australia was the first of many countries in which the Campaign is being rolled out in 2011.

The Campaign was launched in Australia at the end of March to coincide with the start of the mid winter retail season.

The Campaign involved a host of events and retail promotions.

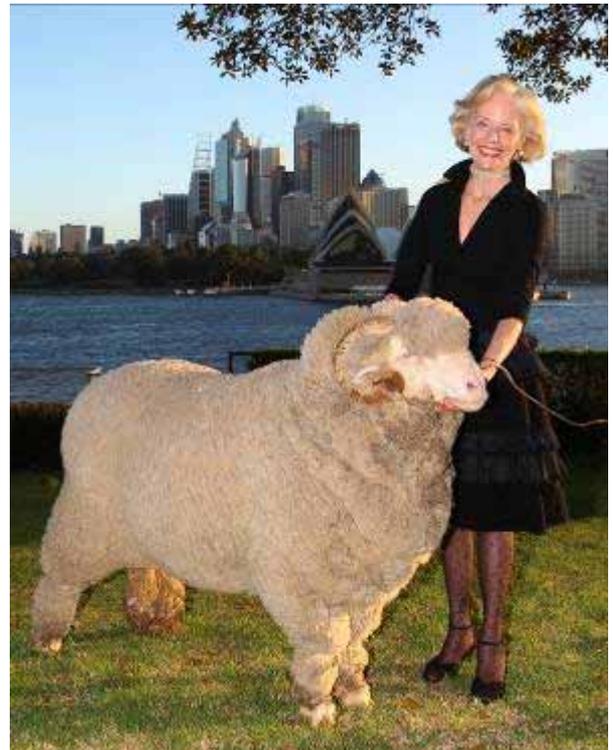
The Governor-General Ms Quentin Bryce AC launched the Campaign in Australia at an event she hosted at the iconic Admiralty House in Sydney.

While sheep grazed on the harbourside lawn, VIPs from the fashion industry and media were showcased the best in wool apparel by international designers including Missoni, Richard Nicoll, Mark Fast and Martin Grant and local designers Dion Lee, Josh Goot, Collette Dinnigan and Jenny Kee.

Over 30 key apparel labels and retailers supported the launch of the Campaign by taking part in the fashion presentation – they are also taking the Campaign's messages to consumers with in-store promotions delivering increased awareness about the natural benefits of wool.

Australian retail giant Westfield led the way by hosting a novel wool exhibition, which showcased the natural beauty of wool, in its new Sydney City premium centre and Doncaster centre in Melbourne.

The exhibition gave customers the chance to touch and experience wool, in its original state through to the high quality garments they see on the shop floor.



The Governor-General Ms Quentin Bryce AC at the Australian launch of the Campaign for Wool.

WOOLMARK GOLD CAMPAIGN

The largest wool marketing program ever undertaken in China began last year.

The Woolmark Gold campaign aims to position wool as the prestigious fibre of choice in the rapidly growing Chinese domestic market for luxury goods. The campaign simply states that to dress with style is to dress with Merino wool.

The story and heritage of Merino wool as a premium natural fibre was told through a co-ordinated media and retail campaign.

Luxury European fabric and tailoring brands united under a common banner for the first time in a century to sell the message. Holland & Sherry, Taylor & Lodge, Hield Brothers, Vitale Barberis Canonico, Reda, Dormeuil, Scabal and Johnstons of Elgin became licensees of the highly prestigious Woolmark Gold brand.

The Woolmark Gold brand represents recognition of outstanding achievement in weaving and knitting of Australia's finest micron wools. All partners in the program are signatories to the International Wool Textile Organisation (IWTO) Code of Practice that guarantees declarations of micron values under the Super S system.

The creation of this elite and exclusive sourcing group to the upper tier of the Chinese market provided them with sales opportunities in premium priced markets. The campaign resulted in significant orders for Merino fabric and premium value sales.

The story and heritage of Merino wool as a premium natural fibre was told through a co-ordinated media and retail campaign, including nine, half hour-long television episodes shown on China's luxury lifestyle channel CBN Style Focus.

The campaign achieved an "influenced audience" of over 316 million people with an advertising value worth approximately RMB 48 million (\$7.2 million), including:

- a 215 million audience for the Style Focus television and retail campaign, with an advertising value worth RMB46.8 million (AU\$7.0 million) - a value on investment (VOI) of 18.7. Over 21 million watched the Gold Woolmark television program itself, five times the ratings of previous years
- a 101 million trade and consumer audience for PR and editorial, with an advertising value worth RMB1.3 million (AU\$200,000) - a VOI of 9.7



Advertising collateral for the Woolmark Gold campaign.

- a 50,000 audience from a European Worsted Fabric Forum and Workshop, with an advertising value worth RMB800,000 (AU\$120,000) - a VOI of 8.0
- over two million online searches for Gold Woolmark partners.

SAM THE LAMB

AWI has created a free, educational comic book in an iPad application to teach young children around the world about the natural benefits of wool.

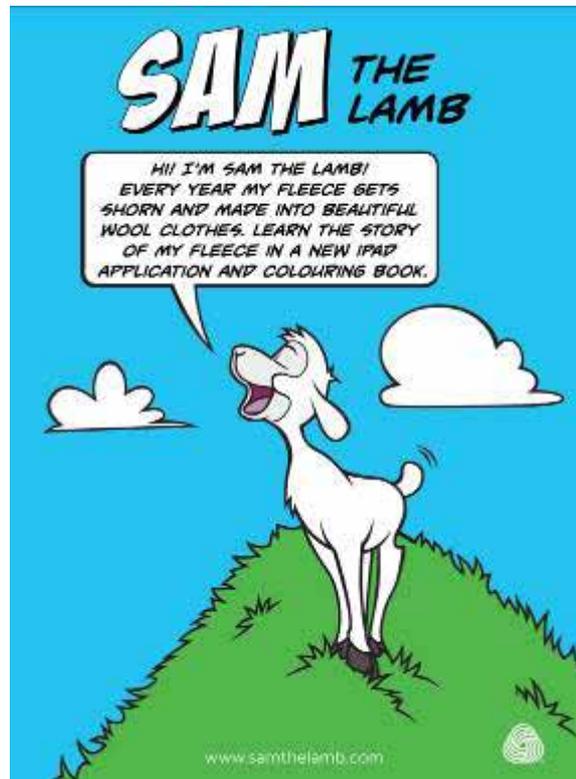
The fun comic-book styled app is free and allows children to digitally colour in and share the story of Sam the Lamb while learning the origins of the fibre and its end use as clothing in both warm and cold climates.

The animated children's colouring book is free from the Apple iTunes store (see www.samthelamb.com for details).

Sam the Lamb is an example of reconnecting a new generation with wool using the latest digital technology. It is a simple and fun way to get young people around the world understanding the natural benefits of wool, an education that will stay with them for life. This is a clever development of an educational comic book The Woolmark Company developed many years ago. It's fun, educational, very Australian and free.

The iPad App has been created and launched globally in seven languages: English, French, German, Italian, Chinese, Japanese and Turkish.

Sam the Lamb is also available in a hard copy colouring in book (which has also been converted into several languages) for distribution at fairs and shows for children.



Sam the Lamb is an example of reconnecting a new generation with wool using the latest digital technology.

SOCIAL MEDIA CAMPAIGNS

AWI is using the popularity of “social media” on the internet to help reconnect a new generation of consumers with the natural wonders of wool.

The company is helping drive the agenda for wool on Facebook and ‘generate online conversation’ about wool.

The ‘We Love Wool’ fan page on Facebook (www.facebook.com/welovewool), launched by AWI in June, is a global hub for consumers, retailers, designers and manufacturers to grow awareness of the fibre and its benefits.

AWI has also launched a Woolmark page on Facebook (www.facebook.com/woolmark), to help create a fan base for the Woolmark brand.

By posting interesting and positive content on the pages, AWI is creating a positive tone which is resonating with lovers of wool around the world. It also enables consumers to provide feedback and tell us what they like about wool.

As customers interact more and more online, it makes sense for AWI to target them through social media, plus it is a very cost effective way of marketing wool to a new generation of consumers.

In support of the We Love Wool social media platform, AWI has also launched an online campaign – Find Fashion by Feelings (see www.fashionbyfeelings.com) – that enables the wool loving and fashion savvy public from across the globe to upload and share a photo of themselves wearing their favourite wool garment. The public can vote for the look that they most love.

For more information, visit:

- Find Fashion by Feelings microsite www.fashionbyfeelings.com
- We Love Wool page on Facebook www.facebook.com/welovewool
- We Love Wool on Twitter www.twitter.com/welovewool
- Woolmark page on Facebook www.facebook.com/woolmark
- Woolmark channel on YouTube www.youtube.com/woolmarkonline



AWI started using “social media” to help a new generation of tech-savvy consumers reconnect with the natural wonders of wool.

WOOL4SKOOL

School students from across Australia have been learning about the benefits and versatility of wool fabrics, by taking part in AWI’s inaugural Wool4Skool competition.

The aim of the competition, targeted at Australian secondary school students in Years 9 and 10, was for the students to redesign their school uniform using various wool innovations.

The winners of the design competition were announced at The Australian Wool Fashion Awards (TAWFA) during the Sydney Royal Easter Show, and made-up versions of the winning entries paraded on the TAWFA catwalk.

Wool4Skool brought together many skills from within the wool industry. The Australian Wool Education Trust funded the production of sample packs that allowed the students to touch and feel different wool fabrics.

The AWI Off-Farm R&D team had developed the fabric packs which contained eight innovative fabrics. The competition was run by AWI in partnership with the Education Department of NSW.

Planning is now under way for the 2012 competition.



The winning designs from the inaugural Wool4Skool competition on display at The Australian Wool Fashion Awards stage in April 2011.

OPERATIONAL REPORT 2010/11 – MARKETING AUSTRALIAN WOOL

Strategy 1: Fibre partnership marketing

Program	Progress
Consumer education	<ul style="list-style-type: none"> • AWI launched a three-year global fibre education campaign in December 2010 to inform a new generation of consumers about the attributes and benefits of Merino wool. The “Merino Wool. No finer feeling” campaign aims to position Merino as the premium, luxury fibre of choice. In addition to apparel advertisements, influential global fashion industry leaders, such as Margherita Missoni and Alessandro Benetton, are ambassadors for the campaign and the fibre. • The Campaign for Wool was launched to educate consumers about the fibre’s unique natural benefits and build a lasting profile for the fibre. Initiated by and with patronage from His Royal Highness The Prince of Wales, the initial focus of the Campaign was a series of promotions held across the UK in October 2010, including sheep grazing on Savile Row in London. The event is achieving a great deal of media coverage in the UK, Australia and in overseas markets. • The Campaign for Wool was launched in Australia during March 2011 to coincide with the start of the autumn/winter retail season. Australian retailers around Australia highlighted their support for wool in their own fashion lines. • AWI has undertaken the largest ever wool education program in China, aimed at the country’s rapidly growing domestic consumer market for luxury goods. The Woolmark Gold campaign successfully positioned AWI’s Merino fabric partners in the Chinese luxury market resulting in orders for Merino fabric and premium value sales. • AWI started using “social media” to generate online conversation about wool and help reconnect a new generation of tech-savvy consumers with the natural wonders of wool. A “We Love Wool” page on Facebook has been set up along with Twitter. An accompanying “Find Fashion by Feelings” campaign was launched. The Woolmark brand also has a page on Facebook and a channel on YouTube. • AWI started using iPad Apps to market wool. A “Sam the Lamb” iPad App was created to educate younger children about the processes wool goes through to become apparel. Further iPad and iPhone apps are in development. • Posters have been produced showing the wool processing and apparel production process - from farm to fashion. The posters are being distributed to primary schools for the education of students. A more detailed version is being produced for secondary, tertiary and general consumer target audiences.
Online presence, search engine management and optimisation	<ul style="list-style-type: none"> • A new Merino.com website was developed and launched by AWI, to share information about the benefits of this premium natural fibre, so that consumers and fashion designers are inspired to discover and enjoy its unique properties. Phase 2 of the new site has recently been launched including information focused on fashion, activewear and babywear, as well the benefits and provenance of the fibre itself. • Wool.com continued to be updated with relevant information for woolgrowers, the textile trade and consumers. Various e-newsletter and email campaigns (including a new e-newsletter for woolgrowers) were undertaken, pointing to information on the site. • An online presence was established for specific marketing projects that were undertaken, such as Woolmark Gold, Sam the Lamb, the Campaign for Wool. • A Search Engine Optimisation campaign was launched January 2011 in UK, Germany, Italy and China to coincide with the launch of the Merino. No Finer Feeling™ campaign and Merino.com. Overall the campaign generated 93,963 clicks at an average CPC of \$0.84, achieving an average Share of Voice of 58% across all four markets.
Trade education tools	<ul style="list-style-type: none"> • AWI Key Account Managers (KAMs) around the globe have been issued with a Dashboard iPad App to assist KAMs communicate with trade customers in the most timely and cost-effective manner irrespective of location. They display marketing, sales, training and market intelligence materials. • A range of brochures, manuals and other tools have been produced to educate the textile trade about AWI innovations, knit and woven manufacturing techniques, caring for wool apparel, the benefits of wool. • The development and production of training videos for retail sales staff is under way. A supporting training module will accompany the videos enabling delivery via the web, smart phone and iPad. Delivery will be available in several languages.
Public relations - fibre publicity	<ul style="list-style-type: none"> • The “Wool Fit for a Prince” project took samples of wool that were donated by woolgrowers from across Australia and turned them into suit fabric as a wedding gift for Prince William. Over 100 metres of fabric were produced. The project generated a large amount of positive domestic and international media interest.

Strategy 1: Fibre partnership marketing (continued)

Program	Progress
Brand rationalisation and refresh	<ul style="list-style-type: none"> A stylised green coloured Woolmark logo, with the words “The Woolmark Company supports The Campaign for Wool”, was developed especially to be used as a marketing device in conjunction with the Campaign for Wool. A new gold coloured Woolmark was developed especially for the Woolmark Gold campaign that aims to position wool as the prestigious fibre of choice in the rapidly growing Chinese domestic market for luxury goods – see page 23 for details.

Strategy 2: Product partnership marketing

Program	Progress
Trade and consumer product promotion	<ul style="list-style-type: none"> AWI worked with companies to help targeted marketing of their wool products. Funds invested by AWI were leveraged with AWI partners' marketing budgets.
Woven volume defence	<ul style="list-style-type: none"> The Woolmark Gold campaign positioned Merino as the prestigious fibre of choice in the rapidly growing Chinese domestic market for luxury men's apparel – see page 23 for details. Unlike in the West, 70 per cent of luxury consumers in China are male.
Public relations – product publicity	<ul style="list-style-type: none"> AWI promoted the use of wool to the global fashion industry, working closely with local and international designers to source and develop fabrics and knitwear made from quality Merino. The designers showcased their wool apparel at fashion events during 2010/11 including Rosemount Australian Fashion Week (Sydney), L'Oréal Melbourne Fashion Festival, London Fashion Week, New York Fashion Week, The Australian Wool Fashion Awards, and the Woolmark Fashion Parades at the Sydney Royal Easter Show.
Brand standards and quality control	<ul style="list-style-type: none"> Audit visits to AWI-authorized laboratories were undertaken. Staff in the regional offices have been trained to conduct all subsequent laboratory review visits so that formal reviews by Sydney-based staff on an annual basis will no longer be required. The roll out continued of the new design tickets and labels with the SML Group as the preferred global supplier for all Woolmark tickets and labels, including a refresh and update of the global interior ticket and label offer Brand guidelines for Woolmark tickets and labels have been developed.
Endorsements	<ul style="list-style-type: none"> Several new and renewed licenses are under negotiation for products and brands to be added to the Apparel Care Program.

Strategy 3: Market intelligence

Program	Progress
Production forecasting	<ul style="list-style-type: none"> The forecasting process undertaken by the Australian Wool Production Forecasting Committee was reviewed and an updated and streamlined forecasting process put in place of value to growers and to the global supply chain. Forecasts generated under the revised process were released in December 2010 and April 2011, and reports made available on the AWI website at www.wool.com/forecasts. Under the revised arrangements, joint MLA and AWI “Sheepmeat and Wool” surveys have been conducted in October 2010, and February and June 2011. A technical panel process has been implemented to refine the survey methodology and analysis, involving industry experts and MLA and AWI, and refinements to the survey content and underpinning data treatments have ensued. Further refinements are expected following release by ABS of 2011 census data.
Retail and trade market reports	<ul style="list-style-type: none"> Market intelligence reports were produced in December 2010, and January, February, March, April, and May 2011 and are available at www.wool.com/marketintelligence. A weekly wool market review produced by the Australian Wool Industries Secretariat was emailed each week by AWI to woolgrowers who have subscribed to the free service. The reviews are also available at www.wool.com/marketinformation.
Consumer insight and trend monitor	<ul style="list-style-type: none"> AWI collected consumer insight and trend monitor information from a range of sources, including UK-based LS:N Global – these have been utilised in operational planning purposes.
Global consumer apparel and fibre market research	<ul style="list-style-type: none"> AWI sourced consumer and fibre market research from a wide variety of sources, including IMA-Asia, Global Demographics, Euromonitor, and PCI-Fibres. AWI also commenced the process of upgrading its Harvest database of trade data, used for the generation of market reports for shareholders and other stakeholders.

WOOLMARK BRAND

Objective: To review the role and value of the Woolmark brand, revitalise it and, where markets and partners permit, maximise the presence and income streams of the brand.

REVITALISED TICKETS AND LABELS

The roll out of the new design tickets and labels continued this year. The SML Group is the preferred global supplier for all Woolmark tickets and labels.

Countries within Asia, USA and Europe are well advanced in the transition from the old design tickets/labels through to the new supplier, with the remaining countries working to completion by the middle of 2011.

Take up of the new design has received positive reactions from manufacturers and retailers who have welcomed the refreshed design and refined offer.

Year on year usage has improved in the past year and is attributed to the increased marketing programs being carried out at consumer level for “Campaign for Wool” and “Merino. No Finer Feeling”.



Roll out of revitalised Woolmark collateral continued globally in 2010/11. It has an updated design, added security and a more efficient ordering process.

OPERATIONAL REPORT 2010/11 – WOOLMARK / INTERNATIONAL SALES TEAM

Strategy 1: Build Woolmark brand presence through partnership marketing programs

Program	Progress
Fibre partnership marketing programs - Woolmark presence	<ul style="list-style-type: none"> AWI has been building the awareness of the Woolmark brand through major marketing initiatives such as the “Merino. No Finer Feeling” campaign (which included the Woolmark logo in all its marketing collateral) and the “Campaign for Wool” (where a stylised green Woolmark logo was used to reinforce the ‘eco’ credentials of wool). See the Marketing Australian Wool section beginning on page 21.
Product partnership marketing programs - Woolmark presence	<ul style="list-style-type: none"> The Woolmark brand has presence on a number of partnering companies’ advertisements, collateral and in-store presence in relation to the above “Merino. No Finer Feeling”, “Campaign for Wool” and other campaigns.

Strategy 2: Leverage the market presence and value of the Woolmark through identifying and maximising Woolmark revenue streams, license income and royalties

Program	Progress
Brand licensing	<ul style="list-style-type: none"> Category managers have been appointed for the following AWI programs: Mother and Baby, Activewear, and Apparel Care. AWI will leverage the market presence and value of the Woolmark brand in these sectors by identifying and maximising Woolmark revenue streams.
Additional endorsements	<ul style="list-style-type: none"> Several licenses are under negotiation for new products to be added to the Apparel Care program.

Strategy 3: Retail and e-commerce feasibility

Program	Progress
Feasibility study - Woolmark branded retail outlets	<ul style="list-style-type: none"> A feasibility study has been completed into Woolmark branded retail outlets. Consumer awareness testing and acceptance of the Woolmark retail concept has also been completed.
Feasibility study and development strategy - Woolmark e-commerce business	<ul style="list-style-type: none"> A decision has been made to create an e-commerce facility that provides Woolmark licensees with a way of paying their license fees online. This will be incorporated into the development of a new woolmark.com website (for Woolmark licensees and the textile trade) during the second half of 2011.

MARKET ACCESS

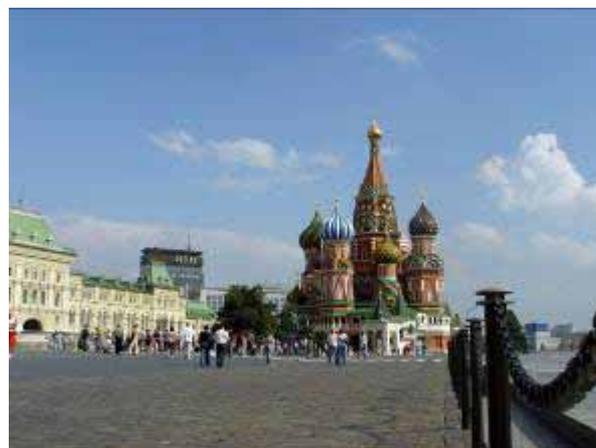
Objective: To define threats and opportunities facing the wool industry, and build strategies and programs to ensure market access, sustainable production and improved trading environment across the supply chain.

NEW MARKETS FOR WOOL

AWI has been investigating new processor and retail markets for Australian wool.

Apart from the obvious benefit of potentially increasing demand for wool products, there is also a risk management element to this strategy, due to Australia's current reliance on China as the major buyer of Australian wool, plus our traditional (western) markets continuing to be at risk from recession. AWI has been investigating growth markets such as:

- Vietnam processing market – to put in place an “Out of Vietnam” project, similar to AWI's “Out of Bangladesh” project.
- Central and South America processing market – which already has a large textile infrastructure and is close to the lucrative USA retail market.
- Russia – as a potential retail market, due to its increased wealth, large population, and extreme weather.



AWI has been helping penetrate new and profitable markets such as Russia.

OPERATIONAL REPORT 2010/11 – INTERNATIONAL TRADE & MARKET ACCESS

Strategy 1: Market access

Program	Progress
Develop and implement market access strategies and programs to ensure ongoing access to key processor markets for Australian wool	<ul style="list-style-type: none"> • AWI has been exploring new processor markets for Australian wool in new regions. This is necessary due to potential risks, such as (1) too much reliance on a single buyer (China) of Australian wool, and (2) increased manufacturing costs in China that could result in a downturn in China's manufacturing base. • AWI is liaising with manufacturers in growth processing markets, such as Belarus, south-east Asia (eg Vietnam and Cambodia) and Central and South America, to help increase their production of wool products.
Develop and implement market access strategies and programs to ensure ongoing access to retail markets for Australian wool	<ul style="list-style-type: none"> • AWI has been exploring new retail markets for Australian wool in new regions. This is especially important due to our traditional (western) markets continuing to be at risk from recession. • AWI is liaising with retailers in growth retail markets, such as Russia, to help increase their selling of wool products.
Enhance trade advocacy activities at all levels of our industry and across the supply chain to achieve optimal trade outcomes	<ul style="list-style-type: none"> • AWI has been exploring the benefits and possibilities of a Free Trade Agreement (FTA) between Australia and India – an important growth market for Australian wool. AWI has submitted a proposal to the Australian Government regarding an FTA.

Strategy 2: New market development

Program	Progress
Additional demand for broad micron wools	<ul style="list-style-type: none"> • AWI attended interiors trade shows including Heimtextil in Frankfurt, Domotex in Hannover, India Carpet Fair in Delhi and Surfaces in Las Vegas. • See the above Strategy 1: Market access.
Evaluation of “new” markets for Australian wool	<ul style="list-style-type: none"> • See the above Strategy 1: Market access.

GOOD BUSINESS

CORPORATE GOVERNANCE FRAMEWORK

Governance principles

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

The key Board functions include:

- Oversight of the Company, including its control and accountability systems
- Appointing and removing the CEO (or equivalent), including determining the remuneration for the position
- Providing input into, and final approval of, managements' development of corporate strategy, programs, policies and performance objectives
- Oversight of the development, implementation and performance of Research and Development and Innovation programs and projects aimed at enhancing the long-term profitability of Australian woolgrowers
- Providing transparent, balance and accurate reporting of the Company's activities to shareholders
- Ensuring the Company has an appropriate corporate governance framework and that the Company operates in accordance with that framework
- Reviewing and ratifying systems for risk management, internal compliance and control, codes of conduct and legal compliance
- Ensuring compliance with the Company's Constitution and all legal requirements
- Ensuring that the Company complies with all requirements under the Statutory Funding Agreement with the Commonwealth of Australia
- Appointing and, where appropriate, removing the Company Secretary or Company Secretaries
- Approving the appointment, their terms and conditions and, where appropriate, removal of the general managers reporting to the CEO
- Ensuring appropriate resources are available to senior executives for achievement of the strategic and operational objectives
- Evaluating implementation of strategy and programs to assess its effectiveness and continued suitability
- Approving and monitoring the progress of all expenditure above financial delegations
- Monitoring and evaluating financial and other reports and identifying the need for follow up action.

Conflict of interest policy

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

The Board acknowledges that transactions involving Directors and Officers may occur in the ordinary course of AWI's business since the Board includes members actively involved in the wool industry.

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

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

Fraud Control Plan

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

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

The desired outcome of this commitment is the elimination of fraud against AWI programs by staff and other persons. AWI considers that this policy applies to all Directors, employees, agents and contractors.

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

The main objective of the Fraud Control Plan is to minimise the risk of fraud against AWI. This objective is achieved through reference to the Commonwealth Fraud Control Guidelines including the adoption of the Australian Standard on Risk Management (ISO 31000-2009) and the Australian Standard on Fraud and Corruption Control (AS 8001-2008) to identify fraud risks and to develop and implement actions to manage those risks.

Risk Management Policy and Framework

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

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

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

AWI Board and Management recognise risk management is everyone's business, however, it is also recognised that responsibility for driving a strong risk management culture throughout an organisation requires management focus.

Corporate governance documents

AWI corporate governance documentation may be found on the AWI website at www.wool.com, and includes:

- Constitution
- Statutory Funding Agreement 2010 - 2013
- Board Charter
- Charter of the Committees of the Board
- Code of Conduct - Directors and Officers
- Code of Conduct - Obligations to Stakeholders
- Corporate Governance Policy
- Conflicts of Interest Policy
- Communications Strategy
- Rules and Procedures Governing the Election of Directors.

AWI continues to review and develop these documents on a regular basis to ensure they remain relevant to the Company and encapsulate the high standards Board and management are committed to achieving.

AWI'S STAKEHOLDER LINKS

Stakeholder engagement

The nature of the Australian wool industry is such that there is no one single organisation that represents all woolgrowers, nor one group that represents all domestic industry organisations (see Figure 1 on opposite page). Consequently, in comparison to other rural research and development corporations (RDCs), which have a nominated Industry Representative Body (IRB) in their respective Statutory Funding Agreements (SFA) or statutory requirements, AWI's SFA requires it to "meet with key industry representative bodies at not less than six-monthly intervals to review industry priorities for R&D and marketing investments and report on its performance against its plans".

To ensure the views of AWI shareholders (woolgrowers and the Federal Government) and other key stakeholders are considered and incorporated in AWI's planning and operations, AWI has developed a comprehensive stakeholder engagement strategy. This strategy encompasses individual woolgrowers, woolgrower representative groups, domestic non-woolgrower industry organisations, and others right along the wool supply chain to retailers and consumers.

To ensure AWI effectively engages this wide range of stakeholders, over the past 18 months AWI has reviewed its stakeholder consultation processes, implementing significant changes across the business in 2010/11 to improve engagement with woolgrowers, supply chain partners, industry and government.

This included strengthening and formalising existing consultative processes such as the Woolgrower Forum, and establishing new processes: the Woolgrower Industry Consultative Committee (ICC) and Animal Welfare Forum. These forums were formalised as part of the Annual Planning and Consultation Cycle, which was fully integrated across the business in 2010/11 ensuring all stakeholder groups have a greater understanding of AWI's role as the R&D and marketing provider for the Australian wool industry and the ways in which their views are incorporated in AWI activities.

Building on the important engagement with woolgrower representative groups through the ICC, in 2011/12 AWI will re-establish formal engagement with State Farm Organisations.

Working in partnership with the wool industry

AWI's investment in R&D (both on-farm and off-farm) and marketing requires the company to consult a wide range of stakeholders along the supply chain - from woolgrowers to consumers. While AWI has a robust and broad-ranging consultative framework, engagement with woolgrowers is a key priority.

In 2010/11 AWI developed and implemented an industry engagement strategy to establish and nurture relationships with woolgrowers to improve awareness of AWI's activities, promote two-way exchanges of information, and ensure stakeholder views are incorporated into key corporate planning and activities.

Figure 1: Wool industry organisational chart

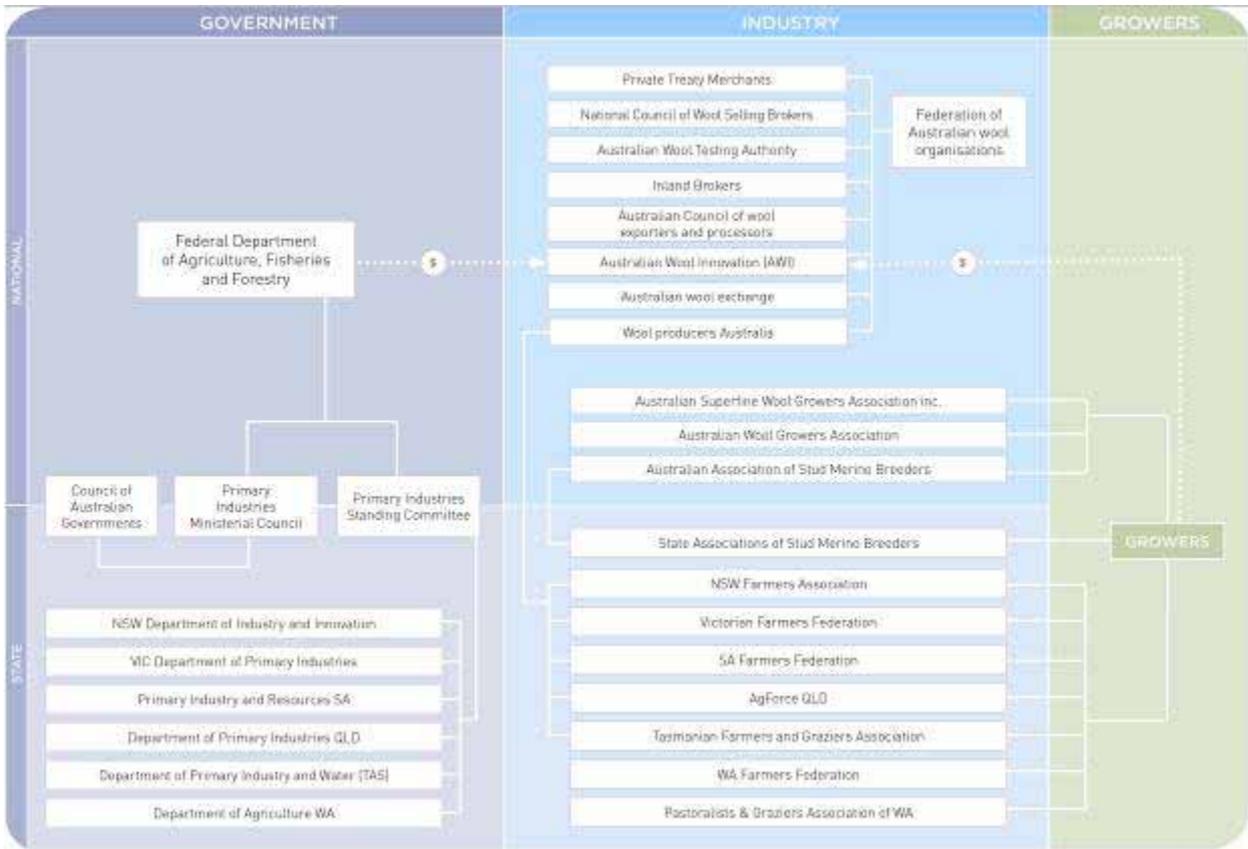


Figure 2: AWI's Annual Planning and Consultation Cycle



The strategy also includes engaging supply chain partners who value and support AWI by partnering in business strategies that deliver benefits to the Australian wool industry. These relationships assist AWI in delivering market information, R&D and marketing outcomes for Australian woolgrowers.

Examples by which AWI engaged stakeholders during 2010/11 include:

- Woolgrower Forums (six-monthly)
- Woolgrower Industry Consultative Committee meetings (three per year)
- Regular meetings with woolgrower representative bodies and key processors
- Numerous forums with woolgrowers in wool producing areas
- Trade and retail partner consultation forums
- Retailer and brand workshops and roadshows
- Woolmark licensee workshops and meetings
- Meetings with manufacturers and media partners in key markets
- Outreach publications - primarily the quarterly *Beyond the Bale* magazine, AWI's online newsletter and the AWI website (www.wool.com).

Further detail on AWI's consultation processes is shown in Figure 2 on the previous page.

Government partnership

In 2010/11 AWI reviewed and implemented its government relations strategy to strengthen relationships with government stakeholders. As one of fifteen rural RDCs, AWI's engagement with the Australian Government is underpinned by the SFA, a contract which governs AWI's expenditure of levy and matching government funding for eligible R&D activities. In 2010/11 AWI's relationship with the Australian Government was marked by successful implementation and compliance with the new SFA.

Examples by which AWI engaged government during 2010/11 are:

- regular interaction with the Australian Government through quarterly meetings, participation in such government processes such as Senate Estimates, and day-to-day discussions
- development of an SFA compliance report (in conjunction with the Department of Agriculture, Fisheries and Forestry) to further demonstrate, on a six-monthly basis, the company's ongoing compliance with SFA requirements
- provision of six-monthly reports to a wide range of government stakeholders on key operational issues
- offering briefings on R&D and marketing activities and key issues to interested government stakeholders
- AWI's participation in Council of Rural Research And Development Corporations activities
- AWI's participation in the development strategies under the National RD&E Framework.

In 2010/11 AWI also engaged state government agencies at a corporate level, ensuring this important stakeholder group is aware of key operational issues and is updated on AWI's R&D and marketing activities.

Partnership outcomes

As a result of its strong links with its stakeholders in 2010/11 AWI is strongly positioned to:

- support Australian woolgrowers to adapt to changing market conditions
- deliver R&D solutions that are responsive to industry and government needs
- provide a vital link between government and industry to ensure efficient and effective investment in R&D.

AUDIT

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

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

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

GOVERNMENT FUNDING AND RESEARCH PRIORITIES

The Australian Government is a major investor in AWI, collecting and disbursing statutory levies and providing taxpayer funds for eligible industry research, development and extension (RD&E) activities. As the wool industry's Rural Research and Development Corporation (RDC), AWI is the Australian Government's primary vehicle for funding innovation in the wool industry.

National RD&E Framework

AWI's plan for RD&E delivery is an element of the National RD&E Framework, a Federal Government initiative to ensure the efficiency and effectiveness of RD&E. The initiative is delivering strategies for all agricultural sectors including wool and sheepmeat, and cross sector strategies including animal welfare, biosecurity and climate change. The RDCs, State Government agencies, CSIRO and universities are all signatories to the initiative. This national framework, developed between state and Federal governments, research providers and funders – and importantly, industry – aims to ensure a coordinated and collaborative joint investment by all parties.

In 2010/11 AWI was involved in important components of the Framework, including development of the National Wool RD&E Strategy, National Animal Welfare RD&E Strategy and the Climate Change Research Strategy for Primary Industries. AWI is also involved in the implementation of common interest areas of the National Sheepmeat Production RD&E Strategy and the development of the National Biosecurity RD&E Strategy.

AWI will collaborate with other investors and providers of RD&E in scoping and delivering projects, sharing of project and program evaluation findings and sharing of the outcomes of collaborative RD&E. There is agreement on the national outcomes expected for the wool industry over the long term and a mechanism for the review of those outcomes over time. This agreement includes the outcomes for animal welfare and climate change.

National Wool RD&E Framework

In 2010/11 AWI participated in the development of the National Wool RD&E Strategy. While the Strategy incorporates the AWI Strategic Plan 2010-2013, it does go beyond it because the investment base for wool RD&E includes state governments and other sources such as the CSIRO and the universities. Within the National RD&E Framework, investors and providers identify themselves as taking either major, support or linking role in aspects of the Strategy allowing for organisations to specialise in particular areas of the program framework. In 2010/11 AWI agreed to take a major role in RD&E that supports its marketing program as there would be little investment expected from state governments in this area.

AWI will join the Western Australian and NSW Government departments responsible for agriculture as major organisations responsible for the coordination and reporting of the implementation of the National Wool RD&E Strategy, with the Tasmanian department offering support and the South Australian, Queensland and Victorian departments and CSIRO linking into the Strategy. An annual forum for researchers will be held to identify and scope collaborative investment opportunities and report on progress.

A robust and lengthy consultation process accompanied development of the National Wool RD&E Strategy, with industry views canvassed in a range of methods including eight woolgrower workshops and two state surveys designed by AWI and each state government; and feedback from AWI's woolgrower forums and supply chain groups. State departments for agriculture, CSIRO and universities were also consulted. The Strategy will be submitted to the Federal Government in July 2011. Once implemented, industry will be consulted on the Strategy every three years to ensure RD&E priorities remain relevant and outcomes are being delivered. The expected life of the National RD&E Framework is as long as 20 years which will therefore require a commitment to ongoing consultation, evaluation and reporting.

R&D collaboration during 2010/11

R&D collaboration with other organisations during 2010/11 made AWI investments more efficient and effective by reducing duplication, maximising leverage and providing a greater platform for adoption. Collaboration, especially with other RDCs, also helped AWI and the collaborating parties address the Government's National Research Priorities (NRPs) and Rural Research and Development Priorities (RRDPs) – see the following section.

Given that the primary ruminant at the heart of AWI's R&D and marketing efforts (ie sheep) is also of interest to a number of other RDCs, AWI has a demonstrated history of collaborating on R&D projects with other members of the RDC family. Almost 20 per cent of AWI's R&D expenditure in 2010/11 was directed at projects involving at least one other RDC.

During 2010/11, AWI was involved in a significant number of collaborations with research bodies such as RDCs, government departments of agriculture, industry organisations, CSIRO, universities and commercial partners. Major collaborations during 2010/11 include:

- WormBoss, which is helping producers with worm management practices (with the CRC for Sheep Industry Innovation and leading Australian parasitologists, researchers and consultants)
- FlyBoss, which is helping producers with worm management practices (with the CRC for Sheep Industry Innovation, MLA and the state departments of primary industry)
- helping to overcome predation by wild dogs and foxes, and helping to develop new control options for rabbits (with the Invasive Animals CRC and NSW DPI)
- 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)
- EverGraze, which is helping high rainfall producers increase the profitability of grazing systems (with MLA and the Future Farm Industries CRC)
- shearer and wool handler training with Registered Training Organisation providers around Australia
- a number of projects with the CRC for Sheep Industry Innovation, including postgraduate training, Information Nucleus and greenhouse gas abatement
- Making More From Sheep, which is the best practice manual plus ongoing workshops for sheep producers (with MLA)
- Extension activities with state and regional based organisations and departments of agriculture, including BESTWOOL/BESTLAMB (Vic), Sheep Connect NSW, The Sheep's Back (WA), Bestprac (Pastoral), Sheep Connect SA, Leading Sheep (Qld), Sheep Connect Tas.

Research priorities

While AWI's R&D and marketing priorities are determined by woolgrowers as identified by industry through AWI's Annual Planning and Consultation Cycle, the national framework requires AWI to also take into account the Australian Government's National Research Priorities (NRPs) and Rural Research and Development Priorities (RRDPs) in setting its R&D investments.

National Research Priorities

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

The priorities are:

- an environmentally sustainable Australia
- promoting and maintaining good health
- frontier technologies for building and transforming Australia
- safeguarding Australia.

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

The RRDPs and related objectives are:

- Productivity and Adding Value: Improve the productivity and profitability of existing industries and support the development of viable new industries.
- Supply Chain and Markets: Better understand and respond to domestic and international market and consumer requirements and improve the flow of such information through the whole supply chain, including to consumers.
- Natural Resource Management: Support effective management of Australia's natural resources to ensure primary industries are both economically and environmentally sustainable.
- Climate Variability and Climate Change: Build resilience to climate variability and adapt to and mitigate the effects of climate change.
- Biosecurity: Protect Australia's community, primary industries and environment from biosecurity threats.

The supporting RRDPs and related objectives are:

- Innovation Skills: To improve the skills to undertake research and apply its findings.
- Technology: To promote the development of new and existing technologies.

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 below summarises how the programs undertaken by AWI during 2010/11 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	Global Marketing	Off-farm R&D	On-farm R&D	TOTAL
Promoting and Maintaining Good Health (including strengthening Australia's social & economic fabric)	Productivity and Adding Value	\$'000 %	236 15.8	- -	1,254 84.2	1,490 100.0
	Supply Chain and Markets	\$'000 %	25,044 86.0	3,880 13.3	203 0.7	29,126 100.0
An Environmentally Sustainable Australia	Natural Resource Management	\$'000 %	- -	- -	93 100.0	93 100.0
	Climate Variability and Climate Change	\$'000 %	- -	30 7.8	352 92.2	382 100.0
Safeguarding Australia	Biosecurity	\$'000 %	- -	- -	891 100.0	891 100.0
Frontier Technologies for Building and Transforming Australian Industries	Innovation Skills and Technology (supporting RRDPs)	\$'000 %	- -	1,599 20.5	6,193 79.5	7,792 100.0
TOTAL (external)		\$'000	25,280	5,508	8,986	39,774

Note: Figures may not add due to rounding

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. Some of these assets are owned jointly with other organisations, including Government departments, statutory corporations, CSIRO and commercial R&D companies.

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

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

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

Royalty income from IP assets owned by AWI, excluding TWC assets contributed \$63,847.20 in 2010/11 representing income earned in the 2009/10 year. Income earned in the 2010/11 year will not be realised until midway through the 2011/12 financial year.

During 2010/11 AWI signed 24 commercial contracts with industry and commercial entities for use of its IP.

IP ASSETS OWNED BY AWI AND ITS ASSOCIATED ENTITIES

This is a list of registered IP owned by AWI (including TWC) or in which AWI has an interest, as at 30 June 2011:

PATENTS (registered in Australia and overseas)

* Raised Shearing Platform * Shearing Platform
* Stretching of staple fibres * Treatment of sheep to reduce flystrike

PATENTS (registered in Australia – not overseas)

* Semi Synthetic Material

PATENTS (registered overseas – not in Australia)

* Leg restraint for use in treating or shearing animals * Head restraint for use in treating or shearing animals * Twisting Device * Heated Garment System * Method for separating keratinous proteins from materials

REGISTERED DESIGNS (registered in Australia and overseas)

* Breech Clip * Dog Bone Clip * Hockey Stick Clip

TRADEMARKS (registered in Australia & overseas)

* Arcana * Australian Wool Innovation * Cool Wool * Flyboss * Liceboss * Merino Active * Merino Perform * MerinO2 * merinotouch * merinotravel * OPTIM * Red Island * Superior Merino * Superior Merino Blend * Pure Merino Wool * awi & Swirl Device * Australian Wool Innovation & Swirl Device * Wool Blend * Woolscience * Wormboss

TRADEMARKS (registered in Australia – not overseas)

* Bestprac * FutureFleece * Licesense * Making More from Sheep * Merino Innovation * SGP * Timerite * Woolcheque * Woolpoll

TRADEMARKS (registered overseas – not in Australia)

* Arnhem Land * Born To Be Worn * Device Mark * Heartmark * IWS * Laine Superlavable * Merino Extrafine Wool * merinofresh * Merino Rich * merinocool * merinoeasyclean * Merion Exelana * Neva-Shrink * Posh Merino * Pure New Wool * Siroset * Solospun * Sportwool * Super Crimp * Super S * Superlavabile * Superlavabile superwash * Superwash * Take Comfort In Wool * Total Easy Care * Vivalana * Wollsiegel * Wool in heart * Wool Plus * Wool Rich Blend * Wool the Heart of a Good Carpet * Wool Plus * woolscientific

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 * Grazplan * Lucerne-Aquarius * Lucerne-Eureka * Lucerne-Genesis * Lucerne-Hallmark * Lucerne-Sceptre * Lucerne-Sequel * Lucerne-Venus * Melilotus-Jota * Mitchell Grass-Turanti * Mitchell Grass-Yanda * Persian Clover-Lusa * Persian Clover-Nitroplus * Phalaris-Atlas * Phalaris-Australian II * Phalaris-Holdfast * Phalaris-Landmaster * Serradella-Charano * Serradella-Santorini * Serradella-Yelbini * Strand Medic-Toreador * Subterranean Clover-Coolamon * Subterranean Clover-Denmark * Subterranean Clover-Gosse * Subterranean Clover-Goulburn * Subterranean Clover-Izmir * Subterranean Clover-Leura * Subterranean Clover-Mintaro * Subterranean Clover-Napier * Subterranean Clover-Riverina * Subterranean Clover-Urana * Subterranean Clover-York * Sulla-Moonbi * Sulla-Wilpena * Wallaby Grass-Bunderra * Wallaby Grass-Taranna

SOFTWARE (registered in Australia – not overseas)

* Sirodec

NEW IP LODGED OR ACQUIRED IN 2010/11

TRADEMARKS (registered in Australia & overseas)

* Sam The Lamb

TRADEMARKS (registered overseas – not in Australia)

* Gold Woolmark * No Finer Feeling Merino. Com * Merinomini * Wool Runs On Grass

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

FINANCIAL REPORT

Contents	Page
Directors' Report	38
Auditor's Independence Declaration	41
Consolidated Statement of Comprehensive Income	43
Consolidated Balance Sheet	44
Consolidated Statement of Changes in Equity	45
Consolidated Cash Flow Statement	46
Notes to the Consolidated Financial Statements	47
Directors' Declaration	68
Independent Auditor's Report	69

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 2011.

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:

Mr W B Merriman (Chairman)
 Mr R J Fletcher (Deputy Chairman)
 Mr B P van Rooyen
 Mr G B S Falkiner
 Dr M L Sheil
 Mr D A A Webster

Mr C R Olsson was a director from the beginning of the financial year until the date of his resignation, 6 May 2011.

Principal activities

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

Review of operations and results

	2011 \$'000	2010 \$'000
Revenue	72,562	61,840
Profit from continuing operations	23,872	17,523

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

There has been no matter or circumstance which has arisen since 30 June 2011 that has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

By actively and efficiently marketing wool and its attributes through investments in marketing and R&D - from farm to fashion - AWI aims to achieve its goal of increasing the demand for wool. In 2011/2012 AWI will continue its broad directional strategy of the 50%:50% split in expenditure between marketing and R&D programs. However it will pursue stronger and more strategically driven programs. Specifically, in its on-farm R&D, AWI will target fewer programs with greater impact. Secondly, in the off-farm area, AWI will assess markets for investment more strictly on their potential yield for Australian woolgrowers. Thirdly, AWI will simplify and align its marketing activities to address three core, pervasive trends:

1. "Natural" issues becoming important in consumers' purchasing decisions.
2. The rapid emergence of developing countries as the consumers of luxury goods.
3. The continuing 'disconnect' between the consumer of luxury fashion and the fibre it is made from.

AWI will continue to operate in a cost effective manner.

Company secretary

The Company Secretary and General Counsel is Ms Sally Holmes (BSc., LLB (Hons), Dip Leg Prac, GAICD, Unrestricted Legal Practising Certificate).

Meetings of directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2011, and the numbers of meetings attended by each director were:

Director	Committees							
	Full meetings of directors		Finance & Audit		Remuneration & Appointments		Science & Welfare	
	A	B	A	B	A	B	A	B
Mr W B Merriman	10	10*	-	-	5	5	7	7
Mr R J Fletcher	10	10	7	6	5	5*	-	-
Mr B P van Rooyen	10	10	7	7	5	5	7	7
Mr G B S Falkiner	10	9	7	6	-	-	7	5*
Dr M L Sheil	10	7^	-	-	-	-	7	4^
Mr D A A Webster	10	10	7	7*	5	5	-	-
Mr C R Olsson (resigned 6 May 2011)	8	6	4	4^	5	3	-	-

A = number of meetings held when a director

B = number of meetings attended by director

* = denotes Chairman as at 30 June 2011

^ = denotes each leave of absence granted

Chairmanship

Mr W B Merriman was reappointed Chairman of the Board on 27 November 2009.

Mr R J Fletcher was reappointed Deputy Chairman of the Board and Chairman of the Remuneration & Appointments Committee on 27 November 2009.

Mr G B S Falkiner was reappointed Chairman of the Science & Welfare Committee on 27 November 2009.

Mr D A A Webster was appointed Chairman of the Finance & Audit Committee on 15 February 2011.

Mr C R Olsson resigned as Chairman of the Finance & Audit Committee on 29 January 2011.

Insurance of officers

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

Proceedings on behalf of the company

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

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

Non-audit services

The Group may decide to 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 23 to the Financial Statements.

Directors' report (continued)

Dividends Paid

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

Environmental regulation

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

Statutory funding agreement obligations

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 41.

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

PwC 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
2 September 2011

Auditor's Independence Declaration

As lead auditor for the audit of Australian Wool Innovation Limited for the year ended 30 June 2011, 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.



Peter Buchholz
Partner
PricewaterhouseCoopers

Sydney
2 September 2011

Financial Report – 30 June 2011

Contents

	Page
Financial statements	
Consolidated statement of comprehensive income	43
Consolidated balance sheet	44
Consolidated statement of changes in equity	45
Consolidated cash flow statement	46
Notes to the consolidated financial statements	47
Directors' declaration	68
Independent auditor's report to the members	69

This financial report covers the consolidated financial statements of the consolidated entity consisting of Australian Wool Innovation Limited and its controlled entities as listed in note 27 to the financial report. The financial report is presented in Australian dollars.

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

Level 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 38, which is not part of this financial report.

The financial report was authorised for issue by the directors on 2 September 2011. The directors have 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.

Consolidated statement of comprehensive income

For the year ended 30 June 2011

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
Revenue from continuing operations			
Operating revenue	3	67,962	59,053
Other revenue	3	4,600	2,787
		72,562	61,840
Other income	4	136	597
Expenses			
Project expenditure	6	(24,280)	(17,236)
Global business development	6	(9,101)	(11,720)
Global marketing	6	(2,561)	(1,659)
On-farm research & development	6	(1,120)	(2,683)
Off-farm research & development	6	(2,712)	(3,268)
Corporate services	6	(8,731)	(8,232)
Profit before income tax		24,193	17,639
Income tax expense	7	(321)	(116)
Profit from continuing operations		23,872	17,523
Profit for the year		23,872	17,523
Other comprehensive income for the year, net of tax			
Exchange differences on translation of foreign operations	21	519	(773)
Total comprehensive income for the year		24,391	16,750
Total comprehensive income for the year is attributable to:			
Members of Australian Wool Innovation Limited		24,391	16,750

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

Consolidated balance sheet

As at 30 June 2011

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	5,255	11,382
Held-to-maturity investments	9	84,084	55,367
Trade and other receivables	10	10,866	8,239
Inventories	11	17	19
Total current assets		100,222	75,007
Non-current assets			
Property, plant and equipment	12	1,925	2,300
Intangible assets	13	10,535	10,708
Other assets	14	555	571
Total non-current assets		13,015	13,579
Total assets		113,237	88,586
LIABILITIES			
Current liabilities			
Trade and other payables	15	10,067	8,456
Provisions	16	1,378	1,433
Deferred income	17	5,198	6,410
Total current liabilities		16,643	16,299
Non-current liabilities			
Provisions	18	368	304
Other	19	628	776
Total non-current liabilities		996	1,080
Total liabilities		17,639	17,379
Net assets		95,598	71,207
EQUITY			
Contributed equity*	20	-	-
Reserves	21(a)	278	(241)
Retained profits	21(b)	95,320	71,448
Total equity		95,598	71,207

*As at 30 June 2010 and 2011 contributed equity in the consolidated entity was \$100.

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

Consolidated statement of changes in equity

For the year ended 30 June 2011

Consolidated	Notes	Attributable to owners of Australian Wool Innovation Limited			Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	
Balance at 1 July 2009		-	532	53,925	54,457
Comprehensive income for the year					
Profit	21	-	-	17,523	17,523
Exchange differences on translation of foreign operations	21	-	(773)	-	(773)
Total comprehensive income for the year		-	(773)	17,523	16,750
Balance at 30 June 2010		-	(241)	71,448	71,207
Balance at 1 July 2010		-	(241)	71,448	71,207
Comprehensive income for the year					
Profit	21	-	-	23,872	23,872
Exchange differences on translation of foreign operations	21	-	519	-	519
Total comprehensive income for the year		-	519	23,872	24,391
Balance at 30 June 2011		-	278	95,320	95,598

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

Consolidated cash flow statement

For the year ended 30 June 2011

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
Cash flows from operating activities			
Levy, licence, government grant and other receipts (inclusive of goods and services tax)		70,493	62,541
Payments to suppliers and employees (inclusive of goods and services tax)		(51,937)	(51,645)
		18,556	10,896
Interest received		3,975	2,426
Income taxes paid		(321)	(116)
Net cash inflow from operating activities		22,210	13,206
Cash flows from investing activities			
Payments for property, plant and equipment	12	(355)	(145)
Proceeds from sale of property, plant and equipment		21	216
Payments for held-to-maturity investments		(28,747)	(12,002)
Redemption of held-to-maturity investments		30	384
Net cash (outflow) from investing activities		(29,051)	(11,547)
Net increase (decrease) in cash and cash equivalents		(6,841)	1,659
Cash and cash equivalents at the beginning of the financial year		11,382	9,493
Effects of exchange rate changes on cash and cash equivalents		714	230
Cash and cash equivalents at end of year	8	5,255	11,382

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

Notes to the financial statements

30 June 2011

NOTE 1: Summary of significant accounting policies

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

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

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

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

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

(ii) Historical cost convention

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

(iii) Critical accounting estimates

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

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

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

(1) Estimated impairment of the Woolmark certification and ordinary trademarks

The Group tests annually whether the value of \$10,000,000 allocated to the Woolmark certification and ordinary trademarks has suffered any impairment, in accordance with the accounting policy stated in note 1(h). These calculations require the use of assumptions regarding the separately identifiable future cash inflows relating to the brand, estimates of future costs required to support the brand and discount rates.

(2) Provisions

The Group has provided for restructure and make good costs per note 16 and note 18 of the Financial Report. These estimates have been made in accordance with the accounting policy note 1(q). The restructure provision includes an estimate of incentive costs relating to the proposed exit of the 580 George St lease which makes assumptions based on current market information.

(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 2011 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 statement of comprehensive income and balance sheet from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

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

Notes to the financial statements

30 June 2011

(continued)

NOTE 1: Summary of significant accounting policies (continued)

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

- 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.

(d) Revenue recognition

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

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

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

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

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

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

(e) Income tax

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, 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.

NOTE 1: Summary of significant accounting policies (continued)

(e) Income tax (continued)

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's wholly-owned Australian controlled entities have implemented the tax consolidation legislation. Australian Wool Innovation Limited is not a party to the tax consolidated group as it is exempt from tax.

(f) Leases

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

(g) Business combinations

The 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 profit or loss, 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.

(h) Impairment of assets

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

(i) Cash and cash equivalents

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

Notes to the financial statements

30 June 2011

(continued)

NOTE 1: Summary of significant accounting policies (continued)

(j) Trade receivables

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

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

(k) Inventories

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

(l) Investments and other financial assets

Classification

The Group classifies its 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 10) in the consolidated 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.

Measurement

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

(m) Property, plant and equipment

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

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

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

NOTE 1: Summary of significant accounting policies (continued)

(m) Property, plant and equipment (continued)

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

	2011	2010
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(h)).

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

(n) Leasehold improvements

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

(o) Intangible assets

(i) Research and development

Research expenditure is recognised as an expense as incurred.

(ii) Trademarks

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

(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 the useful life of the asset.

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.

(p) Trade and other payables

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

(q) Provisions

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

(r) Employee benefits

(i) Short-term obligations plus other benefits

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

(ii) Long-term employee benefit obligations

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

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

Notes to the financial statements

30 June 2011

(continued)

NOTE 1: Summary of significant accounting policies (continued)

(s) Dividends

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

(t) Goods and Services Tax (GST)

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

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

(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.

(v) Parent entity financial information

The financial information for the parent entity, Australian Wool Innovation Limited, disclosed in note 30 has been prepared on the same basis as the consolidated financial statements, except investments in subsidiaries which are recorded at cost in the financial statements of Australian Wool Innovation Limited.

NOTE 2: Financial risk management

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

Risk management is carried out by 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.

(a) Market risk

(i) Foreign exchange risk

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

The Group's foreign exchange management policies include wherever possible creating natural hedges with the collection of licence income in the same currencies as the expenditure being incurred. The Group also purchased foreign exchange contracts during the year to minimise the exposure to fluctuations in the currency markets based on a proportion of budgeted cash flows. The Group had no outstanding foreign exchange hedges at 30 June 2011 or 30 June 2010.

(ii) Cash flow and fair value interest rate risk

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

NOTE 2: Financial risk management (continued)

(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+, AA and AA- for long term and A.1+ for short term.

Risk of loss due to adverse interest rate movements is minimised by investing in term deposits for terms per the AWI investment policy.

Wherever possible funds invested are held in Australian dollars thereby minimising any foreign exchange risk.

The Group has policies in place to ensure that customers have an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

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

(c) Liquidity risk

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

(d) Fair value measurements

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

NOTE 3: Revenue

	Consolidated	
	2011 \$'000	2010 \$'000
From continuing operations		
<i>Operating revenue</i>		
Wool levy	47,026	35,319
Government contributions	11,342	10,483
Licence fees	7,380	10,606
Sale of goods and services	783	1,254
Royalties	1,410	1,299
Other	21	92
	67,962	59,053
<i>Other revenue</i>		
Rents and sub-lease rentals	187	74
Interest	4,413	2,713
	4,600	2,787
	72,562	61,840

Notes to the financial statements

30 June 2011

(continued)

NOTE 4: Other income

	Consolidated	
	2011	2010
	\$'000	\$'000
Net gain on disposal of property, plant and equipment	-	186
Net foreign exchange gains	136	411
	<u>136</u>	<u>597</u>

NOTE 5: Expenses

	Consolidated	
	2011	2010
	\$'000	\$'000
<i>Depreciation and amortisation</i>		
Depreciation - buildings	5	382
Depreciation - property, plant and equipment	393	541
Depreciation - leasehold improvements	206	199
Amortisation - intangible assets	173	159
Total depreciation and amortisation	<u>777</u>	<u>1,281</u>
<i>Other losses</i>		
Impairment - inventories	-	119
Impairment - property, plant and equipment	-	1,004
Net loss on disposal of property, plant and equipment	51	-
Total other losses	<u>51</u>	<u>1,123</u>
<i>Rental expense relating to operating leases</i>	1,530	1,705
<i>Defined contribution superannuation expense</i>	926	805
<i>Impairment (gains)/losses - financial assets</i>		
Trade receivables	(153)	295

NOTE 6: Research, development and marketing expenditure

Consolidated:	2011			2010		
	External costs \$'000	Internal costs \$'000	Total \$'000	External costs \$'000	Internal costs \$'000	Total \$'000
Global business development	-	9,101	9,101	-	11,720	11,720
Global marketing	13,618	2,561	16,179	8,245	1,659	9,904
On-farm research & development	7,866	1,120	8,986	6,992	2,683	9,675
Off-farm research & development	2,796	2,712	5,508	1,999	3,268	5,267
	24,280	15,494	39,774	17,236	19,330	36,566
Corporate services	-	8,731	8,731	-	8,232	8,232
Total research, development and marketing expenditure	24,280	24,225	48,505	17,236	27,562	44,798

'External costs' represent costs directly relating 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:	2011 \$'000	2010 \$'000
Contractor, legal & professional fees expenses	2,593	2,400
Employee expenses	13,571	14,496
Infrastructure expenses	3,544	3,846
Travel expenses	1,400	1,396
Other expenses from ordinary activities	3,117	5,424
	24,225	27,562

NOTE 7: Income tax expense

	Consolidated	
	2011 \$'000	2010 \$'000
(a) Income tax expense		
Current tax	394	292
Adjustments for current tax of prior periods	(73)	(176)
	321	116
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	24,193	17,639
Tax at the Australian tax rate of 30% (2010 - 30%)	7,258	5,292
Tax exempt under section 50-40 of the <i>Income Tax Assessment Act 1997</i>	(8,607)	(5,848)
Tax losses and temporary differences not brought to account	1,798	889
Difference in overseas tax rates	(55)	(41)
Adjustments for current tax of prior periods	(73)	(176)
Income tax expense	321	116

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.

Notes to the financial statements

30 June 2011

(continued)

NOTE 8: Current assets – Cash and cash equivalents

	Consolidated	
	2011	2010
	\$'000	\$'000
Cash at bank and in hand	5,255	7,382
Term deposits	-	4,000
	5,255	11,382

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

NOTE 9: Current assets – Held-to-maturity investments

	Consolidated	
	2011	2010
	\$'000	\$'000
Term deposits	84,084	55,367

Cash and cash equivalents (note 8) and held-to-maturity investments (note 9) are represented as follows:

Unrestricted	54,339	30,949
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)	8,100	8,100
Emergency funds ^(c)	5,000	5,000
Operating funds ^(c)	19,200	20,000
	89,339	66,749

- (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 \$8.1 million has been created to cover contracted forward commitments.
- (c) The directors resolved in September 2007 to set aside \$5 million as emergency funds to cover any contingent expenditure arising from the Wool industry's obligation under the Emergency Animal Disease Response Agreement. Operating funds represent nine months of AWI operating costs to cover unexpected cessation of levy and grant revenue.

NOTE 10: Current assets – Trade and other receivables

	Consolidated	
	2011	2010
	\$'000	\$'000
Net trade receivables		
Trade receivables	2,266	2,906
Provision for doubtful receivables	(560)	(716)
	<u>1,706</u>	<u>2,190</u>
Net other receivables		
Commonwealth matching funds & wool levy accruals	6,630	4,182
Other receivables	2,267	1,472
	<u>8,897</u>	<u>5,654</u>
Prepayments		
Insurance	81	110
Other	182	285
	<u>263</u>	<u>395</u>
	<u>10,866</u>	<u>8,239</u>

NOTE 11: Current assets – Inventories

	Consolidated	
	2011	2010
	\$'000	\$'000
Raw materials - at cost	17	19

NOTE 12: Non-current assets – Property, plant and equivalent

	Buildings	Freehold land	Plant and equipment	Leasehold improvements	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 30 June 2010					
Cost or fair value	616	425	6,692	1,475	9,208
Accumulated depreciation	(363)	-	(6,031)	(514)	(6,908)
Net book amount	<u>253</u>	<u>425</u>	<u>661</u>	<u>961</u>	<u>2,300</u>
Year ended 30 June 2011					
Opening net book amount	253	425	661	961	2,300
Exchange differences	-	-	(47)	(6)	(53)
Additions	-	-	355	-	355
Disposals	-	-	(69)	(4)	(73)
Depreciation charge	(5)	-	(393)	(206)	(604)
Closing net book amount	<u>248</u>	<u>425</u>	<u>507</u>	<u>745</u>	<u>1,925</u>
At 30 June 2011					
Cost or fair value	551	425	6,184	1,420	8,580
Accumulated depreciation	(303)	-	(5,677)	(675)	(6,655)
Net book amount	<u>248</u>	<u>425</u>	<u>507</u>	<u>745</u>	<u>1,925</u>

Notes to the financial statements

30 June 2011

(continued)

NOTE 13: Non-current assets – Intangible assets

	Certification trademarks \$'000	Website development costs \$'000	Total \$'000
At 30 June 2010			
Cost	10,000	867	10,867
Accumulated amortisation	-	(159)	(159)
Net book amount	10,000	708	10,708
Year ended 30 June 2011			
Opening net book amount	10,000	708	10,708
Amortisation charge*	-	(173)	(173)
Closing net book amount	10,000	535	10,535
At 30 June 2011			
Cost	10,000	867	10,867
Accumulated amortisation	-	(332)	(332)
Net book amount	10,000	535	10,535

*Amortisation of \$173,000 (2010 - \$159,000) is included in Global Marketing in the consolidated statement of comprehensive income.

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 – Other assets

	Consolidated	
	2011	2010
	\$'000	\$'000
Lease deposits	555	571

NOTE 15: Current liabilities – Trade and other payables

	Consolidated	
	2011	2010
	\$'000	\$'000
Trade payables	3,455	1,360
Project payment accruals	2,489	2,106
Other payables	4,123	4,990
	10,067	8,456

NOTE 16: Current liabilities - Provisions

	Consolidated	
	2011	2010
	\$'000	\$'000
Restructuring	1,378	1,433
		Restructuring \$'000
2011		
Carrying amount at start of year		1,433
- additional provisions recognised		193
- amounts utilised		(169)
- unused amounts reversed		(79)
Carrying amount at end of year		1,378

NOTE 17: Current liabilities - Deferred income

	Consolidated	
	2011	2010
	\$'000	\$'000
Unearned sub-lease income	25	44
Unearned licence income	5,173	6,366
	5,198	6,410

NOTE 18: Non-current liabilities - Provisions

	Consolidated	
	2011	2010
	\$'000	\$'000
Long service leave	195	131
Make good - 580 George St	173	173
	368	304

NOTE 19: Non-current liabilities - Other

	Consolidated	
	2011	2010
	\$'000	\$'000
Lease incentive - 580 George St fitout	628	776

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

Notes to the financial statements

30 June 2011

(continued)

NOTE 20: Contributed equity

	2011 Shares	2010 Shares	2011 \$	2010 \$
(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 2009	Opening balance	37,462	100
30 June 2010	Balance	37,462	100
1 July 2010	Opening balance	37,462	100
30 June 2011	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.

(d) Shareholder statistics

Details	30 June 2011	30 June 2010
Australian Capital Territory	95	108
New South Wales	10,600	10,799
Northern Territory	2	3
Queensland	955	1,006
South Australia	4,733	4,850
Tasmania	751	778
Victoria	6,499	6,753
Western Australia	4,835	5,050
	28,470	29,347

NOTE 21: Reserves and retained earnings

	Consolidated	
	2011 \$'000	2010 \$'000
(a) Reserves		
Foreign currency translation reserve	278	(241)
Movements:		
<i>Foreign currency translation reserve</i>		
Balance 1 July	(241)	532
Exchange differences on translation of foreign operations	519	(773)
Balance 30 June	278	(241)

NOTE 21: Reserves and retained earnings (continued)**(b) Retained earnings**

	Consolidated	
	2011 \$'000	2010 \$'000
Retained surplus at the beginning of the financial year	71,448	53,925
Net surplus attributable to the shareholders of Australian Wool Innovation Limited	23,872	17,523
Retained surplus at the end of the financial year	95,320	71,448

NOTE 22: 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)
 Mr R J Fletcher (Deputy Chairman)
 Mr B P van Rooyen
 Mr G B S Falkiner
 Dr M L Sheil
 Mr D A A Webster
 Mr C R Olsson (resigned 6 May 2011)

(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
Mr S K McCullough	Chief Executive Officer	AWI Limited
Ms S Holmes	Company Secretary & General Counsel	AWI Limited
Ms T Marshall	General Manager - Finance & IT	AWI Limited
Ms K M Newton	Human Resource Manager	AWI Limited
Mr J Jackson	General Manager - Product Development/Commercialisation	AWI Limited
Ms J Littlejohn	General Manager - Wool Production	AWI Limited
Mr S Guthrie (from 15 October 2010)	General Manager - Global Business Development	AWI Limited
Mr P Senkoff (from 1 July until 31 August 2010)	General Manager - Asia	IWS Nominee Company Limited
Mr E Nazario (from 1 July until 15 October 2010)	General Manager - Americas	AWI LLC
Mr N Bensid (from 1 July until 1 November 2010)	General Manager - Europe	Woolmark International Pty Ltd

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

Notes to the financial statements

30 June 2011

(continued)

NOTE 22: Key management personnel disclosures (continued)

(c) Key management personnel compensation

	Consolidated	
	2011	2010
	\$	\$
<i>Non-executive directors</i>		
Short-term employee benefits	555,302	660,216
Post-employment benefits	49,977	59,420
	605,279	719,636
<i>Other key management personnel</i>		
Short-term employee benefits	1,694,884	2,908,375
Post-employment benefits	137,847	180,480
Termination benefits	475,514	95,411
	2,308,245	3,184,266

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.

(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 Chairman's fees are determined independently to the fees of directors based on comparative roles in the external market. Both the Chairman and non-executive directors receive additional fees for their membership on committees.

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

(iii) Executive pay

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 share options or termination conditions in excess of six months.

NOTE 22: Key management personnel disclosures (continued)**(e) Details of remuneration***(i) Non-executive Directors of Australian Wool Innovation Limited*

2011	Short-term employee benefits		Post-employment benefits	Total
	Directors' base fees paid	Committee fees paid	Superannuation	
Name	\$	\$	\$	\$
Mr W B Merriman	112,000	12,600	11,214	135,814
Mr R J Fletcher	84,000	14,000	8,820	106,820
Mr B P van Rooyen	56,000	18,200	6,678	80,878
Mr G B S Falkiner	56,000	18,200	6,678	80,878
Dr M L Sheil	51,333	4,667	5,040	61,040
Mr D A A Webster	56,000	14,435	6,339	76,774
Mr C R Olsson (resigned 6 May 2011)	46,667	11,200	5,208	63,075
Total	462,000	93,302	49,977	605,279

2010	Short-term employee benefits		Post-employment benefits	Total
	Directors' base fees paid	Committee fees paid	Superannuation	
Name	\$	\$	\$	\$
Mr W B Merriman	112,000	15,400	11,466	138,866
Mr R J Fletcher	84,000	14,000	8,820	106,820
Mr B P van Rooyen	56,000	9,800	5,922	71,722
Mr G B S Falkiner	56,000	22,400	7,056	85,456
Dr M L Sheil	56,000	11,200	6,048	73,248
Mr D A A Webster	56,000	12,600	6,174	74,774
Mr C R Olsson	56,000	22,050	7,025	85,075
Mr L S Modiano (resigned 28 May 2010)	51,334	4,433	5,019	60,786
Dr K J Bell (resigned 1 November 2009)	18,667	2,332	1,890	22,889
Total	546,001	114,215	59,420	719,636

Notes to the financial statements

30 June 2011

(continued)

NOTE 23: Remuneration of auditors

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

	Consolidated	
	2011	2010
	\$	\$
(a) Audit services		
Audit fees – domestic	136,750	146,160
Audit fees – international	84,070	108,586
Other audit services	67,131	40,780
Total remuneration for audit services	287,951	295,526
(b) Non-audit services		
<i>Audit and other assurance services</i>		
Advisory services	104,330	182,442
<i>Taxation services</i>		
Tax compliance services	19,937	62,684
Total remuneration for non-audit services	124,267	245,126
Total Remuneration	412,218	540,652

NOTE 24: Contingencies

Contingent liabilities

The Group had contingent liabilities at 30 June 2011 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.

NOTE 25: Commitments

(i) Research, development and marketing

	Consolidated	
	2011	2010
	\$'000	\$'000
Commitments in relation to research, development and marketing	7,148	2,168

(ii) Non-cancellable operating leases

	Consolidated	
	2011	2010
	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	1,601	1,717
Later than one year but not later than five years	3,400	3,948
Later than five years	-	228
	5,001	5,893

NOTE 26: 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, G B S Falkiner, M L Sheil, D A A Webster and C R Olsson. All of these persons were also directors during the year ended 30 June 2010.

(c) Subsidiaries

Interests in subsidiaries are set out in note 27.

(d) Remuneration

Disclosures relating to directors and key management personnel remuneration are set out in note 22.

(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 2011.

(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 2011.

(f) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2011	2010
	\$	\$
<i>Sales of goods and services</i>		
Sales of services relating to marketing and wool testing activities to key management personnel of the entity*	19,109	22,895
<i>Purchases of services</i>		
Purchases of services relating to marketing and wool testing activities from key management personnel of the entity*	221,294	183,498

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

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

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

	Consolidated	
	2011	2010
	\$	\$
<i>Current receivables (sales of services)</i>		
Key management personnel of the entity	13,957	7,370
<i>Current payables (purchases of services)</i>		
Key management personnel of the entity	4,367	1,890

Notes to the financial statements

30 June 2011

(continued)

NOTE 27: 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	
			2011 %	2010 %
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 (Shanghai) Company Limited	China	Ordinary	100	100
Woolmark Services India Private Limited	India	Ordinary	100	100

NOTE 28: 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 29: Events occurring after the reporting period

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

NOTE 30: Parent entity financial information

(a) Summary financial information

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

	2011 \$'000	2010 \$'000
Balance sheet		
Current assets	94,081	67,701
Non-current assets	17,872	13,202
Total assets	111,953	80,903
Current liabilities	7,887	5,445
Non-current liabilities	996	1,080
Total liabilities	8,883	6,525
Net Assets	103,070	74,378
Shareholders' equity		
Contributed equity	-	-
Reserves	1	-
Retained earnings	103,069	74,378
	103,070	74,378
Profit for the year	28,691	9,493
Total comprehensive income	28,692	9,493

(b) Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2011 or 30 June 2010.

Directors' declaration

30 June 2011

In the directors' opinion:

- (a) the financial statements and notes set out on pages 42 to 67 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its 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
2 September 2011

Independent auditor's report

30 June 2011

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 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Australian Wool Innovation 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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.

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

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:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.



PricewaterhouseCoopers



Peter Buchholz
Partner

Sydney
2 September 2011

REPORT ON COMPLIANCE WITH THE SFA

As a demonstration of AWI's transparency and good governance, AWI is including in this annual report, the report below by PricewaterhouseCoopers regarding AWI's compliance with the Statutory Funding Agreement between the Commonwealth of Australia and AWI, and the efficacy of AWI's accounting systems, processes and controls during the 2010/11 financial year.

To the Directors of Australian Wool Innovation Limited

Report on compliance with the Statutory Funding Agreement

We have performed assurance procedures with regards to the compliance and operating effectiveness of Australian Wool Innovation Limited (the Company) with the requirements of section 6 (Management of Funds) and 7 (Application of the Funds) of the Statutory Funding Agreement dated 29 June 2010 (the "Agreement") between the Commonwealth of Australia (the "Commonwealth") and the Company, as measured by the criteria outlined in Sections A and B below.

Use of Report

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

A. Reasonable Assurance on Compliance with the Agreement

Respective Responsibilities

Management of the Company are responsible for compliance with the Agreement as measured by paragraphs 6.1, 6.4, 7.1, 7.2 and 7.3 of the Agreement. Our responsibility is to express a conclusion on compliance with the Agreement as measured by the paragraphs 6.1, 6.4, 7.1, 7.2 and 7.3 of the Agreement, in all material respects.

Our audit has been conducted in accordance with applicable Standards on Assurance Engagements (ASAE 3100 *Compliance Engagements*) to provide reasonable assurance that Australian Wool Innovation Limited has complied with the Agreement as measured by the criteria in paragraphs 6.1, 6.4, 7.1, 7.2 and 7.3 of the Agreement for the year ended 30 June 2011.

Our procedures included examining, on a sample basis, information to provide evidence supporting the compliance with clauses 6 and 7 of the Agreement. These procedures have been undertaken to form a conclusion as to whether Australian Wool Innovation Limited has complied in all material respects, with the Agreement, as measured by paragraphs 6.1, 6.4, 7.1, 7.2 and 7.3 of the Agreement for the period from 1 July 2010 to 30 June 2011.

Inherent Limitations

Because of the inherent limitations of any internal control framework, it is possible that fraud, error or non compliance may occur and not be detected. An audit is not designed to detect all instances of non compliance with the Agreement as measured by paragraphs 6.1, 6.4, 7.1, 7.2 and 7.3 of the Agreement, as an audit is not performed continuously throughout the period and the audit procedures performed in respect of compliance with the Agreement as measured by paragraphs 6.1, 6.4, 7.1, 7.2 and 7.3 of the Agreement are undertaken on a test basis. The audit conclusion expressed in this report has been formed on the above basis.

Conclusion

In our opinion, Australian Wool Innovation Limited has complied, in all material respects, with Sections 6 and 7 of the Agreement as measured by paragraphs 6.1, 6.4, 7.1, 7.2 and 7.3 of the Agreement for the period from 1 July 2010 to 30 June 2011.

REPORT ON COMPLIANCE WITH THE SFA (continued)

B. Limited assurance regarding operating effectiveness of accounting systems, processes and controls

Respective Responsibilities

Management of the Company are responsible for the efficacy of the accounting systems, processes and controls to comply with paragraph 6.1 of the Agreement. Our responsibility is to express a conclusion regarding the operating effectiveness of the accounting systems, procedures and controls in accordance with the requirements of paragraph 6.1 of the Agreement.

Our review has been conducted in accordance with applicable Standards on Assurance Engagements (ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*) to provide limited assurance that Australian Wool Innovation Limited has complied with the Agreement as measured by paragraph 6.1 of the Agreement. Our procedures included examining, on a sample basis, information to provide evidence supporting the operating effectiveness of the accounting systems, processes and controls with paragraph 6.1 of the Agreement. These procedures have been undertaken to form a conclusion, that nothing has come to our attention that causes us to believe that the systems, processes and controls related to the management of funds were not operating effectively, in all material respects, in accordance with the requirements of paragraph 6.1 of the Agreement for the period from 1 July 2010 to 30 June 2011.

Inherent Limitations

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

A review is not designed to detect all weaknesses in operating effectiveness as measured by paragraph 6.1 of the Agreement as it is not performed continuously throughout the period and tests performed are on a sample basis. Also, a review does not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Any projection of the evaluation of the effectiveness of accounting systems, processes or controls to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the degree of compliance with them may deteriorate.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accounting systems, processes and controls of Australian Wool Innovation Limited related to the management of funds, were not operating effectively, in all material respects, in accordance with the requirements of paragraph 6.1 of the Agreement for the period from 1 July 2010 to 30 June 2011.

PricewaterhouseCoopers

Peter Buchholz
Partner

Sydney
19 September 2011

PROJECT LIST 2010/11

This list contains details of AWI projects in which payments to providers made during 2010/11 totalled more than \$75,000 or more 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 PROJECTS

Project title	Key providers*	\$ Paid in 2010/11
2011 Campaign for Wool partnership	Best Venues, Mission Media, In Motion Mar.com, TCFW Ltd	263,604
AWI Website Operations and Support	Anchor Systems Pty Ltd, Open Text Pty Ltd	118,799
BBC Peschardt's People	mjaMatchpoint Ltd	201,914
Beyond the Bale 2010/2011	Coretext Pty Ltd, D&D Mailing Services, Newstyle Printing Co. Pty Ltd	131,809
Brooks Brother's Fall 2010	Brooks Brothers	185,687
Business and Marketing Strategy and Planning	Robert Langtry	116,080
Campaign for Wool Australia	Creative Justice, Platinum Media and Communications Pty Ltd	230,552
China Luxury Market Campaign (Gold Woolmark)	Paper Stone Scissors Pty Ltd, China Business Network (CBN), Scabal, Johnstons of Elgin, Successori Reda spa, Vitale Barberis Canonico S.P.A, Domeuil S.A.R.L, Bulmer and Lumb Limited, Holland and Sherry Group	710,244
Consultant for Woolmark Sales and B2B Marketing in Japan.	Yoshimitsu Hamano	187,752
Development of Wool Collateral in Support of the HRH Campaign for Wool.	Richard Nicoll Studio, Pringle of Scotland, Jaeger, Euro RSCG	110,997
European Regional Local Marketing	PV Moscow, Cose di Lana SpA, MoMU Fashion Museum Province of Antwerp, Bulgarelli Print	88,044
Global Consumer Fibre Education Campaign 1. Concept Development and Production (Euro RSCG)	Big Tin Can Pty Ltd, Euro RSCG P/L t/a Beeley Callan Euro RSCG, Euro RSCG Worldwide, Euro RSG London, Jenny White, John Curnow, Newbale Clothing Pty Limited t/a M.J. Bale, S E C Creative Limited, TJPD Nominees Pty Ltd t/a The Davenport Family Trust, Tucows Domain Holdings Co.	1,388,744
Global Consumer Fibre Education Campaign 2. Partner Adaptation, Strategic Support and Campaign Planning (Euro RSCG)	Euro RSCG Worldwide	1,035,945
Global Consumer Fibre Education Campaign 3. Initial Media Support of New Campaign (EU, USA) (Euro RSCG)	Edge Custom Media, Euro RSCG Worldwide, Media Planning Limited, World Textile Publications Limited	1,009,106
Global Ticket and Label Supplier	Wayne Spencer, Diane Almond Marketing Ltd, SML	102,742
HRH/IWTO Strategic Support	P Ackroyd	221,677
Hub Manager, Market Intelligence and Trade Reporting	Jeff Quingui Zhu (Shanghai), Paul Swan & Associates P/L	174,145
Implementation of the Italian Strategy	Fabrizio Servente	376,320
Kiwami-no Merino (Year-2) and Zero CO2 Marketing with Aoyama/TSC	Aoyama Trading Co. Ltd.	189,963
Korea Marketing Project Year 3 - Men's Suits and Business Casual and Ladies Business Suits with Cheil/Lotte Department Stores.	Cheil, Lotte	198,051

MARKETING PROJECTS (continued)

Project title	Key providers*	\$ Paid in 2010/11
L'Oréal Melbourne Fashion Festival (LMFF) Designer Awards 2011	Belgair Graphics Pty Ltd, L'Oréal Melbourne Fashion Festival	100,198
Loro Piana Record Bale Award and Istanbul Event	Loro Piana S.p.A.	126,925
Market Intelligence Subscriptions and Analyses.	Australian Bureau of Statistics, Gabrys, Marek t/a MGG consultancy services	86,022
Marketing Collaboration with Lacoste	Lacoste	101,317
Milano Unica 2010	Sitex S.P.A.	263,602
Outline of the collaboration project between Australian Wool Innovation, Condé Nast and Giorgio Armani	Armani, Condé Nast	196,389
PeclersParis Colour Range for Autumn/Winter 2011/12 and Spring/Summer 2012	Peclers Paris	141,447
Retail Strategy and Intl Business Development	Ag Giff Marketing Pty Ltd	321,381
Retailer Demand Pull to Complement the Campaign for Wool with Patron HRH The Prince of Wales	Savile Row Bespoke Association, Textprint, Lyle & Scott	197,483
Royal Easter Show and Australian Wool Fashion Award Parades	Royal Agricultural & Horticultural Society of SA Inc, Et cetera Marketing Communications Events Pty Ltd	129,814
Social Media strategy and FY 2011 Campaigns	Circul8 Communicate Pty Ltd	101,344
Strategic Cooperation with Anne Geddes	Geddes Group Holdings Pty Limited	324,180
Technical, Marketing and Strategic Support of Woolmark Mobile Platform Initiatives	Big Tin Can Pty Ltd	131,477
The Australian Wool Fashion Awards 2011	The Australian Wool Fashion Awards	77,906

OFF-FARM R&D PROJECTS

Project title	Key providers*	\$ Paid in 2010/11
Sheep CRC Project 2.1 Skin Comfortmeter for Knitted Wool Fabrics	Sheep CRC	206,250
Sheep CRC Project 2.2 Whiter Lightfast Wools	Sheep CRC	150,000
Sheep CRC Project 2.3 Desirable Wool Handle	Sheep CRC	151,261
Product Development for Babywear Product Range to Support the Mother and Baby Program	Zhejiang Xiniao Textiles Group Co., Ltd.	88,469
Product Trend Forecasting - Fall/Winter 2012/13	Riccardo Rami	199,572
Sheep CRC Project 4.2 Information Nucleus - Operation	Sheep CRC	87,500
Sports/Outdoor Strategic Plan	Pre-Fiks Pty Ltd, Stanly A Mavis	88,699
Technical and Scientific Testing Components for Luxury Merino Growth Strategy - Mother, Baby and Wellness Product Categories	Cello Bags Australia, Charles Parson & Co, Elizabeth Jean Woodhams, Icon Print Innovations Pty Ltd, Marcia Crossley, Mitchell 1870 Pty Ltd, SeaHorse Designs, TIG (2) Pty Ltd, University of Sydney	292,263
Trade Shows 2010 - Première Vision (Paris)	Relax	130,660
Woolmark@Pitti Immagine Uomo	Kolossal, Jacqui Shannon, Pitti Immagine	77,455

ON-FARM R&D PROJECTS

Project title	Key providers*	\$ Paid in 2010/11
Aerial Baiting for Wild Dogs	NSW Department of Industry and Investment	82,400
Bestwool/Bestlamb 2008-2011 (VIC Extension Program)	Department of Primary Industries, Victoria	150,702
Breeding for Breech Strike Resistance	Agriculture Western Australia, CSIRO Livestock Industry	189,837
Cobbett Intradermal Phase 2	Cobbett Pty Ltd	92,174
Cobbett Technologies - SkinTraction Phase 3	Cobbett Pty Ltd	528,178
Communication and Extension of Practical Management Strategies Arising from the SA Livestock Adaptation to Climate Change Program	Meat & Livestock Australia	102,310
Comparison of Programs for the Control of Blowfly-Strike in Merino Sheep in South-Eastern Australia	University of Melbourne	93,954
Enhanced Breeding for Breech Flystrike Resistance - DAFWA and CSIRO	CSIRO Livestock Industry, Department of Agriculture of Western Australia	116,543
Facilitating the Strategic Management of Wild Dogs in Australia.	Invasive Animals Cooperation Research Centre - University of Canberra	100,842
FFI CRC Commercialisation of Lotus Cultivars and Development of Accompanying Knowledge for their On-farm Use and Management	Future Farm Industries CRC	96,800
FFI CRC Evergraze	Future Farm Industries CRC	364,145
It's Ewe Time Forums 2011 - Meat & Livestock Australia	Meat & Livestock Australia, Rural Directions Pty Ltd	206,681
Leading Sheep 2008-2011 (QLD Extension Program)	Queensland Government Dept of Primary Industry	155,449
Lifetime Ewe Management Training	Rural Industries Skill Training	200,000
Making More from Sheep Phase 2 (2010-2013)	Meat & Livestock Australia	602,993
Methane Mitigation	Meat & Livestock Australia	100,642
National Bestprac Program 2011-2013 (Pastoral Extension Program)	Rural Directions Pty Ltd	75,000
National Wool Residue Survey	AWTA Product Testing, University of Tasmania	86,237
Phase 2 - Environmentally Friendly Insecticides	CSIRO Food & Nutritional Sciences	161,263
RHD Boost - Rabbit Bio-control	Invasive Animals Cooperative Research Centre	75,414
Shearer & Wool Handler Training - NSW Training Delivery 2010/2011	TAFE NSW - Western Institute, The Ringer	236,939
Shearer & Wool Handler Training - SA Training Delivery 2010/2011	TAFE SA	113,067
Shearer & Wool Handler Training - VIC Training Delivery 2010/2011	Primary Skills Victoria, SCAA Shearer Woolhandler Training Inc	102,273
Shearer & Wool Handler Training - WA Training Delivery 2010/2011	C Y O'Connor College of TAFE, Great Southern Regional TAFE	97,635
Sheep Connect 2008-2011 (NSW Extension Program)	NSW Department of Primary Industries	75,086
Sheep Connect Tasmania 2009-2012	University of Tasmania	203,458
Sheep CRC 2 - Postgraduate Training - CRC for Sheep Industry Innovation	Sheep CRC	100,000
Sheep CRC 2 - Project 4 1 1 Information Nucleus - Design and Analysis	Sheep CRC	122,500
Sheep CRC 2 - Project 4 2 1 Information Nucleus - Operations	Sheep CRC	269,152
Sheep Connect SA 2008-2011 (SA Extension Program)	Primary Industries And Resources SA	153,833

ON-FARM R&D PROJECTS (continued)

Project title	Key providers*	\$ Paid in 2010/11
Sheep Genetics - MERINOSELECT	Meat & Livestock Australia	123,310
Strategic Approach to Integrated Wild Canid Management for Agricultural Benefit.	Invasive Animals Cooperation Research Centre - University of Canberra	101,127
The Sheeps Back 2007-2010 (WA Extension Program)	JRL Hall & Co	154,198
Wild Dog On-ground Activities	Barcaldine Wild Dog Syndicate, Barcoo Shire Council, Blackall - Tambo Regional Council, Bulloo Shire Council, Carnarvon Rangelands Biosecurity Association Incorporated, Condamine Catchment Natural Resource Management Corporation Limited, Maranoa Regional Council, Meekatharra Rangelands Biosecurity Association, Mountain Maid Dingo Destruction Association Inc, Murweh Wild Dog Advisory Group - Murweh Shire Council, Paroo Shire Council, Quilpie Shire Council, South Australian Arid Lands Natural Resources Management Board, Traprock Wool Association Inc, Warroo Balonne Region Landcare Incorporated	280,000

SUPPORT PROJECTS

Project title	Key providers*	\$ Paid in 2010/11
AWI Consultation Workshops (including Young Growers Forum, Growers Forum and Industry Consultation - Exporters/Buyers)	Agriculture Publishers Pty Ltd, Australian Wool Fashion Awards Ltd, Belgair Graphics Pty Ltd, Rural Directions Pty Ltd, The Grace Hotel	91,399
FSP RD&E Strategy - International Supply Chain Extension, Training and Communications	Various Suppliers	76,188
New AWI Business System	Combined Management Consultants Pty Limited, Tectura	352,505
Woolmark Retail Concept	Solutions Marketing & Consulting Pty Ltd	112,392

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