

# **GRAZIERS' INVESTMENT COMPANY LIMITED**

## **ANNUAL GENERAL MEETING**

**Wednesday 12 November 2008**

**Treacy Centre, 126 The Avenue, Parkville, Melbourne, Victoria**

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### **CHAIRMAN'S SPEECH**

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Good morning. There is a quorum present and I declare the meeting open.

I have read the minutes of the Annual General Meeting of the Company held on 30 November 2007 on the Ground Floor, Peppin Room, 369 Royal Parade, Parkville, Victoria and have signed them as a correct record. The minutes are available to shareholders to view by arrangement with the Company Secretary. The Notice convening the meeting was distributed to shareholders in October 2008 and therefore I propose to take the Notice as having been read.

Welcome to the first Annual General Meeting of the newly named Graziers' Investment Company Limited (GIC) an opportunity for the Board and shareholders to once again meet face to face.

Presentations this morning are as follows:

1. Chairman's Overview – Reflecting on the past and looking forward to the future.
2. Consolidated and Division Financial Reports – John Patten.
3. ANDAR – James Irvine.
4. Chairman Q & A's.
5. Items of Business – re-election of two Directors (Philip Attard and I).

I introduce fellow Directors – Philip Attard and John Patten. Ian Hilton is an apology.

My thanks go to the Board generally during a challenging year. The result has been positive.

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I would now like to introduce Executives: General Counsel and Company Secretary, Peter McKeown, Group General Manager, Elaine Beever and Managing Director Andar Holdings, James Irvine.

I also wish to acknowledge Andrew Mill, auditor from PricewaterhouseCoopers, and Tom Watson from Link Market Services who will be our Returning Officer today.

Now I will present my Chairman's report, reflecting on what has been a difficult, frustrating, but ultimately satisfying year, under review.

2007/2008 was a momentous year for the whole wool industry. The main game for GIC was completion of the sale of the core wool business to Australian Wool Innovation Limited (AWI). During the year under review, GIC's focus was on completing the sale which would best serve our shareholders and protect our assets, most notably the Woolmark brand.

There was no secret that the Australian Wool Services Limited business model was not sustainable. We faced a series of significant impediments and legacy items – most significant was the IWS Retirement Benefits Plan known as the IWS Pension Plan. A compromise was concluded with the IWS Pension Plan Trustees in October 2007 which achieved a settlement and 'clean break' between the Plan and Australian woolgrowers while discharging responsibilities to Plan members. This agreement removed liability calculated at over £32 million from AWS. The final regulatory approval was obtained in June this year with the first instalment of \$9m paid to the Trustees then. The final instalments of \$2m each will be paid in March 2009 and March 2010.

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The Trustees may also receive a further payment if ANDAR Holdings Limited and/or the Mumbai property are sold above a certain value. In broad terms the payment would be equal to 50% of the 'excess' of the net consideration received from the sale over the book value of each of those assets.

If either ANDAR Holdings Limited or the Mumbai property is not sold by 1 January 2010, a third party will be appointed to estimate the market value of these assets. The Trustees would then receive (in broad terms) 50% of the 'excess' of the net market value over the book value of each unsold asset.

Subject to these agreements and shareholder approval on the motion to sell core businesses (forthcoming at AWS General Meeting August 2007) the then Australian Minister for Agriculture, Fisheries and Forestry, Peter McGauran, presented A\$15 million to AWI to purchase key assets. Settlement with AWI occurred in October last year.

Work on the transition and the establishment of new financial, legal and staff frameworks happened during the year. A newly integrated company commenced operations in October 2007 and the following key assets were transferred to AWI:

1. 100% interest in The Woolmark Company.
2. The Woolmark Company assets – including Woolmark certification trade mark, associated brands and trademarks; Woolfleece unregistered trade mark and associated brands; Sportwool™ and Woolscience technology businesses and trade marks; Woolmark licensing business.
3. Woolmark Market Intelligence business.

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4. Optim™ technology business.
5. Other working assets including stock, plant and equipment.

John Patten will outline the performance of the group for the last financial year. The break up between continuous and discontinued businesses will be highlighted. Achieving integration demanded tireless and committed work from many people.

We thank the GIC Executive's for their dedication during the year. James Irvine leading the turnaround at ANDAR made a substantial contribution to your company's profit. Also Peter McKeown and Elaine Beever put in long, difficult hours and the Board is most grateful.

My Board has been nothing short of supportive, professional and dedicated. I would like to acknowledge John Patten, Philip Attard and Ian Hilton. Robbie Sefton for part of the year up until her departure at last year's AGM. And I must also thank the former Chairman of AWI, Ian McLachlan AO, his Board and Executive team. We handed our assets over to AWI in good shape.

The future of GIC?

GIC will continue as a funds management business. The Company is governed by a four person Board and managed by a very small secretariat. GIC retains cash from the sale of assets. We will continue to manage the ANDAR textile machinery business based in New Zealand and are well advanced in negotiating the sale of our property in Mumbai, India.

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Once GIC has achieved a clean break with the IWS Pension Plan, Directors will make determinations on the future direction. The outcome may be to wind the Company up and distribute surplus cash and assets to shareholders. But Directors will consider alternative strategies which will provide a return to GIC shareholders on their investment.

Your Board has considered some alternative strategies in relation to the future direction of GIC but at this point in time it is premature to make a recommendation to shareholders. As foreshadowed at the General Meeting held in August 2007 a decision will be required by shareholders at the 2010 AGM. Notwithstanding the requirement for a decision at that time your Board will provide further information at the AGM in 2009 to assist and prepare you for your decision in 2010.

With this background and in light of our profit performance this year your Board recently considered whether it was appropriate to distribute a dividend to shareholders. With the uncertainty of the future direction of GIC, which will ultimately be determined by shareholders at their meeting in 2010, your Board felt it was inappropriate to declare a dividend but to maintain maximum flexibility and capability for you to consider various options associated with the future of GIC in 2010.

At this stage the Company is proceeding on track and concentrating on finalizing inherited legacy issues associated with IWS including the finalization of the sale of the Mumbai property in India.

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In relation to ANDAR you will hear from its Managing Director, James Irvine on the successful financial turnaround of the company. We as Directors continue to review and provide appropriate resourcing to enable ANDAR to grow.

As Chairman, my commitment is to see this process through.

We are well satisfied that we have transferred our assets to AWI in good working order.

I wish to thank everyone for their attendance and now declare the meeting closed.

As wool growers we have been through difficult times and the Board and management of GIC wish you well in moving into a more comfortable period which will deliver better wool prices and business returns for you.

Our shareholders are the backbone of our business. We are here to see this job through.

I wish to thank everyone for their attendance. Thank you.