



AWI Australian Wool
Innovation Limited

AUSTRALIAN WOOL INNOVATION LIMITED



ANNUAL REPORT 2014/15



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.

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ABOUT AWI

WHAT AWI DOES

Established in 2001, AWI is a not-for-profit company owned by more than 25,000 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 and interiors. In working towards this goal AWI always strives to deliver an appropriate return on woolgrowers' and government's investment of levies.

AWI conducts four primary functions in order to achieve its vision:

- On-farm R&D
- Off-farm R&D
- Marketing
- Domestic and international industry services.

AWI is not a peak industry body, does not create or execute industry policy, and is not an advocate on issues outside its core functions.

HOW AWI IS FUNDED

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

Woolgrowers vote every three years on the percentage of wool proceeds they would like to invest in industry research, development and marketing activities. In WoolPoll 2012, woolgrowers voted in favour of a two per cent levy. The next WoolPoll vote runs from 14 September 2015 to 30 October 2015.

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 current three year Statutory Funding Agreement came into effect on 1 July 2013.

BUSINESS MODEL

In Wool Poll 2012, wool levy payers voted to continue the wool levy at two per cent for the three years 2013/14 to 2015/16, with the allocation of funds, from 1 July 2013, as follows:



HOW AWI HAS EVOLVED

On 1 January 2001, Australian Wool Services (AWS) replaced the Australian Wool Research and Promotion Organisation (AWRAP), which had been operating since 1993. AWS was established with two subsidiaries: AWI and The Woolmark Company Pty Ltd. On 30 April 2002 AWI separated from AWS to become a fully independent public company limited by shares.

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

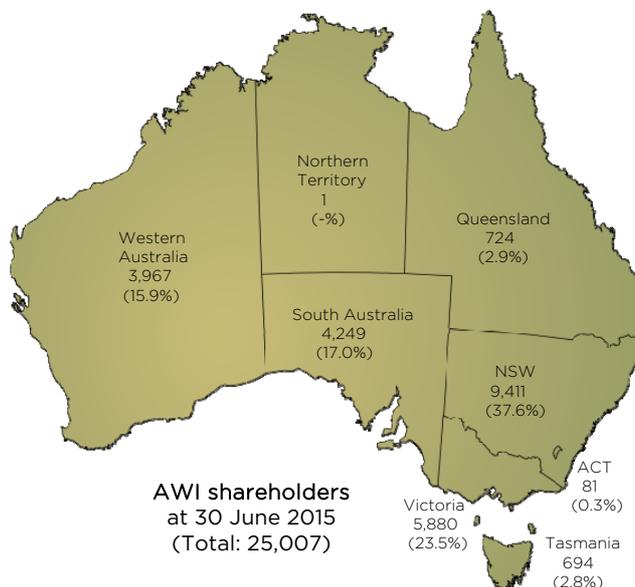
AWI SHAREHOLDERS

AWI has more than 25,000 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 25,007 shareholders at 30 June 2015, a decrease of 897 shareholders over the past 12 months. There were a total of 51,726 wool levy payers at 30 June 2015, a decrease of 518 over the past 12 months.



AWI'S STRATEGIC PLAN

Since 1 July 2013, AWI has been operating under a three-year Strategic Plan for the years 2013/14 through to 2015/16.

The AWI 2013/14 to 2015/16 Strategic Plan is available on the AWI website at www.wool.com

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



On-farm R&D	Marketing
<p>Objective: To increase the profitability and sustainability of growing wool.</p> <p><i>Strategy 1:</i> Sheep Health, Welfare & Productivity <i>Strategy 2:</i> Wool Harvesting & Quality Preparation <i>Strategy 3:</i> Production Systems & Eco-Credentials <i>Strategy 4:</i> Education & Extension</p>	<p>Objective: To help increase demand for Australian wool by recognising and addressing the information barriers to consumption at consumer and trade level.</p> <p><i>Strategy 8:</i> Fibre Marketing & Eco-Credentials <i>Strategy 9:</i> Product Promotion</p>
Off-farm R&D	Global Business Services
<p>Objective: To facilitate the creation of business opportunities within the wool-processing sector, which foster diversification of regional processing capacity, and support the creation of demand for Australian wool.</p> <p><i>Strategy 5:</i> Technical Services <i>Strategy 6:</i> Fibre Advocacy & Eco-Credentials</p>	<p>Objective: To enable AWI to operate effectively through the efficient provision of a range of cross-company support services. In addition, provide commercially oriented services to the supply chain to support AWI's strategic vision.</p> <p><i>Strategy 10:</i> Business Intelligence & Measurement <i>Strategy 11:</i> Corporate Affairs & Market Access <i>Strategy 12:</i> Trade Education <i>Strategy 13:</i> Woolmark <i>Strategy 14:</i> Corporate Services</p>
Category Management	
<i>Strategy 7:</i> Category Management	

HIGHLIGHTS OF 2014/15



Local control groups undertook on-ground activities to combat wild dogs.

ON-FARM R&D

Wild dog control

Funding was made available under AWI's 'Community Wild Dog Control Initiative' to local groups to undertake wild dog control activities. 24 new community wild dog control groups were established in 2014/15. Wild dog co-ordinators continued to facilitate collaboration between landholders and with other key stakeholders, locally and across shires. See page 12.

Lifetime Ewe Management (LTEM) training

AWI funding of hands-on on-farm LTEM training enabled 500 producers to partake and complete the course, resulting in the producers achieving an 11% increase in the number of lambs weaned, a 36% reduction in ewe mortality and a 23% increase in stocking rate. See page 15.

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. See page 11.

OFF-FARM R&D

Merino in the sports and outdoor apparel market

At recent sports and outdoor trade shows, the number of products incorporating Merino wool - from base-layers to outerwear, and across a variety of sports of varying intensity levels - continued to increase. See page 29.

Life cycle assessment (LCA) study boosts wool

A recently published scientific study proposes a new set of methods for use in LCAs where wool is produced alongside meat, which gives a more positive assessment of wool's environmental credentials. See page 27.

New supply chain for Australian wool

To grow a sustainable supply chain in Vietnam, AWI has helped Vietnamese companies to develop wool products and introduced Vietnamese manufacturers to retail buyers from Japan and Korea. See page 23.



adidas has launched a range of seamless, Wool Primeknit Tee sports shirts.

MARKETING

International Woolmark Prize

The International Woolmark Prize is AWI's most successful marketing strategy, showcasing the versatility and quality of Merino wool to the fashion and textile industries, and providing design talent across the globe with the opportunity to be stocked in some of the world's most influential retailers. See page 38.

Cool Wool campaign

The number of Cool Wool ticket and label sales grew by an impressive 187% last year, demonstrating the increasing demand for Merino wool in the spring/summer season as well as in those markets that have warm climates. See page 42.

Campaign for Wool

The Campaign for Wool, which educates consumers about the environmental benefits of wool, continues to be celebrated on an unprecedented scale, driving a new demand for wool across international consumer markets. See page 37.

Fibre of Football campaign

AWI launched its Fibre of Football campaign in 2014. AFL clubs began selling Australian wool products for the first time in decades. 100 per cent wool retro football jumpers, scarves and beanies are available, as well as knit kits in club colours. See page 43.



2014 IWP winner Rahul Mishra's collection was rolled out into stores across the world.

For further information on AWI program operations during 2014/15, refer to the reports beginning on page 10.

FINANCIAL SUMMARY

REVENUE FOR 2014/15

Total revenue for 2014/15 was \$74,282,000, compared with \$68,639,000 in 2013/14. Sources of revenue are shown in the table below.

	2013/14 \$'000	2014/15 \$'000
Wool levy	43,309	48,304
Government contributions	12,970	12,478
Licence fees	6,935	7,324
Interest	3,401	2,737
Royalties	1,522	1,663
Sales of goods and services	211	1,518
Rents and sub-lease rentals	229	213
Other operating revenue	62	45
Total revenue	68,639	74,282

EXPENDITURE FOR 2014/15

Total expenditure in 2014/15 was \$71,119,000 compared with \$82,694,000 in 2013/14. Expenditure is shown in the table below. More detailed information can be found in the Financial Report beginning on page 58.

	2013/14 \$'000	2014/15 \$'000
On-farm R&D	18,738	13,635
Off-farm R&D	10,843	8,170
Global marketing	34,598	25,986
International Network	8,630	11,233
Corporate services	9,885	12,095
Total expenditure	82,694	71,119

FINANCIAL HISTORY AND FORECASTS

AWI will continue to invest future funds in line with its 2013/14 to 2015/16 Strategic Plan, drawing on some of its reserves when appropriate.

	2007/08 \$'000	2008/09 \$'000	2009/10 \$'000	2010/11 \$'000	2011/12 \$'000	2012/13 \$'000	2013/14 \$'000	2014/15 \$'000	Forecast 2015/16 \$'000
Revenue	90,812*	61,716	62,437	72,698	73,970	69,257	68,639	74,282	70,624
Expenditure	85,354	78,577	45,687	48,307	66,162	75,262	82,694	71,119	79,624
Balance	5,458	(16,861)	16,750	24,391	7,808	(6,005)	(14,055)	3,163	(9,000)
AWI reserves	71,318	54,457	71,207	95,598	103,406	97,401	83,346	86,509	77,509

* 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).

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	Forecast 2015/16
Market price EMI* (cents per kg clean)	872	1138	1198	1034	1070	1099	1230 (f)
Flock size** (opening sheep numbers, in millions)	72.7	70.8	73.1	74.7	75.5	71.6 (e)	69.1 (f)
Wool production** (shorn greasy wool*** in millions of kg)	343	345	342	352	341	341 (e)	332 (f)

* Figures derived from AWEX data. Forecast figure from ABARES (June 2015 Agricultural Commodities).

** Figures from the Australian Wool Innovation Production Forecasting Committee (April 2015 report).

*** 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 Paul Cocking



Ms Colette Garnsey



Mr James Morgan



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 2014/15 in accordance with its schedule of meetings.

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 50.

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 subcommittees 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 Colette Garnsey

This Committee provides guidance and recommendations to the Board and the CEO in matters pertaining to recruitment and retention of employees and policies governing remuneration for current and potential employees. The Remuneration & Appointments Committee meets periodically to address all matters within its charter.

Science & Welfare Committee

Chaired by Meredith Sheil

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

Board Nomination Committee

Established to assess the skills of those seeking election to the Board of AWI, the five-member Committee was introduced in 2011 in accordance with AWI's 2010-2013 Statutory Funding Agreement with the Australian Government. It convenes in each Director's election year. The Committee members comprise three external members and two AWI Board members. The Chair is one of the external members. For 2015, the members of the Board Nomination Committee are: Mr Ian Armstrong, former Deputy Premier of NSW and former leader of the National Party in NSW; Mr Will Wilson, independent investor relations adviser; Mr Rob Ashby, past President of the World Federation of Merino Breeders, and Member of the Order of Australia; and AWI Directors Colette Garnsey and Brian van Rooyen.

The objectives and responsibilities of the Board subcommittees are set out in the 'Charter of the Committees of the Board' and the objectives and responsibilities of the Board Nomination Committee are set out in the 'Board Nomination Committee Charter'. Both of these documents are available on the AWI website www.wool.com.

The Directors' Report is on page 59.

The Directors of Australian Wool Innovation Limited, their qualifications, experience and special responsibilities as at 30 June 2015 are listed below.

MR WALTER B MERRIMAN, CHAIRMAN OF AWI

Experience and expertise:

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

Special responsibilities:

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

MR PAUL COCKING BACHELOR APPLIED SCIENCE (AG), GRAD DIP ED

Experience and expertise:

Mr Cocking is presently Managing Director of Riverina Wool Testers, an accredited member of the International Association of Wool Textile Laboratories. Mr Cocking has 25 years' experience in the wool industry as a business manager and commercial wool grower. Mr Cocking is a member of the Australian Institute of Company Directors. He has a broad knowledge of key stakeholders in the wool industry and strong business, financial management and R&D skills.

Special responsibilities:

Science & Welfare Committee member.

MS COLETTE GARNSEY OAM

Experience and expertise:

Ms Garnsey is Executive Director at Premier Investments' The Just Group. She is a member of the Trade & Investment Policy Advisory Council (TIPAC). Ms Garnsey has previously been a board member of the Melbourne Fashion Festival (since 2006), a judge of the Veuve Clicquot Business Woman of the Year, a Committee member of CEW, and also a Committee member of the Textile, Clothing and Footwear (TCF) Innovation Council (since 2010). She has had more than 30 years' experience in retail and was formerly in senior management at Pacific Brands, and David Jones Limited for more than 20 years holding the position of Group General Manager. Ms Garnsey has had many years of manufacturing, wholesale and distribution experience. She has spent several years in consultancy across design, retail and manufacturing for various companies within the Textile, Clothing and Retail industries in addition to spending three years as an Advisory Board member of the CSIRO Textile, Clothing Footwear & Leather (TCF&L) Sector Advisory committee.

Special responsibilities:

Chair, Remuneration & Appointments Committee
Board Nomination Committee member.

MR JAMES MORGAN

Experience and expertise:

Mr Morgan is presently the Managing Director of the Mutooroo Pastoral Company, which operates an extensive pastoral Merino and Beef Cattle enterprise in the North East region of South Australia. Additionally,

he operates Oualpa Station with his wife and children, and administers a large livestock enterprise in the Hunter Valley region of NSW. Mr Morgan has over 30 years' experience in pastoral and high rainfall wool production, and on-shore marketing. Being a committed commercial woolgrower, Mr Morgan has a strong faith in the industry and in wool's natural ability to offer the world's textile and industrial producers a raw material which is both cost effective and eco-friendly.

Special responsibilities:

Finance & Audit Committee member.

DR MEREDITH L SHEIL MBBS FRACP PhD GAICD

Experience and expertise:

Dr Sheil is a specialist Paediatrician, Medical and Veterinary Research Scientist, Honorary Associate of the Sydney University Veterinary School, and a Commercial Woolgrower. Dr Sheil was responsible for inventing / developing a wound anaesthetic for lambs undergoing mulesing and is currently pursuing research into the development of similar practical and affordable pain relief medications for livestock, companion animals and humans. Dr Sheil is a local government councillor, Deputy Mayor of Hunter's Hill Council and a Graduate of The Australian Institute of Company Directors.

Special responsibilities:

Chair, Science & Welfare Committee.

MR BRIAN P VAN ROOYEN

Experience and expertise:

Mr van Rooyen is currently Chairman of Australian Country Spinners Pty Ltd and a Director of PFG Australia Pty Ltd, Cologix Inc (USA) and Power Farming New Zealand Ltd. He was formerly a Director of Bruck Textiles Pty Ltd, Norwellan Textiles Ltd, Woolstock Australia Ltd and Spinrite Inc. He has had extensive experience in wool processing, sales and marketing.

Special responsibilities:

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

MR DAVID A A WEBSTER

Experience and expertise:

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

Special responsibilities:

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

COMPANY SECRETARY

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

CHAIRMAN'S REPORT



The 2014/15 year has been one of considerable progress at Australian Wool Innovation against a backdrop of global market uncertainty. Despite this, we have seen a significant lift in the Eastern Market Indicator over this period.

In key markets there is ongoing economic uncertainty but the underlying demand for wool has improved with more

consumers in touch with the benefits of the great natural fibre we produce.

Much of Europe and now the new economic superpower of China has slowed its activity, while North America and Japan continue to re-emerge from periods of prolonged economic slumber.

Given this, the AWI Board has been conservative in its fiscal approach and now plans over the next strategic period to have net reserves at some \$16.6 million. This is an appropriate level of reserve as a contingency fund.

We continue to run AWI like we run our own businesses: as a cost-conscious and performance-based company.

Retailers and brands, processors and manufacturers have all been reporting how our marketing is now making a significant difference. This turnaround began when we re-launched our marketing campaigns just five years ago.

The growth in companies wishing to partner with us in this marketing is expanding.

We are extremely fortunate to have HRH The Prince of Wales spearhead the global Campaign for Wool, which has done much to educate consumers about the sustainable versatility of wool around the world. In London, New York, Shanghai, New Delhi, Tokyo and Melbourne you will now find Australian wool in store windows and alongside these garments is often the story of Australian woolgrowers.

While many of these woolgrowers have seen the benefits of a well-deserved lift in prices, superfine woolgrowers have not been fully rewarded for their considerable efforts and loyalty to the fibre. Much of this is due to the dramatic increase in the production of superfine wool. Since 1992 there has been a 1900% increase in wool of 16.5 micron and finer, a 600% increase since 2001.

Despite this dramatic increase, in 2014/15 a total of 85 million kilograms of 18.5 micron and finer wools were sold, the highest value in seven years. New products across the sports and active/outdoor range now use superfine wool while marketing campaigns such as the International Woolmark Prize, Woolmark Gold in China and the Cool Wool campaign champion the use of finer wool by the world's most influential designers across both womens and menswear.

Finding new markets and new processing centres is crucial to the future of wool and work in countries such as Vietnam, Russia, Belorussia and the Ukraine has been some of AWI's most significant work in recent times.

While these are yet to appear on the top list of woolbuyers, they are using Australian wool and their interest is growing as politics and economics permit.

The AWI Board is keen to invest in the next generation of woolgrowers as well as wool processors and designers.

Initiatives such as the National Merino Challenge, Hay Inc, Wool4School, Breeding Leadership and Learn About Wool continue to build interest from young people here in Australia; the Wool Development Centre and Wool Education Centre in China are doing likewise with tomorrow's processors and designers.

During our various consultation events with shareholders, woolgrowers continue to tell us where they want us to invest in: combatting wild dogs, lifetime ewe management, flystrike protection, shearer and woolhandler training, genetics and woolgrower networks.

These significant investments are now measured for the benefit they have delivered for woolgrowers and these independent reports into our major research, development and marketing work are available at wool.com.

Finally I wish to thank Brian van Rooyen for his significant input to the Board of AWI since 2002. He has brought significant experience, insight and business acumen to the Board over many years and we wish him well in his future endeavours.

Wal Merriman
Chairman, Australian Wool Innovation
20 August 2015

CEO'S REPORT



The 2014/15-year falls in the middle of the 2013/16 Strategic Plan and I am pleased to report to woolgrowers of the significant headway made along the path laid out in the plan.

When I was first appointed in early 2010, one of my aims was to see a four-digit market indicator and it is heartening to have watched the benchmark

Eastern Market Indicator (EMI) well above 1000 cents for the entire 2014/15 year. Improved demand along with supply factors have been behind this trend.

However, with the ever-rising costs of growing wool this benchmark may not be enough to maintain and indeed attract more people to growing wool so I believe a 1200-cent indicator should be our new aim.

The simple price of wool is one measure of how we affect the demand for wool but measurement of AWI's performance now extends across all research, development and marketing.

Many of our largest projects are now assessed by an independent economist for the benefit they have delivered to woolgrowers relative to their cost.

For example the Campaign for Wool, now in its fifth year, has been shown to deliver a \$4.80 return for every dollar invested and with over 440 retail and brand partners worldwide it is not hard to see how.

We have HRH The Prince of Wales to thank for getting many consumers around the world in touch with the many environmental messages about wool.

It was fitting the flagship International Woolmark Prize was this year held in Beijing given the Chinese Year of the Sheep. This significant marketing initiative across both womenswear and menswear is placing wool into the hands of the best up and coming designers in all key markets.

Last year's winner, Rahul Mishra enjoyed phenomenal retail success with his winning collection completely selling out in key retailers in the US, Asia, Australia and Europe in just weeks.

Our marketing partners across the world are now reporting greater demand for wool but some at the same time are also concerned about future supply.

Many woolgrowers would also like to increase their on farm production if seasons permit and our extensive work in wild dog control (\$8.60 return on investment) has assisted over 100 wild dog groups across Australia to battle this insidious problem that occurs across very wide expanses of pastoral Australia.

Lifetime ewe management has now reached 20% of the national flock and will continue to be extended to those wanting to increase weaning rates and reduce stock losses. This very popular on-farm course has been shown to deliver \$44 for every dollar invested and for the 2000 woolgrowers who have completed the course, many have taken up the free App putting the technology onto your smartphone.

Having professional shearers and shedhands to harvest the nation's clip continues to be an area of investment for AWI. With more than 2,000 shearers and 1,000 woolhandlers trained over the last 12 months we are confident of being able to provide the industry with professional shearing teams into the future.

Over the last 12 months AWI has instigated a review of selling wool. A highly credentialed panel is extensively examining all aspects of wool exchange from the farm to the ship's rail.

This is the first examination of this type since the revolutionary digital age in which we live. To have 95% of the national clip sold through one method is most unusual in the 21st century while every other major commodity significantly benefits from a range of selling mechanisms including online and digital trading.

I am of the view that digital disruption has much to offer the woolgrower across a great range of activities and this arms-length Wool Selling System Review will deliver opportunities for many in the industry but most importantly it examines possible benefits for growers. Woolgrowers are who we work for specifically and I won't shy away from chasing down benefits for this group irrespective of where that might be discovered across the wool supply chain.

We continue to pursue other digital areas of possible benefit with farm automation and farm software a significant area of opportunity.

We live in exciting times for woolgrowers with good returns from wool and sheep production. It is a great honour to work for woolgrowers at this time and we continue to explore many avenues across research, development and marketing of this great natural fibre.

Stuart McCullough
CEO, Australian Wool Innovation
20 August 2015

ON-FARM R&D

OBJECTIVE

Increase the profitability and sustainability of growing wool.

OUTCOMES

New knowledge will be delivered to woolgrowers on improving wool quality and productive wool growing to reduce costs of production and improve on-farm profitability.

INVESTMENT PHILOSOPHY

Focussing on key priorities for wool sheep producers, we invest in the extension of existing technologies and best practice, low risk short term R&D and long-term high risk R&D. The balance is weighted towards extension and short-term R&D.

<p>STRATEGY 1 Sheep Health, Welfare & Productivity</p>		<p>Health, welfare and productivity gains are all linked. Some important investments for efficient production and wool quality are: improvements to fly, lice and worm management, reduced impact of wild dog predation, reduced impact of invasive husbandry and improved tools for labour efficiency, efficient reproduction rate and genetic gain.</p>	<p>PROGRAMS</p> <ol style="list-style-type: none"> 1 Parasites & Diseases 2 Wild Dogs 3 Invasive Husbandry 4 Genetics & Genomics 5 Reproduction
<p>STRATEGY 2 Wool Harvesting & Quality Preparation</p>		<p>Efficient delivery of high-quality wool clips depends on investment in: recruitment into shearing through career promotion, delivery of high-quality training, and retention of those trained within the sector.</p>	
<p>STRATEGY 3 Production Systems & Eco-Credentials</p>		<p>Managing productive and profitable wool growing systems while enhancing the eco-credentials of wool requires investment in new and improved tools that help woolgrowers make better informed decisions. These include: nutrient-use efficiency, grazing and pasture management, carbon management, feed utilisation and chemical-use efficiency.</p>	<p>PROGRAMS</p> <ol style="list-style-type: none"> 1 Managing the Resource Base 2 Carbon
<p>STRATEGY 4 Education & Extension</p>		<p>Grower confidence in the wool industry requires investment in: effective communications, new skills training, peer support and networking, leadership and mentoring, and availability of experts. The community's confidence in the wool industry depends on investment in: effective communications, availability of experts, and collaboration and unity of purpose across organisations.</p>	<p>PROGRAMS</p> <ol style="list-style-type: none"> 1 Grower Skills Capacity (extension) 2 Stakeholder and Market Place Education & Awareness



STRATEGY 1: SHEEP HEALTH, WELFARE & PRODUCTIVITY

STRATEGY 1 RESOURCES DURING 2014/15

\$5,855,000 project expenditure + 5.2 AWI staff (full time equivalent)



PROGRAM 1: PARASITES & DISEASES

INVESTMENT FOCUS

- Consolidation of parasite extension tools into one "ParaBoss" tool for accessibility
- Funding of regional lice groups to assist growers to share information relevant to lice management
- Scoping investments for improved lice management
- Development of technologies to minimise dags and flystrike in sheep
- Reports on the monitoring of pesticide use and R&D on environmentally friendly pesticides
- Support for NWD and engagement, education and support through the supply chain
- Minimise impacts on the flow of wool from farms arising from biosecurity threats.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
Increase scientific knowledge on causes and potential minimisation of scouring.	Progressing. Review of dag R&D gaps completed. Investigating projects for funding that meet investment criteria.
By 2017, a 5% reduction in economic losses from breech strike across 20% of woolgrowers.	Progressing. The baseline survey was completed in 2012 and AWI will re-survey in 2016.
By 2017, an increase of 20% of woolgrowers using best practice worm control.	Progressing. The baseline survey was completed in 2012 and AWI will re-survey in 2016.

KEY RESULTS DURING 2014/15

- ParaBoss (with co-funding from MLA) continues to consolidate the three products WormBoss, LiceBoss and FlyBoss into one co-ordinated program. The number of users of the WormBoss website pages rose from 5,000 per month to more than 8,000 per month. The number of LiceBoss users rose 200 per month to more than 1,000 per month. The use of the FlyBoss website remained constant at more than 1,000 users per month.
- The 2014 Breech Strike R&D Technical Update was held in Sydney in August 2014 and all the presentation slides are available on the AWI website at www.wool.com/flystrikeRnDupdate. This Update is held every two years.
- Nearly 2,000 unique genes were discovered in *Lucilia cuprina* in the process of DNA or gene sequencing the fly. This provides a clear target for future chemical control options, reducing impact on non-target species and cost of registration. An understanding was gained into the process of how resistance to Spinosad most likely occurred so quickly and how to minimise the risk for future control products.
- The Australian Pesticides and Veterinary Medicines Authority has approved the registration of SkinTraction® with tight label requirements. Cobbett Technologies, the IP owner, is reviewing its commercialisation options and how best to proceed.
- The breech strike resistant and susceptible lines at Mt Barker, WA (DAFWA) and Armidale, NSW (CSIRO) continue to diverge in their breech strike risk despite a run of low strike years. Blood, wool, skin bacteria and faecal samples have been collected on all the animals and particularly the extreme animals. The lines are sufficiently divergent and further joinings will not take place, however the



Researchers have identified all 14,544 genes that make up the Australian sheep blowfly. This means that with the genome sequence of this parasite identified, researchers can start working on a range of options (eg vaccines, insecticides etc) to give long term protection against the damage that this parasite can do.

animals will be retained for several years in case further sampling is required.

- Significant odour differences between wool from resistant and susceptible animals have been found from both the Armidale and Mt Barker flocks using sniffer dogs and now by gravid (looking to lay eggs) female flies. Discovering the exact chemicals or mixture of chemicals is under way as is determining which chemicals attract or repel the gravid fly.

12 REPORT OF 2014/15 OPERATIONS – ON-FARM R&D

- Further advances in laser technology are being assessed to see if this technique can be used to perform a permanent crutch and thereby reduce the risk of breech strike.
- The Australian Veterinary Association auditors (Dr Bruce Allworth and Dr David Hucker) review the Breech Strike RD&E program on a six-monthly basis and concluded: *“It was noted that the Program has now been running for 10 years (2005-2015), and considerable progress in the understanding of the genetics of breech strike, alternative breech modification techniques and in animal welfare strategies and measurements have occurred as a result of the comprehensive range of research undertaken by AWI over that period. AWI continues to investigate a wide range of alternatives to mulesing in both the short and long term.”*
- The Genetic Reviewers for the Breech Strike RD&E program (Dr Peter James and Dr Forbes Brien) review the program on an annual basis and in summary concluded: *“Research toward new and better methods of control has been accompanied by a vigorous extension campaign and we congratulate the numerous agencies and individuals involved in the design and delivery of breech strike extension programs and preparation of trainer resource material, particularly for the breeding and genetics component of these. The effort that has been expended to digest the research results, to develop them to practical tools suitable for use by woolgrowers with different selection objectives, philosophies and approaches, and to extend them to industry to enable timely implementation is commendable.”*
- An updated National Mulesing Accreditation Program (funded by Animal Health Australia working with WoolProducers and AWI) has been approved by AgriFood Skills Australia with Train the Trainer assessments planned for early 2015/16.
- Two lice control groups (one on the Eyre Peninsula, the other in the central tablelands) showed that a coordinated effort between woolgrowers can reduce the incidence of infected properties. However after 2-3 years, lice were still found on around 30% of properties.
- Monitoring greasy wool chemical residues continued with the overwhelming majority of lots tested showing very low residue levels.
- The study “OJD – a spatial analysis” found limited support for an association between Soil pH and OJD. The paper arising is awaiting peer review and publication. Whilst a weak association was found, the study clearly showed OJD prevalence is affected by several factors concurrently, and soil pH plays a relatively small role in explaining OJD prevalence when all other factors are accounted for.
- A Benefit Cost Analysis tool for use by farmers, farm advisors/consultants and other industry professionals was developed to assist in determining the most economic route to eradicating footrot in Tasmanian sheep flocks – principally. This tool will be a key to the uptake of the Strain Specific Vaccine technology to combat footrot in this (or any other) environment.
- AWI has successfully piloted a high throughput wool bale decontamination system for use in the event of a biosecurity incident.
- AWI is involved in a range of R&D Strategies, including the National Wool R&D Strategy, Biosecurity RD&E Strategy, Animal Welfare RD&E Strategy, and State Government Wool R&D Strategies.



PROGRAM 2: WILD DOGS

INVESTMENT FOCUS

- Support of community groups undertaking wild dog control with the long-term aim for them to be self-funded.
- Provision of training to woolgrowers.
- Support of R&D to refine existing tools.
- Monitoring of wild dog populations and their impact on the environment.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
12 new community groups established each year.	On track. 24 new groups were established in 2014/15.
22 active groups supported each year.	On track. 34 currently active groups are being supported.
Support for any individual wild dog group is nominally a maximum of three years. (This revised target was developed during the year in consultation with the AWI Wild Dog Advisory Group and AWI Board.)	On track. AWI management is monitoring the length of support for individual groups.
Value of avoided stock loss (sheep) is greater than costs to woolgrowers and AWI combined.	Achieved. Questions relating to stock losses have been added to the Community Wild Dog Control Initiative producer survey. The results to-date (251 growers/17 groups in Qld, NSW and WA show average stock losses decreased by 224 head, worth more than \$20,000 pa.

KEY RESULTS DURING 2014/15

- 24 new community wild dog control groups were established. The demand was steady for much of the year, with slight easing towards the end.
- At 30 June 2015, there were 34 currently active community wild dog control groups, with five requests for assistance are under consideration. The first request has been received from a ‘cell’ or ‘cluster’ group. Issues with planning, coordination and reporting remain; but management response is now SOP. The development of more and better guidelines is under way.
- In a recent ABARES survey, when asked to self-rate the effectiveness of their groups, 67% said they were highly effective, 27% said medium and 6% low.
- In consultation with the AWI Wild Dog Advisory Group and AWI Board, support for any individual wild dog group has been nominally set at a maximum of three years. Management is monitoring the length of support for individual groups. 20-25% of Victoria and Queensland groups have exceeded or will exceed 36 month support by the end of the 2015 calendar year. End of year support is an average of \$19,734 per group. Groups and state/regional coordinators have been advised of the change to three years of AWI support. While there have been some concerns expressed, there has been a general acceptance. Advice to groups is ongoing.
- Wild dog co-ordinators continued to be funded to facilitate collaboration between landholders (in new or existing wild dog management groups) and with other key stakeholders, locally and across shires. They also help coordinate on-ground wild dog control activities. Co-ordinators funded by AWI

during 2014/15 are: NSW (western division): Bruce Duncan; NSW (north-east): Dave Worsely (started May 2015); Queensland: Brett Carlsson; Victoria (Gippsland): Brian Dowley and David Krajca; Victoria (north-east): Tim Enshaw; WA: currently being recruited; National Wild Dog Facilitator: Greg Mifsud.

- AWI has played an important role in supporting groups with funds for doggers, training and other support. The flexible nature of AWI funding was commended; that is, providing funds for the most important activity as determined by the group (within AWI criteria) rather than the prescriptive use of funds.



According to woolgrower Trevor Howden of Glenaladale in Victoria, wild dog activity has been reduced after the implementation of a community baiting program: “It has taken a lot of stress off me, knowing I’m doing something proactive rather than waiting for the next attack.”



PROGRAM 3: INVASIVE HUSBANDRY

INVESTMENT FOCUS

- New knowledge on analgesic options for sheep for development by the commercial pharmaceutical and veterinary sector.
- Delivery of new knowledge on the timing (relative to age/size) of existing husbandry procedures and extension to stakeholders to inform welfare best practice.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
Deliver a significant reduction in adverse welfare response from current technologies within best practice by 2017.	Progressing. Further work on xylazine has ceased. Volumes of pain relief declared wool continue to rise. See buccal meloxicam below.
Develop pain relief alternatives with a maximum added cost of 50 cents per head per application by 2017.	Progressing. A trial conducted by the CSIRO and funded by AWI and Troy Laboratories showed that buccal meloxicam has significantly improved welfare at lamb marking. Troy Laboratories is progressing with APVMA registration with the hope to release it in 2016 at less than 50 cents per head.

KEY RESULTS DURING 2014/15

- CSIRO conducted a trial using buccal meloxicam (pain relief product in a very sticky paste “drenched” into the mouth against the lower cheek) and showed significant welfare improvements for lamb marking. The paper published by Dr Alison Small and Dr Ian Colditz and others in the *Australian Veterinary Journal* (AVJ) won the Most Commendable Paper published in the AVJ by the

Australian and New Zealand College of Veterinary Scientists.

- A trial has been planned for 2015/16 to assess buccal meloxicam for mulesing along with a range of other breech modification alternatives.
- See Program 1: Parasites & Diseases (page 11) for alternative options to mulesing.



PROGRAM 4: GENETICS & GENOMICS

INVESTMENT FOCUS

- Development of improved data collecting and analysis that leads to improved profitability and rates of genetic gain.
- New tools to benchmark rates of genetic gain and highlight how higher rates of gain can be achieved.
- Increased collection of older age fleece traits and lifetime fertility data.
- Improve software for more automated methods of data collection and transfer.
- Development of a viable Service Provider network of Breeding Value technology advisers.
- Analysis of the value of genomic tools to the wool industry in relation to existing tools.
- Addressing barriers to realising the value of existing tools.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
Increase use of genetic benchmarking by 5% a year to 2017 across stud animals.	On track. 37 new Merino and Dohne studs joined Sheep Genetics, an increase of 13% in 2014/15 (there was a 5% increase in the number of studs in 2013/14). The number of animals benchmarked rose 7% in 2014/15 and 6% in 2013/14. The number of ewe and wether trials and bloodlines involved is decreasing.
Preliminary target of 6% increase in the current rate of genetic gain across the industry by 2017.	Progressing. With the number of new studs joining, the target is under review. There are a large number of studs making good gains but also a reasonable number achieving low gains. Further work required.

KEY RESULTS DURING 2014/15

- A new nine-year Lifetime Productivity Project was approved. The trial aims to assess the lifetime productivity of 3,000 unclassed ewes over their lifetime. It will compare the ewes' performance at very young ages, hogget age and early adult ages and eventually compare this information with their lifetime performance. The performance of the daughters will also be compared to the AI sires benchmark data. It is planned that 120 sires representing a very broad cross section of the industry will be joined by AI on four sites. The Balmoral (Vic) site has completed its first joining and the search for three more sites continues.
- 2,200 copies of Merino Superior Sires were distributed which included the results of the 198 sires evaluated over the past five years. There were 10,699 downloads of site reports off the Merino Superior Sires website, well up from 7,902 in 2013/14 and 6,148 in 2012/13. Seven sites across WA, Vic, NSW, and Tas joined a total of 87 sires in 2014/15. 32% of all sires evaluated have progeny from semen sales in MERINOSELECT flocks. Sixteen historical sires (assessed 12 to 20 years ago) have been re-joined to reassess their performance against current industry sires and evaluate the robustness of across year linkage and genetic trends over time.
- 37 new Merino and Dohne Studs joined Sheep Genetics in 2014/15, an increase of 13%. This is compared to a 5% increase in 2013/14. (All the 60 Dohne Studs joined Sheep Genetics in 2012 and are separately analysed in the "Dohne Merino" analysis).
- The number of animals benchmarked, both Merino and Dohne, rose 7% in 2014/15 and 6% in 2013/14.
- The MERINOSELECT analysis methodology was updated in April 2014 to include Post Weaner fleece traits (with the large swing by industry to assessment at this age), improved fertility analysis as a result of increasing data quality being collected by studs, and a reduced emphasis on increasing body weight in some of the indexes.
- The MERINOSELECT website was updated, as was the Dashboard tool (to evaluate rate of genetic gain and how it can be improved) and the Matesel tool (to pre-empt what the mid parent performance will indicate of possible ram and ewe joinings, groups' rams and ewes and the whole drop).
- A series of Service Provider forums were conducted by Sheep Genetics across most states.
- A single step analysis (combining genomic "DNA" results with on-farm phenotypic data) has been trialled with carcass data with other traits to follow.
- Data software providers have updated their data management products, with ongoing updates to occur, to assist in the collection of quality data on farm and improve the flow of information to and from Sheep Genetics.
- An updated analysis of wether and ewe trial data conducted in the past decade was released in December 2014. There were 22 wether and ewe trials covering 71 bloodlines in the analysis. This compared to the 2010 analysis which included 57 trials and 268 bloodlines. The lower numbers arise from alternative benchmarking options, reduced Departmental staff and increased welfare compliance requirements by State Departments.
- Seminal plasma proteins have shown to be essential for semen to move through the ewe's cervix. These plasma proteins damaged in the freezing and thawing process have been identified and work has commenced to find ways to prevent their damage. Cervical AI has the potential to significantly reduce the cost of laproscopic AI.
- Slides to assist school and post school training in Merino Visual Classing and Stockmanship were completed and placed on the website. This will be followed by Train the Trainer session and regional workshops. The number of slides can be reduced to modify the presentation according to the skill and age of the audience. The content is able to be used by any presenter as there are no IP restrictions on the use of the content.



PROGRAM 5: REPRODUCTION

INVESTMENT FOCUS

- Investment started in 2009/10 and, given the key strategic nature of reproduction to the national Merino flock, looks set to continue into the 2016/17 – 2018/19 strategic plan, covering almost four AWI Strategic Plans.
- The main area of investment is aimed at ewe and lamb survival, early reproductive success and high-performance weaners, genetics and biological mechanisms and conception and early embryo mortality.
- The program will continue to establish and provide hands-on woolgrower training to deliver applied knowledge and practical skills to enhance woolgrowers’ ability to achieve the targets below.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
For growers running Merinos: <ul style="list-style-type: none"> • Average increase of 10% in lambs weaned. • Subject to maximum additional annual cost of \$2 per ewe carried. • Adoption across 9 million Merino x Merino joining. 	On track. 100 groups (500 producers) have undertaken Lifetime Ewe Management training. There has been an 11% increase in the number of lambs weaned, a 36% reduction in ewe mortality and a 23% increase in stocking rate. 500 producers with an average of 3,500 breeding ewes each means that that the program has affected 1.75 million ewes, at a cost of \$0.42/breeding ewe.

KEY RESULTS DURING 2014/15

- AWI continued funding for Lifetime Ewe Management (LTEM) training that provides hands-on on-farm training for small groups of producers (average five) in the management and nutrition of breeding ewes to maximise reproduction efficiency. On-going evaluation of group members continues to show significant benefits to participants through improving net reproduction rate.
- In 2014/15, 100 groups (500 producers) completed (or have started with only the final sessions to complete) LTEM training, resulting in:
 - o 11% increase in the number of lambs weaned
 - o 36% reduction in ewe mortality
 - o 23% increase in stocking rate.
- 500 producers with an average of 3,500 breeding ewes each means that that the program has affected in 2014/15 1.75 million ewes, at a cost of \$0.42/breeding ewe.
- Key LTEM teachings have included:
 - o whole farm profit can be increased by managing ewes to achieve condition score targets
 - o condition scoring involves the use of a simple and quick assessment tool for managing ewes to targets
 - o lambs grazing more pasture during lactation grow faster and are more likely to survive post weaning.
- AWI developed in-house and rolled out an LTEM iPhone App that contains all the main features from the course. The App is a natural development for those who have completed or are in the process of completing the LTEM course. The App has proved popular with more than 1,100 downloads during 2014/15.
- An A3 sized ‘Scoring for profit’ poster was posted to woolgrowers with the June 2015 edition of AWI’s *Beyond the Bale* magazine. Originally produced by AWI’s Sheep Connect Tasmania network using information from Lifetime Wool, the poster assists woolgrowers by explaining the seven important phases in the reproductive cycle of Merino ewes.



Alex Coole from Frankland, WA, is one of hundreds of woolgrowers who have been involved in the Lifetime Ewe Management course. The course is helping woolgrowers develop the practical skills to improve animal nutrition, lambing percentages and weaning rates.



The Lifetime Ewe Management App for iPhone is available free from the Apple App store and has been downloaded more than 1,100 times.


STRATEGY 2: WOOL HARVESTING & QUALITY PREPARATION
STRATEGY 2 RESOURCES DURING 2014/15

\$2,258,000 project expenditure + 3.2 AWI staff (full time equivalent)

INVESTMENT FOCUS

- Main investment is in supporting in-shed coaching of people holding basic skills (regional coaching in shearing and woolhandling).
- Support for in-shed coaching of experienced shearers and wool handlers.
- Promotion and development of awards for excellence - shearing and woolhandling competitions.
- Provision of information on industry to potential students (high schools and TAFE) and the community more broadly to support recruitment.
- Support of regular workshops for trainers - professional development and promote national consistency.
- R&D for labour saving in sheep handling.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
Meet or exceed COP requirements - based on improvements in Sports Shear Australia judging standards for shearing and wool clip quality.	On track. Conducted regular judging workshops to increase judging standards and consistency.
Increase shed productivity by, on average, 4 sheep per run by 2017 across shearing contractors.	On track. Monitoring via milestone reports and surveys of shearers and contractors.
Cost per person trained remains constant in real terms.	On track. Target achieved in 2014/15. Cost per person trained has remained constant.

KEY RESULTS DURING 2014/15

SHEARER AND WOOL HANDLER TRAINING ACTIVITIES	NSW	WA	Vic	SA	Qld	Tas	2014/15 TOTAL	
In-shed shearer coaching	Days:	259	195	236	37	29	36	792
	Number trained:	798	617	735	133	94	113	2,490
In-shed wool handler coaching	Days:	78	115	89	38	24	36	380
	Number trained:	287	278	312	87	48	115	1,127
Crutching schools; Novice, improver, advanced shearing schools; Industry funded enrolment	Days:							187
	Number of attendees:							350
Total training days provided							1,359	
Total number coached/trained	1,085	895	1,047	220	142	228	3,967	

- In 2014/15 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 (RTOs), and AWI's Independent Coaching Program, 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.

- The Independent Coaching Program is ongoing. This program provides AWI with an involvement in the contracting directly with trainers, and is a cost effective way of the providing training. This program is proving very popular with all stakeholders.

- 2,490 training visits were made by shearers (a 10% increase from 2014/15) and 1,127 training visits were made by wool handlers (a 15% decrease from 2014/15) directly through AWI-funded programs across Australia in 2014/15, with an additional 350 training visits by participants in crutching and other shearing and woolhandling workshops. These workshops serve an important role in providing a range of training services to the wool industry – from an introduction to wool harvesting and basic skills for new shearers and wool handlers, through improver to advanced and professional workshops for continued development of wool harvesting professionals.
- High school students in WA in the Agricultural school system were provided with training in the wool harvesting industry by AWI-funded coaches through in-shed or at school demonstrations of shearing and woolhandling.
- Consistency workshops for more than 60 trainers from across the country were conducted by AWI at Dookie in Victoria. This workshop for the trainers of shearers and wool handlers helps provide consistency in the way training takes place and to promote best practice across the wool industry.
- Exchange programs have continued with New Zealand for young potential trainers, and both interstate and with New Zealand for senior trainers.
- AWI provided support to all local shearing competitions affiliated with Sports Shear Australia in 2014/15. Part of AWI's support includes payment of entry fees for learner shearers and novice wool handlers. AWI also provided support to state and the national shearing and woolhandling championships. The aims of providing support to shearing competitions are to promote excellence in the wool harvesting industry, encourage young people to join the industry, and encourage continued development of techniques in shearing and woolhandling.
- AWI continued to distribute the Woolshed Safety Signage Kit, which includes 36 safety signs. The aim of these signs is to help improve and promote safety in woolsheds. The kit is now available to purchase online at www.wool.com/shedsafety
- AWI training resources are in constant demand which has resulted in all AWI's shearing and wool handling DVDs being converted to a format suitable for release on YouTube. The videos will be available in the latter part of 2015. The videos are a complete reference guide for shearers, wool handlers, woolgrowers, instructors and students working in various areas of wool harvesting. Packed with tips, hints and practical advice, the videos include advice from experienced shearers, wool handlers and wool classers.



AWI funds training for shearers and wool handlers across a range of skill development activities. Pictured here is shearer trainer Ian Elkins training young shearers at 'Ravenswood' near Yass, NSW. This year, Ian was inducted into the Australian Shearers' Hall of Fame.



AWI provides support to shearing competitions at local, state and national levels. The aim is promote excellence and encourage better techniques in shearing and woolhandling. Pictured here is the Australian team taking part last year in the Tri-Nations Challenge against New Zealand and South Africa.



STRATEGY 3: PRODUCTION SYSTEMS AND ECO-CREDENTIALS

STRATEGY 3 RESOURCES DURING 2014/15

\$1,169,000 project expenditure + 2.2 AWI staff (full time equivalent)



PROGRAM 1: MANAGING THE RESOURCE BASE

INVESTMENT FOCUS

- Research into new pasture species and models of pasture growth.
- Shifting the feed base to new and more reliable legume species in light of increased climate variability (optimising nitrogen supply).
- Increased healthy pasture soils: 20% increase in pasture growth due to less pathogens such as phytophthora.
- Increased focus on action on the ground (through participatory R&D; that is, better engagement between grower and researchers); extension and engagement of woolgrowers on:
 - Sustainable grazing management- eg Enrich follow up; dual purpose crops.
 - Technology transfer from research repositories such as livestock systems design (EverGraze).
 - Agronomy packages and companion species.
 - Rabbit control.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
20% increase in pasture production or increase in stocking rate capacity (2-4 dry sheep equivalent per ha).	Progressing. Research has been targeted towards increasing pasture production and stocking rate capacity through improvements in phosphorous and nitrogen utilisation, and adoption of new pasture legume species.
Adoption across 50,000 ha of perennial pasture within five years.	Target revised. This target has been revised to: "Collect and disseminate relevant grower case studies attesting to good stewardship practices". Funding for the development and communication of case studies has been allowed in the 2015/16 financial year.

KEY RESULTS DURING 2014/15

Nutrient use efficiency

- Research projects are under way that investigate the transformation of applied Phosphorous, plants' abilities to access free and locked pools of Phosphorous in the soil, and those pasture species that access locked Phosphorous more efficiently. Preliminary results suggest that applied Phosphorous aids in increasing the legume content of pastures but over fertilisation leads to an increase in weed burden.

Pasture legume performance and grazing management

- In investigating legumes and management practices to increase efficiency of livestock production, 66 species of legumes, grasses and forbs have been compared for biomass production and nutritional value throughout different stages of their lifecycle. Researchers have identified temperate pastures such as biserrula that create greater opportunities for landholders to increase productivity while reducing emissions intensity. Researchers found that inclusion of forage oats (Wintaroo) with pasture legumes such as yellow serradella and burr medic has significant potential to increase feed value early in the season, complemented by legumes to maintain high crude protein. Additionally, production and quality data for 40 different pasture species is now available for modelers to develop pasture combinations suited to localised production systems and environments.
- Current use of nitrate-accumulating shrubs has been benchmarked for their nutritive profile,

reasons for adoption, and impacts on animal health, wool and meat production. Research is continuing into grazing preference, influences of fertilizer treatments and whole farm management strategies.

- To date nine different races of *Phytophthora clandestina* have been identified as present in Southern Australia, and that clover varieties present different levels of resistance to the disease. Research is continuing to investigate the mechanism(s) that allow resistance, with the goal of identifying ways that producers can achieve a permanent solution.



Research scientists discuss with producers the most promising pasture type tested in the Yass area, French serradella, which yielded as well as subterranean clover and required significantly less phosphorus to achieve these yields.



PROGRAM 2: CARBON

INVESTMENT FOCUS

- Identification of different pasture species and consistent feed sources that will increase feed conversion efficiency (FCE).
- Examination of genetic factors that increase FCE without reducing value of other important traits.
- Investment in scientific studies to demonstrate impacts of new technologies on methane emissions.
- Develop tools and methods for accurately measuring greenhouse gas emissions from wool production.
- Dependent on demand and through collaborative R&D with government develop methodologies that enable woolgrowers to participate in voluntary carbon markets such as the Australian Emissions Trading Scheme (AETS), EU Emissions Trading Scheme (EUETS), Carbon Exchange.
- Extension of information on carbon balances on woolgrowing properties, changes in government policies and avenues for growers to participate in future carbon markets.
- Quantify and address technical issues related to wool’s environmental footprint (including chemical, energy, water and land-use efficiency).

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
By 2020, support development of technologies suitable across 20% of woolgrowers that enables a 5% increase in FCE without a loss in profit.	Progressing. Research completed in 2014/15 demonstrated that both high stocking rate with a quick rotation as well as a lower stocking continuous grazing pattern are able to be sustainable and profitable depending on the system.
Provision of robust scientific data to support methane emission reductions that is consistent with the Australian Government’s greenhouse gas reduction policy.	On track. Studies under way during 2014/15 demonstrated the potential to simultaneously improve profitability and reduce emissions intensity for sheep producers.
Deliver robust data to support the green image of wool.	On track. AWI continues to develop and collect case studies demonstrating wool’s eco-credentials.

KEY RESULTS DURING 2014/15

Wool production credentials and emission reductions

- Biophysical and economic simulations of a range of Carbon Farming Initiative offset options have been tested and models of whole farm systems’ ability to assess greenhouse gas abatement options have been improved. Researchers have also developed the Carbon Offset Scenario Tool (COST) for sheep and dairy producers which is available from University of Melbourne website www.greenhouse.unimelb.edu.au/Tools.htm
- When investigating a range of management options, researchers found that removing annual legumes, confinement feeding, increasing the area of Lucerne and higher fleece weight options resulted in lower greenhouse gas emissions irrespective of location, enterprise, season or which calculation model was used.
- AWI supported MLA’s Farm300 Initiative, where the focus was to boost livestock production efficiency and reduce emissions from livestock. The program trained 25 advisors who taught more than 100 producers how to use FarmGAS, Sheep-GAF, Beef-GAF or GrassGro calculators to measure their on-farm emissions. The project also delivered three online tutorials, four webinars, a series of case study videos and the Carbon Farming Initiative reached 55% awareness amongst sheep and beef producers surveyed.
- A collaborative project between AWI, MLA, the Department of Agriculture, UWA, CSIRO and SARDI has demonstrated that temperate pasture legumes, grasses and forbs have the potential to reduce emissions intensity whilst simultaneously maintaining intake, growth rate and productivity. Six papers are being prepared for publication.

Ruminal gas measurement technologies

- Field-testing and validation of the intra-ruminal device was completed. While the technology was suited to a small scale research environment, development of a commercial product for broad scale use by woolgrowers was not achieved. Due to this, additional investment to bring a product to market was not judged an acceptable return on investment for Australian woolgrowers.

Wool life cycle assessment

- AWI continues to fund scientific research to improve the current body of life cycle assessment (LCA) studies and provide a more accurate analysis of wool’s environmental benefits – see page 27.

Feed conversion efficiency

- AWI funded a project conducted by NSW DPI that investigated how management of intensive rotational grazing systems including paddock number, timing and stocking rate influenced feed quality, animal production, profitability and sustainability. The project was conducted with the EverGraze regional group on the Orange EverGraze proof site. Researchers found that both a high stocking rate and fast rotation as well low stocking rate continuous grazing could both be profitable and sustainable. Researchers acknowledged that stocking rate can influence what will be the most profitable and sustainable system, optimums are likely variable between individual systems, and that further research is required to extend the findings to other climate zones and regions.



STRATEGY 4: EDUCATION AND EXTENSION

STRATEGY 4 RESOURCES DURING 2014/15

\$2,060,000 project expenditure + 1.2 AWI staff (full time equivalent)



PROGRAM 1: GROWER SKILLS CAPACITY

INVESTMENT FOCUS

- The main AWI investment will be the continued support of extension networks.
- The investment also seeks to develop skills across specific segments including young woolgrowers and women. AWI will stay in touch with growers through woolgrower forums and road shows, direct mail, and a range of e-learning and electronic media.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
Increase in the number of participating woolgrowers across the extension networks.	On track. All states have increased their member databases, with more than 9,000 woolgrowers around Australia participating.
Average annual cost saving to participating woolgrowers of \$700.	On track. All states are performing above target with the average annual cost saving in 2014/15 being \$2,546.
Total cost saving to AWI from reduced extension cost for other technologies that AWI delivers to industry and where utilisation of the extension network is deemed suitable.	On track. This is progressing well, with AWI extension networks used in 2014/15 to deliver biosecurity workshops, wild dog information, and a number of other topics.
By June 2015, BredWell FedWell will deliver 90 workshops with a participation target of 1800 to educate growers in key production benefits of genetics, plus feed management for improved reproduction.	Target revised. AWI ceased funding BredWell FedWell in July 2014.
At least 70% of sheep producers (22,000) will be aware of Making More From Sheep (MMFS) by 2015. At least 50% of participating sheep producers applying at least one procedure, from at least one module to their sheep enterprise that delivers improved productivity and profitability.	On track. An MLA (currently managing MMFS) study shows that 58% of sheep producers are aware of MMFS, with monitoring and evaluation showing that 46% of participating sheep producers are applying at least one procedure from at least one module.

KEY RESULTS DURING 2014/15

- AWI-supported extension networks continue to provide opportunities for producers to get involved in educational and practical programs that focus on making positive changes to production and management practices. The networks are fundamental to the spread of new ideas, continuing education and the adoption of best practice.
- Networks are present in each wool-growing state and all woolgrowers are encouraged to get involved. The AWI-supported extension networks – BESTWOOL/BESTLAMB (Victoria), Leading Sheep (Queensland), Sheep Connect Tasmania, Sheep Connect SA, Sheep Connect NSW and The Sheep's Back (WA) – have seen another successful year, with increases in participation and the reported benefit by woolgrowers.
- AWI's new pastoral network, Pastoral Profit, commenced in 2014/15. Pastoral Profit is collaboration between AWI and MLA, and is targeted at pastoral wool, sheepmeat and beef producers.
- 85 Making More From Sheep events were held around Australia in 2014/15 with 2087 attendees

The Making More from Sheep program – a joint initiative of AWI and MLA – is a best practice package of information and tools for sheep producers supported by a range of events and workshops.



Producers learning about native grasses at a Barossa Improved Grazing Group field day at Keyneton in October, co-supported by AWI's Sheep Connect SA.



PROGRAM 2: STAKEHOLDER & MARKET PLACE EDUCATION & EXTENSION

INVESTMENT FOCUS

- Teacher and student support – AWI will promote the wool industry and its features to primary and secondary teachers (and their students) and provide support through participation in learning programs, resources/tools and professional development activities.
- AWI will support wool industry advocates seeking to learn more about their own and other industries, and share their knowledge through advisory panels, committees and marketing activities.
- Professional development for researchers, advisors, extension specialists and AWI network coordinators will continue through AWI-supported R&D updates and conferences focused on the role of wool sheep in a profitable enterprise mix.
- The National Merino Challenge aims to increase the skills, knowledge and capacity of young people in agriculture, and entering the wool industry through training sessions and demonstrations coupled with theoretical and practical challenges. It will support the increased capacity of teachers and lecturers in teaching the principles of Merino breeding and selection.
- AWI will also prepare briefings to demonstrate welfare credentials to protect market access and enhance the demand for wool through support for the National Wool Declaration and integration with AWI's Global Business Services.
- AWI will keep in touch with industry through forums and road shows, direct mail and a range of electronic media and e-learning.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
Support and develop leadership skills through Australian Rural Leadership Program (one annually), Nuffield Farming Scholarships (one annually) and Young Farming Champion initiatives (up to four annually).	On track. In 2014/15, AWI supported one ARLP position, awarded one Nuffield Farming Scholarship and took on one new Young Farming Champion, whilst continuing to support its existing Young Farming Champions.
Distribute up to 300 Learn About Wool teachers kits each year.	On track. Demand for the Learn About Wool kits remains strong across Australia, with rising interest in the materials coming from international schools.
The National Merino Challenge (NMC) will attract at least 60 participants each year and up to 25 trainers for the Train-the-Trainer Workshops.	Achieved. In 2015, the NMC attracted more than 95 participants, with the Train-the-Trainer Workshops attracting more than 30 participants.
Up to eight forums will be held each year to inform, update and keep in touch with industry.	On track. AWI continues to actively participate in industry forums to speak with woolgrowers directly about what is impacting on their businesses.

KEY RESULTS DURING 2014/15

- Robert Webb of Tarana in NSW was awarded AWI's 2014/15 Nuffield Farming Scholarship to study managing native pasture with fire to improve wool production.
- AWI's Australian Rural Leadership Program position was awarded to Peter McCrabb from Booroorban, NSW.
- AWI continues to support Amy Carpenter, who is studying at University of New England, through the Horizon Scholarship program (a joint initiative of RDCs to support students studying agriculture), and this year has also started supporting Royce Pitchford, studying at The University of Adelaide.
- Continued investment was made to the Young Farming Champions (YFC) Program, with Dione Howard from Milbrulong in NSW joining AWI's existing YFCs in representing the wool industry in schools.
- The AWI Learn About Wool (LAW) kit proves to be ever more popular, with more than 1,000 kits now distributed over the life of the project to primary and secondary teachers around Australia, and orders continuing to flow in.
- The National Merino Challenge (NMC) was held in Adelaide in May 2015 for the third and final year of the pilot project. Once again, there was an increase in the participation of young people interested in

the wool and sheep industry, as well as an increase in the industry's support of the project through strategic partnerships. During the project's pilot phase (2013-2015), 225 students from across Australia have participated from more than 20 schools, TAFEs, colleges and universities.



Students at the National Merino Challenge held in Adelaide in May 2015 being shown what to look for when selecting rams and ewes. Nearly 100 students participated in seven 'mini-challenges' across two days, testing their knowledge of Merino fleece, production and breeding and selection principles.

OFF-FARM R&D

OBJECTIVE

To facilitate the creation of business opportunities within the wool-processing sector, which foster diversification of regional processing capacity, and support the creation of demand for Australian wool.

OUTCOMES

Generate and transfer knowledge which fosters the creation of business opportunities, enhances sustainability practice, and diversifies regional capacity within the wool-processing pipeline, thereby actively contributing to creation of sustainable demand for Australian wool.

INVESTMENT PHILOSOPHY

AWI investment will be weighted towards low to moderate risk activities that extend existing technologies to wool-processing regions as well as regions where new processing capacity is emerging. Investment in new technology development will be focused on processes where longer term environmental gains can be achieved, with emphasis on reducing the carbon footprint in manufacturing, garment care, recycling and decomposition. Investment will also be made in the acquisition of data that enables us to advocate the benefits of wool fibre in preference to other fibres in terms of health, safety, protection, comfort and softness.

STRATEGY 5 Technical Services



Foster diversification of regional wool-processing capacity, and growth in human resource skills and know-how within the wool-processing sector, by providing technical support to wool processors in existing and emerging wool processing hubs, such as China and Vietnam.

PROGRAMS

- 1 Supply Chain Diversification
- 2 Technology Transfer

STRATEGY 6 Fibre Advocacy & Eco- Credentials



Acquisition of data which enables us to advocate the benefits of wool fibre in preference to other fibres in terms of health, safety, protection, comfort and softness.

Reduce or eliminate the risk to our business from environmentally related threats, by the development of more sustainable and ecological manufacturing processes and reducing our carbon footprint in manufacturing, garment care, recycling and decomposition.

PROGRAMS

- 1 Fibre Advocacy
- 2 Eco-Credentials

STRATEGY 5: TECHNICAL SERVICES

STRATEGY 5 RESOURCES DURING 2014/15

\$856,000 project expenditure + 12 AWI staff (full time equivalent)

PROGRAM 1: SUPPLY CHAIN DIVERSIFICATION

INVESTMENT FOCUS

- Identifying manufacturing companies interested and committed to learning how to make and commercialise premium quality products made from Australian wool.
- Provision of training (theoretical and practical) by transfer of knowledge and technology.
- Increasing their knowledge, expertise and confidence so that they can consistently produce products which meet the Woolmark standards of quality.
- Advising mills on the types and supplier of wool materials, (greasy or scoured wool, tops, yarns etc), textile processing chemicals and dyestuffs, wool-processing machinery and components.
- Assisting them with trade marketing collateral and events to promote their wool product ranges.
- Introducing them to potential new customers.
- Provision of ongoing assistance and advice when technical issues arise.
- Offering companies a strong value proposition so that they become Woolmark licensees.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
75 new businesses working with AWI by 2016: a. Vietnam 30; b. Bangladesh 15; c. Russia 15; d. Belorussia 10; e. Ukraine 5.	On track. 34 new businesses in 2014/15 (a total of 129 in 2013/14 and 2014/15) working with AWI at 30 June 2015: a. Vietnam 28 (81); b. Bangladesh 0 (0); c. Russia 4 (32); d. Belorussia 2 (14); e. Ukraine 0 (2) is on hold because of the political situation.
25 new Woolmark licensee applicants in these regions by 2016.	On track. 12 new Woolmark licensee applicants in these regions at 30 June 2015: Vietnam 7; Russia 5.
750,000 kg increase in demand/consumption per annum for Australian wool by 2016 (based on an average 10,000 kilos per company).	On track. 800,000kg per annum demand from Vietnam in 2014/15. 1,000,000kg per annum demand from Russia in 2014/15.

KEY RESULTS DURING 2014/15

Vietnam:

- AWI continues to identify new companies and assist project partners, educating them how to manufacture wool garments. This activity continuously builds and consolidates the first stage in the supply chain (garment manufacturers).
- AWI has focussed on the second stage in the supply chain (spinners) by educating companies how to manufacture wool and wool blended yarns. One of the three companies trained is now looking to purchase new machinery that will enable it to make wool yarns for weaving and knitwear applications.
- The next steps will be for AWI to help set up further stages in the supply chain (top making, scouring etc) in Vietnam, from which the Vietnamese manufacturers can source their supplies made from Australian wool rather than having to buy overseas.
- AWI has not only introduced Vietnamese manufacturers to retail buyers from Japan and Korea but also helped Vietnamese companies to develop wool products based on buyer-led new product development concepts.



Models on a photoshoot in Australia wearing apparel by Vietnamese manufacturer and retailer Canifa. The company is the first Vietnamese retailer to gain Woolmark certification. It released in 2014 a range of Woolmark-certified apparel as part of AWI's 'Out of Vietnam' project. Comprising sweaters, cardigans, dresses, vests, skirts and scarves, the collection used fine Merino wool with a micron of 19.5.

Russia

- AWI has established business relationships with many companies (eg topmakers, knitters, weavers, retailers, designers).
- AWI has undertaken product development programs to enable Australian wool to be used in the manufacturer of products in Russia for retail in Russia. For example, Pekhorskiiy Textile is expanding its production of hand knitting yarns, and Kampoteks is manufacturing and retailing interior textiles under the Wool House brand.
- We are helping Woolmark licensees to do business in Russia regarding the purchase of tops, yarns and fabrics.
- AWI assisted in the development of a health agreement between Australia and Russia that now

enables Australian wool to be exported directly to Russia (which means less costs for buyers and potentially more Australian wool going to Russia).

Belorussia

- Most of the manufacturing sector in Belorussia is state-owned and AWI has been working with the relevant government departments to help set up a supply chain that will use Australian wool.
- The Belorussian government has invested €55 million in textile manufacturer Kamvol to upgrade its factory, which is now nearing completion. The new equipment will enable Kamvol to manufacture products using good quality finer wool, ie Australian wool. Kamvol has the capacity to produce four million metres of woven fabric.



PROGRAM 2: TECHNOLOGY TRANSFER

INVESTMENT FOCUS

- Identifying manufacturing companies interested and committed to increasing profitability through increasing productivity or through cost reductions, or adopting technologies which enables them to produce more added value products.
- Development of technical marketing and information packages, e.g. (a) Increased profitability by increased productivity and reducing costs, and (b) Increased profitability by the adoption of “added value” innovative technologies.
- Transferring technologies aimed at increasing profitability, to partners along the manufacturing supply chain e.g. top-makers, spinners, dyeing and finishers, knitters, weavers and making-up companies.
- As part of the Easy Care re-launch, transfer of technology, with particular focus on the knitted product sector, to increase the number of suppliers of good and reliable quality Easy Care wool products.
- Industry training sessions/workshops on “Increasing profitability”.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
Production of two technical packages based on increasing profitability.	Progressing. Content written, awaiting update of images prior to publishing.
Transfer of technology aimed at increasing profitability through increased productivity and/or cost reduction to 10 companies per year (2013-2016).	On track. Transfer to 10 companies in 2014/15: 4 in China, 2 in Hong Kong, 3 in Turkey, 1 in Taiwan.
Transfer of technology aimed at increasing profitability by adoption of added-value technologies to 15 companies per year between 2013 and 2016.	On track. Transfer to 15 companies in 2014/15: 9 in China, 5 in India, 1 in Vietnam.
Updating training and education material relating to the production of Easy Care wool products by 2015.	Progressing. Knitwear finishing manual and training course in final stages of publishing.
Increase in annual demand/consumption of Australian wool by, on average, 10,000kg per company with which AWI engages.	Progressing. 2013-14 survey (which showed an average of 18,000kg over 12 mills that responded) to be repeated during early 2016 to capture 2014-15 consumption.

KEY RESULTS DURING 2014/15

- AWI’s technology transfer activities, which are designed to increase productivity, included on-site dyeing and finishing in Turkey for circular knitters and dyers who are new to Merino wool, thus enabling an easier access to Merino jersey for the sports active brands that are showing continued interest in Merino wool products. Previous technology transfer to Turkish knitter Hasyun resulted in them now supplying Merino jersey garments to a wool-focused sports brand in the USA.
- Major Chinese easy care top makers have been advised at training seminars on how to reduce costs by reducing water consumption.
- One of China’s leading wool enterprises, Nanshan, has received orders for more than 60,000 metres of Neulana Air and cold-dye vintage fabrics, which helps off-set losses in their existing wool business. Neulana Air fabric is made from high-elastic Merino fibres blended with normal Merino wool. During the special finishing treatment, due to the shrinkage of fibres in the yarns, the end product has ultimate bulk and softness, with a luxurious hand-feel; the fabric has a unique style which is full of stretch and texture.

- Chinese company and Woolmark licensee Diyang Merino Textile Limited won a gold medal for innovation at the prestigious ISPO trade show for outdoor products when they launched their new Hydro-duct fabric developed using AWI technology. Hydro-duct is a new one directional moisture management technology for Merino wool fabrics that transfers liquid sweat away from the body.
- Hong Kong based underwear brand, Chicks, sold out of its 100% Merino Perform™ Pro base-layer range without any promotion beyond POS tickets and labels. Merino Perform™ Pro is a special double-faced 100 per cent MerinoPerform fabric that quickly moves sweat to the fabric's outer side.
- Merino Vintage (faded and washed out effects) and Merino Retract (contemporary boiled wool looks) garments continue to feature in the ranges of global brands such as Armani, Diesel, Massimo Dutti and Hugo Boss.
- Premium brand Louis Philippe in India included mercerised Merino knits in its range for the second season running. As a result of mercerisation, the actual diameter of the Merino fibre does not change, but the perceived improvement in hand feel is like using wool 2 to 3 microns finer.



The technical director of Diyang Merino Textile Limited, Michael Yang, demonstrating the new one directional moisture management technology Hydro-duct to AWI's General Manager Product Development and Commercialisation, Jimmy Jackson.



STRATEGY 6: FIBRE ADVOCACY AND ECO-CREDENTIALS

STRATEGY 6 RESOURCES DURING 2014/15

\$1,028,000 project expenditure + 2.8 AWI staff (full time equivalent)



PROGRAM 1: FIBRE ADVOCACY

INVESTMENT FOCUS

Investment activities will largely involve partnership with credible research institutions around the globe in conduct of consumer-based research evaluating the comparative benefits of wool in the areas of:

- Sleep quality and quantity – sleeping on or under wool bedding, or in wool (sleepwear).
- Dermatology – challenging the widespread misconception that wool is an allergen, and demonstrating that suitably selected fine Merino products are healthy for the skin, especially for those with the most sensitive skin.
- Flammability – demonstration of wool's inherent flame retardance properties in support of product development and marketing opportunities.

As a complement to these efforts, investments will address the development of technical specifications for trading and assurance of product qualities where these address wellness attributes of wool products.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
Complete and communicate to technical and trade audiences research that:	
Unequivocally demonstrates that wool is not an allergen.	Progressing. Evidence has been accumulated demonstrating that allergy sufferers (specifically Atopic Dermatitis) derive substantial benefit from wearing properly specified next-to-skin wool garments.
Demonstrates the role of fine Merino baselayers in ameliorating chronic skin conditions associated with microclimate management of the skin, such as Atopic Dermatitis.	On track. Favourable results were achieved over the year in separate clinical studies of adults and children suffering from atopic dermatitis, with the former study being published.
Supports the recognition of wool bedding as part of a healthy night's sleep, and development of Merino sleepwear and maternity-wear markets.	On track. Separate studies of both Merino sleepwear and wool bedding (duvets) demonstrated health benefits for the users.
Supports development of product market opportunities in categories such as corporate wear, safety wear, medical products and infantswear.	Progressing. The study demonstrating that infants with especially sensitive skin (ie suffering from eczema) benefit from wearing wool helps support market opportunities for other properly specified wool garments.

KEY RESULTS DURING 2014/15

Skin health:

- AWI has been sponsoring clinical studies to assess superfine wool as a potential therapeutic clothing material in the management of Atopic Dermatitis.
- A scientific paper arising from the initial trial of adult patients at Queensland Institute of Dermatology (QID) has been submitted for publication. The study results were positive, showing that Merino base layers were well tolerated with no participant displaying an inflammatory reaction to the Merino garments, and scores for all key dermatological indices were improved in a statistically significant manner (eg dryness, redness, desire to itch, quality of life etc). The authors proposed that superfine Merino wool be reclassified as a therapeutic fibre in patients with Atopic Dermatitis. Positive results of this study were reported at the World Congress of Dermatology in Vancouver in June 2015. Importantly, further positive results have recently been found in a more comprehensive AWI-funded study of children just completed at the Murdoch Children's Research Institute. A follow-on study of adults is currently under way at QID.
- In a separate measure to address negative perceptions of wool, good progress is being made in assembling a team of eminent medical experts (dermatologists and allergists) to produce a consensus statement on wool's allergy status to reconcile the current medical understanding of wool with misconceptions in the broader community.

Sleep health:

- Wool sleepwear represents a key strategic opportunity for knitters and growers of fine Merino wool, while wool bedding, underlays and duvets, represents an opportunity for mid-micron wools.
- Wool, due to its natural breathability has been shown to maintain a more stable microclimate around the sleeper. A pilot study of wool and polyester duvets using a sweating manikin found that wool provided greater control of humidity levels and changes to humidity arising from sweating. By contrast the polyester duvet created higher microclimate humidity and exhibited more

susceptibility to humidity changes than the wool duvet. This attribute of wool helps minimise the 'hot and clammy' sensation that reduces sleep quality.

Health-related documents and publications arising from AWI activities during the year included:

- *The Woolmark Sleep Health manual*
- *Wool in human health and well-being* Laing, R
- *Wool bedding performance in dynamic sleep environments* Troynikov, O; Watson, C
- *A pilot study to determine the safety, tolerability and efficacy of Merino base layers in the treatment of mild, moderate or severe atopic dermatitis in a garment occluded area* Spelman, L; Swan, P; Davidson, K; Holland, T; Sacre, S.



Merino garments are breathable and will respond to temperature change, meaning babies are more likely to settle and sleep through the night. Pictured here is a 100 per cent Australian Merino wool 'blanky' and 'beanie' from Woolmark licensee Ewenique.



PROGRAM 2: ECO-CREDENTIALS

INVESTMENT FOCUS

Investment activities will largely involve:

- Continuing to monitor environmental issues and changing legislation which may pose a potential threat to the wool business.
- Identification of areas of most concern in relation to chemicals commonly used in wool processing, and identify where possible suitable alternatives. Where no alternatives exist, develop alternative solutions.
- Identifying unwanted residuals on wool products and develop techniques to remove or eliminate them which the manufacturer can adopt before the products leave the factory.
- Enhancing and transferring knowledge relating to the reduction of water and energy during manufacturing. Developing guidelines outlining options for wool manufacturers in this area.
- Developing processes that can be carried out during manufacturing, which enable Easy Care wool products to be successfully domestically laundered (effective cleaning and stain removal etc.) at reduced temperatures during washing, and reduced drying times during tumble drying.
- Developing a strategy relating to recycling of wool.
- Conducting work to have a better understanding of the parameters which effect wool's rate of decomposition, from which advisory notes and best practice guidelines can be developed.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
Prepare and publish annually Best Practice Guidelines highlighting improvements or new options for the wool-manufacturing sector.	Target revised. Feedback from China indicated that this activity would be better managed through AWI's Trade Education Program.
Develop techniques to remove unwanted residues on wool during processing.	Delayed. Various techniques were explored and developed to laboratory and pilot scale levels but problems were encountered achieving the necessary residue reductions.
Identify areas of chemical use of concern to the industry and support development of alternative processing methods or inputs.	Achieved. Pilot scale trials were completed and the chemicals applied in full scale trials, however they have not been adopted.
<p>New Target: International collaborative effort with IWTO on Wool Lifecycle Analysis (LCA):</p> <ul style="list-style-type: none"> • Complete research into co-product allocation rules for wool lifecycle analysis and publish in a relevant peer reviewed journal • Complete a journal publication on use-phase and post-use phase components of the wool lifecycle • Ensure the wool industry is represented in BSI, FAO LEAP and SAC, MADE-BY LCA standard and fibre rating tool technical processes. 	Achieved. The relevant papers were published and the wool industry is well represented at SAC, FAO, BSI, and MADE-BY.

KEY RESULTS DURING 2014/15

Assessment of alternative shrink-resist chemicals

- In an attempt to develop alternative shrink resist chemicals, four different ionic liquids (ILs) were investigated: tetramethylguanidinium lactate (TMGLa), tetramethylguanidinium propionate (TMGPn), ethanolanmonium lactate (EoALa) and ethanolanmonium propionate (EoAPn).
- EOALa and EOAPn imparted the greatest level of shrink resistance, particularly when accompanied by subsequent oxidation with PMS. However trials in China on full scale machinery were unsuccessful due to the practical difficulties of handling ILs, which proved to be too viscous for industrial use. Given the lack of effectiveness and high cost of ILs compared to existing chlorine based treatments, the project was suspended pending further improvements in the performance in the IL-treated wool.

Wool Lifecycle Analysis (LCA)

- A paper entitled "Application of life cycle assessment to sheep production systems: Investigating co-production of wool and meat using case studies from major global producers" was published by the Journal of LCA in early 2015. This paper, which represents the outcome of two years of work by the AWI:IWTO Wool LCA Technical Advisory Group, paves the way for better reporting of wool's environmental performance, proposing a new method for use in LCAs of wool where wool is produced alongside meat. The goal was to identify a more accurate and consistent method of dividing the environmental impact across meat and wool than the current method based on the dollar value of each product. On completing the study, the author's proposal was to make the allocation on the basis of the protein requirements of production. Both meat and wool are protein-based products so in addition to achieving the goals of improved accuracy and consistency, this method generated results that are causally related to production. The study is expected to influence the international standards applied to LCA benchmarking and over

- time will result in more consistent reporting of the positive environmental performance of wool.
- The Wool LCA Technical Advisory Group was invited to contribute a chapter on wool LCA for inclusion in the Handbook of Life Cycle Assessment of Textiles and Clothing. This invitation from Woodhead Publishing was an acknowledgement of the status of the Group and their achievements for wool LCA. The Handbook will communicate recent technical developments in wool LCA to a wider audience and will generate awareness of the unique features of the life cycle of wool and the rationale for including them in LCA. It will result in wool LCA practitioners using more consistent methods and will mitigate the risk of a proliferation of poor LCA studies that could potentially damage the reputation of wool. The chapter was accepted for publishing in late 2015.
- A paper on wool recycling and re-use was prepared by the Technical Advisory Group and presented to the International Conference on Natural Fibres (ICNF) in Portugal in April 2015. It will be published in the book "Natural Fibres - Advances in Science and Technology Towards Industrial Applications: From Science to Market".



New research results have shown that wool has a lower environmental impact than has previously been accounted for in current life cycle assessment (LCA) studies.

CATEGORY MANAGEMENT

OBJECTIVE

By combining AWI investment capabilities across Marketing and Off-Farm R&D resources, key consumer segments will be targeted to increase sale opportunities for Australian wool.

OUTCOMES

Through combined investments in marketing and product development AWI will seek to increase the demand for wool across a number of emerging consumer segments where wool currently has a modest market share. AWI will also strive to deliver increased value to wool consumers by increasing their awareness of appropriate methods for easy care of apparel garments. AWI investment will also seek to increase the value delivered to Woolmark licensees in easy care and interior textiles.

INVESTMENT PHILOSOPHY

The identification and development of specific strategies, plans and Key Account relationships will enable us to explore and exploit high margin demand growth opportunities for Australian wool. This will involve the development of new manufacturing processes and products supported by trade and retail marketing effort. Although investment is weighted towards higher risk activities given wool's lack of presence in these emerging markets, investment over the plan will build and consolidate investment made in previous years.

STRATEGY 7 Category Management



Typically, our marketing activities target the dominant fashion apparel category. The identification and development of specific strategies, plans and Key Account relationships will enable us to explore and exploit high-margin growth opportunities for wool. We will create new demand in dynamic categories. Focusing on specific product categories which provide the best opportunities for a sustainable increase in wool usage, by the development of new manufacturing processes and products which support each of the target categories.

PROGRAMS

- 1 Sports & Outdoor
- 2 Nurture by Nature
- 3 Urban
- 4 Apparel Care
- 5 Interior Textiles



STRATEGY 7: CATEGORY MANAGEMENT

STRATEGY 7 RESOURCES DURING 2014/15

\$1,326,000 project expenditure + 13.5 AWI staff (full time equivalent)



PROGRAM 1: SPORTS & OUTDOOR

INVESTMENT FOCUS

- Marketing partnerships with selected influential brands/retailers in the target sports areas to maximise the leverage from brand impact.
- Marketing to support launched products and technologies in combination with supporting new products and innovations.
- Educational material to be available in electronic or printed format not requiring face-to-face presentations (partners' intranet and online access).
- Introduction and development of new products to a wider group of manufacturers in "new" end-uses to achieve a broader supply base in the market.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
Increase in wool volume sales across existing manufacturing partners on the MerinoPerform™ platform, 5% in first year and 10% in second year. Additional volume is estimated at, on average, 75,000 units per partner.	Achieved. An average of 10%+ reported by partners during 2014/15. The increase is mainly related to new developments in 100% wool as well as blends in new combinations and in new product groups.
Increased penetration of wool into the ranges of other (non-MerinoPerform™ partner) manufacturers. Measured through consumer surveys of increased purchases of wool products in this segment. Target is additional sales of 50,000 units across all non-partners.	Achieved. Target achieved during 2014/15 and the achievements are very much in line with that of the MerinoPerform™ partners above.

KEY RESULTS DURING 2014/15

- AWI continued to promote wool's presence in the sports and outdoor market, collaborating with leading manufacturers and brands. At recent sports and outdoor trade shows, the number of products incorporating Merino wool – from base-layers to outerwear, and across a variety of sports of varying intensity levels – continued to increase.
- As well as promoting the continued uptake of Merino wool for next-to-skin apparel, AWI has also placed a greater focus on wool outerwear, with a new innovative woven fabric being the standout of the recent trade shows. Made from 100 per cent Australian Merino wool, MerinoPerform™ WP delivers a unique, high-performance machine-washable fabric which is resistant to wind and rain.
- AWI has introduced a new Woolmark Specification for wool-filled products in response to increased demand for lightweight wool wadding for jackets.
- Other significant developments and innovations from AWI's MerinoPerform™ brand partners exhibited at trade shows include:
 - Warp knits
 - Merino wool blend wovens
 - Laminated mid and outer-layer fabrics
 - An ultrafine, 14 micron, Merino wool fabric
 - Lightweight jersey for fitness.
- A significant breakthrough for wool was adidas launching its new highly innovative knitted body shaped seamless tops for running.
- Nike stepped up from its first wool sports top last season into a series of higher wool content tops for fitness and tennis as well as running.
- US hunting and outdoor brand Cabela's increased their Merino wool range into new styles and product groups covering everything from camo printed jackets to fine Merino wool base layers.
- Australian outdoor retailer Mountain Designs introduced a new 100% Australian wool next-to-skin range.
- Several on the world's leading yoga/fitness brands introduced or extended collections in 100% Merino wool and blends, for actual training as well as for pre- and post-exercise wear.
- European top outdoor retailer Globetrotter ran a successful in-store Merino wool campaign.
- Leading mountain/ski brand Ortovox brought all its wool suppliers to Australia to facilitate sourcing of 100% Australian Merino wool, enabling the company to build a strong background story and show transparency to its consumers. This is in addition to educational clinics and seminars held by the company in which it tells the story and promotes the benefits of wool.
- Specialised UK running brand Ashmei implemented an extensive campaign to promote Merino for running at a series of UK running events.
- The new Hydro-duct technology for Merino wool fabrics that transfers liquid sweat away from the body – developed by Woolmark licensee Diyang Merino Textile Ltd in partnership with AWI – was a 'Gold Award' at this year's ISPO trade show.
- Independent analysis published in September 2014 shows AWI's investment in developing and promoting Merino in the sports and outdoor market has delivered \$6.30 for every dollar invested.



PROGRAM 2: NURTURE BY NATURE

INVESTMENT FOCUS

- Build wool's share in the lucrative babywear market by increasing awareness of wool's benefits amongst consumers and supporting partner marketing.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
Engagement of 27 partners by 2016 from a base of 15 at the end of 2012/13.	On track. The 2014/15 target of 21 partners was achieved with a strong focus on key accounts.
Average annual number of wool pieces sold per existing partner increased from 18,000 to 30,000 units by 2016.	On track. Forecasts are good.
Average number of wool pieces sold by new partners at 6500 by June 2016.	On track. Forecasts are good.
Increase in non-partner sales of 5% a year.	On track. Based on the available information there is an increase in wool used in babywear collections, in some cases of 30%-50%.

KEY RESULTS DURING 2014/15

- Premium Australian knitwear label Cable Melbourne has expanded to include Australian Merino wool items for children.
- Russia's largest hand-kitting company Pekhorskii Textile has also become a Woolmark licensee, developing a new range of machine-washable hand-kitting yarns specifically for baby and childrenswear which has sold very well.
- Innovative US babywear brand aden + anais released a Pure Merino Muslin collection with Woolmark Nurture certification. The aden + anais Merino muslin product is guaranteed to be made from Merino wool with a micron of 18.5 or finer, so it will feel luxuriously soft against baby's skin.



PROGRAM 3: URBAN

INVESTMENT FOCUS

- Build wool's share in the emerging discerning 'urban' consumer segment by increasing awareness of wool's benefits amongst consumers and supporting partner marketing.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
6 Tier 1 & 2 retail partners by 2016.	Progressing.
Increase of 75,000 units sold per Tier 1 & 2 partners by 2017 (with average 650 grams wool per unit).	Progressing.

KEY RESULTS DURING 2014/15

- A collaboration with men's fashion icon Nick Wooster was undertaken to target the menswear contemporary market in USA and Japan. The objective was to educate Nick Wooster's audience about Merino wool via appearances, content creation (digital) and product collaboration. Using Nick Wooster's social media reach, we were able to reach a new audience of over 500,000 in an engaging way by showing Merino wool and its relevance to contemporary culture.
- Nick curated a 100% Merino wool menswear collection with Swedish contemporary brand The White Briefs. The idea behind the collection was to challenge consumers' perception of wool and to tackle the misconception that wool is itchy/scratchy next-to-skin. The collection was launched at Pitti Uomo in January and received an overwhelming response.
- Key account development continues with product development and/or marketing discussions in progress with Levi's, rag & bone, Theory, Scotch & Soda and United Arrows.
- Following the interest generated from the Levi's 501 Wool Denim jeans, we have continued to work with a number of suppliers to provide a range of Wool Denim fabrics. There are now more than 10 suppliers globally producing Wool Denim fabrics from regions such as China, Italy and Turkey. Interest continues for Wool Denim following its re-launch at Premiere Vision in September 2014 with on-going sample requests from major international brands.



PROGRAM 4: APPAREL CARE

INVESTMENT FOCUS

- Reduce consumer perceptions that wool is difficult to care for and launder, via the provision of quality 'after sales support tools', so that consumers of wool textiles have a positive, easy care experience.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
A ten point improvement in the perception of wool being "easy care" in our key consumer markets (compared with 2011 Nielsen data) by 2016.	Progressing. The number of survey respondents who cited "hard to care for" as a barrier to wool consumption reduced over the year from Winter 2013.
Increased perception of value across a minimum of 3 million consumers.	Progressing. Washable wool campaign has directly communicated the "easy care" message to consumers in key global markets.
Maintain the quality perception of the Woolmark brand in apparel by maintaining licensing and royalty income over three years.	On track. AWI-commissioned research shows that consumers continue to agree the Woolmark brand ensures quality. Revenue and royalties from the sale of Woolmark licences increased.

KEY RESULTS DURING 2014/15

- Italian childrenswear brand Il Gufo is using AWI's 'Tested by Nature, Tested by Us' washable wool campaign to help sell machine-washable Merino wool. The AWI campaign aims to show that many wool products do not need to be dry cleaned or hand washed, and can be machine washed.
- AWI has rolled out a Wool Care Guide app, placing information on caring for wool apparel readily at the tips of consumers' fingers. The app includes information on understanding care labelling, stain removal and general care instructions. The app is available free of charge for all Apple and Android devices.



PROGRAM 5: INTERIOR TEXTILES

INVESTMENT FOCUS

- Service interior Woolmark licensees.
- Create awareness of wool with a design-focused audience.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
Maintain the current number of licensees in interior textiles and increase when possible while operating under a fixed budget.	Achieved. The number of licences increased by four per cent during the 2014/15 financial year.
Support licensees and other interior textiles partners in existing programs such as Campaign for Wool.	On track. A significant part of the Campaign for Wool is the promotion of wool of a broader micron included in interior textiles. Interior textiles licensees have been involved in most of the Campaign for Wool countries.
Increase the visibility of the Woolmark logo with a high-end design audience and also raise their interest in wool in fashion.	On track. A new digital newsletter is in development and will be launched in the 2015/16 financial year.
Investigate the possibilities to develop interior textiles products with the available Australian Merino wool such as blankets and light curtains.	Delayed. Product development for the Interiors category has not been the main focus the 2014/15 financial year.

KEY RESULTS DURING 2014/15

- An important part of the Campaign for Wool is the promotion of wool of all microns, including of a broader micron and crossbred wool. The campaign therefore continues to promote wool for the interior textiles sector - including bedding, carpets and furnishing. The Campaign for Wool Interiors Collections was launched which includes more than 50 wool interior pieces from high street brands plus a selection of specially commissioned items from emerging and established designers.
- Woolmark licensees that attended the 2015 Heimtextil international trade show for interior textiles have reported buoyant interest in wool products. As in previous years at Heimtextil, AWI co-hosted the Wool Arena - a focal point for the industry to promote the fibre at the show - highlighting the superior natural benefits of all wool.
- Licensee collateral and trade activities were created in Japan, the Netherlands and Turkey.

MARKETING

OBJECTIVE

To help increase demand for Australian wool by recognising and addressing the information barriers to consumption at consumer and trade level.

OUTCOMES

Build demand for Australian wool through investment in marketing-related developments and promotions, filling required gaps in consumer and trade understanding of the fibre and its benefits. Increase sales volume growth through specific apparel promotional activities undertaken in conjunction with supply chain and retail partners that deliver a positive return on investment.

INVESTMENT PHILOSOPHY

We seek to position wool at the pinnacle of the fashion industry by working with supply chain partners to develop and deliver creative marketing campaigns. Marketing investments will be made in low to medium-risk activities, consolidating AWI expertise and experience across all forms of promotional media. Investment activities will be well within ethical boundaries established under existing Australian industry standards and those of other regions in which we operate.

<p>STRATEGY 8 Fibre Marketing & Eco-Credentials</p>		<p>Development of content to support fibre advocacy, and implement campaigns that explain to consumers and trade the relevant benefits of Australian wool. These benefits include its ecological credentials, suitability for fashion and specialist apparel. The approach used is to have thought leaders (designers, advocates and ambassadors) speak on behalf of the fibre in relevant traditional, digital and social media.</p>	<p>PROGRAMS</p> <ol style="list-style-type: none"> 1 The Story of Wool 2 Trade Engagement and Marketing Services 3 Campaign for Wool 4 PR and International Woolmark Prize
<p>STRATEGY 9 Product Promotion</p>		<p>Provision of marketing services, development and implementation of campaigns that generate sales of specific wool products with key partners and in priority markets and segments. These programs will generate incremental new demand, or result in an improvement of the quality of products sold.</p>	<p>PROGRAMS</p> <ol style="list-style-type: none"> 1 No Finer Feeling 2 China Activity 3 Cool Wool 4 Other Promotions & Product Publicity



STRATEGY 8: FIBRE MARKETING & ECO-CREDENTIALS

STRATEGY 8 RESOURCES DURING 2014/15

\$9,762,000 project expenditure + 29 AWI staff (full time equivalent)



PROGRAM 1: THE STORY OF WOOL - CONTENT ORIGATION AND DISTRIBUTION

INVESTMENT FOCUS

- Creation of content (still, editorial, video and animated) around the key benefits of wool and its provenance will fuel both direct consumer response and provide content for partner brands to help us tell the wool story.
- Effective content delivery through presence on the web (owned) and in editorial and social media (earned). This involves the development and maintenance of digital media including three core websites, social media channels, mobile applications and links to campaign-specific digital media.
- Effective use of search optimisation for our digital assets, and deploying search engine management activities will ensure higher levels of traffic to our content-rich websites.
- Production of content for various AWI publications and campaigns. Includes preparation of corporate publications (eg Annual Report and *Beyond the Bale*) and material for other AWI programs.

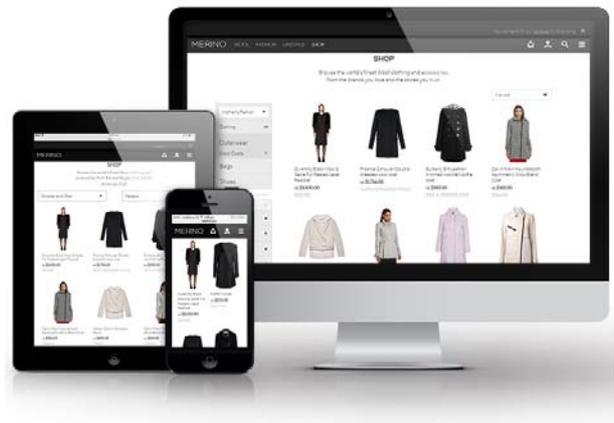
STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
Continuous improvement of three core websites and social media activities.	On track. The Merino.com (for consumers), Woolmark.com (for the textile trade) and Wool.com (for woolgrowers) websites were frequently enhanced with extra functional elements and frequent additional content during 2014/15.
Cost saving achieved from provision of materials based on 40% of commercial rate.	On track. Our Graphic Design, Video Production and Editorial teams produced a wide range of quality collateral during 2014/15 at significantly less than 40% of the cost that external providers would charge.
Increase cost-effectiveness of websites by reducing cost per hit to \$1.40 by 2016.	On track. There is a continual focus on efficiently targeting appropriate Paid, Owned and Earned media traffic to our web assets, and forward planning around campaigns to maximise return on investment.

KEY RESULTS DURING 2014/15

Digital communications

- AWI continued to enhance its web communications to its three key stakeholder groups: woolgrowers (Wool.com), consumers (Merino.com) and the textile trade (Woolmark.com). These three main websites increased their total audience during the financial year by 15% to 628,270 sessions and page views increased by 37% to 2,033,175 in the financial year.
- AWI continued this year to upload to Wool.com regular information for woolgrowers about lifting on-farm productivity and profitability, information about where AWI invests woolgrower levies, and AWI shareholder/corporate information. Various e-newsletters were sent to woolgrowers, including a monthly update e-newsletter, a weekly wool market review e-newsletter and the *Beyond the Bale* e-newsletter.
- AWI continued this year to upload regular, engaging content onto its Merino.com website. The website shares information about the benefits of this premium natural fibre, so that consumers and fashion designers are inspired to discover and enjoy its unique properties. Ongoing refinements to the website's functionality were regularly undertaken to ensure optimum engagement. The site has both Chinese and Japanese variants.



AWI launched an e-commerce marketplace on its consumer-facing website Merino.com, making Merino wool products more discoverable and available for consumers worldwide. Called 'Merino Shop', located at www.merino.com/shop, this tool is powered by ShopStyle and allows consumers to browse and purchase online the world's finest wool clothing and accessories.

- The Woolmark.com website continued to provide an authoritative source of wool-related information for Woolmark licensees and other textile businesses including spinners, weavers, knitters, designers, brands and retailers. Its aim is inspire companies along the textile production chain to choose wool in the manufacture of their products.
- The development of a revamped Woolmark.com website with more functionality and a new look and feel was undertaken in the latter half of the financial year. The new site is available in Chinese.
- A regular monthly Woolmark.com e-newsletter was sent to Woolmark licensees and other members of the textile trade informing of them of initiatives and opportunities to help them sell more wool product.
- An online presence for specific marketing projects, such as the International Woolmark Prize (Woolmarkprize.com) and Wool4School (Wool4school.com) continued with event-related content updates and functional enhancements. They received 576,159 and 571,815 page views during the year respectively.

Social media and apps

- AWI continued to increase its use of social media to generate online conversation about wool and help reconnect a new generation of tech-savvy consumers with wool. Social media channels we used included Facebook, Twitter, YouTube, Instagram and Tencent Weibo in China.
- The Woolmark Company page on Facebook increased its fan base over the past year by 163% from 297,000 fans to more than 782,000 fans
- There has been the development of a number of mobile applications for use on smartphones and tablets. Several have been deployed, most notably mobile applications regarding Lifetime Ewe Management and The Wool Lab.

Graphic design and video production

- As well as its digital (web, social, mobile applications) staff and resources, AWI has in-house creative resources to produce content and collateral: Video Production (two staff), Graphic Design (three staff), Editorial (three staff). The utilisation of these in-house resources (as opposed to paying external service providers) provides considerable costs savings to the business. It also provides a more efficient workflow, reduced turnaround, and more consistent and effective output.
- AWI's in-house Graphic Design team completed more than 540 jobs during the 2014/15 financial year. The in-house team has helped to create a consistent, strong brand identity for Australian Wool Innovation and The Woolmark Company. Many marketing and off-farm R&D related jobs are translated in up to 16 different languages for our global audience.
- Across all projects, the Graphic Design team created artwork in many forms including brochures, flyers, factsheets, magazines, info-graphics, corporate plans, media walls, press releases, posters/billboards, promotional items, clothing prints and embroideries, press ads, training manuals, certificates, trade-stand design, banners, charts, swing-tickets, labels, packaging, 3D displays, fabric swatch books and headers, newsletters, logo design,

branding guidelines, PowerPoint presentations, business cards, interactive forms, pitch packs, social media graphics, corporate stationary and many other forms of printed and digital collateral.

- AWI's in-house Video Production team produced more than 75 videos in relation to marketing, covering our major campaigns and global brand partnerships, and on-farm and off-farm R&D and extension.
- AWI has also produced video content for brands and media networks globally to use in their own advertising campaigns, television programs and marketing collateral.

Beyond the Bale

- The *Beyond the Bale* magazine was produced four times during the year and is posted to 35,000+ wool levy payers and other stakeholders. The magazine aims to inform woolgrowers of products and practices to reduce the cost of production on their farms. The magazine also aims to increase awareness of initiatives and activities in wool textiles to increase the demand for Australian wool. *The Broader View* magazine for non-Merino woolgrowers was also produced twice during the year.
- An interactive online edition of the *Beyond the Bale* magazine, which complements the hard copy edition of the magazine, was also made available. The interactive online edition provides readers with access to AWI digital content: pop-up videos; pop-up image galleries; hyperlinks to other digital content; search and print features; and the ability to share pages (via email, Facebook and Twitter). It received 214,316 page views during the year.



One the marketing videos released by AWI this year was a captivating three-minute film, titled 'Lost and Found', that shows the journey of Merino wool from farm to fashion. It has not only received more than 300,000 views on Facebook and other online channels, but also won awards at the Australian Fashion Film Awards and the Berlin Fashion Film Awards. View the film at www.merino.com/lostandfound/



PROGRAM 2: TRADE ENGAGEMENT AND MARKETING SERVICES

Note: Aspects of this program were undertaken in conjunction with Strategy 12 (Trade Education); refer page 47.

INVESTMENT FOCUS

- Expansion and delivery of The Wool Lab as a key element in both educating the trade and stimulating demand for wool at the targeted premium end of apparel and interiors markets.
- An effective database and system of building and managing relationships with trade across the pipeline (Customer Relationship Management).
- Development of educational content for use at specific levels of knowledge (initial, detailed and technical) and delivery of this content to and through trade partners via electronic means.
- Work with regions on key B2B partner campaigns and collateral requirements that form part of their country strategies.
- Roll-out globally.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
Expansion of The Wool Lab into an inspirational seasonal tool that is delivered in person (via workshops with Key Accounts), as a preview (to spinners and weavers) and to a broader audience in a differentiated 'lighter' digital format.	Achieved. For the second year, The Wool Lab was also presented in a preview format for spinners and weavers three months prior to the release of the main The Wool Lab book. A magazine format was also available for a broader audience and is already well positioned between the top players in trend magazines.
An effective database and system of building and managing relationships with tiered trade partners across the pipeline and on a global basis.	On track. During 2014/15 AWI implemented a reconfiguration of its CRM system (Salesforce.com) delivering a mobile platform that staff can access via iPads and smartphones. The aim of the project was to improve collaboration across the company to support the ongoing development and servicing of AWI's customers and enable AWI's digital strategy.
Development, delivery and adoption of educational content for use at specific levels of knowledge (initial, developed and technical), by various channel partners (processing, manufacturing, retail and consumer) and delivered by a flexible range of media at 40% of commercial cost.	Achieved. A very broad range of trade education content produced and targeted at varying levels and geographic locations of partners. The collateral that was produced in-house was significantly less than 40% of the cost that external providers would charge.

KEY RESULTS DURING 2014/15

The Wool Lab

- AWI's "The Wool Lab" – the seasonal guide to the best wool fabrics and yarns in the world – continues to be a global success and an important tool for the fashion industry, including brands, retailers, manufacturers, spinners, weavers and the media. The Wool Lab contains a selection of the most innovative and quality wool fabrics and yarns commercially available on the market from the best spinners and weavers in the world.
- The Wool Lab guide for the spring/summer 2016 retail season was launched at the Pitti Immagine Uomo trade show in Florence, Italy in January 2015. The Wool Lab guide for autumn/winter 2016/17 was launched in June 2015.
- Both of these editions of The Wool Lab were also released in a preview format for spinners and weavers (for purchase) three months prior to the release of the main The Wool Lab book.
- A magazine format of both editions was also made available (for purchase) for a broader audience. The magazine is sold in the best trade fairs and

professional bookstores between the most leading trend books (such as Views, Trends, Collezione etc). The magazine is distributed in more than 12 countries and has achieved a sales target of 350 copies sold worldwide. The availability of the magazine in the best bookstores and fairs helps to increase the awareness of The Wool Lab and allows AWI to become a market reference in wool products and innovation research for all fashion and textile professionals.

- Clients that met our team of The Wool Lab specialists totalled 420 and included clients in Australia, Benelux, China, France, Germany, Hong Kong, Italy, India, Japan, Turkey, Spain Korea, UK, USA and Taiwan.

Trade education collateral

- 777 new rights-owned images were generated for distribution and use in marketing communications activities. They were made available to AWI Key Account Managers for use by trade and supply chain partners, brands, retailers and the media.

- The AWI Marketing team supported the AWI presence at trade shows and the publicity of wool's benefits by providing marketing collateral, from trade show booth design (with a globally consistent look and feel) to brochures and posters.
- Marketing, sales, training and market intelligence materials were added to AWI's internal Dashboard iPad App to assist AWI Key Account Managers communicate with trade customers in the most timely and cost-effective manner irrespective of location.

Trade shows and other trade development

- AWI attended 17 international trade shows to showcase its new product developments and The Wool Lab to brands and retailers and inform them about the benefits of wool. The target audience at each of these trade shows is retail buying teams, designers and manufacturers. Trade shows attended during 2014/15 included:
 - SpinExpo (Shanghai) for knitting yarns and knitwear
 - Première Vision (Paris) for woven fabrics and wovenwear
 - ISPO (Munich) for sports and outdoor wear
 - Outdoor Retailer (Salt Lake City) for outdoor wear
 - Milano Unica (Milan) for high end fashion
 - Pitti Uomo (Florence) for high end menswear apparel
 - Pitti Filati (Florence) for knitting yarns and knitwear.
- Following trade shows, workshops about AWI's innovation collections and The Wool Lab were held individually with retailers and brands. These took place in the US, Western Europe, India, China, Korea, Japan, Turkey and Australia. In addition, workshops were held with retail buying offices which are mainly located in Asia, ie Hong Kong.
- Other general training of retail decision makers, such as the company's buyers, merchandisers, designers and technologists, was also undertaken, focusing on providing them with a 'toolkit' that both stimulates interest and builds their confidence to invest in wool product lines. It enables them to take full advantage of wool's technical and aesthetic properties.
- Retail workshops were held to help educate sales staff in several locations across the world about the natural properties and benefits of wool, so they can advise consumers more appropriately. Retail store managers were also trained, who in turn train their own staff.
- Expert advice on engagement strategies with the global textile trade was secured from notable consultants including Peter Ackroyd (UK) and Fabrizio Servente (Italy).
- AWI and one of China's leading woollen textile enterprises The Nanshan Group have worked closely together to establish the International Wool Education Centre (I-WEC) in Shandong Province, China, which was officially opened in October 2014.

The I-WEC educates university students on most aspects of wool manufacturing, and complements the Wool Development Centre set up in 2013. They are both helping drive the expansion of the Chinese wool textile industry.

- The Wool Development Centre has been successful at developing innovative, high-value woven fabrics produced from Australian Merino wool. It also acts as a significant training base to foster professional talent in the wool textile industry.

Student education

- AWI supported leading textile graduate design prizes, such as the UK's Texprint award and Bradford Textile Society design competition award, and Hong Kong PolyU Institute of Textiles and Clothing's graduation award. This is part of AWI's strategy to educate early career textile designers about the benefits of working with Merino wool.
- Seminars explaining the attributes, benefits and versatility of wool to textile and fashion students in the early stage of their career are an important component of AWI strategy. An example of this type of seminar held this year was the 'Naturally Inspiring' seminar held in Sydney in August 2014.
- Following on from the success of the past four years' Wool4School fashion design competition, AWI launched a Wool4School competition this year to continue to build knowledge about wool among Australian school students. The fashion design project has been planned carefully to fit within the Design and Technology curriculum. AWI also this year launched Wool4School overseas into more than 600 schools across Hong Kong to help the next generation in this important textile region to champion Australian wool.
- As an extension of AWI's successful Wool4School fashion design competition, AWI launched its 'Learn About Wool' website (www.learnaboutwool.com) tailored to both primary and high school teachers and students. It offers a flexible and interactive range of resources that can easily be incorporated into everyday classroom activities – see page 21.



The Wool Lab guide to the best wool fabrics and yarns in the world is proving increasingly popular – here showcased at the AWI stand at the Pitti Uomo trade show.



PROGRAM 3: THE CAMPAIGN FOR WOOL

INVESTMENT FOCUS

The centrepiece of the Campaign for Wool (CFW) is promotion of wool products for a week-long period (in Wool Week) in different regions throughout the September, October and November months (except Australia) each year in cooperation with AWI retail partners. A collaborative marketing program is developed with individual retailers and further support is provided through:

- Support of trade events and intensive PR.
- Point-of-sale materials (such as swing tickets, window displays, posters and information material on wool attributes).
- Consumer marketing through high-impact events (such as street events) featuring sheep and Merino wool.
- Online activities such as the CFW website and participation on Twitter and Facebook.

The contents of the campaign increasingly consists of three key elements – rich media focused on the ‘Natural, Biodegradable, Renewable’ core platform; consumer leverage through the effective promotion with the supply chain and retailers during peak consumption periods – hallmarked by Wool Week promotions; and sheep and wool made tangible in urban events.

- Roll-out in: United Kingdom, Italy, France, Germany, Netherlands, Belgium, China, Japan, Australia, and Korea.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
We will continue to consolidate then expand this program from the original 6 markets in 2010/11 and 9 in 2012/13 to 11 in 2015/16. Likewise retailer engagement will continue to expand from the baseline of 117 in 2010/11 through the 445 achieved in 2012/13 to 800 in 2015/16.	On track. 9 key markets delivered in 2014: France, China, UK, Australia, Germany, Netherlands, Belgium, Japan and Korea. More than 400 brands were directly engaged with the CFW with promotional material on display in more than 2,500 stores across the world.
An average increase in wool sales per store involved with the program of 1020 units a year or 675 kg of wool.	Progressing. Difficulties in obtaining specific sales data from stores, but feedback suggests a sizable volume increase.
The earned value in media coverage through PR was GBP 5 million in 2010/11, growing to approximately GBP 15 million in 2012/13. This will continue to increase to GBP 18 million in 2015/16. Social media, while slow to start in 2010, targets a follower base of 100,000 by 2015/16, with websites hitting 500,000 that year.	On track. Global PR and digital results for 2014: <ul style="list-style-type: none"> • PR value of editorial coverage: AU\$71 million • Facebook likes: 40,000 (up from 25,000 in 2013) • Twitter followers: 16,400 (up from 12,500 in 2013).

KEY RESULTS DURING 2014/15

- 2014 saw the completion of the Campaign for Wool’s fifth year, as the global initiative continues to encourage manufacturers, retailers and designers of apparel and interiors products to live naturally and choose wool, and in turn educate consumers about the fibre’s environmental benefits.
- During 2014, the Campaign for Wool was celebrated on an unprecedented scale across international consumer markets, generating global editorial coverage worth more than \$71 million, up from \$40 million in 2013 and \$24 million in 2012.
- More than 400 global retail partners participated in the 2014 campaign with promotional material on display in more than 2,500 stores across the world.
- 4.5 million people were reached through Campaign for Wool media partnerships with *Vogue* and *GQ* in China and France.
- The Campaign for Wool digital channels continued to reach out to new fans of wool with a growth in engagement on social channels with more than 33 million impressions on Facebook and Twitter during the northern hemisphere Wool Weeks.
- Countries in key consumer markets across the northern hemisphere created their own program of activity for ‘International Wool Week’ during autumn. Highlights included:
 - France – The highlight was the partnership with the hugely popular *Vogue Fashion Night Out* (VFNO) retail and fashion showcase in Paris, which helped align retailers including the iconic BVH Marais with premium fashion brands all in the name of wool. As well as the important retail aspects of the campaign, events were held along the Left Bank in Paris to educate students and consumers about the natural benefits of wool. As a preview to VFNO, *Vogue Paris* produced an eight-page promotion of wool in its September VFNO supplement edition. *Vogue Paris Hommes* also produced a four-page promotion of wool in its September edition.
 - China – *Vogue China* and *GQ China* featured wool apparel from leading Chinese brands in their November editions. The photo and film shoot was at Wyvern Station near Hay, NSW, highlighting to consumers wool’s journey from farm to fashion. During Wool Week in China, the same leading brands also participated in a retail showcase held at one of Shanghai’s largest shopping malls.
 - UK – The Campaign for Wool Fashion Collection was launched with brand partners nominating their favourite wool items from their autumn/winter 2014/15 collections. As well as celebrating the use of wool in fashion, the Campaign for Wool Interiors Collections was launched.
 - Netherlands – The Tour de Wool shopping route in Amsterdam helped consumers to discover first-hand the natural benefits of wool. Shoppers were invited to follow the Tour de Wool to locate and buy comfortable wool garments and interior products just in time for winter.
 - Belgium – Antwerp held a Tour de Wool, which connected consumers to designer shops and multi-brand stores, with special attention given to wool garments and products.

- Germany – An extensive program of workshops, exhibitions and events around wool were held in the Bikini Berlin Concept Mall. Retailers, designers and brands were involved throughout Wool Week. A series of art installations by a Swiss art school ECAL was also launched in collaboration with sportswear label MOVER.
- Japan – Tokyo paid homage to the Campaign for Wool’s place of origin, with a ‘Shopping is GREAT Britain’ campaign initiated by the British Embassy in Japan and UK Trade and Investment.
- Korea – Korea’s largest retailer, the Lotte department store, and 24 apparel brands including Galaxy, Brooks Brothers, Daks, customellow, T.I for Men, Pal Zileri and Cambridge Members collaborated in a fashion show and promotional retail activities.
- Australia – Scheduled to coincide with the start of the mid-winter retail season, Wool Week – held in May 2015 – played host to a series of events, which involved the campaign’s retail partners across the country helping to educate consumers about the natural benefits of wool and increase sales of wool product. A special shopping night was also held at Sydney’s newest premium shopping hub, Macquarie Centre.



The opening spread of the six-page promotion of wool in Vogue China, in partnership with the Campaign for Wool, shot on location at Wyvern Station near Hay, NSW.



“The choice of VOGUE” proclaims the Vogue/Campaign for Wool swing tag on wool apparel during the Vogue Fashion Night Out retail festival in Paris.



PROGRAM 4: PR AND INTERNATIONAL WOOLMARK PRIZE

INVESTMENT FOCUS

International Woolmark Prize (IWP)

- Up to twenty emerging designers are nominated from six regions each year to submit a collection of wool garments for judging by a panel of judges at a regional level. Regional winners then compete for the international prize and the winner’s collection is made available for sale through leading global retail partners.
- An active, high-value alumni consisting of the combination of the world’s leading designers and design influencers, with the contestants and winners of various levels of the competition, all centred around and brought together by wool.
- AWI funds are used to promote the IWP through partners such as Vogue and for administration of regional and international events, including prize money for finalists.

Other projects

- Public Relations (PR) activity around the fibre and its source through global and local PR support across retailers, designers and key partners.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
Engagement of markets growing from the current 21 to 30 by 2015/16, with the number of retailers carrying IWP garments expanding to 15 across key markets.	On track. 11 stockists were secured for 2014/15.
Media reach in the first four months of this campaign was 515 million; on a full year basis we expect this to exceed 600 million in 2013/14, 800 million in 2014/15 and 1 billion in 2015/16. The latter would have a media value in excess of \$40 million.	Achieved. Target for 2014/15 achieved and exceeded. Media reach statistics in 2014/15 reached 1.26 billion.
An additional 700,000 wool garments sold each year.	Achieved.

KEY RESULTS DURING 2014/15

International Woolmark Prize

- 2013/14 International Woolmark Prize winner Rahul Mishra's collection was rolled out into stores across the world, including David Jones in Sydney, Harvey Nichols in London, Colette in Paris, 10 Corso Como in Milan, Saks Fifth Avenue in New York, Joyce in Hong Kong and online at mytheresa.com.
- Rahul Mishra followed up his International Woolmark Prize win by joining the elite group of designers at Paris Fashion Week, showing a new Spring/Summer 2015 collection that explored the versatility of Australian Merino wool as a lightweight and trans-seasonal fibre. His following Autumn/Winter wool-rich collection was also launched at Paris Fashion Week, and was directly inspired by a visit in October 2014 to a wool-growing property in Australia.
- The regional finals for 2014/15 were held following a global search, reaching across 21 countries and involving more than 60 emerging designers nominated by fashion industry figures in their respective regions (Asia, Australia, Europe, India & the Middle East, the USA).
- Following the expansion of the competition into menswear as well as womenswear, Public School from the USA became the inaugural winner of the International Woolmark Prize menswear competition for 2014/15, presenting a Merino wool capsule collection that showcased an innovative extension of sportswear. The menswear final was held on the opening day of London Collections Men fashion week in January 2015. The menswear final achieved more than \$5.5 million PR coverage in one month.
- New York label M.PATMOS was chosen as the winner of the coveted 2014/15 International Woolmark Prize for womenswear in Beijing in March 2015. This was the first final event to be held in Asia and included international media attendance from USA, UK, Australia, Italy and Japan generating more than \$12 million PR coverage in one month. The womenswear final social media coverage peaked at 8.1 million Twitter users generating 105.6 million Twitter impressions. Following the event in Beijing, The Woolmark Company's Weibo audience increased by 135%.
- The winners of the 2014/15 competition have the opportunity to be stocked in the most important retailers around the globe including Harvey Nichols, Saks Fifth Avenue, 10 Corso Como, Joyce, Isetan Mitsukoshi, David Jones, mytheresa.com and matchesfashion.com
- At the trade level, the competition has attracted a high calibre of supporters from nominating bodies including the British Fashion Council, the Council of Fashion Designers of America and Vogue China, as well as retailers. A new Trade Partnership Program, which connects promising designers with the best spinners and weavers specialising in wool, expands this further.
- At the jury level, there is the engagement with an alumnus of the world's leading influencers of fashion, such as Victoria Beckham and Sir Paul Smith who were judges in 2014/15 - who donate their time at no cost and all of whom not only have a shared and stated interest in the development of new talent and new markets, but also help attract enormous media attention worldwide to expose the innovative nature and versatility of Australian wool.



International Woolmark Prize judge Victoria Beckham examines one of the entries during the judging of the 2014/15 womenswear final.

- At a broader global fashion apparel audience level, the International Woolmark Prize gives AWI the opportunity to work through the creation of 'documentary' style content distributed through digital and broadcast media (see www.woolmarkprize.com and www.merino.com). A documentary titled *Behind The Prize* was produced following the journey of the finalists who competed in the global final of the 2014/15 competition, with the following distribution partners secured: London Fashion Film Festival, Melbourne Fashion Film Festival, Foxtel's Art channel and Qantas inflight programming.
- Australian womenswear and menswear finalist in 2014/15 Strateas.Carlucci were invited onto the official Paris Fashion Week schedule following increased publicity from their participation in the International Woolmark Prize.
- Retail partner Joyce China invited the winner of the 2014/15 womenswear award M.PATMOS to design the store's new staff uniforms as part of the retailer partner prize.
- For the 2015/16 competition, the number of regional finals has expanded from five to six, now including the British Isles as well as Asia; Australia; Europe; India, Pakistan & Middle East; and the USA.
- Retail partner 10 Corso Como has expanded its distribution network to include stores in Shanghai and Beijing, and Boutique 1 has joined the partner network and will stock the winning womenswear collection in three stores across the UAE.

Other projects

- Marketing collaboration projects were undertaken to promote the use of Merino wool with established international designers such as Roland Mouret and local designers such as Jenny Kee.
- AWI engaged a professional media monitoring service so that the company could review and track that it was achieving the optimal level and targeting for its PR activities.
- Seasonal/retail trend information was produced by industry experts for AWI, for dissemination and to guide future activities.



STRATEGY 9: PRODUCT PROMOTION

STRATEGY 9 RESOURCES DURING 2014/15

\$8,359,000 project expenditure + 21 AWI staff (full time equivalent)



PROGRAM 1: NO FINER FEELING PROMOTIONAL CAMPAIGN

INVESTMENT FOCUS

- A cohesive global 'umbrella' campaign, partnering leading digital/traditional media owners and leading (Tier 1) Key Accounts to tell the wool story, endorse the use of the wool fibre, and generate sales leads and site traffic for both partners and AWI. The creative direction mainly follows an advertorial style and utilises digital as well as traditional media, working with media partners, ambassadors and designer collaborations.
- Origination of content from UK, Italy, France, USA, and expanding to China over time. Ensures market presence in global markets via global digital and social media and in China, USA, Japan, Italy, France, UK, Germany.
- Key markets are: United Kingdom, France, Germany, China, Japan, Australia, USA and Korea.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
Increase media reach from 250 million (estimated) in 2012/13 to 750 million in 2015/16.	On track.
Expand the number of partners from the 34 in 2012/13 to 42 in 2015/16 at Tier 1 level.	Achieved. The campaign now has more than 80 partners globally.
Increase wool sales across campaign partners of 1 mkg a year by 2016 with additional sales across non-partners of 15%.	Progressing.

KEY RESULTS DURING 2014/15

- This fibre advocacy campaign continued to establish Merino wool as the fabric of choice for fine, contemporary fashion. In 2014/15, the campaign involved AWI strengthening its partnerships with well-known designers and fashion houses and promoting wool across the world through numerous high-profile publications. The campaign now has more than 80 partners globally - well above the target of 42 that AWI set out to achieve in its 2013/14 to 2015/16 Strategic Plan.
 - International soccer star and World Cup winner Alessandro Del Piero became the campaign's first sports-related ambassador. A series of photographs and videos featuring the Italian superstar wearing apparel from Z Zegna Sport's Techmerino collection was rolled out.
 - The August edition of *British Vogue* devoted 16 pages of its Autumn/Winter catwalk issue to the beauty of Merino wool in a seaside fashion spread, featuring apparel from well-known international fashion labels such as Victoria Beckham, Vivienne Westwood and Alexander Wang. The feature was distributed across both online and print mediums, with a video plus a competition.
 - AWI teamed up with *Vogue Paris* for its October 2014 edition, celebrating Merino wool with an eight-page fashion feature. Five iconic French designers Jean Paul Gaultier, Christophe Lemaire, Maison Martin Margiela, Lanvin and Isabel Marant came together to celebrate the important role of Merino wool for autumn/winter. The promotion was also launched online by *Vogue* in a microsite including moving images and designer interviews.
 - *Vogue China* showcasing in its October 2014 edition the use of Merino wool by the ever-popular Paul Smith label for the Autumn/Winter 2014 season.
- The feature was titled Modern Woman and showcased six looks including wool coats, worsted suits, suit vests, and wool trousers. A two-page feature in the October edition of *GQ China* also highlighted Paul Smith's Autumn/Winter collection, this feature focusing on menswear.
- The leading London fashion shows that attract global media and buyers and generate consumer coverage were captured in promotional films. Designer collaborations were undertaken with Richard James, Christopher Raeburn, Lou Dalton, Paul Smith and Katie Eary at *London Collections Men* (Autumn/Winter) men's fashion week; Richard James, Lou Dalton, and Sibling at *London Collections Men* (Spring/Summer); and Christopher Raeburn, Sibling and Holly Fulton at London Fashion Week (womenswear).
 - AWI teamed up with the bespoke tailors of Savile Row to showcase Merino wool to an international audience of buyers and journalists at the latest 'The English Gentleman' event, hosted this year - the bicentenary of the Battle of Waterloo - at the London residence of the Duke of Wellington. It highlighted Merino wool yarns, fabrics and garments produced by some of the world's most prestigious manufacturers and tailors that embody craftsmanship and heritage.
 - AWI also collaborated with the tailors of Savile Row at an event 'Inside Out' that showcased the craftsmanship required in hand-tailored bespoke suit making. The event also marked the launch of 'The Ambassadors Project' in which each Savile Row bespoke house styles an appointed ambassador, with promotion through social media, in the lead up to the next *London Collections Men*.

- Select pieces of leading fashion designer Alexander Wang's Fall/Winter 2014 collection included Merino wool and carried the Woolmark logo.
- To help promote Australian Merino wool in the lucrative US market for luxury menswear, AWI collaborated with leading American specialty retailer Saks Fifth Avenue to support its prestigious Fabric No. 1 award.
- Italian weaver Reda marked its 150th anniversary by showcasing at an exhibition, produced by Reda in collaboration with AWI, the luxurious attributes of superfine Merino wool and the company's close working relationship with Australian woolgrowers.
- To celebrate the launch of Scabal's Noble Wool Club, prestigious menswear publication *The Rake* with AWI support produced a two-part feature, highlighting the fibre to fashion journey and re-establishing the emotional connection between the exquisite fabrics and their origins.
- The Merino.com website continued to enhance global campaign content by containing relevant educational information about campaign initiatives and partnerships, and information about the provenance and benefits of the fibre. It provided valuable reportage of the global media campaigns and designer collaborations.



PROGRAM 2: CHINA ACTIVITY

INVESTMENT FOCUS

AWI's efforts in the critically important market of Mainland China focus on a number of key programs:

- Woolmark Gold – a campaign in partnership with European spinners and weavers which targets and supports premium retail and designer brands encouraging them to source luxury wool fabrics where the ingredient is Australian Merino wool.
- Luxury in China apparel – collaborative programs centred on educating target customers and consumers about the benefits of wool, and presenting them with products that can fulfil their desire to buy luxury, authentic European apparel and accessories made from Australian Merino wool.
- Campaign For Wool – an extension program with leading global designers, through media and partnerships in-store and online.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
Increase the number of Woolmark Gold partners from 14 in 2012/13 to 45 in 2015/16 (trade and retail).	Progressing.
Expand media reach to 500 million in 2015/16 and build a database of 250,000 targeted consumers.	On track.
Increase the wool sales of Woolmark Gold partners by 760,000 kilograms per year by 2015/16 and 5% growth across non partner stores.	On track.
Having established this campaign in China, consider rolling it out into India and identify other key markets where it can deliver impact and additional sales opportunities.	Progressing.

KEY RESULTS DURING 2014/15

- Leading purveyor of luxury menswear The Eve Group, which has more than 500 premium stores throughout China, undertook a Woolmark Gold promotion for suits and garments made from Australian superfine Merino wool. The fabric in the suits has been supplied by a number of exclusively licensed Woolmark Gold weavers in Europe – including Reda, Vitale Barberis Canonico and Dormeuil. Retail training was also presented by AWI to Kevin Kelly's top sales managers in February at Eve's fashion and cultural center in Beijing.
- AWI partnered with the China Wool Textile Association (CWTA) to host the inaugural Australian Merino Wool Best of China Wool Awards 2014 in Shanghai in October 2014. The awards recognise the leading Chinese textile companies across a range of 10 award categories covering woven and knitted fabrics. The awards aim to expand the innovative applications of Australian Merino wool, as well as promote China's wool textile industry, expand product research, and market China's premium textile enterprises to global buyers.
- For the first time, a final of the International Woolmark Prize was held in China, when the 2014/15 womenswear final was held in Beijing in March 2015. The event included domestic and international media attendance from USA, UK, Australia, Italy, Japan – generating more than \$12 million PR coverage in one month. As a result of the event, The Woolmark Company's Weibo audience increased by 135%.
- *Vogue China* and *GQ China*, in partnership with the Campaign for Wool, featured wool apparel from leading Chinese brands in their November 2014 editions. The photo and film shoot was at Wyvern Station near Hay, NSW, highlighting to consumers wool's journey from farm to fashion. During Wool Week in China – which had a strong emphasis on retail – the same leading brands also participated in a retail showcase held at one of Shanghai's largest shopping malls.



PROGRAM 3: COOL WOOL

INVESTMENT FOCUS

Merino wool is an ideal fibre for warmer climates, transitional seasons and global travel; this is an area where Merino consumption can grow.

Working closely with the manufacturing pipeline and brand partners, through targeted marketing campaigns, in-store activities, promotions and events, we seek to educate the consumer about wool's natural ability to regulate temperature and challenge misconceptions that wool is only relevant for colder climates. Merino wool is a fibre for all seasons.

Cool Wool has two aspects:

- Cool Wool is a Woolmark sub brand with specifications attached.
- It is also a marketing platform to raise awareness of Merino wool's relevance for all seasons, particularly spring/summer and for countries with hot climates.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
Increase markets in which the program is active from nine in 2012/13 to 11 in 2013/14 and to 15 by 2015/16.	Progressing. 10 markets covered during 2014/15.
Increase number of Cool Wool licensed manufacturing partners from the six in 2011/12 to 20 by 2015/16.	Achieved. 33 licensed manufacturing partners signed up and supporting Cool Wool – from China, India, Italy, Japan, Turkey and the UK.
Add six new Cool Wool Woolmark licensees by 2015/16.	Achieved. New licensees: Bower Roebuck (UK), Cerruti (Italy), Hield Brothers (UK), Dormeuil (France), Altinyildiz (Turkey), Holland and Sherry (UK), Marks & Spencer (UK).
Increase Cool Wool retail partners from eight in 2011/12 to 16 by 2015/16.	Achieved. 16 Cool Wool retail partners in 2014/15.
Increase visits to coolwool.com to 20,000 and media reach from six million in 2012/13 to 20 million in 2015/16.	Achieved. 26,344 visits in 2014/15, up from 25,731 visits in 2013/14.
Increase in annual Cool Wool ticket and label volume by five per cent. This is expected to translate to an increase in wool sales of 730,000 kg a year.	Achieved. 459,155 Cool Wool tickets and labels in 2014/15, up from 159,725 in 2013/14 and 51,600 in 2012/13.

KEY RESULTS DURING 2014/15

- During 2014/15, we maintained the number of markets in which the program was active at 10 markets, while we evaluated activity and ensured we had quality over quantity. For 2015/16 we are looking to move into other South East Asian markets such as Indonesia, Singapore and Malaysia.
- The number of retail partners has risen to the target of 16: Marks & Spencer (UK), Paul Smith (UK), Richard James (UK), Isetan (Japan), Lotte (Korea), Sarar (Turkey), Altinyildiz (Turkey), Thom Browne (US), Brooks Bros (US), Lacoste (France), Raymond (India), MJ Bale (Australia), Studio Italia (Australia), Icicle (China), Anzheng (China) and Hui (China).
- The number of licensed manufacturing partners signed up and supporting Cool Wool increased from 23 to 33 – from China, India, Italy, Japan, Turkey and the UK.
- Volume of ticket and label sales showed a high percentage increase (187%) on the figure for 2013/14, up to 459,155 in 2014/15, which demonstrates an increased level of interest from retail partners globally to label their products Woolmark/Woolmark Blend Cool Wool.
- *British Vogue* collaborated with AWI and leading/emerging designers to showcase Cool Wool in a 16 page takeover in their February Catwalk supplement, with a video and online media to support the printed feature. Designers included Victoria Beckham, Vivienne Westwood, Giorgio Armani, Rahul Mishra, Richard James, E Tautz, Christopher Raeburn, Lou Dalton and Pringle.
- In Japan, leading department store JR Nagoya Takashimaya introduced Cool Wool into its ready to wear range. Premium retailer Isetan Men's in Tokyo also featured a collection of Cool Wool fabrics for their bespoke tailored suits and developed a special Cool Wool fabric with manufacturer Nakaden Keori. Men's apparel retailer J.PRESS also launched a Cool Wool collection featuring NIKKE's Cool Wool fabric.



Cool Wool promotion at a retail store in Japan.

- After introducing Cool Wool into its Spring/Summer 2013/14 collection, Australian tailor M.J. Bale continued to work with lightweight Australian Merino wool fabrics for Spring/Summer 2014/15, presenting a Cool Wool collection designed to meet the needs of the well-dressed business traveler.
- For Spring/Summer 2015, Turkish Cool Wool manufacturer and retailer Sarar released a 20-piece Cool Wool collection, comprising both menswear and womenswear, with suits, jackets and trousers remaining true to Sarar’s refined tailoring.
- Following on from his International Woolmark Prize success at the Australian regional final in 2013, fashion designer Christopher Esber partnered with AWI to produce his debut Cool Wool capsule collection which was launched in October 2014.
- Fashion designers Christopher Raeburn and Holly Fulton worked with AWI on sourcing and integrating Cool Wool into their Spring/Summer 2015 collections to promote wool as a year-round luxury fibre.
- India’s leading manufacturer, marketer and retailer of worsted suiting fabrics, Raymond, once again worked alongside AWI to launch its latest Spring/Summer collection of Cool Wool fabrics.
- In Korea, Cool Wool was the hero of a Paul Smith styling class, attended by important Paul Smith customers and key media representatives. A special Cool Wool media event was also held at major department store Lotte in collaboration with traditional menswear brand Cambridge Members.



PROGRAM 4: OTHER PROMOTIONS AND PRODUCT PUBLICITY

INVESTMENT FOCUS

- This program consists of Promotions and Public Relations activity around the fibre and its source through global and local PR support across retailers, designers and key partners; tactical opportunities will arise from time to time.
- Possible projects under consideration are:
 - o Woolmark 50th Anniversary (1964 to 2014)
 - o five billion Woolmark certified products sold (1964 to 2013)
 - o Woolmark e-commerce portal aggregation partnership.
- There may also be localised promotional and PR opportunities of sufficient potential to impact global demand.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
From the current 10 markets in which we have active programs we will expand this to 20 over the next three years, and expand our reach to consumer audiences targeting 500 million by 2015/16.	Progressing. Activities this year continued to focus on the 50 th anniversary of the Woolmark brand. In addition, AWI facilitated the visits of manufacturers to Australia to educate them on wool and its production.
Opportunities for investment will be considered on a case-by-case basis with investment made to maximise cost-effectiveness of AWI investment in other programs.	Achieved. Retention of 12 PR agencies globally for 2014/15 gave AWI an effective and responsive global PR network to support all Marketing initiatives.

KEY RESULTS DURING 2014/15

- AWI launched its Fibre of Football campaign in 2014. The campaign now involves many initiatives including placing the natural fibre into football supporter apparel. With the start of the 2015 AFL season came the historic development that the clubs began selling Australian wool products for the first time in decades. 100 per cent Australian wool retro football jumpers, scarves and beanies were available, as well as knit kits in club colours.
- 2014 marked the 50th anniversary of the world-famous Woolmark brand. Since the now iconic Woolmark logo was first designed in 1964, it has been applied to more than five billion products worldwide. The logo’s enduring appeal continues to deliver significant returns to Australian woolgrowers through its use in AWI’s global marketing campaigns as well as the Woolmark Licensing Program.
- Global PR agencies delivered communications from AWI and content on the Merino fibre on a per project basis effectively to 12 key consumer markets across the world.



Nat Fyfe of the Fremantle Dockers and Tom Hawkins of the Geelong Cats joined AWI’s Fibre of Football campaign to help promote the wool industry and the demand for wool products through football.

GLOBAL BUSINESS SERVICES

OBJECTIVE

To enable AWI to operate cost-effectively through the efficient provision of a range of cross-company support services. In addition, provide commercially oriented services to the supply chain to support AWI's strategic vision.

OUTCOMES

In keeping with AWI's mission, objectives, and statutory obligations, internal and external stakeholders will be provided with a range of efficiently delivered support services, relevant to business needs. These services will be delivered across AWI and along the wool pipeline in commercially oriented forms, including in the areas of business intelligence, performance monitoring and evaluation, market access, trade education, intellectual property management, and support for the global Woolmark network.

INVESTMENT PHILOSOPHY

AWI will pursue cost-effective provision of internal services benchmarking investment against commercial providers. We have a nil tolerance for compliance breaches across all jurisdictions in which we operate. Investment will also be made to continually improve our engagement with stakeholders and industry.

<p>STRATEGY 10 Business Intelligence & Measurement</p>	 <p>PROGRAMS</p> <ol style="list-style-type: none"> 1 Business Intelligence & Measurement 2 Monitoring & Evaluation
<p>STRATEGY 11 Corporate Affairs & Market Access</p>	 <p>PROGRAMS</p> <ol style="list-style-type: none"> 1 Corporate Affairs 2 Industry Engagement 3 Market Access & International Trade Policy
<p>STRATEGY 12 Trade Education</p>	 <p>PROGRAMS</p> <ol style="list-style-type: none"> 1 Supply Chain Education 2 Retail & Consumer Education 3 Trade Shows
<p>STRATEGY 13 Woolmark</p>	 <p>PROGRAMS</p> <ol style="list-style-type: none"> 1 Woolmark Licensing Program and Endorsement 2 Quality Control
<p>STRATEGY 14 Corporate Services</p>	 <p>PROGRAMS</p> <ol style="list-style-type: none"> 1 Finance & IT 2 Human Resources 3 Legal Services

Note: The number of AWI staff (full time equivalent) working on each of the 14 AWI strategies is listed at the start of each strategy in this Annual Report. In addition to those numbers, there are 13 AWI staff (full time equivalent) that work across the whole company and are therefore additional to the total of those numbers.



STRATEGY 10: BUSINESS INTELLIGENCE & MEASUREMENT

STRATEGY 10 RESOURCES DURING 2014/15

\$932,000 project expenditure + 2.5 AWI staff (full time equivalent)

INVESTMENT FOCUS

- Maintenance and improvement of Australia's capacity to predict wool production volumes and value.
- Maintaining a retail and trade intelligence database, and disseminating this in a timely fashion to AWI partners and other stakeholders.
- Tracking consumer attitudes, awareness, and barriers to consumption in key wool retail markets.
- The 2010-13 Strategic Plan placed significant emphasis on Business Intelligence. Reflecting the rapidly changing consumer market environment, and rapid evolution of regional wool textile activity, the current Strategic Plan will increase emphasis in this area.
- Overall, our intent is to comfortably exceed AWI's statutory obligations for measurement and evaluation, ensuring that measurement and evaluation processes are effectively integrated in all areas of AWI's planning and operations.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
Business intelligence: Accurate forecasting of Australian wool production.	Achieved. Three Australian Wool Production Forecasting Committee reports were released – in August 2014, December 2014 and April 2015. AWI and MLA's joint 'Wool and Sheepmeat' surveys of producers were conducted in October 2014, February 2015 and June 2015.
Business intelligence: Generate and disseminate analysis of global retail and trade market data.	Achieved. AWI's monthly Market Intelligence Reports were provided as part of AWI's monthly e-newsletter for Australian woolgrowers and on the Wool.com and Woolmark.com websites. AWI's Weekly Price Reports were provided each Friday via email and were available on the Wool.com and Woolmark.com websites. Market intelligence data was also disseminated at various woolgrower and trade events throughout the year.
Business intelligence: Monitor consumer attitudes and awareness.	Achieved. AWI continued to collect consumer insight and trend monitor information from a range of sources – these have been provided to key staff in the AWI Marketing and Global Business Development areas. Consumer tracking surveys continued to be undertaken to assess consumer attitudes and awareness to wool and Merino products, barriers to increased consumption, target consumer segments, and consumer information-sourcing behaviours.
Monitoring & Evaluation: Implement evaluation plans for all AWI program investment areas.	Partly achieved. Survey-based data collections were implemented for a number of programs and needs to be expanded in 2015/16.
Monitoring & Evaluation: Comprehensive reporting of investment performance.	Achieved. 21 ex-poste evaluations have now been completed.
Monitoring & Evaluation: Routine evaluation of all investment proposals.	Achieved. Internal processes adhered to for evaluation of all investment proposals.



STRATEGY 11: CORPORATE AFFAIRS & MARKET ACCESS

STRATEGY 11 RESOURCES DURING 2014/15

\$902,000 project expenditure + 1.5 AWI staff (full time equivalent)

INVESTMENT FOCUS

- To ensure statutory compliance by nurturing productive relationships with government stakeholders.
- To manage sensitive issues in order to protect the industry from external threats.
- To enhance productive relationships with grower representative groups, promote two-way exchange of information and facilitate the consideration of industry views in AWI's strategic framework.
- To build awareness of AWI's business and activities, providing an understanding of what, how, and why AWI does what it does.
- To create, enhance and protect industry's trade and market access opportunities.
- To reduce obstacles to market access and commercial trade by working with government and key domestic and international stakeholders.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
Corporate Affairs: Ensure compliance with regulatory requirements.	Achieved. All regulatory reporting requirements completed.
Corporate Affairs: Voter participation rate increased, and budget at least maintained for next WoolPoll.	On track. Results available after WoolPoll 2015.
Corporate Affairs: Independent Review of Performance (ROP) appropriately reflects AWI business environment and improvement since previous ROP.	Achieved. ROP shows ongoing improvement in AWI's performance and delivery of benefits to woolgrowers.
Industry Engagement: Facilitate improved two-way dialogue and understanding with State Farming Organisations (SFOs) and grower representative groups.	On track. Regular communication was undertaken with SFOs and woolgrower groups. The Woolgrower Industry Consultative Committee meetings were held.
Industry Engagement: Measured positive change in industry and stakeholder awareness of AWI's activities and outcomes (evidenced through bi-annual stakeholder survey).	Progressing. The most recent bi-annual stakeholder survey was undertaken in November 2013.
Market Access: Develop and implement an integrated market access and trade strategy that underpins, complements and builds on investments in marketing and product development.	Achieved. Strategy incorporated with other AWI activities to promote market access and international competitiveness.



STRATEGY 12: TRADE EDUCATION

Note: Aspects of this program were undertaken in conjunction with Strategy 8's Trade Engagement and Marketing Services program; refer page 35.

STRATEGY 12 RESOURCES DURING 2014/15

\$2,853,000 project expenditure + 13 AWI staff (full time equivalent)

INVESTMENT FOCUS

- Educational Resource Development. This will involve the updating and consolidating AWI trade manuals, including development of an online format for the manual and technical notes. Secondary school and tertiary education materials will also be updated and transferred to a digital format. AWI will continue to support retail and brand partners with relevant training materials and point of sale fact sheets and videos.
- Material Delivery. AWI will continue to provide training to trade participants, through individual mill visits and regular presentations, workshops and seminars.
- Trade Shows. AWI will continue to exhibit at the most influential trade shows that will support investment across our Off-Farm and Marketing areas. AWI's presence at trade shows provides an important source of leads for continual business development as well as the opportunity to support our trade partners.
- We will use these trade shows to affirm The Woolmark Company's role as a leading authority in the fashion and textile industry, through media coverage and B2B partner feedback (including post-trade show follow up).
- Delivery of The Wool Lab, by face-to-face and digital media.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
Operate under a fixed annual budget, maximise access to educational material across three levels of relevance (consumer, trade and manufacturing).	On track. Train the Trainer programs offered to further expand delivery of educational courses and materials.
Operating under a fixed annual budget maximise trade participants attaining certification.	On track.
Operating under a fixed annual budget, maximise trade visitors and leads from trade show exhibitions.	On track. AWI has implemented systems to attract, follow-up and report on visitors and leads at global trade shows.
Complete 350 presentations of The Wool Lab to pipeline businesses each year, achieving a minimum annual editorial value of €200,000 and a base revenue increase from €300,000 to €450,000 by 2016.	Achieved. More than 400 presentations to pipeline businesses (designers, manufacturers, etc) and more than 9,000 swatches requests were generated (for potential business). Annual editorial value is worth more than €300,000



STRATEGY 13: WOOLMARK

STRATEGY 13 RESOURCES DURING 2014/15

\$877,000 project expenditure + 14.1 AWI staff (full time equivalent)

INVESTMENT FOCUS

- Demonstrate through market research an increase in consumer understanding of the Woolmark brand as a wool content and quality symbol for textile products over the 3 year period.
- Improved Key Account Management processes, with partners having a clear service offer and improved satisfaction in their relationship with The Woolmark Company.
- A robust, skilled international network that successfully executes global and local marketing campaigns and product development initiatives.
- Authorisation of a network of independent, high-quality and reliable laboratories used for Woolmark testing globally.
- Respond appropriately to changing commercial drivers to ensure the ongoing relevance and applicability of Woolmark Specifications and Test Methods. This includes the development of new Specifications and Test Methods to support opportunities for new Woolmark product certification.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
During 2013 stabilise our licence numbers globally relative to 2012 levels. The international network will then grow licence numbers by 2% year on year.	Progressing. Licence numbers were stable in 2014/15 compared to 2013/14.
Increase the use of Woolmark, Woolmark Blend and Wool Blend tickets on end products by 5% year on year.	On track. Ticket and label sales have steadily increased over the 2014/15 year.
The Woolmark Company is positioned as the authority on wool and the leader in Merino wool innovation.	On track.
Maintain licensee revenue in real terms.	On track.
Consistent application of the three-stage quality control program (Acceptance testing, Quality Assurance testing and Retail sampling), demonstrated by the objective data obtained from AWI's authorised laboratories.	Progressing. AWI focus has been on robust acceptance testing and retail sampling; in the past 12 months, head office has worked with the international network to improve our regular quality assurance testing program.
Measurable improvement in the perception of the Woolmark as a quality symbol.	On track.



STRATEGY 14: CORPORATE SERVICES

STRATEGY 14 RESOURCES DURING 2014/15

\$989,000 project expenditure + 23.4 AWI staff (full time equivalent)

INVESTMENT FOCUS

- Stakeholder Engagement: This includes regional engagement events with woolgrowers, the AWI Helpline, *Beyond the Bale* magazine for stakeholders, and supply chain support in Australia.
- Finance: This strategic period will focus on consolidation and continual enhancements to the progress we made in providing a reliable and flexible business system that meets the requirements of the company in Australia and internationally.
- Information Technology: In this dynamic time, the role of IT is shifting and the desired outcomes are to balance the absolute need for stability and security with a more flexible 'ecosystem' that accounts for increased workforce mobility.
- Human Resources: Our goal is to have inclusive leaders who foster a culture of employee engagement and commitment by developing our current employees, recruiting strategically and providing a safe workplace. We achieve this by fostering a performance-based culture and delivering consistent HR advice, support and coaching to both managers and team members.
- Legal Services: AWI employs four lawyers across different parts of the organisation. Legal services are an integral support service for the businesses. The aim for this support service is to deliver high-quality and timely legal advice to business units at all times.

STRATEGIC TARGETS

Targets for three-year period 2013/14 to 2015/16	Progress during 2014/15
Stakeholder Engagement: Undertake regional engagement events with woolgrowers and AWI shareholders.	Achieved. AWI has attended events across Australia to consult with and inform woolgrowers about AWI activities and to promote wool.
Stakeholder Engagement: Undertake grower and industry consultation on specific industry challenges and opportunities.	Achieved. Forums held on topics including animal health and welfare.
Stakeholder Engagement: Undertake liaison between AWI and the supply chain to assist the wool trade promote their business.	Achieved. Facilitation undertaken including organising visits by the overseas wool trade partners to Australian farms and providing sourcing information.
Finance: Ensure forward Contracts Reserve is sufficient to cover global contractual commitments on an annual basis.	Achieved.
Finance: Operating Reserves should be set each year end as the equivalent of 75% of operating cost for the next financial year.	Achieved.
Finance: Maintain emergency Reserve of \$5 million to cover our obligations under the EADRA.	Achieved.
IT: High availability of systems with no planned outages - at 99% stability.	Achieved.
IT: Internal support task respond within defined internal service levels.	Achieved.
HR: Employee engagement survey undertaken, actions developed to target opportunities for improvement.	On track.
HR: Action learning leadership program successfully completed by potential future leaders.	Achieved.
HR: Paper based processes replaced by on-line electronic processes.	Achieved.
HR: Compliance with employment laws and statutory requirements in each jurisdiction.	Achieved.
Legal: Manage the Board's adherence to the Board and committee charters, the constitution, the Statutory Funding Agreement and other guiding documents.	Achieved. Adherence to all corporate governance commitments has been attained.
Legal: Continue to ensure AWI's commercial needs are reflected in its contracts, using wherever possible, a range of standard contract templates.	Achieved. Legal and IP team revised its contract policies and procedures, including standard templates, to ensure that they are up-to-date and accurate so that AWI's commercial needs are met.
Legal: Manage AWI's IP portfolio to ensure that AWI's IP assets are protected and commercialised in accordance with the IP policy.	Achieved. Legal and IP team provided sound commercial and legal advice in relation to all matters relating to IP.

GOOD BUSINESS

CORPORATE GOVERNANCE FRAMEWORK

Governance principles

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

The key Board functions and responsibilities, as set out in the Board Charter, include:

- Oversight of the Company, including its control and accountability systems
- Appointing and removing the CEO (or equivalent), including determining the remuneration for the position
- Providing input into, and final approval of, management's development of corporate strategy, programs, policies and performance objectives
- Oversight of the implementation and performance of research and development and marketing programs and projects aimed at enhancing the long-term profitability of Australian woolgrowers
- Ensuring the Company has an appropriate corporate governance framework, that the Company operates in accordance with that framework, that it acts legally and responsibly on all matters and maintains the highest ethical standards
- Evaluating implementation of strategy, and programs to assess its effectiveness and continuing suitability
- Monitoring and evaluating financial and other reports to understand the health of the Company and identify the need for any follow up actions
- Approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures
- Reviewing and ratifying systems for risk management, internal compliance and control, codes of conduct and legal compliance
- Ensuring that the Company complies with all requirements under the Statutory Funding Agreement with the Commonwealth of Australia
- Appointing and, where appropriate, removing the Company Secretary
- Approving the appointment, terms and conditions and, where appropriate, removal of senior executives reporting to the CEO
- Ensuring appropriate resources are available to senior executives for achievement of the strategic and operational objectives
- Monitoring senior executives' performance and their implementation of strategy
- Providing transparent, balanced and accurate reporting of the Company's activities to shareholders
- Regularly evaluating its performance, including that of individual directors, to ensure it is functioning effectively and efficiently. The performance of the Board as a whole and its sub-committees will be reviewed annually and the performance of individual directors will be reviewed:
 - (a) annually by the Chairperson who will provide feedback on an individual basis; and
 - (b) biennially by self and peer evaluation.

Corporate governance documents

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

- AWI Constitution
- Statutory Funding Agreement 2013 – 2016
- Board Charter
- Charter of the Committees of the Board
- Board Nomination Committee Charter
- Code of Conduct and Business Ethics
- 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.

Conflict of interest policy

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

The Board acknowledges that transactions connected, directly or indirectly, to Directors and Officers may occur in the ordinary course of AWI's business since the Board includes members actively involved in the wool industry.

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

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

Risk Management Policy and Framework

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

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

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

Fraud Control Plan

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

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

The desired outcome of this commitment is the elimination of fraud against AWI programs by staff and

other persons. AWI considers that this policy applies to all Directors, employees, agents and contractors.

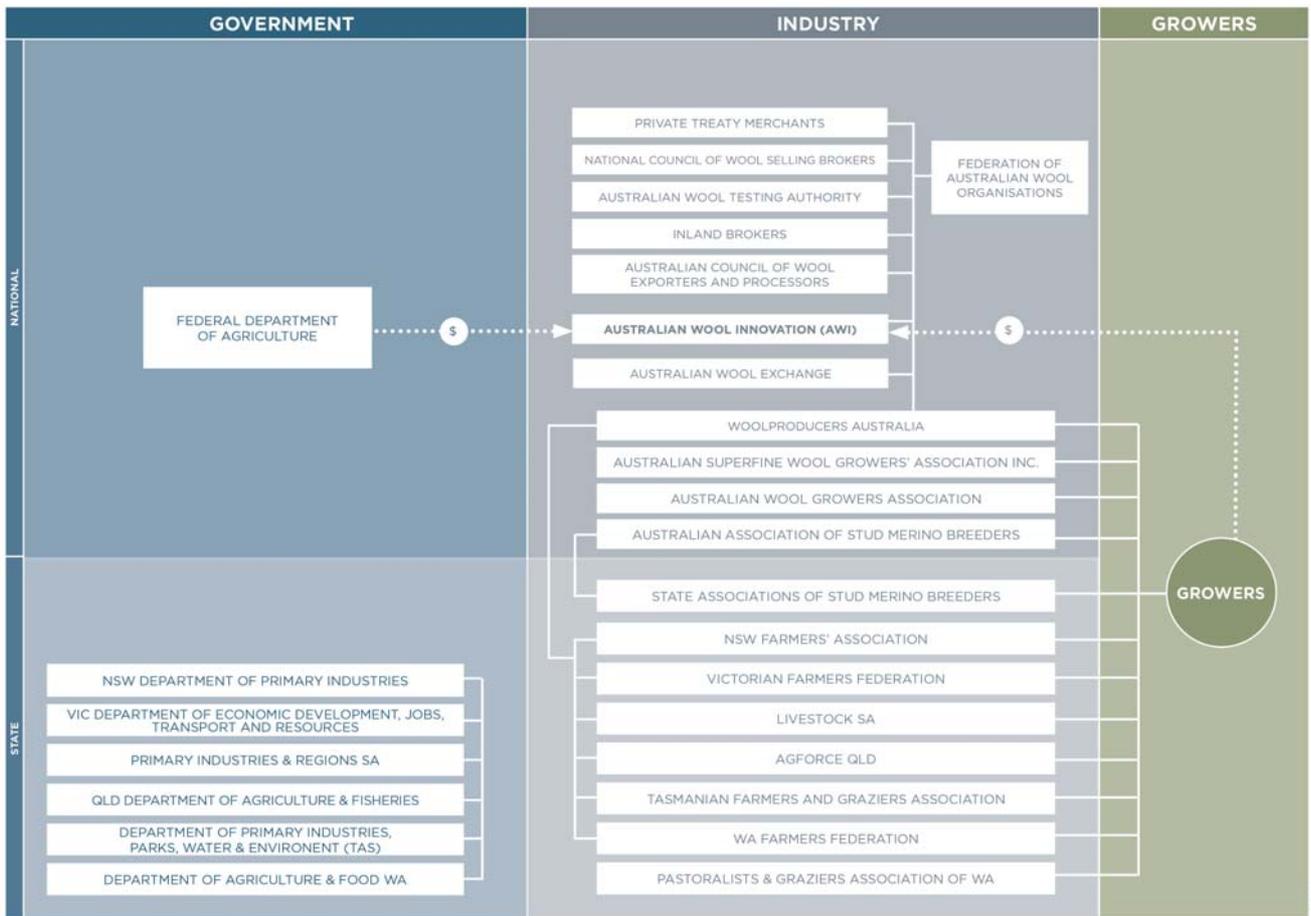
AWI will consider all avenues to recover losses due to fraud against the Company. Staff may also face action for misconduct under AWI's Code of Conduct and Business Ethics, and restitution for any money or property lost through fraudulent activity will be pursued.

The main objective of the Fraud Control Plan is to minimise the risk of fraud against AWI. This objective is achieved through reference to the Commonwealth Fraud Control Guidelines including the adoption of the Australian Standard on Risk Management (ISO 31000-2009) 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.

AWI'S STAKEHOLDER LINKS

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

Figure 1: Wool industry organisational chart



Working in partnership with the wool industry

AWI's investment in on-farm R&D, off-farm R&D 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 remains a key priority.

In 2014/15 AWI engaged directly 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.

Supply chain partners support AWI by partnering in business and marketing collaborations that deliver benefits to the Australian wool industry. These relationships assist AWI in delivering market information and RD&M outcomes for Australian woolgrowers.

Examples by which AWI engaged stakeholders during 2014/15 include:

- Woolgrower Industry Consultative Committee (ICC) meetings – containing delegates from the Australian Association of Stud Merino Breeders, Australian Superfine Wool Growers' Association, Australian Wool Growers Association, WoolProducers Australia, Pastoralists & Graziers Association (PGA) - Western Australia, a non-Merino breed representative. The Department of Agriculture is an observer of the ICC.
- Regular meetings of AWI advisory committees such as the Wool Sustainability Panel, Animal Welfare Forum, Wild Dog and Rabbit Advisory groups
- Participating in over 40 forums and events with woolgrowers in regional areas
- Trade, retailer and brand workshops
- Woolmark licensee workshops and meetings
- Meetings with manufacturers and media partners in key markets
- Communications such as the quarterly *Beyond the Bale* magazine, AWI's online newsletters and the AWI website (www.wool.com).

Further detail on AWI's consultation processes is shown in Figure 2 opposite.

Government partnership

In 2014/15 AWI continued to review and implement 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.

Examples by which AWI engaged government during 2014/15 are:

- regular interaction with the Australian Government through informal discussions and formal meetings, participation in government processes, and day-to-day discussions
- production of an SFA compliance report (in conjunction with the Department of Agriculture (DA)) to further demonstrate, on a six-monthly basis, the company's ongoing compliance with SFA requirements
- production of briefing packages for DA
- provision of six-monthly reports to a wide range of government stakeholders on key 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.

Partnership outcomes

As a result of its strong links with its stakeholders in 2014/15, 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 **PricewaterhouseCoopers** provide specific advice on taxation and other related matters pertaining to AWI and The Woolmark Company, as required.

Figure 2: AWI's Annual Planning and Consultation Cycle

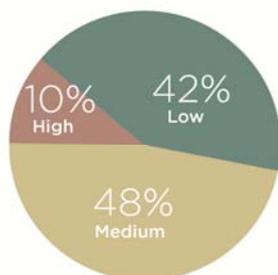


INVESTMENT BALANCE

AWI has a research, development and marketing (RD&M) investment portfolio that appropriately considers a balance between short-term and long-term, low-risk and high-risk, strategic and adaptive research needs, and includes consideration of regional variations across the industry.

The following diagrams are indicative of the focus between risk and timing of benefits from AWI's RD&M investments.

Investment risk



The AWI investment portfolio is weighted towards low- and medium-risk programs. On-farm R&D strategies include much higher risk programs. Some marketing investments that are moving into the retail engagement phase are also viewed as higher risk. Low-risk investments are focused around delivery of established marketing programs.

Timing of benefits



The AWI portfolio is structured to deliver the majority of its benefits to Australian woolgrowers in the short to medium term. On-farm and Off-farm extension programs represent the majority of short-term benefits. Long-term benefits are generated from investments in Strategy 3 (Production Systems and Eco-Credentials) and Strategy 7 (Category Management).

MONITORING & EVALUATION FRAMEWORK

The AWI Framework for Monitoring and Evaluation, first developed in 2011 and updated in 2014, defines the evaluation logic and operational processes, and is publicly available through the AWI website. Our process is based on the principle of continuous improvement and refinement, as the evaluation framework and the tools and processes within adapt to the evolving needs of AWI and the greater industry we serve.

Over 2014/15, AWI's Monitoring and Evaluation team continued to support the annual reporting and planning process to ensure greater consistency was achieved across programs and that annual targets were more closely aligned with the longer term targets as specified in the Strategic Plan. Program Achievement Reports (PARs) were implemented in December 2013 and the Program Plans (2014/15) were prepared for the first time this year. These plans were also instrumental in the preparation of Country Operating Plans, which for the first time also considered allocation of AWI staff resources in individual countries across each Program. Strengthening reporting and planning at the Program level remained a priority for 2014/15 along with making data collections more robust to ensure that appropriate data collections are built into individual Program Plans and resourced accordingly.

Completed external reviews of AWI investment programs are made available through the AWI website at www.wool.com/measuring-performance and include evaluations of investments in on-farm and off-farm research and development portfolios, and marketing programs.

Operational implementation of the evaluation process promotes a culture of robust, collaborative review and improvement within AWI, and provides findings which can be used to refine decision-making processes at all levels within AWI, and thereby empower AWI staff.

GOVERNMENT FUNDING AND RESEARCH PRIORITIES

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

National RD&E Framework

AWI's plans for RD&E delivery align where relevant with the National RD&E Framework, an Australian Government initiative to improve the efficiency and effectiveness of RD&E delivery nationally. The initiative includes strategies for all agricultural sectors including wool, and cross sector strategies including animal welfare, biosecurity and climate change. The RDCs, State Government agencies, CSIRO and universities are all signatories to the initiative.

AWI participates in the National RD&E Framework through its support of the implementation of several strategies sitting under the framework in partnership with other RDCs: National Animal Welfare RD&E Strategy, Climate Change Research Strategy for Primary Industries (CCRSPI), National Animal Biosecurity RD&E Strategy, and its own sector strategy, the National Wool RD&E Strategy.

National Wool RD&E Strategy

The Department of Agriculture and Food Western Australia and NSW Department of Primary Industries have remained as lead agencies for the National Wool RD&E Strategy.

In 2014/15, the lead agencies and AWI agreed to commence the renewal process for the national strategy, reflecting recognition that:

- the 2015/16 renewal of MLA and AWI RD&E strategic plans provided a pertinent timeframe for renewal of the Wool RD&E strategy
- two of the three largest wool production states had completed state-level industry development strategies since the original Wool Strategy was developed, and the third state had undertaken steps to develop its own industry development strategy (which AWI supported in 2014/15)
- the only project originally funded under the strategy was terminated by AWI, due to technical difficulties and poor alignment with AWI strategy
- there had been major reductions in the level of contribution of some agencies to Wool RD&E since the original strategy had been developed (by contrast, AWI's had increased substantially).

The renewal process commenced in earnest in March 2014, and will be completed by January 2016, with AWI provision of financial support.

National Animal Biosecurity RD&E Strategy

AWI has continued to support the NAB RD&E Strategy financially and operationally, and has continued to actively drive the wool sector's own biosecurity RD&E strategy, through the Federation of Australian Wool Industries, and internationally, through the IWTO Wool Biosecurity Working Group. Notable activities include:

- Successful pilot trial of a wool bale disinfection process, through Australian Wool Testing Authority Limited
- Successful development and trialing of 1-day woolgrower education workshops, in partnership with the BestWool/BestLamb network in Victoria, and International Fibre Centre.
- Establishment of an internationally co-funded wool biosecurity RD&E information-sharing process, through the IWTO.

R&D collaboration during 2014/15

R&D collaboration with other organisations during 2014/15 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 section below.

AWI has a demonstrated history of collaborating on R&D projects with other members of the RDC family.

During 2014/15, around one in every 5.6 dollars that AWI invested in on-farm R&D was invested in collaboration with another RDC. This number does not include in-kind contributions from RDCs, nor cash contributions from other parties such as DPIs, and so is a conservative indication of the amount of collaboration undertaken by AWI.

AWI was involved during 2014/15 in a significant number of on-farm R&D collaborations with RDCs and other research bodies such as government departments of agriculture, industry organisations, CSIRO, universities and commercial partners.

Major collaborations during 2014/15 included:

- ParaBoss, a suite of three products developed to help producers manage blowflies, worms and lice (with the CRC for Sheep Industry Innovation, MLA and leading Australian parasitologists and veterinarians)
- helping to overcome predation by wild dogs, and helping to develop new control options for rabbits (with the Invasive Animals CRC and other organisations)
- Sheep Genetics, which is enabling breeders to achieve higher rates of genetic gain (with MLA)
- Shearer and wool handler training with Registered Training Organisation providers around Australia
- 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) and the new Pastoral Profit (Pastoral), Sheep Connect SA, Leading Sheep (Qld) and Sheep Connect Tasmania.

Research priorities

While AWI's R&D and marketing priorities are determined by woolgrowers as identified by industry through AWI's Annual Planning and Consultation Cycle, AWI must 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 in addition to other directives and priorities the Government communicates to AWI.

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:

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

Further information about the NRPs is available on the Department of Agriculture 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.
- **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 website: www.daff.gov.au.

Alignment of AWI investment to Government research priorities

The table below summarises how investment undertaken by AWI during 2014/15 aligns with the NRPs and RRDPs.

ALIGNMENT OF AWI INVESTMENT TO GOVERNMENT RESEARCH PRIORITIES			
National Research Priorities (NRP)	Rural Research & Development Priorities (RRDP)		TOTAL
Promoting and Maintaining Good Health (including strengthening Australia's social & economic fabric)	Productivity and Adding Value	\$'000 %	8,300 14%
	Supply Chain and Markets	\$'000 %	42,986 73%
An Environmentally Sustainable Australia	Natural Resource Management	\$'000 %	926 2%
	Climate Variability and Climate Change	\$'000 %	276 0%
Safeguarding Australia	Biosecurity	\$'000 %	2,082 4%
Frontier Technologies for Building and Transforming Australian Industries	Innovation Skills and Technology (supporting RRDPs)	\$'000 %	4,015 7%
TOTAL (external)		\$'000	58,585

INTELLECTUAL PROPERTY

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

In addition to the above IP assets, AWI is the beneficial owner of all IP assets owned by The Woolmark Company Pty Limited (TWC) and its associated entities. These include the WOOLMARK logo, WOOLMARK BLEND logo and WOOL BLEND logo which are registered in 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 \$84,135.62 to the 2014/2015 income being royalties received from 2012/2013. Income earned from the 2013/2014 royalties will not be realised until midway through the 2015/2016 financial year.

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 2015:

PATENTS (registered in Australia and overseas)

* Treatment of sheep to reduce flystrike

PATENTS (registered overseas - not in Australia)

* Leg restraint for use in treating or shearing animals * Head restraint for use in treating or shearing animals * Heated Garment System * Docking mechanism for use in treating and shearing animals * semi-automated manipulator for manual shearing

REGISTERED DESIGNS (registered in Australia and overseas)

* Breech Clip * Dog Bone Clip * Hockey Stick Clip

TRADEMARKS (registered in Australia & overseas)

* Australian Wool Innovation * Cool Wool * Circle Logo * Flyboss * Liceboss * Merino Active * Merino Perform * MerinO2 * merinotouch * merinotravel * Red Island * Sam The Lamb * Posh Merino * Superior Merino * Superior Merino Blend * Pure Merino Wool * awi & Swirl Device * Australian Wool Innovation & Swirl Device * Wormboss

TRADEMARKS (registered in Australia - not overseas)

* Bestprac * Licesense * Making More from Sheep * Merino Innovation * Timerite * Woolcheque

TRADEMARKS (registered overseas - not in Australia)

* Arnhem Land * Gold Woolmark * Heartmark * IWS * Merino Extrafine Wool * merinofresh * Merino Rich * Mother and baby device * Neva-Shrink * No Finer Feeling * OPTIM * Pure Merino Wool * SGP * Siroset * Solospun * Sportwool * Sleep in Merino * Super Crimp * Super S * Superlavabile Superwash * Superwash * Take Comfort In Wool * Wool in heart * Wool Plus * Wool Rich Blend * Wool Runs On Grass

TRADEMARKS (registered globally)

* Woolmark * Woolmark Blend * Wool 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

NEW IP LODGED OR ACQUIRED IN 2014/2015

TRADEMARKS (registered in Australia & overseas)

* MMX Wool without Limits & Device * XWOOL & Device * WOOL4SCHOOL

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

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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 2015.

Directors

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

Mr W B Merriman (Chairman)
 Mr P Cocking
 Ms C Garnsey
 Mr J Morgan
 Dr M L Sheil
 Mr B P van Rooyen
 Mr D A A Webster

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 research and development matching fund contribution. Funding is also generated from revenue in respect of the Woolmark certification and ordinary trademark annual licence fees.

Review of operations and results

	2015 \$'000	2014 \$'000
Revenue	74,282	68,639
Profit / (loss) from continuing operations	2,325	(14,324)

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

There has been no matter or circumstance which has arisen since 30 June 2015 that has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

By actively and efficiently marketing wool and its attributes through investments in marketing and R&D - from farm to fashion and interiors - AWI aims to achieve its goal of increasing the demand for wool. Pursuant to the result of WoolPoll 2012 and following AWI's extensive planning and consultation cycle, AWI developed a three-year Strategic Plan in which there is a 60%:40% split in expenditure between marketing and R&D programs. AWI will continue to 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 continue to 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.

Directors' report (continued)

Company secretary

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

Meetings of directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2015, and the numbers of meetings attended by each director were:

Director	Meetings of Committees							
	Full meetings of directors		Finance & Audit		Remuneration & Appointments		Science & Welfare	
	A	B	A	B	A	B	A	B
Mr W B Merriman	9	9*	8	8	4	4	8	8
Mr P Cocking	9	9	-	-	-	-	8	8
Ms C Garnsey	9	9	-	-	4	4*	-	-
Mr J Morgan	9	8	8	8	-	-	-	-
Dr M L Sheil	9	9	-	-	-	-	8	8*
Mr B P van Rooyen	9	8	8	8	4	4	8	8
Mr D A A Webster	9	9	8	8*	4	4	8	8

A = number of meetings held during the time the director held office or was a member of the committee during the year
B = number of meetings attended

* = denotes Chairman as at 30 June 2015

Chairmanship

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

Insurance of officers

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

Proceedings on behalf of the company

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

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

Non-audit services

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

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in note 23.

Dividends Paid

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

Environmental regulation

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

Statutory funding agreement obligations

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 62.

Rounding of amounts

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

Auditor

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

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



Mr W B Merriman (Chairman)
Director

Sydney
20 August 2015

Auditor's Independence Declaration

As lead auditor for the audit of Australian Wool Innovation Limited for the year ended 30 June 2015, 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
20 August 2015

Financial Report - 30 June 2015

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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 26 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 its principal activities is included in the directors' report on page 59, which is not part of this financial report.

The financial statements were authorised for issue by the directors on 20 August 2015. The directors have the power to amend and reissue the financial statements.

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

Consolidated statement of comprehensive income

For the year ended 30 June 2015

		Consolidated	
	Notes	2015 \$'000	2014 \$'000
Revenue from continuing operations			
Operating revenue	3	71,332	65,009
Other revenue	3	2,950	3,630
		74,282	68,639
Other (loss) / income	4	(1,110)	823
Expenses			
Project expenditure	6	(39,226)	(54,012)
International Network	6	(10,794)	(9,611)
Global marketing	6	(4,215)	(5,330)
On-farm research & development	6	(1,502)	(1,444)
Off-farm research & development	6	(2,848)	(3,393)
Corporate services	6	(12,095)	(9,885)
Profit / (loss) before income tax		2,492	(14,213)
Income tax expense	7	(167)	(111)
Profit / (loss) from continuing operations		2,325	(14,324)
Profit / (loss) for the year		2,325	(14,324)
Other comprehensive income			
Exchange differences on translation of foreign operations	21	838	269
Total comprehensive income for the year		3,163	(14,055)
Total comprehensive income for the year is attributable to:			
Members of Australian Wool Innovation Limited		3,163	(14,055)

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

Consolidated balance sheet

As at 30 June 2015

		Consolidated	
	Notes	2015 \$'000	2014 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	11,438	7,382
Trade and other receivables	10	16,101	13,560
Inventories	11	9	16
Held-to-maturity investments	9	65,877	73,500
Total current assets		93,425	94,458
Non-current assets			
Property, plant and equipment	12	1,216	1,521
Intangible assets	13	10,000	10,000
Other non-current assets	14	578	359
Total non-current assets		11,794	11,880
Total assets		105,219	106,338
LIABILITIES			
Current liabilities			
Trade and other payables	15	9,015	14,753
Provisions	16	487	-
Deferred income	17	8,743	7,490
Total current liabilities		18,245	22,243
Non-current liabilities			
Provisions	18	465	564
Other non-current liabilities	19	-	185
Total non-current liabilities		465	749
Total liabilities		18,710	22,992
Net assets		86,509	83,346
EQUITY			
Contributed equity*	20	-	-
Reserves	21	1,473	635
Retained earnings	21	85,036	82,711
<i>Capital and reserves attributable to owners of Australian Wool Innovation Limited</i>		86,509	83,346
Total equity		86,509	83,346

*As at 30 June 2014 and 2015 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 2015

	Notes	Attributable to owners of Australian Wool Innovation Limited			Total equity \$'000
		Contributed equity* \$'000	Reserves \$'000	Retained earnings \$'000	
Balance at 1 July 2013		-	366	97,035	97,401
Profit/(loss) for the year	21	-	-	(14,324)	(14,324)
Other comprehensive income	21	-	269	-	269
Total comprehensive income for the year		-	269	(14,324)	(14,055)
Balance at 30 June 2014		-	635	82,711	83,346
Balance at 1 July 2014		-	635	82,711	83,346
Profit/(loss) for the year	21	-	-	2,325	2,325
Other comprehensive income	21	-	838	-	838
Total comprehensive income for the year		-	838	2,325	3,136
Balance at 30 June 2015		-	1,473	85,036	86,509

*As at 30 June 2014 and 2015 contributed equity in the consolidated entity was \$100.

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

Consolidated statement of cash flows

For the year ended 30 June 2015

	Notes	Consolidated	
		2015 \$'000	2014 \$'000
Cash flows from operating activities			
Levy, license, government grant and other receipts (inclusive of goods and services tax)		63,647	69,857
Payments to suppliers and employees (inclusive of goods and services tax)		(68,672)	(85,354)
		(5,025)	(15,497)
Interest received		2,935	3,627
Income taxes paid		(166)	(111)
Net cash (outflow) from operating activities		(2,256)	(11,981)
Cash flows from investing activities			
Payments for property, plant and equipment	12	(426)	(492)
Payments for held-to-maturity investments		7,623	-
Proceeds from sale of property, plant and equipment		6	-
Redemption of held-to-maturity investments		-	500
Net cash inflow from investing activities		7,203	8
Net increase (decrease) in cash and cash equivalents		4,947	(11,973)
Cash and cash equivalents at the beginning of the financial year		7,382	19,320
Effects of exchange rate changes on cash and cash equivalents		(891)	35
Cash and cash equivalents at end of year	8	11,438	7,382

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

Notes to the financial statements

30 June 2015

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 and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Australian Wool Innovation Limited is a not-for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with Australian Accounting Standards Reduced Disclosure Requirements

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

(ii) Historical cost convention

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

(iii) Critical accounting estimates

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

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

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

(1) Estimated impairment of the Woolmark certification trademarks

The Group tests annually whether the value of \$10,000,000 allocated to the Woolmark certification trademarks has suffered any impairment, in accordance with the accounting policy stated in note 1(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. Management determined budgeted cash flows based on license fees billed for the coming year and budgeted costs based on past performance and expectations for the future.

(2) Provisions

The Group has provided for make good costs per note 16 of the Financial Report. These estimates have been made in accordance with the accounting policy note 1(q).

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Australian Wool Innovation Limited ('company' or 'parent entity') as at 30 June 2015 and the results of all subsidiaries for the year then ended. Australian Wool Innovation Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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.

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 and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

(iii) Group companies

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

- income and expenses for each consolidated income statement and consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

(d) Revenue recognition

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

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

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

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

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

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

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

(e) Income tax

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

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

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

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

Notes to the financial statements

30 June 2015

(continued)

NOTE 1: Summary of significant accounting policies (continued)

(e) Income tax (continued)

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

(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 acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition-date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(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.

(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.

NOTE 1: Summary of significant accounting policies (continued)

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

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

Recognition and derecognition

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

Measurement

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

(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.

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

Buildings	10-20 years
Plant and equipment	2-10 years
Leasehold improvements	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 carrying amount. These are included in profit or loss.

Notes to the financial statements

30 June 2015

(continued)

NOTE 1: Summary of significant accounting policies (continued)

(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 and licences

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

(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

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.

(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 statements. Amounts in the financial statements 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 29 has been prepared on the same basis as the consolidated financial statements, except investments in subsidiaries which are recorded at cost in the financial statements of Australian Wool Innovation Limited.

NOTE 2: Financial risk management

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

Risk management is carried out by Head Office Finance under policies approved by the board of directors. Group Head Office Finance identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

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

The Group's foreign exchange management policies include wherever possible creating natural hedges with the collection of licence income in the same currencies as the expenditure being incurred. The Group also purchased foreign exchange contracts during the year to minimise the exposure to fluctuations in the currency markets based on a proportion of budgeted cash flows.

(ii) Cash flow and fair value interest rate risk

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

(b) Credit risk

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

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

Risk of principal amounts invested is minimised by only investing in deposits with Standard & Poor's ratings AAA, AA+, AA and AA- for long term and A-1+, A-1 and A-1- for short term.

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

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

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

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

(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.

Notes to the financial statements

30 June 2015

(continued)

NOTE 3: Revenue

	Consolidated	
	2015 \$'000	2014 \$'000
From continuing operations		
<i>Operating revenue</i>		
Wool levy	48,304	43,309
Government contribution	12,478	12,970
License fees	7,324	6,935
Royalties	1,663	1,522
Sale of goods and services	1,518	211
Other	45	62
	71,332	65,009
<i>Other revenue</i>		
Interest	2,737	3,401
Rents and sub-lease rentals	213	229
	2,950	3,630
	74,282	68,639

NOTE 4: Other (loss) / income

	Consolidated	
	2015 \$'000	2014 \$'000
Net foreign exchange (loss) / gains	(1,110)	823

NOTE 5: Expenses

	Consolidated	
	2015 \$'000	2014 \$'000
<i>Depreciation and amortisation</i>		
Buildings	37	70
Plant and equipment	459	440
Leasehold improvements	232	240
Total depreciation and amortisation	728	750
Rental expense relating to operating leases	2,372	2,202
Defined contribution superannuation expense	1,321	1,269

NOTE 6: Research, development and marketing expenditure

	2015			2014		
	External costs \$'000	Internal costs \$'000	Total \$'000	External costs \$'000	Internal costs \$'000	Total \$'000
International Network	-	10,794	10,794	-	9,611	9,611
Global marketing	21,771	4,215	25,986	29,268	5,330	34,598
On-farm research & development	12,133	1,502	13,635	17,294	1,444	18,738
Off-farm research & development	5,322	2,848	8,170	7,450	3,393	10,843
	39,226	19,359	58,585	54,012	19,778	73,790
Corporate services	-	12,095	12,095	-	9,885	9,885
Total RDI expenditure	39,226	31,454	70,680	54,012	29,663	83,675

'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	
	2015 \$'000	2014 \$'000
Contractor, legal and professional fees expenses	2,704	2,648
Employee expenses	19,114	18,359
Infrastructure expenses	5,192	4,562
Travel expenses	1,243	1,205
Other expenses from ordinary activities	3,201	2,889
	31,454	29,663

NOTE 7: Income tax expense

	Consolidated	
	2015 \$'000	2014 \$'000
(a) Income tax expense		
Current tax	168	113
Deferred tax	(1)	(2)
	167	111
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit / (loss) from continuing operations before income tax expense	2,492	(14,213)
Tax at the Australian tax rate of 30% (2014 - 30%)	748	(4,264)
Tax losses and temporary differences not brought to account	(657)	4,381
Differences in overseas tax rates	21	(1)
Adjustments for current tax of prior periods	55	(5)
Income tax expense	167	111

The Group has not recognised deferred tax assets relating to tax losses or temporary differences arising from loss making operations as it is not probable that the benefits will be realised. AWI exempt from income taxes not indirect taxes.

Notes to the financial statements

30 June 2015

(continued)

NOTE 8: Current assets - Cash and cash equivalents

	Consolidated	
	2015	2014
	\$'000	\$'000
Cash at bank and in hand	11,438	7,382

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

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

	Consolidated	
	2015	2014
	\$'000	\$'000
Term deposits	65,877	73,500

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

Unrestricted	28,515	36,482
Restricted as security against guarantees issued by the company's bankers ^(a)	3,500	2,500
Forward contract commitments ^(b)	16,300	15,900
Emergency funds ^(c)	5,000	5,000
Operating funds ^(c)	24,000	21,000
	77,315	80,882

- (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 \$16.3 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	
	2015	2014
	\$'000	\$'000
Net trade receivables		
Trade receivables	4,855	4,741
Provision for doubtful receivables	(11)	(13)
	4,844	4,728
Net other receivables		
Commonwealth matching funds and wool levy accruals	7,810	5,374
Other receivables	2,432	2,773
	10,242	8,147
Prepayments		
Insurance	60	60
Other	955	625
	1,015	685
	16,101	13,560

NOTE 11: Current assets - Inventories

	Consolidated	
	2015	2014
	\$'000	\$'000
Raw materials - at cost	9	16

Notes to the financial statements

30 June 2015

(continued)

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

	Freehold land \$'000	Plant and equipment \$'000	Leasehold improvements \$'000	Total \$'000
At 1 July 2013				
Cost or fair value	976	5,386	1,586	7,948
Accumulated depreciation	(443)	(4,720)	(1,067)	(6,230)
Net book amount	533	666	519	1,718
Year ended 30 June 2014				
Opening net book amount	533	666	519	1,718
Exchange differences	-	(11)	1	(10)
Transfers	-	61	-	61
Additions	-	502	-	502
Depreciation charge	(70)	(440)	(240)	(750)
Closing net book amount	463	778	280	1,521
At 30 June 2014				
Cost or fair value	976	5,507	1,574	8,057
Accumulated depreciation	(513)	(4,729)	(1,294)	(6,536)
Net book amount	463	778	280	1,521
Year ended 30 June 2015				
Opening net book amount	463	778	280	1,521
Exchange differences	-	62	11	73
Disposals	-	(4)	-	(4)
Additions	-	354	-	354
Depreciation charge	(37)	(459)	(232)	(728)
Closing net book amount	426	731	59	1,216
At 30 June 2015				
Cost or fair value	976	3,529	1,598	6,103
Accumulated depreciation	(550)	(2,798)	(1,539)	(4,887)
Net book amount	426	731	59	1,216

NOTE 13: Non-current assets – Intangible assets

	Certification trademarks \$'000	Total \$'000
At 1 July 2013		
Cost	10,000	10,000
Accumulated amortisation and impairment	-	-
Net book amount	10,000	10,000
Year ended 30 June 2014		
Opening net book amount	10,000	10,000
Amortisation charge	-	-
Closing net book amount	10,000	10,000
At 30 June 2014		
Cost	10,000	10,000
Accumulated amortisation and impairment	-	-
Net book amount	10,000	10,000
Year ended 30 June 2015		
Opening net book amount	10,000	10,000
Amortisation charge	-	-
Closing net book amount	10,000	10,000
At 30 June 2015		
Cost	10,000	10,000
Accumulated amortisation and impairment	-	-
Net book amount	10,000	10,000

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

The Woolmark certification and trademarks, with an indefinite expected useful life, are expected to generate cash flows over an indefinite period of time.

The directors are committed to providing market research to support the profile of the certification and the trademarks.

The directors strive to build the reputation of the Woolmark certification and trademarks to consolidate its brand recognition globally.

NOTE 14: Non-current assets - Other assets

	Consolidated	
	2015 \$'000	2014 \$'000
Lease deposits	578	359

Notes to the financial statements

30 June 2015

(continued)

NOTE 15: Current liabilities - Trade and other payables

	Consolidated	
	2015	2014
	\$'000	\$'000
Trade payables	3,706	6,999
Other payables	3,476	4,259
Project payables and accruals	1,833	3,495
	<u>9,015</u>	<u>14,753</u>

NOTE 16: Current liabilities - Provisions

	Consolidated	
	2015	2014
	\$'000	\$'000
Make good - 580 George St	487	-

NOTE 17: Current liabilities - Deferred income

	Consolidated	
	2015	2014
	\$'000	\$'000
Unearned license income	8,693	7,470
Unearned sub-lease income	50	20
	<u>8,743</u>	<u>7,490</u>

NOTE 18: Non-current liabilities - Provisions

	Consolidated	
	2015	2014
	\$'000	\$'000
Long service leave	465	391
Make good - 580 George St	-	173
	<u>465</u>	<u>564</u>

NOTE 19: Non-current liabilities - Other

	Consolidated	
	2015	2014
	\$'000	\$'000
Lease incentive - 580 George St fitout	-	185

NOTE 20: Contributed equity

	2015	2014	2015	2014
(a) Share capital	Shares	Shares	\$	\$
Ordinary shares - fully paid	37,462	37,462	100	100

(b) Movements in ordinary share capital

There was no movement in ordinary share capital during the year.

(c) Ordinary shares

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

(d) Shareholder statistics

<i>Details</i>	30 June 2015	30 June 2014
Australian Capital Territory	81	87
New South Wales	9,411	9,722
Northern Territory	1	1
Queensland	724	769
South Australia	4,249	4,409
Tasmania	694	719
Victoria	5,880	6,040
Western Australia	3,967	4,157
	25,007	25,904

NOTE 21: Reserves and retained earnings

	Consolidated	
	2015	2014
	\$'000	\$'000
(a) Other reserves		
Foreign currency translation	1,473	635
Movements:		
Foreign currency translation		
Balance 1 July	635	366
Currency translation differences arising during the year	838	269
Balance 30 June	1,473	635

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(c) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Notes to the financial statements

30 June 2015

(continued)

NOTE 21: Reserves and retained earnings (continued)

	Consolidated	
	2015	2014
	\$'000	\$'000
(b) Retained earnings		
Retained surplus at the beginning of the financial year	82,711	97,035
Net surplus attributable to the shareholders of Australian Wool Innovation Limited	2,325	(14,324)
Retained surplus at the end of the financial year	85,036	82,711

NOTE 22: Key management personnel disclosures

	Consolidated	
	2015	2014
	\$	\$
(a) Key management personnel compensation		
Non-executive directors		
Short-term employee benefits	590,342	591,776
Post-employment benefits	56,082	54,739
	646,424	646,515
Other key management personnel		
Short-term employee benefits	1,952,169	1,862,140
Post-employment benefits	185,456	172,637
Termination benefits	-	18,957
	2,137,625	2,053,734

The key management personnel of Australian Wool Innovation Limited includes those executives who have the authority and responsibility for offices of the company, either directly or indirectly, being 8 individuals.

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.

(b) 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.

NOTE 22: Key management personnel disclosures (continued)

(b) Remuneration principles and policies (continued)

(iii) Executive pay

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

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

(c) Details of remuneration

(i) Non executive Directors of Australian Wool Innovation Limited

2015 Name	Short-term employee benefits		Post-employment benefits	Total
	Directors' base fees paid	Committee fees paid	Superannuation	
	\$	\$	\$	\$
Mr W B Merriman	121,452	21,254	13,557	156,263
Mr P Cocking	60,726	7,591	6,490	74,807
Ms C Garnsey	60,726	8,414	6,568	75,708
Mr J Morgan	60,726	7,591	6,490	74,807
Dr M L Sheil	60,726	12,145	6,923	79,794
Mr B P van Rooyen	60,726	21,254	7,788	89,768
Mr D A A Webster	60,726	26,285	8,266	95,277
Total	485,808	104,534	56,082	646,424

2014 Name	Short-term employee benefits		Post-employment benefits	Total
	Directors' base fees paid	Committee fees paid	Superannuation	
	\$	\$	\$	\$
Mr W B Merriman	118,490	20,736	12,878	152,104
Mr P Cocking	35,794	3,549	3,639	42,982
Mr G B S Falkiner	24,685	8,023	3,026	35,734
Mr R J Fletcher	37,028	3,086	3,711	43,825
Ms C Garnsey	59,245	8,209	6,240	73,694
Mr J Morgan	35,794	3,549	3,639	42,982
Dr M L Sheil	59,245	9,473	6,356	75,074
Mr B P van Rooyen	59,245	20,736	7,398	87,379
Mr D A A Webster	59,245	25,644	7,852	92,741
Total	488,771	103,005	54,739	646,515

Notes to the financial statements

30 June 2015

(continued)

NOTE 23: Remuneration of auditors

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

	Consolidated	
	2014	2014
	\$	\$
(a) Audit services		
Audit fees - domestic	170,350	157,850
Audit fees - international	97,184	76,179
Other assurance services	-	72,429
Total remuneration for audit and other assurance services	267,534	306,458
(b) Non-audit services		
Tax compliance services	68,238	34,902
Advisory services	52,768	84,618
Total remuneration of network firms of PwC Australia	121,006	119,520
Total auditors' remuneration	388,540	425,978

NOTE 24: Commitments

(i) *Research, development and marketing*

	Consolidated	
	2015	2014
	\$'000	\$'000
Commitments payable in relation to research, development and marketing	17,377	16,315

(ii) *Non-cancellable operating leases*

	Consolidated	
	2015	2014
	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	2,199	1,889
Later than one year but not later than five years	5,863	868
Later than five years	996	106
	9,058	2,863

The group leases various offices under non-cancellable operating leases expiring within two to eight years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

(iii) *Forward exchange contracts*

	Consolidated	
	2015	2014
	\$'000	\$'000
Commitments payable in relation to forward exchange contracts	8,913	9,344

The group treasury policy stipulates the parameters to protect known foreign currency exposures via forward exchange contracts.

NOTE 25: Related party transactions

(a) Parent entities

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

(b) Directors

The names of persons who were directors of the company at any time are as follows: W B Merriman, P Cocking, C Garnsey, J Morgan, M L Sheil, B P van Rooyen and D A A Webster.

(c) Subsidiaries

Interests in subsidiaries are set out in note 26.

(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 2015.

(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 2015.

(f) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2015	2014
	\$	\$
<i>Sales of goods and services</i>		
Sales of services relating to marketing and wool testing activities to key management personnel of the entity*	9,509	8,365
<i>Purchases of goods</i>		
Purchases of goods and services relating to marketing and wool testing activities from key management personnel of the entity*	366,362	253,818

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

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

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

	Consolidated	
	2015	2014
	\$	\$
Current payables (purchase of goods)		
Key management personnel of the entity	10,291	43,638

Notes to the financial statements

30 June 2015

(continued)

NOTE 26: Controlled entities

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

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2015 %	2014 %
Subsidiaries controlled by Australian Wool Innovation Ltd:				
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
Digibale Pty Ltd	Australia	Ordinary	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
Wollsiegel Verband	Germany	N/A	100	100
Woolmark (Italy) SRL	Italy	Ordinary	100	100
The Woolmark Company (HK) Limited	Hong Kong	Ordinary	100	100
The Woolmark (Shanghai) Company Limited	China	Ordinary	100	100
Woolmark Services India Private Limited	India	Ordinary	100	100

NOTE 27: 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 28: 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 29: Parent entity financial information

(a) Summary financial information

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

	2015 \$'000	2014 \$'000
Balance sheet		
Current assets	78,480	85,703
Non-current assets	52,149	47,415
Total assets	130,629	133,118
Current liabilities	5,942	8,679
Non-current liabilities	465	749
Total liabilities	6,407	9,428
Net assets	124,222	123,690
<i>Shareholders' equity</i>		
Retained earnings	123,690	139,085
	123,690	139,085
Profit / (loss) for the year	532	(15,395)
Total comprehensive income	-	-

The prior period has been restated to include a recharge from its subsidiary - The Woolmark Company Pty Ltd.

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2015 or 30 June 2014.

Directors' declaration

30 June 2015

In the directors' opinion:

- (a) the financial statements and notes set out on pages 63 to 87 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 2015 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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



Mr W B Merriman (Chairman)
Director

Sydney
20 August 2015

Independent auditor's report

30 June 2015

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 (the company), which comprises the consolidated balance sheet as at 30 June 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 Australian Wool Innovation (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at 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. Those 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 consolidated 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.

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 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 2015 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements including the Australian Accounting Interpretations and the *Corporations Regulations 2001*.



PricewaterhouseCoopers



Peter Buchholz
Partner

Sydney
20 August 2015

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 2014/15 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 20 June 2013 (the "Agreement") between the Commonwealth of Australia (the "Commonwealth") and the Company, as measured by the criteria outlined in Sections A and B below.

Use of Report

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

A. Reasonable Assurance on Compliance with the Agreement

Respective Responsibilities

Management of the Company are responsible for compliance with the Agreement as measured by clauses 6 and 7 of the Agreement. Our responsibility is to express a conclusion on compliance with the Agreement as measured by the clauses 6 and 7 of the Agreement, in all material respects.

Our audit has been conducted in accordance with applicable Standards on Assurance Engagements (ASAE 3100 *Compliance Engagements*) to provide reasonable assurance that Australian Wool Innovation Limited has complied with the Agreement as measured by the criteria in clauses 6 and 7 of the Agreement for the year ended 30 June 2015.

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 clauses 6 and 7 of the Agreement for the period from 1 July 2014 to 30 June 2015.

Inherent Limitations

Because of the inherent limitations of any internal control framework, it is possible that fraud, error or non compliance may occur and not be detected. An audit is not designed to detect all instances of non compliance with the Agreement as measured by clauses 6 and 7 of the Agreement, as an audit is not performed continuously throughout the period and the audit procedures performed in respect of compliance with the Agreement as measured by clauses 6 and 7 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 for the period from 1 July 2014 to 30 June 2015.

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 2014 to 30 June 2015.

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 2014 to 30 June 2015.

PricewaterhouseCoopers

Peter Buchholz
Partner

Sydney
20 August 2015

PROJECT LIST 2014/15

This list contains details of AWI projects in which costs incurred during 2014/15 totalled more than \$120,000 for each project.

The cost figures (in the right-hand columns) include both contract and ancillary payments. The costs in this list represent 'external costs' to suppliers directly related to the projects and not the 'internal costs' of AWI staff who manage those projects and other operating expenses.

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

ON-FARM R&D PROJECTS

Project title	Key providers*	\$ Paid in 2014/15
Achieving Low Cost "Cervical" Artificial Insemination with Frozen Ram Semen	University of Sydney	191,913
Analgesia for Sheep	University of Sydney	200,925
Australian Pastures Genebank	Minister for Agriculture, acting through SARDI	142,697
BESTWOOL/BESTLAMB 2014-17	Department of Economic Development, Jobs, Transport and Resources	272,649
Breeding Breech Flystrike Resistance	CSIRO Manufacturing & Infrastructure; Department of Agriculture WA; The University of Western Australia	688,633
Community Wild Dog Control Initiative	Various - wild dog control groups in Qld, NSW, Vic, SA & WA	381,539
Grower Extension and Promotion	Various	174,842
Histone Deacetylase Target in Blowfly	CSIRO Food & Nutritional Sciences	250,177
Invasive Animals CRC Contribution 2012-13 to 2016-17	Invasive Animals Ltd	348,964
Leading Sheep 2011-15	Department of Agriculture and Fisheries (Qld)	153,519
Making Clover Pastures Resistant to Phytophthora	The University of Western Australia	121,308
National Merino Challenge	Bralca	145,386
Pastoral Profit 2014-17	Meat & Livestock Australia Limited	151,512
Pasture Legumes in Mixed Farming Zones	Murdoch University	187,400
Reproduction Management Training	Meat & Livestock Australia Limited; Rural Industries Skill Training Centre	1,063,298
Shearer and Woolhandler Training Portfolio	Brian Anthony Sullivan; Primary Employers Tasmania; Rural Industries Skill Training Centre; SCAA Shearer Woolhandler Training; Shaun Andrew Wilson; TAFE NSW - New England; TAFE SA; Tectra Australia Pty Ltd; The Derald King Family	1,857,265
Shearing Industry Competition 2014-15	Sports Shear Australia (NSW) Inc; Sports Shear Australia Association	242,469
Sheep Connect South Australia 2014-17	Primary Industries & Regions SA	183,108
Sheep Connect Tasmania 2012-15	University of Tasmania	154,812
Sheep Genetics MERINOSELECT 2014-15	Meat & Livestock Australia	235,976
State Wild Dog Coordinators Stage 2	Agforce, Queensland; Department of Environment, Land, Water & Planning (Vic); Invasive Animals Ltd; NSW Farmers Association	667,692
The Sheep's Back 2014-17	Icon Agriculture	190,399
Wild Dog Management in Australia	Department of Agriculture Fisheries & Forestry	169,956

*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.

OFF-FARM R&D PROJECTS

Project title	Key providers*	\$ Paid in 2014/15
Development of Training & Education Packages	DeakinPrime	122,947
Face-to-Face & Digital Education Content	DeakinPrime; Green & Old Printing; Shanghai XianWen Printing Co Ltd; Sodus Pty Ltd	177,445
Global Trade Shows Autumn/Winter 2015-16	Fiera Milano SpA; GL Events Services; Krypon Inc; Marco Martini & C Sas; Messe Munchen GmbH; Premiere Vision SA; Sub-Council of Textile Industry; Zines Exhibition Services	616,399
Improving Grease Recovery	Deakin University	215,264
IWTO Sustainable Practices Working Group	International Wool Textile Organisation	130,658
New Supply Chain Development	Dr Tran Van Quyen; Gary Robinson; Russia-Europe Textile Alliance	509,770
Technical Services Technology	Deakin University; Images Multimedia Pvt Ltd; Santics Co Ltd; Shandong Nanshan Fabric & Garment Co; Toa Boshoku Co Ltd; Zhangjiagang Yangtse Spinning Co; Zhejiang Xinao Textiles Inc	267,597
Training & Education Packages - Europe & Americas	Australian High Commission; Druckstudio GmbH; Firmdale Events-Crosby Street Hotel; Grafiche Ortolan Sas; Meier-Germany; Texprint Ltd	140,241
The Wool Lab – Off-farm	Riccardo Rami Studio SRL	747,441
Trade Content and Imagery Production	Deakin University; Press Box Pty Ltd; Three660 Media Pty Ltd	178,263
Wool Life Cycle Assessment Technical Advisory Group	AgResearch Ltd; Agri Escondo Pty Ltd; Feedlot Services Australia Pty Ltd; Nonwovens Innovation & Research; Thinkstep Pty Ltd	150,311
Woolmark Digital Platform	Profero Pty Ltd	276,451

MARKETING PROJECTS

Project title	Key providers*	\$ Paid in 2014/15
Australia Market Collaborations	Belgair Graphics Pty Ltd; Playcorp Pty Ltd; Song for the Mute	220,837
Campaign for Wool 2013-15	ARTER; Conde Nast Publications Limited; Les Publications Conde Nast Sa; Sports Unity Co Ltd; The Campaign for Wool Ltd; Urban Production SRL; Visual Talent Ltd	2,627,828
China and Gold Woolmark 2014-15	Data Driven Marketing Asia; Jiangsu Hong Da Exhibition Co Ltd; Mike Da Silva & Associates Aus Pty Ltd; Shanghai Blue Flying Fish Advertising; Shanghai Spring Advertising Co Ltd; Stuart Ford t/a Prediktiv Thinking	1,858,717
Contemporary Fashion Ambassador 2014-15	Iconyc LLC; Wooster Worldwide LLC	130,814
Cool Wool 2014-15	British Fashion Council; Chief Productions Ltd; Christopher Raeburn; Conde Nast India Pvt Ltd; HF Design Ltd; Neville McCarthy Associates Ltd; NewBale Clothing Pty Ltd; Richard James Commerce Ltd; The Conde Nast Publications Ltd	1,820,598
Designer/Ambassador Program Vogue	The Conde Nast Publications Ltd	234,867

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

MARKETING PROJECTS (continued)

Project title	Key providers*	\$ Paid in 2014/15
Designer Collaborations and Promotion	British Fashion Council; Chief Productions Ltd; Christopher Raeburn; HF Design Ltd; LD Menswear Limited; Neville McCarthy Associates Ltd; SIBLING International Ltd	154,046
Digital Infrastructure	Amazon Web Services Inc; Anchor Systems Pty Ltd; Creative Folks Pty Ltd; Havas Worldwide Australia; Profero Pty Ltd; StoneBridge Systems Pty Ltd	454,559
Digital Marketing	Cloud Sherpas; Klick Communications Pty Ltd; Meld Studios Pty Ltd; Osmosys Pty Ltd; Profero Pty Ltd; Prue Carstairs	658,936
Global Media Monitoring	Digital Media Research; Georgina Kate Safe; iSentia Pty Limited	149,600
Global PR Agencies - Italy	Smith-Petersen SRL	121,295
Global PR Agencies - USA	Global Elite LLC; KP McGregor Consulting Inc; Neuhouse LLC	164,744
India Trade Communications & Key Accounts	Confederation of Indian Textile Industry; I Am Creative Communication PVT Ltd; Mike Da Silva & Associates Aus Pty Ltd; Percept D Mark; Shoppers Stop Limited; Sunrise Graphics	179,537
International Fibre Advocacy/IWTO	R. Peter Ackroyd Ltd	296,486
International Woolmark Prize - Asia	Activation Group; Beijing Jianyi Jingyuan Cultural; KuRoko Inc; Lucrezia Seu Ltd; S.I.S.E Inc; The Ritz Carlton Beijing; V Major t/a Sharqueu Industry Co Ltd	1,247,965
International Woolmark Prize	Asger Juel Larso; Augustin Teboul; Inca Productions Ltd; PS38 LLC	619,748
International Woolmark Prize - Australia	Alaud Pty Ltd; AVP Pty Ltd; LAB & Co Pty Ltd; Select Model Management; Silvestrin & Associati SRL; Strateas Carlucci Pty Ltd	839,184
International Woolmark Prize - India	Bird on A Wire; The Emperor 1688 LLC	209,639
International Woolmark Prize - USA	Laine Rosenberg dba Casting by Laine; Milk Studios LLC; Patmos Design Inc; PTL Staffing LLC dba PTL Events; Public School; Tinc Productions LLC	299,027
Italian Industry Relationships; The Wool Lab; Input to Global Strategy	Fabrizio Servente	411,753
Key Account Management & Training	Stuart Ford t/a Prediktiv Thinking	149,815
Loro Piana Record Bale	Loro Piana SpA	167,572
Major Agricultural Show Involvement	Various	163,956
US Market and Demand Development Consultancy 2014	Malcolm Carfrae	120,422
Media Advertorial GQ UK 2014-15	Communion K.K.; Ediozini Conde Nast SpA; The Conde Nast Publications Ltd	156,414
Media Planning and Placement	Diane Almond Marketing Ltd	221,023
No Finer Feeling Conde Nast Italy Advertorial	Ediozini Conde Nast SpA	219,150
No Finer Feeling Global Media Activities - Autumn/Winter	AdBeyond (Group) Limited; AsiaPac Net Media Ltd; Chaloub Inc. FZE; Kaya Media; Mediasmith; The Conde Nast Publications	246,946

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MARKETING PROJECTS (continued)

Project title	Key providers*	\$ Paid in 2014/15
No Finer Feeling Global Media Buying Autumn/Winter 2014-15	Mediacom Holdings Ltd; Mediasmith; Net A Porter; RCS MediaGroup	159,657
No Finer Feeling Media and Production Consultancy	Caroline Dowsett; Grey Advertising Ltd; Mediacom Holdings Ltd	159,491
No Finer Feeling Vogue Advertorial	Conde Nast Publications Limited	243,000
No Finer Feeling Vogue France Advertorial	Les Publications Conde Nast SA	199,553
Promotion of Merino Wool	Anderson & Sheppard Ltd; Chief Productions; Indesco Ltd c/o Justin Sumrie; Lloyd Almond Productions Ltd; Nick Leary Photography	128,747
REDA Partnership 2013-15	Successori Reda SpA	199,585
Scabal - From Farm to Fashion	Nick Leary Photography; Scabal NV	199,937
Search Engine Optimisation and Management	Facebook Ireland Limited; Twitter Asia Pacific Pte Ltd	249,911
Sports/Outdoors Global Marketing	Aclima AS; Beijing ShiJieJiaCia Graphics Design; Berghaus Japan; Jaggad Pty Ltd; Meier-Germany; Ortovox Sportartikel GmbH	204,314
Sports/Outdoors - US Marketing	Ashmei; Emerald Expositions LLC; Kora Kuhner; Neon Pictures Ltd; Shandong Nanshan Fabric & Garment	219,119
The Wool Lab Marketing	Class Pubblicita SpA; Corbis Italia SRL; Edizoni Ecomarket SpA; Riccardo Rami Studios SRL; Sitex SpA; Vanzi SRL	489,541
Video and Still Content Creation	Coup D'Etat Films Pty Ltd; M&L Picker; Profero Pty Ltd; Sixty Four Films; The Japan Wool Textiles Co Ltd	174,203
Washable Wool: Tested by Nature, Tested by Us	Druckstudio GmbH; Il Gufo SpA; TMG Landelijke Media BV	177,456
Website Development and Maintenance	Profero Pty Ltd; StoneBridge Systems Pty Ltd	231,049

CORPORATE SERVICES PROJECTS

Project title	Key providers*	\$ Paid in 2014/15
2014-15 Investment Evaluations	BDA Economics & Environment Pty Ltd	271,624
AWI Wool Selling System Review	Bernard Wonder; Eubindal Pty Ltd; Fox & Lillie Pty Ltd; Graeme Samuel; Ida Economics; Pty Ltd; William Wilson	443,438
AWI Stakeholder Consultation Forums	Various	128,671
Beyond the Bale and Related Publications	D&D Mailing Services; Newstyle Printing Co Pty Ltd	212,692
CRM Change Management	Cloud Sherpas Pty Ltd; Force4Change Pty Ltd	175,056
Global Trade Database	Edward McGrory; Global Trade Information Services; Jeff Qingui Zhu; Poimena Analysis; WGSN Ltd	189,078
Regional Engagement Events 2014-15	Various	214,237
Supply Chain Facilitation and Wool	Kristina Diane Jackson, Scott Daniel Carmody	231,436

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

Printed in Australia by Belgair Graphics Pty Ltd. This document has been produced according to sound environmental practices.

More information:

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

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- *Beyond the Bale* magazine online: <http://beyondthebale.wool.com>

AWI produces several free e-newsletters:

- Weekly wool market review
- Monthly AWI woolgrowers' e-newsletter
- *Beyond the Bale* e-newsletter
- WOOL e-newsletter (textiles and fashion)

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