

The CEO's address and review of the financial statements of the company for the year ended 30 June 2008 is agenda item 1 of notified business and includes consideration of the related director's report, director's declarations and the auditor's reports, all of which are now before the meeting. I now invite the CEO of the company, Craig Welsh, to address the meeting.

CRAIG WELSH, CEO, AWI: Thank you Chairman. Good afternoon, ladies and gentlemen and thank you for attending this year's AGM.

When I spoke to you last year I concluded by foreshadowing that the 2007/ 2008 financial year would be very much a transitional one. The creation of this new organisation is a direct result of The Woolmark Company's operations being integrated into AWI.

The main benefits of this takeover are firstly control of the Woolmark brand and secondly the key account management with approximately 1,755 licensees and a global infrastructure.

It is important to remember that AWI did not have the mandate to do marketing until WoolPoll in 2006 and that the Woolmark Company had not had adequate investments in the business over the past five years. We continue to progress this as quickly as possible in terms of our restructure and reorganisation of the business.

We have new goals, a new management team, a new strategic plan, new brand architecture, new relationships with our key business partners both at a manufacturing and retail level all around the world.

We have a new culture at AWI. It's a culture of accountability. It's about driving results and making things happen in a much more dynamic global business environment. We are now truly a global business with 18 overseas offices servicing key global markets in more than 60 countries and several thousand Woolmark partners working with us on a business to business basis. We have divided our key global markets into three regional areas, Asia which is run out of Tokyo and encompasses Greater China and also India, Europe based in Paris covering our traditional Western European markets with plans for expansion into Central and Eastern Europe, including Russia. We also have a very successful presence in the Americas serviced by our New York office which services North, Central and also South America.

Of course this international outlook is dramatically different to the one that we saw this time last year. However, your company is in very strong financial and business shape. Before I report on this year's financial statements I need to remind you that these accounts represent a consolidation of the AWI and the Woolmark business activities. Our income for 2008 reflects a very healthy surplus of \$5.5 million. Revenue for 2008 at 91 million was \$27 million higher than 2007. On a line by line basis levy income was 45 million versus 46.5 million in 2007 and government co-funding contributions was 12.3 million up from 11.6 million. Investment income was 5 million up from 4.8 the year before.

The impact of Woolmark is reflected in the significant uplift in revenues from goods and services, royalties and licensing revenue which on a combined basis rose from \$600,000 to 13.4 million, an increase of 12.8 million. An important component of the Woolmark business is the licence revenue which has declined considerably over the last eight years and is explained by the graph behind me. The \$15 million government grant for the acquisition of the Woolmark has been effectively utilised with \$5 million invested in restructuring costs which will deliver enduring value for the company and the remainder reflected as a \$10,000

intangible asset in the balance sheet, recognising the value of the Woolmark brand.

Research and development investment at \$59 million was 4.9 million lower than 2007. Associated support costs at \$10.2 million were \$1.4 million or 12 per cent lower than in 2007.

This decline reflects a commitment on behalf of the Board and management to drive down operational costs. During the course of 2008 over \$5 million in costs have been eliminated from the combined business with a further \$4 million-plus in savings expected to be realised in 2009/10 when the impact of the changes already underway are fully implemented.

Those costs that have risen in 2008 are directly related to the poor operations of the Woolmark business. It is also worthwhile noting that the final result for the year was exactly in line with our budget for 2008. We have also been cautious with the management of AWI's cash assets. We have moved funds out of floating investments well before the global financial crisis hit, preferring to harbour our cash in the safe haven of Australia's big four banks. It was the right move at the right time, and one which leaves AWI well placed to weather the economic uncertainty.

Moreover, we have been investing in IT, to be faster, better and smarter. In particular, our Customer Relationships Management Program is connecting us with our business-to-business partners around the world and allowing us to more proactively service them.

As the chief executive, one of the first decisions I made was to develop a global strategic plan which could deliver results woolgrowers. This plan was developed with input from Australian Wool Industry leaders, from our partners throughout the supply chain, endorsed by AWI stakeholders and unanimously approved by the board of directors. We have built a business that will create sustainable long-term demand for Australian merino wool.

Let me now turn to our on-farm initiatives. Woolgrowers gave AWI a clear indication to develop new technologies to increase productivity and efficiency in wool production. Lifetime Wool has developed ewe management guidelines, backed by rigorous science and economics to optimize ewe and lamb wool productivity. The project has demonstrated that by keeping ewes in optimal condition prior to and during pregnancy, the outcomes for lambs and, therefore, for farm income is increased. The project has engaged approximately 20,000 procedures, consultants and networks since its commencement in 2001. We estimate that the annual payoff to woolgrowers that have adopted Lifetime Wool is about \$15 million nationally.

Training is also a critical component of what we do. AWI has invested \$2.8 million during the past two financial years in the Shearer and Wool Handler Training Programs. As a result, 4000 shearers and 2800 handlers have been trained around Australia. A major outcome of the training program has been a gradual change in the culture which is occurring as high-quality trainers are taking positive messages into the working woolsheds.

The Shearer and Wool Handler Training Program also delivers significant outcomes for the community by providing training and career opportunities in remote regional areas and improving safety for workers in the industry through reduced injuries and accidents.

AWI is committed to developing alternatives to mulesing and has invested in the development of clips, which will be commercially available in 2009 and which will include biodegradable options as soon as possible. Ongoing research and development is being undertaken into the alternatives,

including intradermals and the recent development of a suite of injectable solutions. This is important work in finding a viable solution for woolgrowers.

Building on this base of a natural fibre grown in Australia, we have positioned Australian merino in the global market as affordable and luxurious. Our daily business is very much a business-to-business model. We are primarily focused on demand creation through our global business partners. They sell the technical aspects of wool, but they are also correcting our business-to-business partners around the world back to the supply chain and then back to the growers in Australia.

Our global marketing effort is substantial and follows 12 months of intensive research with 20,000 of our customers in our 12 most important consumer markets around the world. All the initiatives in the strategic plan are designed around creating long-term demand for Australian merino wool. We have launched the new brands in major fashion centres around the world, including Tokyo, New York, Paris, Milan and Shanghai, to name just a few. We are opening an office in London where we can better service the important UK market.

We are also going to completely restructure our European business and look to increase our presence in Central Europe and Russia via an office in either Moscow or Prague to capture this potential growth market. At the same time, we are investing in technology transfer. This is about building manufactures' capacity and skill to process wool in Bangladesh at a lower cost manufacturing base.

The global launch of Merino Fresh suit has resulted in 92,400 unit orders in the 2007-08 financial year, and we are forecasting future orders of over half a million units for next financial year.

All the business, research and development projects that we are looking at to execute over the next 12 months will be done against a backdrop of constantly reducing the cost of doing business. In the last nine months, we have made significant cost savings in many areas of AWI's operations, and those savings will be ongoing. It is AWI's business to position the brand and the Australian merino fibre with our international retailers as natural and affordable luxury.

We have set ourselves a very ambitious target, and we are aggressively delivering 20 million kilos of new demand each year going forward. I can confirm new demand of 7 million kilos since the implementation of the new strategic plan.

We have a committed team of people, both internationally and here in Australia, to drive the business, and we look to the future with very much a new sense of confidence. AWI's mission is to create demand for Australian wool, which I believe will positively impact the price that woolgrowers receive. That is why we are positioning Australian merino as an affordable luxury fibre. It is about getting the demand up, getting the volume up, getting the price up and making growers in the industry more profitable and more certain to invest in the future.

Ladies and gentlemen, that concludes my remarks. I would finally just like to take the opportunity to acknowledge our staff, both in Australia and around the world, for their outstanding contribution over the last 12 months. Thank you very much.

CHAIRMAN: Thank you, Craig. I now invite your questions and comments on Mr Welsh's report. Those people holding yellow or blue cards may ask questions at this point or make comments at this point. When invited to do so, please follow the procedure we have outlined already. The AWI officer at the microphone will announce your name to the meeting. I will

invite you to clearly state your question or comment to the CEO. Please remember that it is essential that everyone hears your question or comment.

MARTIN OPPENHEIMER, SHAREHOLDER NEW SOUTH WALES: Mr Welsh, as CEO, I'm just wondering were you aware of the research being carried out, I think, by director, Chris Abell, and - I think if I get the name correct - a vet, Jack Coffey, on the FST1 and FST2 technologies, known in the media as the silver bullet mulesing alternatives? If so, according to the media releases, AWI media releases and other statements made by AWI directors at the Senate committees, this research was sanctioned by AWI and did involve up to hundreds of lambs, some dead, some alive, over a period of about a year. Why did it take so long to seek Ethics Committee approval? Indeed, why was this research commenced at all without Ethics Committee approval? Finally, where are the sheep now?

CRAIG WELSH, CEO: Yes, I certainly was aware of it, and I authorised the initial amount of expenditure, which was I think in the vicinity of \$50,000 to \$70,000 a year. In terms of the awareness of the rest, I think it's probably up to the Chairman to answer that.

CHAIRMAN: Martin, a number of the comments you've made are absolute rubbish. At no stage has anyone publicly spoken about hundreds of lambs over a year. The Senate committee details were given absolutely clearly. I'm not going to revisit that here. I think everyone in this room would be right behind any development that offered growers the opportunity at similar cost to provide the same protection on lambs as surgical mulesing does. If that can be achieved through an alternative method at similar cost, I'm sure every grower here would be excited and enthusiastic about it.

These questions were fully answered in the Senate. I invite you to read the transcript, because I'm not going to go over that again now. As to your assertion that hundreds of lambs were treated and where are they now - they were not, and there is nothing to report on. The lambs that are currently being treated in considerable numbers are at SARDI, and are being treated and dealt with according to the permit that SARDI have and will be handled accordingly. There will be no issue relating to those. Thank you for that. Next question.

MARTIN OPPENHEIMER, SHAREHOLDER NEW SOUTH WALES: Chairman, am I comment?

CHAIRMAN: No, you may not. I've said one question each. If there's another question you wish to make at the end, you may. Next question.

KEN PECK, SHAREHOLDER WESTERN AUSTRALIA: Chairman, Mr CEO, just in relation to your various methods that you are trialling and developing indeed of mulesing - and I compliment you on the other methods of testing - but the one thing that you need to be aware of is that on our property where we have something like 10,000 lambs, my son did a trial, not mulesing, but mulesing with clips, mulesing with Tri Solfen just our normal program. The result of that - it's too early to say about the not mulesing and so on - he wanted to prove that - but the ones with clips, we actually had to go out and treat them for flies. We are never ever going to use clips again, because we did about 200 of each in one mob - 200 of each - so we had about 800 lambs in the trial. So, I think the clips, biodegradable or not, is an absolute waste of time in the southwest of Western Australia.

CHAIRMAN: Thank you. We're going to do a bit of Tom and Jerry act here, if you don't mind. Look, there's no doubt about it - clips will not suit every area or will not suit every type of animal

that's out there. They are not universal; they are not the universal solution that we're looking for. They are an interim option, and they are an option for some people in some country and on some type of animals. You've just heard somebody else speak about them today and appeared to be quite satisfied with them. At the end of the day, what we do need to find is a solution that will meet the vast majority of growers' protection issues at a cost that is the same as, ideally, the current cost of mulesing. That is what the company is setting out to achieve.

I fully recognise that there are some areas and some types of animals that the clips are not suited to and do not appear to work as well or afford the protection. We are well aware of that, and that's why we're working so hard on looking for alternatives. So thank you for that.

MR PECK: Thank you. They were put on by trained experts, too.

CHAIRMAN: I wasn't suggesting it was anything other than that.

GEORGE WARD, SHAREHOLDER FROM NEW SOUTH WALES: Thank you. Mr Chairman, I'm very delighted to think that in Bangladesh, they're going to process wool there. The question I would ask, how is that going to be financed? They're a people that are pretty flat strapped for money.

CRAIG WELSH, CEO: George, we are using the existing infrastructure with some of our B-to-B partners there at the moment. Essentially, what we're doing is we're providing the technology transfer that allows them to process wool using some of their existing infrastructure on the basis that - there's two things - firstly, we would be able to reduce the cost of the product and allow them to make more profit and, secondly, it will give us a better capacity going forward. There will be a minimal cost to AWI. I think the total cost off the top of my head is something like \$50,000 or certainly less than that.

If you look at Bangladesh in totality, it produces some incredible percentage of the world's cotton. It's like 25 per cent or something. If you look at the amount of product it supplies into the American market, it is huge as well. So, certainly from a strategic perspective from the cost and a positional perspective, we see it as very much part of the future.

GEORGE WARD, SHAREHOLDER FROM NEW SOUTH WALES: It is the richest agricultural company in the world, not only for cotton - they also have the most fertile woman in the world. Most of them go between 20 and 30 pregnancies a year!

CHAIRMAN: Thank you, George. Clearly, there's no supply problem there.

LAWRY TYLER SHAREHOLDER WESTERN AUSTRALIA: I wish to pose a question that if AWI is going to make money or save money, I presume woolgrowers will have a reduction in our wool tax.

CHAIRMAN: The only way you'll get a reduction in your wool tax is when you vote at Wool Poll next year. I'm not advocating that. I'm just pointing out to you the mechanics of how this operates. Clearly, money that the company saves will be available for investment in marketing programs and demand-building programs going forward. That is going to be critical. Of course, the real issue on that subject is the fact that we are concerned about our income reduction given the drop in the EMI and the impact on supply. So we are being prudent by ensuring that we are cutting costs so that we retain our reserves at the levels we'd planned to instead of moving further

into deficit. The plan of the board and the instruction to management has been that we should not let our cash reserves drop below \$50 million and that management have to cut their cloth accordingly. If the income drops, we need to see a reduction in overheads so that we can absolutely make sure we get the best bang for our buck as we go forward. Unfortunately, that won't help you in wool tax, but you will have an opportunity next year.

ERIC PECK SHAREHOLDER WESTERN AUSTRALIA: He would like to see the last slide from the CEO's address put back on the screen, please.

CHAIRMAN: Okay. I think it's slide no. 25. Is that the one?

MR E PECK: No, Mr Chairman. It's the one relevant to the increased demand of 7 million kilograms.

CHAIRMAN: Is that the one you want?

ERIC PECK SHAREHOLDER WESTERN AUSTRALIA: Yes, yes, that's correct. It seems to me that fundamental marketing of supply and demand, I cannot understand how you have increased the demand by 7 million kilos. We're giving the buyers less supply, yet we are looking at a lesser price in the marketplace. How can that be explained?

CRAIG WELSH, CEO: Well, at the moment - there are two points I'll make. The first thing is that what we've said is that we will deliver 20 million kilos of new demand every year, which is driven from the innovations and some of the various other product offerings that the guys showed you this morning. In terms of what impact that's going to have on the market, it depends on the market circumstances and supply and demand at that particular point in time. What you're seeing in the wool market at the moment is really a reflection of what's happening as a result of the global financial crisis. The demand is dropping, but it's not related to this particular thing. It's driven by a significant reduction in overseas retailer demand because of the decrease in consumer purchasers driven by financials.

ERIC PECK SHAREHOLDER WESTERN AUSTRALIA: You say you have actually increased the demand by 7 million kilos.

CRAIG WELSH, CEO: No, no, what we've said is we've generated 7 million kilos of new demand. So when Jimmy went through the stuff this morning, he showed you things like the shower suit, mercerised merino, the intimate merino, etc. When you add all those together on the matrix that he explained earlier in terms of how we add it up, that tallies up to 7 million kilos of product that has been generated by our customers overseas that wasn't there last year as a result of the product innovations and various other marketing programs we've conducted in the first four or five months of the year.

CHAIRMAN: I think the issue that you are concerned about is that demand has basically collapsed, and we see it from our contacts in China and elsewhere. Currently, demand from Northern Hemisphere retailers for winter 2009-10 - which is what they are now currently planning for - has fallen away dramatically. A lot of that is due to the fact that at some of the major department stores where your wool is eventually sold, their September-October sales figures are as much as 30 per cent down for the same month last year. So there's been this enormous collapse in consumer demand for product generally, not just wool, but product generally. The retailers are being very, very cautious indeed about what they are open to buy. That has reflected all the way down the pipeline. Whilst we have created new demand with new

products, base demand, existing demand has collapsed. That is being reflected in the price at the present time. That is the concern going forward - so long as this financial crisis is around and consumer confidence remains as low as it is, it will impact on department store sales and general sales. This will be a real issue for us in the short term.

JAMES KENNEDY, SHAREHOLDER, VICTORIA: Thanks, Chairman. I'd just like to enlighten people on my experience with the clips. I don't want to go into detail; what I did wasn't rocket science. One ml of the pink product sprayed down their breach, every lamb was inspected when the clips were removed, and not one case of fly strike, but it was a different story with the ewes. So, horses for courses, and I endorse what your comments were - what suits one will not suit everybody.

CHAIRMAN: Thank you, Jim.

MARTIN OPPENHEIMER, SHAREHOLDER, NEW SOUTH WALES: I don't want to labour the point, Mr Chairman, but just to make it very clear from woolgrowers' perspectives that research governance is extremely important. So, we expect the company to hold the highest standards in research codes, adhering to all their search codes and also the laws of the country.

CHAIRMAN: Well, I can assure you that the company shares that view entirely. If you read the Senate transcript carefully, you will find that that is the case that was put. The company shares that view entirely. The company did not - I repeat - the company did not conduct experiments illegally or in any other way. So, you can take that from me exactly like that. read the Senate transcripts. You'll see it confirmed in exactly the same way. The company did not perform experiments illegally. Now, next question, please.

MICHAEL GREY, SHAREHOLDER, WESTERN AUSTRALIA: A question to you, Mr Chairman, rather than Craig. As a producer, I don't feel that I'm bound by the 2010 deadline for mulesing. Possibly as a company, I think that is your responsibility to get things in place if you wish to see a cessation of mulesing. But, in the meantime, or beyond 2010, I would like an indication from the board that they would support the continuation of mulesing, or at least not white ant it, until we do have a silver bullet and not the range of measures that Geoff Lindon pointed out to us at our WA farmers conference early this year, because I thought that was quite unacceptable. But, as producers, we need to know that the board policy at the moment - obviously there are elections coming on and we don't know what is going to happen - but I would certainly like to know what the board's view is on mulesing so that the farmer can make a choice based on economics and nothing else.

CHAIRMAN: Thank you. The board on three occasions since December 2007 and through until as recently as, I think, April of this year has on three occasions publicly issued a resolution that the board unanimously supports the industry commitment to cease mulesing at 2010. That is the company's position.

The company at no stage has said that it will instruct, legislate or do anything else to stop woolgrowers doing on their properties what they want to do. People who have been portraying that are wrong. The company's position is that the board unanimously supports the industry's decision for the phase out of mulesing on 31 December 2010.

But it would be remiss of me not to point out to you as growers that what decisions you make post-2010 will be impacted on by the market, because the retailers and brands, almost without exception - we are talking here about the major 200 retailers and brands that probably sell a very

significant percentage of Australian merino wool, and I exclude China from this, because they don't have a position yet, but the Northern Hemisphere markets of Europe and the United States which are vital markets for your wool - those retailers and brands have said, without question, that they expect the industry to honour its commitment.

So the risk you face is that those retailers and brands may not want to face the animal rights movements on your behalf, because that's what they do. They are the ones at the coal face. They are the ones who have the boycotts, the placards and potentially red paint in their outlets. They will not prejudice their total business for a part of their business that represents 1 or 2 per cent. That is the message they have given us. We would be neglecting our duty to you not to advise you of that.

So, it is your choice. You will decide how you will protect your animals, but, be aware of what your customers are saying. In my experience, ignoring one's customers introduces a very high risk to your business. Now, I know that at the present time the price differentials are not being reflected in the market. But, you know, 2010 is still 25 months away - 31 December 2010, at least. So there is a long way to go. I'm sure that, ultimately, as I said in my address, the market will determine this matter. Those, hopefully, who follow a certain animal welfare protection system will be rewarded for that and those who don't may get discounts. We don't know which way it's going to go. I also acknowledge the fact that there are going to be a lot of people in the middle who will look to profiteer out of you. I'm sure there is going to be a lot of our wool sold that is apparently produced by a certain fly strike protection method when, in fact, it may not have been. So you may see an averaging of price out there. I don't know. Ultimately, it's what your customers want and what they dictate to their suppliers that will determine this outcome.

I do have to warn you that all the information that we are being fed from all the major players out there retailing the brands is that they are going to be very, very unhappy if Australia does not look to move to a different protection system and honour its commitment. That's the risk we face. We must be aware of that. At the end of the day, growers can make decisions for themselves, and they will do, as they have done for a long time. But it is our duty to warn you of what the market risk is. I think it's quite significant.

DIGBY STRETCH, SHAREHOLDER FROM WESTERN AUSTRALIA: Thank you, Mr Chairman. I don't wish to prolong this discussion on mulesing, but I'm sick and tired of the noisy wheels getting all the oil. There are many lambs out there unmulesed this year. There are many operations, including mine, that have moved heaven and earth to find a new way to protect our sheep. We have listened to our customers carefully. Whether we make it by 2010 or not individually, I'm not sure. My farm will. We've done this at the behest of our customers. We have gone right out there, we've gone past the line. I've asked more of my family and my farm staff to get this done this year than is probably fair of me.

The ball is now in the other court. We need AWI - I'm sure you're doing this, but we need reassurance from you - to be going overseas every time reminding our customers just how many people have gone the extra mile and are intent on continuing to go the extra mile to find a better way to protect our sheep from flies. We need recognition of that by a cheque book.

CHAIRMAN: Thank you, Digby. I can assure you we are advising all our major retailer and brand customers overseas of the efforts that are being made in Australia, and the efforts are significant. Because we can see it from the surveys of the lambs that are not being mulesed. This all entails additional cost. There is no reduced cost in adopting some of these management techniques. We know it introduces additional cost, additional labour, effort and concern.

The problem is that the retailers are saying to us that's the bottom line that we have to meet. It is interesting, none of them are coming along, as you can see from the prices, "We'll pay \$5." There is one group from Italy that are paying a bonus for non-mulesed wool, but the retailers, particularly in this environment, are not sending the price signal which would actually solve this problem immediately. If we got the price signal that unmulesed wool was worth whatever, \$2, \$1, 50 cents a kilo more, we'd see a whole change from growers. Growers entitled to be cynical. We've seen this over the years in all sorts of other areas. Look how long it took for the price differentials to be developed in injected measurement. It took some 15 or 20 years for there to be real price differential for those growers who are their wool tested properly.

This will take time. But we cannot afford to risk retailers or brands walking away from our fibre. You know, I don't know if anyone watched *Lateline* last night. The concern I have was the comment that just seemed to slip through from the interviewer when he said, and I quote, PETA are promising the mother and father of all campaigns if the industry steps back from its commitment. I think it was words along that line. That was the message that I took from it.

That would worry me, quite frankly. The last thing we want is for the animal rights movements to be energised and campaign against our customers who are telling us to change practice. So, you know, it is a very difficult scenario for growers, but be aware of the risk. All we can do is highlight that to you, because I think it's a real risk. Hindsight is going to be the one. With hindsight we'll be able to tell who was right and who was wrong, but I just hope that it's not an economic disaster for this industry because we cannot in this environment afford it and, quite frankly, even ignoring the current financial crisis, this industry could not afford a drop in demand, even a year ago, when prices were reasonably good. We can't afford that. We've got to get the price up to a level that will encourage you and your families to invest more in this industry. That's what we all need. Stud breeders, growers; we need to get the price to a level that makes your business sustainable and will allow you to compete with other agricultural pursuits and, more importantly, give your children hope that there is a future for the Australian wool industry. Any more questions?

MEREDITH SHEIL, SHAREHOLDER FROM NEW SOUTH WALES: Thanks, Brian. I think I'd like to go back to the obligations of AWI to woolgrowers in terms of the commitment to 2010, because that original commitment, when I read it, stated that it was made based on scientific confidence that an alternative would be available to protect sheep from fly strike by 2010. Now, I think Australian Wool Innovation is doing a fantastic job investing in research to support the phase out, particularly the work in genetics, looking at clips and intradermals, but I think that we have not got to the stage where we can actually say we now have scientific confidence that we can support a phase out of mulesing in 2010, that we have an alternative that will provide that. So we have farmers on the ground who are facing the problem of having to be able to manage their sheep without mulesing in a situation where they do not have the practical, economical or scientific options available to be able to achieve that.

So, I think that it's AWT's responsibility to be making sure that we are promoting the welfare - our welfare - standards to international retailers for all wool producers at the moment, not just those that can produce mulesed wool but also those who are producing other sorts of wool, whether it's unmulesed, mulesed, treated with clips, treated with pain relief, no matter what it is. Our obligation is to be supporting all farmers keeping all markets open as much as possible. My experience has been, speaking to the same retailers as yourself, that when we do offer them all the information available about our capacity to treat fly strike, the efforts we are making to do that, there is a lot of support for us and for all woolgrowers who are adopting progressive practices and

that that will continue beyond 2010. I think that it's AWI's job to provide woolgrowers not only with marketing of their wool overseas but also marketing their welfare practices. I think that AWI is failing in that job.

CHAIRMAN: Thank you, Meredith. There are a number of questions there, and I'll address them in order. First of all, we do aggressively promote Australian welfare standards as world's best practice. We do aggressively point out to retailers and brands the other side of the coin in what would happen if we didn't have the current mulesing protection for lambs. At the end of the day - and, with respect, I don't think you've seen the number of retailers that I've seen in the last 14 weeks - without exception, the retailers they are now saying, "We are not interested. We are not prepared to fight PETA at our front doors for this practice." That is the message.

Do you want us to take the risk of losing some major retail clients and prejudicing this industry? All we are doing is passing that message down. That is the risk the industry faces. But let me re-emphasise this: AWI is not saying to growers, "You have to stop mulesing." What we are saying to growers is, "This is the risk you face if you don't." So far as the work is concerned, we are very aggressively pursuing research into alternatives, which you heard Martin criticising earlier. Let me tell you - we are doing more today than was done four years ago with some very clever science to find effective alternatives.