

GRAZIERS' INVESTMENT COMPANY LIMITED

ANNUAL GENERAL MEETING

Friday 27 November 2015
369 Royal Parade, Parkville, VIC

CHAIRMAN'S SPEECH

Chairman's Overview

- Since selling The Woolmark Company in 2007 the focus and mandate, given to us by shareholders at that time, has been the resolution of inherited legacies and the sale of remaining assets.
- 2014/15 was no different, with the resolution of the Mumbai Proceeds held in trust, providing the ability for GIC to now focus on its future strategy without this legacy impediment.

Mumbai Proceeds held in Trust by AWI

- Over a period of 4 years, AWI and GIC have worked together in order to repatriate the proceeds of sale from a Mumbai Property to Australia. After a number of attempts the repatriation of these funds was not approved by the Reserve Bank of India.

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- In an effort to bring this matter to an end, AWI and GIC subsequently agreed on a commercial solution in regard to the proceeds of the sale, namely that AWI's subsidiary in India would retain the proceeds, in consideration for AWI paying GIC \$3.4 million.
- Both the AWI and GIC Board of Directors believe that this commercial solution was in the best interest of all shareholders. The settlement, including payment, occurred on 13 November 2014.
- The finalisation of this legacy matter has been a protracted one, but based on previous experience in India, is not unusual.
- This also now brings the Share Sale and Purchase Agreement between AWI and GIC to an end, seven years since the sale of The Woolmark Company by GIC to AWI.

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Remaining Legacies

We have come a long way since 2007 resolving many legacies, each with their own unique issues, and it is worthwhile taking a moment to reflect on the journey.

- As you know GIC inherited a number of key legacies which financially over burdened your company. The key inherited legacy was the IWS UK Pension Plan which had an unfunded liability of circa \$100,000,000 which way exceeded the financial capacity of your company.
- Your Directors successfully negotiated a settlement of the scheme to circa \$15,000,000 funded by the sale of The Woolmark Company to AWI, ultimately enabling the iconic Woolmark certification trademark to be retained by Australian woolgrowers.
- In summary had the compromise not been reached, we would not be standing before you today as the business model was not sustainable and in all likelihood your company would have been put into administration.

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There are now only two key remaining legacy issues being:-

1. Settlement of the Paris Tax Refund; and
2. Dissolution of International Wool Secretariat ('IWS').

Settlement of the Paris Tax Refund

- ~ In February last year an unfavourable judgement was handed down against GIC, in respect of a claim by the French Tax Authorities, for capital gains tax payable on the sale of a property in France.
- ~ The amount payable by GIC is EUR 1.081m (AU\$1.5m) and is due upon receipt of the Tax Authorities formal demand, to be issued within three years of the judgement date (being February 2017), otherwise it is forfeited. To date, almost two years after judgement was passed, the formal demand is yet to be received.

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Dissolution of IWS

~ Closure of IWS involves the closure of the two unincorporated entities in India and France:

- **India** – discussions with local agents has commenced to ascertain the process and steps required to close this entity, which involves the repatriation of approximately \$793,000 in cash.
- **France** – expected to be commence once the Paris tax issue has been settled.

Future

- As mentioned earlier with the resolution of the Mumbai Proceeds cash GIC is now able to focus on the future of the company.
- Your Board is currently assessing commercial options that will deliver the best means of return to you as shareholders.

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- With \$2.2m at stake, any future direction of the company will take into account the status of the IWS Indian and French legacies, Andar Tool & Press Limited and preserving shareholders wealth.
- Any decision on the future direction of the company will be subject to shareholder approval at the relevant time, which we anticipate will be at the next Annual General Meeting.