

GRAZIERS' INVESTMENT COMPANY LIMITED
ABN 29 095 401 200

NOTICE OF GENERAL MEETING AND EXPLANATORY STATEMENT

GENERAL MEETING

TIME AND DATE: 10.30 am, Wednesday 11 October 2017

WHERE: Ground Floor, 369 Royal Parade,
Parkville, Vic 3052

MOTION: To approve Graziers' Investment Company Limited
being wound up voluntarily

THE NOTICE OF GENERAL MEETING IS SET OUT IN APPENDIX I

Details of how to vote are on page 10.

This Notice of General Meeting and Explanatory Statement should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

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1. Chairman's letter



Dear Shareholder,

After due consideration, your Board of Directors recommend that at Graziers' Investment Company Limited's (referred to as 'GIC' or the 'Company') forthcoming General Meeting, you support the motion set out in the attached Notice of General Meeting to:

'Approve GIC to be wound up voluntarily'.

This letter and support material has been developed to help inform your vote.

How have we come to this point?

The Board have considered all options for the future of GIC and, in the absence of finding a compelling and commercially sustainable opportunity to continue, are recommending to shareholders to dissolve GIC.

It has been a long journey but the time has come to ultimately close the doors on 80+ years of history.

Background

GIC's beginnings commenced in 1936 with the establishment of the Australian Wool Board, which had the objective of improving wool production in Australia and extending its use globally.

In 1937 the International Wool Secretariat (IWS) was founded with Australia, New Zealand and South Africa as the first member countries, later (1970) to be joined by a fourth member, Uruguay. Ironically IWS remains as the final legacy to be completed.

Fast track to 1993 and the Australian Wool Research and Promotion Organisation (AWRAP) was established, as a Commonwealth statutory authority, and funded by a wool tax. AWRAP and IWS activities merged and were managed as one organisation under AWRAP control.

In November 1998, a vote of no confidence in the Board of AWRAP was passed. This led to the formation of Australian Wool Services Limited (AWS) in January 2001, as the successor of AWRAP, being owned and controlled by some 36,500 woolgrowers.

Initially, AWS had two operating subsidiaries:

- The Woolmark Company – which had responsibility for exploiting the Woolmark certification trademarks and other intellectual property; and
- Australian Wool Innovation (AWI) – which managed the woolgrower research and development (R&D) levy, and Government R&D contributions, towards R&D and innovation for the Australian wool industry.

In 2002 AWI demerged from AWS. It was at this time that AWS ceased receiving any Government funding from wool tax levies and became a stand-alone commercial business, sustaining itself through the generation of its own income.

However, the model was not sustainable. Problems with the de-merger structure emerged immediately. Wool marketing was presumed by the wool industry to be AWS' responsibility however, it was not able to generate sufficient income to undertake wool marketing activities on behalf of the wool industry.

Legacy issues carried over from predecessor entities, some whose significance at the time of AWS' establishment were not apparent, remained with AWS following its de-merger from AWI, with the most substantial being the IWS UK Pension Fund exposure, which severely inhibited AWS' ability to re-invest in the business and grow the Company.

In 2007, with insufficient financial resources to invest in the Company's assets, the Board put the motion to shareholders to approve the sale of The Woolmark Company and its key assets to AWI, which was passed, including a name change from AWS to GIC.

Since 2007, GIC has been operating as a small secretariat whilst resolving the inherited legacies and undertaking the mandate set by shareholders:

'Once a clean break with the IWS UK Pension Fund has been achieved, the GIC Directors at that time will make a determination as to the future direction of GIC. The current directors expect that the residual GIC Group will be wound up and its assets distributed to GIC Shareholders once all the costs of winding up the GIC Group have been paid, however any such decision would be subject to the approval of the GIC Shareholders at the relevant time'.

It has taken longer to resolve the legacies than could be envisaged but essentially, we have been governed by respective local authorities and regulations as to the timing and settlement of each of the outstanding legacies.

This brings us to where we are today, with all but one legacy completed and in the absence of finding a compelling reason otherwise, to seek your approval to wind up the Company voluntarily.

Legacies impact

When GIC privatised, it was established with \$57.3 million of capital from the former AWRAP, a relatively modest amount for a commercial entity aspiring to become a public company, especially with \$20 million in cash being restricted to be spent on research and development under an agreement with the Australian Government, leaving GIC with approximately \$37 million to grow the Company.

However, the inheritance of legacies from its predecessor entities placed financial burden on the Company, the most notable of which was GIC's exposure to the IWS Retirement Benefits Plan (known as the IWS UK Pension Fund).

- The IWS (defined benefit) UK Pension Fund ended up having an unfunded liability circa of \$100m, exceeding the financial capacity of the Company.
- Essentially, any shortfall in the IWS UK Pension Fund, under UK law, became the responsibility of GIC.
- This exposure far exceeded the net equity of the Company which at 31 May 2007 (being the time of negotiations with the Trustees) was \$4m.
- A compromise was successfully negotiated with the Pension Trustees, crystallising GIC's exposure, at \$15m. This was funded by the sale of The Woolmark Company to AWI, with the assistance of a Federal Government grant, ultimately enabling the iconic Woolmark certification trademark to be retained by Australian woolgrowers.
- In March 2012, a clean break with the Trustees was finally accomplished.

Other key legacies, each with their own inherited complexities included, but are not limited to:-

- Recent repatriation of \$700k held by IWS India to Australia, upon approval of the Reserve Bank of India, thereby clearing the path to close the entity;
- Divestment of Andar Tool & Press Pty Ltd;
- Favourable settlement of the Paris Tax Refund and subsequent dissolution of SIL France;
- Sale of Andar Holdings NZ's core business operations & assets, incorporating settlement of subsequent claims by the purchaser, and ultimate dissolution of GIC (NZ) Limited (*formerly known as Andar Holdings Limited*);
- Sale of the Mumbai Property, including the settlement of the proceeds of sale held in trust by AWI on behalf of GIC. This process in itself took eight years to finalise; GIC sold the property in 2010 and the proceeds of sale remained in India under the stewardship of AWI. Over a period of four years GIC and AWI worked together to repatriate the proceeds but without success. Accordingly, AWI and GIC agreed on a commercial solution with GIC receiving payment from AWI in exchange for AWI's Indian subsidiary retaining the proceeds from the sale.

- Settlement of the former AWRAP German disability pension & obligations;
- Settlement of the Cape Wools litigation;
- Closure of overseas offices and company dissolutions in New Zealand, Mexico, Canada, United Kingdom, Netherlands, Portugal, Denmark, Turkey, Sweden, Germany, Italy & France – each with their own added jurisdictional issues.

In summary, GIC has gone from a global organisation having \$4m in equity and a number of inherited legacies, mostly from AWRAP, (ie pre privatisation), the key one being a \$100m pension fund *liability (ie a Company with a net deficit of \$96m)* to a skeletal organisation with \$20m, with no further exposure to the IWS UK Pension Fund and just one last remaining legacy in the process of being resolved.

Remaining legacies

The closure of IWS is the last remaining legacy, which involves the closure of IWS India. IWS closure commenced with the exit of all members other than GIC and dissolution of Woolmark Development Limited in the UK. This was succeeded by the closure of a Dutch entity – Textile Development Holdings and its owner, Kleinwort Benson Trust in the UK in 2012 and the recent closure of SIL France, upon the completion of the French Tax legacy.

The closure of IWS India involves the closure of another Indian branch office, registered in the name of IWS Nominee Company Limited (IWSNCL). IWSNCL India formed part of the key assets sold to AWI in 2007 however, all obligations and benefits vest with the Company. GIC has therefore indemnified AWI, and its subsidiary IWSNCL, against all losses and costs incurred in respect of IWSNCL India until the date of dissolution of GIC.

Local agents, in conjunction with GIC and AWI management, continue to implement the process and steps required to close IWS India and IWSNCL India with the aim of it being completed prior to the General Meeting. If closure is protracted, as experience has dictated, this matter will come under the control of the Liquidators following the General Meeting however, GIC management will continue to assist where needed.

If there are any substantial changes in respect of the remaining legacies prior to the General Meeting we will provide an update on the website at www.graziersinvestco.com.au

The GIC Directors unanimously support the winding-up of the Company and recommend you vote in favour of the motion set out in the notice of meeting to:

'Approve GIC to be wound up voluntarily'

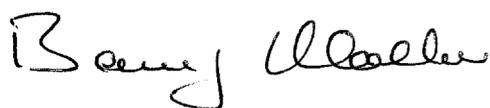
Each GIC Director holding GIC Shares intends to vote in favour of the winding-up.

You can cast your vote by completing and returning the enclosed proxy form or you can vote in person at the General Meeting to be held at 10:30am (AEDST) on Wednesday 11 October 2017 at the Ground Floor, 369 Royal Parade, Parkville, Vic 3052. Details of how to vote are set out on page 10.

If you have any questions relating to the voting procedure or the General Meeting, please contact the shareholder information line at Link Market Services on 1300 55 44 74 or visit GIC's website at www.graziersinvestco.com.au.

We look forward to your support.

Yours sincerely,



Barry Walker OAM
Chairman

7 September, 2017

2. Matters relevant to Shareholders' votes

2.1 Rationale for the wind-up of GIC

After assessing all options for GIC's future, and in the absence of finding a compelling and commercially sustainable opportunity to continue, the Board is recommending for GIC to be wound-up. This remains in line with the mandate set by shareholders in 2007, that is:

'Once a clean break with the IWS UK Pension Fund has been achieved, the GIC Directors at that time will make a determination as to the future direction of GIC. The current directors expect that the residual GIC Group will be wound up and its assets distributed to GIC Shareholders once all the costs of winding up the GIC Group have been paid, however any such decision would be subject to the approval of the GIC Shareholders at the relevant time'.

2.2 Reasons for a shareholders' voluntary winding-up

A solvent company (ie one which can meet its debts as and when they are due and payable), as is the case for GIC, may be closed down through either:

- a) de-registration; or
- b) a members' voluntary winding-up (MVL)

The GIC Board is recommending an MVL to shareholders. The main benefits to initiating a solvent winding up of the Company, as opposed to embarking on a capital reduction and voluntary deregistration of the Company, are:

- Approval from all 36,606 shareholders of GIC must be obtained to voluntarily deregister the Company versus 75% of eligible votes cast under an MVL.
- Dissolution via deregistration requires the Company's directors immediately before dissolution to keep books and records for a period of three (3) years. There is a mechanism in liquidation to apply for earlier destruction of books which forms part of the resolutions of the enclosed Notice of Meeting.
- An MVL is a much more thorough winding up of the affairs of a company, in particular, because the liquidator calls for Proofs of Debt – any creditor who does not respond within the required timeframe is barred from claiming later.
- Provides a higher level of assurance that the Company cannot be re-instated. For a creditor or claimant to claim against a liquidated and deregistered company requires an application to the Supreme (or Federal) Court.
- If claims against the Company arise in the future and it is re-instated, the directors immediately before dissolution become the directors again. As liquidation provides a process for dealing with any claims, it provides closure. If the Company was to be re-registered which is less likely following an MVL it is placed in the hands of liquidators once again.

In summary, an MVL provides certainty to both Directors and Shareholders that all matters have been attended to.

2.3 Reasons not to vote in favour of the proposed wind-up

Shareholders may hold a differing view and are not obliged to follow the recommendation of GIC's Directors. Although the winding-up is unanimously recommended by the GIC Directors, it will prevent GIC investing in opportunities that benefit both the wool industry and shareholders wealth, should a compelling reason arise.

2.4 Voting majority required to approve an MVL

The voluntary wind-up of the Company will only proceed if it is approved, including the nominated liquidators' appointment, by at least 75% of the eligible votes cast (either in person or in proxy).

2.5 Appointment of Liquidator

In accordance with the *Corporations Act 2001* GIC must appoint a registered company liquidator, but can still supervise their conduct to some extent, to wind up GIC. Messrs Andrew Hewitt and Ahmed Bise of Grant Thornton have been nominated, and have consented, to act as the Liquidators of the Company due to their expertise and existing knowledge of the business. Please note that Grant Thornton has acted as current tax advisors of GIC. As an MVL is a solvent liquidation this does not raise any concern with respect to the independence and objectivity of the proposed Liquidators.

2.6 Implementation to winding-up the Company

The steps to winding-up the Company are set out below:

- (a) In accordance with section 494 of the *Corporations Act 2001*, the directors have duly determined that GIC will be able to pay its debts in full within 12 months after the commencement of the winding-up. As such, your directors have signed, and lodged with ASIC, a 'Declaration of Solvency'.
- (b) At the General Meeting on 11 October 2017 GIC Shareholders will be asked to approve the Company being wound up voluntarily and the appointment of Messrs Andrew Hewitt and Ahmed Bise of Grant Thornton Australia Limited as Joint and Several Liquidators.
- (c) Provided that GIC Shareholders approve the Liquidators appointment to wind-up the Company at the General Meeting, the liquidation will commence at the conclusion of the General Meeting.
- (d) The anticipated date for distribution of the Company's surplus assets to Shareholders is February 2018, subject to the timely receipt of tax clearance and closure of IWS, and GIC being ultimately wound up is July 2018 upon completion of the following: -

Liquidation Steps	Timeframe
Notifying the Australian Taxation Office (ATO) and other Statutory Bodies, of the Company's liquidation, and seek their tax clearance. Commonly a delay can be experienced in receiving clearance from the ATO.*	<u>Within one month of liquidation</u>
Placing a public notice, through Australian Securities and Investments Commission ('ASIC'), of the Liquidators appointment and the calling of proof of debts. This provides the public at large an opportunity to set out any claim(s) prior to any distribution to GIC Shareholders.	<u>Within three months of liquidation</u>
Making a distribution to shareholders, subject to clearance being obtained from the ATO and other Statutory Bodies.	<u>Within four months of liquidation</u>
Holding the final meeting of GIC Shareholders and lodge final forms with ASIC to deregister GIC.	<u>Within six months of liquidation</u>
GIC struck off ASIC's register and de-registered.	<u>Three months from lodgement of final forms with ASIC</u>

- *'A liquidator becomes personally liable to discharge the taxation liabilities of a company if he or she parts with assets of a company (ie pays a dividend) prior to obtaining tax clearance. The obtaining of this clearance is largely out of the hands of the liquidator and is dependent upon the complexity of a company's taxation affairs'*

The GIC Board do not envisage any issues in preventing tax clearance being provided by the tax authorities.

The current GIC directors and company secretary will remain as directors and company secretary, respectively, of the Company during the liquidation process, to assist the Liquidator where needed, and only be remunerated on a pro-rata basis for any services rendered beyond 11 October 2017.

2.7 Possible future distribution to shareholders

	\$'000	\$'000
<i>Net assets as at 31 August 2017 (audited)*</i>		20,141
<i>Less Estimated costs of winding-up (net of interest income)</i>		
- Liquidators' remuneration (Capped)	50	
- Share Registry & other wind-up costs (net)	81	131
		<hr/>
<i>Estimated funds available for distribution to shareholders</i>		20,010
		=====

The estimated distribution equates to a return of \$9.55 per share and is subject to there being no unforeseen claims being submitted by creditors and no significant changes to the estimated costs of liquidation.

- A copy of GIC's audited consolidated statement of financial position as at 31 August 2017 is contained in Appendix II.

NOTICE OF GENERAL MEETING

NOTICE IS GIVEN that a Meeting of the Members of Graziers' Investment Company Limited (the 'Company') will be held at the **Ground Floor, 369 Royal Parade, Parkville, Vic 3052**, on **Wednesday, 11 October 2017** at 10.30am (AEDST) for the purpose of transacting the business set out in this notice.

SPECIAL RESOLUTIONS:

To consider and, if thought fit, pass the following resolutions as **special resolutions**:

- (i) 'That the Company be Wound Up voluntarily and that Messrs Andrew Hewitt and Ahmed Bise be appointed Joint and Several Liquidators'.
- (ii) 'That the Joint and Several Liquidators be and are authorised to distribute to the members in specie, the whole or any part of the property of the Company and may for that purpose set such value as they consider fair upon any property to be so distributed and may determine how the distribution is to be carried out'.

Should the above special resolutions be passed, ordinary resolutions will be submitted as follows:

ORDINARY RESOLUTIONS:

To consider and, if thought fit, pass the following resolutions as **ordinary resolutions**:

- (iii) 'That the remuneration of the Joint and Several Liquidators, their fellow directors and staff (including the costs of convening the meeting of the members) are all proper costs, charges and expenses of and incidental to the Winding Up, and that same be fixed on a time basis at rates calculated in accordance with Grant Thornton Australia Limited's schedule of hourly rates issued from time to time, up to a limit of \$50,000 plus GST and disbursements, and that the Joint and Several Liquidators be authorised to make periodic payments on account of such accruing remuneration'.
- (iv) 'That subject to obtaining the approval from the Australian Securities and Investments Commission pursuant to Section 542(4) of the *Corporations Act 2001*, the books and records of the Company and of the Joint and Several Liquidators be disposed of by the Joint and Several Liquidators six (6) months after the dissolution of the Company'.

The Chairman of the meeting will vote undirected proxies on, and in favour of, all resolutions set out in this Notice.

Proxies and Voting

Your Vote is Important

For the voluntary wind-up of the Company to proceed, it is necessary that sufficient GIC Shareholders vote in favour of the motions: -

- For the **Special Resolutions** to pass, at least 75% of the eligible votes cast (either in person or in proxy) must be in favour of each Resolution.
- For the **Ordinary Resolutions** to pass, a majority of the eligible votes cast (either in person or in proxy) must be in favour of each Resolution.

There are no voting exclusions.

Eligibility to Vote

You will be eligible to vote at the meeting if you are registered as a holder of GIC's shares at 7.00pm (AEDST) on Tuesday, 10 October 2017.

Appointing a Proxy

If you are entitled to attend and vote at the meeting, you can appoint a proxy to attend and vote on your behalf. A proxy need not be a shareholder of GIC and may be an individual or a body corporate.

A personalised Proxy Form is included with this Notice of Meeting. If you are entitled to cast two or more votes, you may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If you do not specify a proportion or number, each proxy may exercise half of the votes. If you require a second Proxy Form, please contact Link Market Services on 1300 554 474.

Lodging your Proxy Form

You can lodge your completed Proxy Form by:

- **Mailing it** to Link Market Services Limited using the reply-paid envelope;
- **Posting it** to Locked Bag A14, Sydney South NSW 1235;
- **Lodging it online** at the Link Market Services website www.linkmarketservices.com.au (you will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions on the website);
- **Faxing it** to +61 (2) 9287 0309; or
- **Hand delivering it** [only available during business hours (Monday to Friday, 9.00am to 5.00pm)] to Link Market Services, Level 12, 680 George Street, Sydney NSW 2000.

Your completed Proxy Form (and any necessary supporting documentation) must be received by Link Market Services no later than 10.30am (AEDST) on Monday 9 October 2017, being 48 hours before the commencement of the meeting. If the Proxy Form is signed by an attorney, the original Power of Attorney under which the Proxy Form was signed (or a certified copy) must also be received by Link Market Services by 10.30am (AEDST) on Monday 9 October 2017 unless it has been previously provided to Link Market Services. If you appoint a proxy, you may still attend the meeting. However, your proxy's rights to speak and vote are suspended while you are present. Accordingly, you will be asked to revoke your proxy if you register at the meeting.

How the Chairman of the Meeting will vote undirected Proxies

The Chairman of the meeting will vote undirected proxies in favour of all of the motions. GIC encourages all shareholders who submit proxies to direct their proxy how to vote on each item of business.

Attending the Meeting

If you attend the meeting, please bring your personalised Proxy Form with you. The bar code at the top of the form will help you to register. If you do not bring your form with you, you will still be able to attend the meeting but representatives from Link Market Services will need to verify your identity. You will be able to register from 10.00 am (AEDST) on the day of the meeting.

Corporate Shareholders

Corporate shareholders who wish to appoint a representative to attend the meeting on their behalf must provide that person with a properly executed Certificate of Appointment of Corporate Representative confirming that they are authorised to act as the company's representative. The authorisation may be effective either for this meeting only or for all meetings of GIC. Shareholders can download and fill out the 'Certificate of Appointment of Corporate Representative' form from the Link website: www.linkmarketservices.com.au



Peter J J McKeown
Company Secretary
7 September 2017

Graziers' Investment Company Limited
Consolidated statement of financial position
As at 31 August 2017

	Consolidated	
	2017	2016
	\$'000	\$'000
ASSETS		
Current assets		
Cash and cash equivalents	20,360	21,389
Trade and other receivables	206	612
Inventories	-	74
Total current assets	20,566	22,075
Non-current assets		
Property, plant and equipment	-	247
Deferred tax assets	-	7
Total non-current assets	-	254
Total assets	20,566	22,329
LIABILITIES		
Current liabilities		
Trade and other payables	300	526
Provisions	125	2,304
Current tax liabilities	-	19
Total current liabilities	425	2,849
Non-current liabilities		
Provisions	-	281
Total non-current liabilities	-	281
Total liabilities	425	3,130
Net assets	20,141	19,199
EQUITY		
Contributed equity	57,334	57,334
Reserves	-	(528)
Accumulated losses	(37,193)	(37,929)
Capital and reserves attributable to owners of Graziers' Investment Company Limited	20,141	18,877
Non-controlling interests	-	322
Total equity	20,141	19,199



Owner of GIC Holdings Pty Limited

Graziers' Investment Company Limited. ABN 29 095 401 200.
Registered Office: 369 Royal Parade, Parkville, Victoria 3052, Australia