



ANNUAL REPORT 2016

Graziers' Investment
Company Limited

ABN 29 095 401 200

Owner of GIC Holdings Pty Limited

www.graziersinvestco.com.au

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Dear Shareholders

The past financial year has been a relatively stable one, as we head into the last stages of completing the two remaining legacy issues, both of which go back to the days of the Australian Wool Research & Promotion organisation (AWRAP) but were tasked to the Company to resolve:-

- **Settlement of the Paris Tax Refund**

- ~ In February 2014 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.
- ~ GIC is liable, upon receipt of a formal demand from the French Tax Authorities which must be issued within three years of the judgement date, to pay an amount of EUR 1.081m (AU\$1.6m).

- **Dissolution of International Wool Secretariat (IWS)**

- ~ Closure of IWS involves the closure of the two unincorporated entities in India and France:
 - **India** - discussions with local agents continues to implement the process and steps required to close this entity, which involves approval from the Reserve Bank of India (RBI) for the repatriation of approximately \$800,000 cash.
 - **France** - expected to commence once the Paris tax issue has been settled.

As the status of the French Tax Claim determination date of February 2017 approaches, it will leave the repatriation of cash held in India as the sole remaining legacy.

History has dictated that matters involving the RBI can be protracted however, your Board do not anticipate the Indian legacy impeding the directors making a determination on the future direction of the Company.

Your Board indicated last year that it was assessing all commercial options, to develop a recommendation to shareholders on the future direction of the Company, which will achieve the best means of a return to shareholders. To assist in this assessment Mr Ian Knight was appointed to the Board. His wealth of corporate structure, finance & strategy expertise and experience is of immense benefit to the Company in assessing the commercial options and developing a recommendation to shareholders on GIC's future, which also includes Andar Tool & Press Pty Ltd.

Mr Philip Attard has advised the Board that due to his family business commitments he will be retiring as a director of the company at the conclusion of the Annual General Meeting. On behalf of the Board I thank Mr Attard for his valuable service over the last ten years and recognise his contribution to both the Australian woolgrowers and industry.

Financial Overview

Our commitment to you has been, and continues to be, to resolve the inherited legacy issues, whilst preserving shareholders' wealth, which we have maintained.

In assessing the financial performance of the group it is important to recognise that, the unfavourable results of the discontinued operations, reflects the impact of residual business arrangements that pre-date the privatisation of AWRAP.

Continued operations

At an operational level the company generated a profit, after tax, of \$126,000 from its continued operations principally comprising the Andar Tool & Press (Andar) engineering business and GIC ongoing secretarial management.

The profit represents a 200% improvement on last year's results, a reflection of Andar's successful diversification in operations, which has lead to an attraction of new business streams, such as the food industry, and new customers.

Discontinued operations

This essentially represents the management in resolving the French Tax Issue and dissolution of the International Wool Secretariat, both in India and France, representing \$2m in shareholders' wealth.

The results for GIC are summarised below:

	2016 \$'000	2015 \$'000
Revenue	3,506	3,384
<u>Operating expenses</u>	<u>(3,318)</u>	<u>(3,413)</u>
Profit/(loss) before income tax	188	(29)
<u>Tax</u>	<u>(62)</u>	<u>(93)</u>
Profit/(loss) from Continuing Operations	126	(122)
Discontinued operations		
Legacy Issues		
- IWS International Pension Plan	-	467
- IWS India	(27)	(119)
- French tax claim	(47)	9
- Other legacy issues	(3)	(10)
Profit for the year	49	225
Minority Interest	(47)	44
Profit attributable to owners of GIC	2	269

Outlook

As directors, it is our responsibility to provide you, as shareholders, with options on the future direction of the company.

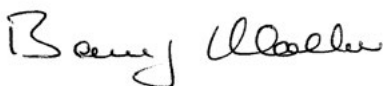
The directors remain mindful of the mandate, set by shareholders at the General Meeting in August 2007, in respect of the company's future. That is, there must be compelling reasons to gain support for the continuation of the company, otherwise the company will be wound up. Whilst achievement of a level of return is a key determinant in evaluating options on the future direction of the company, the key focus will be to seek opportunities that will benefit both industry and shareholder interests.

Cognisant that there will be differing expectations by shareholders any alternate strategy, other than to wind up, that might be put before shareholders will include an opportunity for shareholders to exit, on the basis they elect not to remain after considering the Board's recommended option.

Any future direction of the company will be subject to shareholder approval at the relevant time. As advised previously, with \$2.5m at stake, the timing and content of the recommendation to shareholders, will take into account the status of the IWS India & French legacies and Andar Tool & Press Pty Ltd, as outlined above.

Whilst a challenging objective, the intention of the current directors is to make a recommendation to shareholders on the future direction of the company within the year, following the completion of the above remaining legacies, which would become the basis of a shareholder vote. The recommendation, and ultimate shareholder vote, would determine if the company continued or was wound up.

Yours truly,



Barry Walker, OAM, Chairman
Graziers' Investment Company Limited

Board of Directors

Barry Walker



Barry Walker OAM, *Chairman, non-executive director*

Mr Walker was elected to the Board of Graziers' Investment Company Limited in October 2003 and as Chairman in 2006. He is also Chairman of GIC Holdings Pty Ltd, Andar Tool & Press Pty Ltd and GIC (NZ) Limited. Mr Walker was a non-executive director for three years and Chairman of The Woolmark Company Pty Ltd from September 2006 until its sale on 5 October 2007.

Mr Walker is the Deputy Chairman of the wool broking business Australian Wool Network Pty Ltd. He is a partner in a family grazier business. He was a Director of the Australian Wool Testing Authority until 2001 and board member of the Australian Wool Research and Promotion Organisation. Mr Walker is a former Wool Council of Australia member representative and has held positions on the NSW Farmers Wool Committee and as a General Councillor. He has held numerous agricultural, community and local government positions including Past President of the Australian Superfine Wool Growers' Association and Executive Committee member.

On 8 June 2009 Mr Walker was awarded a Medal of the Order of Australia for his service to the wool industry as a producer, and to the community of the Yass district.

Robbie Sefton



Robbie Sefton, *non-executive director*

Ms Robbie Sefton is a New South Wales woolgrower and communications expert. Ms Sefton and her husband, Alistair Yencken, own and operate wool, meat and grain properties. She is also the founder and director of a national public relations and marketing consultancy, Sefton & Associates, based in Tamworth, an Advisory Member at the University of Southern Queensland – Public Relations Discipline and a member of the Small Business Advisory Group of the Reserve Bank of Australia.

Ms Sefton was the 2002 Rural Industries Research Development Corporation, NSW Rural Woman of the Year, is a graduate of the prestigious Australian Rural Leadership program and the Australian Institute of Company Directors. She currently sits on the board of the National Australia Day Council as the Deputy Chairman. Robbie's past board and advisory council appointments include being a board member of the NSW Australia Day Council and a member of the Regional Women's Advisory Council (which reported directly to the Deputy Prime Minister). Ms Sefton was a director of the Australian Rural Leadership Foundation Board and Observant Pty Ltd. She was also a former Board Member of Australian Wool Services Limited (now known as Graziers' Investment Company Limited) and The Woolmark Company Pty Ltd until she retired at the company's Annual General Meeting in November 2007.

Phillip Attard



Philip Attard, *non-executive director*

Mr Attard was elected to the Board of Graziers' Investment Company Limited in November 2006. He is a businessman who owns and operates a superfine and ultrafine merino enterprise, Gostwyck, in the New England tablelands. Mr Attard has extensive experience building successful and profitable businesses in the information technology world, holding senior executive roles in sales, marketing, strategic planning and general management. He has worked with European, American and Australian companies in Australia and Asia.

Mr Attard is now focusing his attention on the family businesses, successfully developing grazing systems, pastures and merino quality. He is director of GIC Holdings Pty Ltd, Gostwyk Group Pty Ltd, Gostwyk Partners, Goslan Pty Ltd, Huglipulken Pty Ltd and UNE Partnerships Pty Ltd. Mr Attard was also the Chairman of the Sheep Genetics Advisory Council and formerly a non-executive director of The Woolmark Company Pty Limited.

Ian Knight



**Ian Knight BBus (Acc), FCA, CPA AFAM, MAICD,
*non-executive director (Appointed 10 May 2016)***

Mr Knight is a retired Partner of KPMG where he held the position of National Head of Mergers & Acquisitions. Prior to his retirement in 2012 he was Head of Private Equity (Corporate Finance) where he advised private investment companies on strategy, acquisitions and divestments. During his time at KPMG Mr Knight was lead advisor on over 150 transactions across 30+ industries with a combined value of over \$5bn.

Mr Ian Knight is an experienced non-executive director, CEO and chair with over 25 years board level experience. He has sat on the board or committees of over 15 separate organisations spanning: listed; private; not for profit; and government (State & Federal) sectors. He has managed listed and private companies and divisions.

Ian is a Partner of Nem Australasia where he is Lead Partner of Hotels, Tourism & Leisure and Managing Director of Nem Corporate Pty Ltd, a boutique corporate advisory business. He is also a non-executive Director of CleanTeQ Limited; Rockwell Bates Pty Ltd and Alzheimer's Australia Dementia Research Foundation Victoria Limited as well as Deputy Chairman of Alzheimer's Australia (Victoria) Limited.

Elaine Beever



Elaine Beever BBus (Acc), CA, *Managing Director, executive director*

Mrs Beever has been with Graziers' Investment Company Limited since its incorporation in 2001. She held the position as financial controller before becoming the Group General Manager and member of the Executive Management Committee in October 2005.

Mrs Beever was appointed the Managing Director of the company on 10 September 2014. She is also the Managing Director of GIC Holdings Pty Ltd and a director of Andar Tool & Press Pty Ltd and GIC (NZ) Limited.

Board Composition and Responsibilities

The Graziers' Investment Company Limited board is comprised of one executive and four non-executive directors who bring a broad range of industry, commercial, marketing, retail and financial experience. Non-executive directors are subject to re-election at Annual General Meetings when one-third of the directors retire by rotation in accordance with the Company's Constitution. The executive Managing Director is appointed by the Board and is not subject to retirement by rotation. The specific responsibilities of the Board include, but are not limited to, appraisal of corporate strategy and performance objectives, monitoring management's performance and implementation of strategy and approving and monitoring financial and other reporting.

Risk Management

The Graziers' Investment Company Limited board identifies and manages risks through the audit process, management reporting, strategic planning and board deliberations.

Insurance policies are in place in relation to the assets and activities of the company and its subsidiaries.

Audit and Risk Committee (ceased 10 September 2014)

The functions undertaken by the former Audit & Risk Committee in relation to the company's accounts, risk management, funds management and statutory compliance are now handled directly by the Board..

Nomination and Remuneration Committee (ceased 18 January 2016)

The Nomination and Remuneration Committee comprised three directors, Mr Philip Attard (Chairman), Mr Barry Walker OAM and Ms Robbie Sefton to assist the Board in relation to the nomination of candidates for positions as directors and also consider remuneration issues associated with management and staff. The functions undertaken by the Committee are now handled directly by the Board.

Directors Interests

During the reporting period there were no transactions between any of the company's directors or director-related entities and the company and its associated entities other than on normal commercial arms length terms.

The following directors have direct or indirect share-holding interests in shares in the company:

Mr Barry Walker OAM, 690 'B' class shares, Mr Philip Attard, 614 'B' class shares and Ms Robbie Sefton 121 'B' class shares.

Shareholder Enquiries

The Graziers' Investment Company Limited share register is maintained by Link Market Services Limited.

All shareholder enquiries about their share holdings should be directed to:

Link Market Services Limited

Level 12, 680 George Street
Sydney NSW 2000

Locked Bag A14

Sydney South NSW 1235

Email registrars@linkmarketservices.com.au

Website www.linkmarketservices.com.au

Within Australia

Telephone Toll free 1300 554 474

Facsimile (02) 9287 0309

Outside Australia

Telephone +61 1300 554 474

Change of Address

Shareholders should notify the share registry immediately in writing and include their shareholder reference number if there is any change in their registered address.

Company Information

The financial report and auditor's report is available to any shareholder upon request. Alternatively the financial report can be accessed on our website at **www.graziersinvestco.com.au** in the Shareholder section.

Details of shareholdings as at 30 June 2016

The number of holders of shares in Graziers' Investment Company Limited was 36,597. The company had on issue 2,093,586 shares.

Shareholder Information continued...

Distribution of shareholdings as at 30 June 2016 was as follows:

Number of Shares	Number of Shareholders	Shares Held
1-100	30,877	984,834
101 – 500	5,551	958,560
501 – 1,000	133	86,135
1,001 – Over	36	64,057
Total	36,597	2,093,586

Geographical Distribution

Percentage of Shares Held

AUSTRALIA

ACT- Australian Capital Territory	0.32%
NSW – New South Wales	35.73%
NT – Northern Territory	0.01%
Qld – Queensland	8.34%
SA – South Australia	10.97%
TAS – Tasmania	3.40%
VIC – Victoria	18.87%
WA – Western Australia	22.35%

OVERSEAS

New Zealand, Mexico & United Kingdom	0.01%
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20 largest shareholders as at 30 June 2016

Name of Shareholder	Number of 'B' Class Shares Held
Twynam Pastoral Co Pty Ltd	4,463
John Swire & Sons Pty Ltd	4,215
Lynoch Pty Ltd	3,890
N M Rural Enterprises Pty Ltd	3,225
Emanuel Exports Pty Ltd	3,213
AJ & PA McBride Pty Ltd	3,113
F S Falkiner & Sons Pty Ltd	2,980
Romani Pastoral Company Pty Ltd	2,526
Mr Thomas Kenneth Brinkworth & Mrs Patricia Ann Brinkworth	2,270
Wellard Estates Pty Ltd	2,128
YYH Holdings Pty Ltd	2,125
Mrs Hilary Maude Russell & Mr Charles Wilfred A Russell & Mr David Graham Russell	1,910
The Mutooroo Pastoral Co Pty Ltd	1,641
Consolidated Pastoral Company Pty Ltd	1,446
Four Arrows Investment Pty Ltd	1,327
Commonwealth Hill Pty Ltd	1,287
Rawlinna Pty Ltd	1,281
G T Reid Pty Ltd & T T Reid Pty Ltd	1,278
South West Wool Pty Ltd	1,265
Arthur Earle Pty Ltd	1,246

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the group) consisting of Graziers' Investment Company Limited (referred to hereafter as the company or parent entity) and the entities it controlled at the end of, or during, the year ended 30 June 2016.

Directors

The following persons were directors of Graziers' Investment Company Limited during the whole of the financial year (except where otherwise noted) and up to the date of this report:

Mr B.C. Walker OAM (Chairman)

Mr P.M. Attard

Ms R.L. Sefton

Mr I.D. Knight (Appointed 10 May 2016)

Mrs E. Beever (Managing Director)

Principal activities

During the year the principal continuing activities of the group were the operation of the Andar Tool & Press Pty Ltd engineering business and conclusion of the International Wool Secretariat ('IWS') legacy issues.

Review of operations

Information on the financial performance and operations of the group is set out on pages 1 - 3 of the Annual Report.

Significant changes in the state of affairs

No significant changes in the state of affairs of the group occurred during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect:

- (a) the group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the group's state of affairs in future financial years.

Likely developments and expected results of operations

Graziers' Investment Company Limited will continue to conduct the principal activities related to the operation of the Andar Tool & Press Pty Ltd business and concluding the IWS legacy issues.

Further information on likely developments in the operations of the group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the group.

Environmental regulation

The group is not subject to any particular or significant environmental regulations under either Commonwealth, State or other local legislation. The board is not aware of any environmental breaches during the reporting period.

Information on directors

B.C. Walker OAM, *Chairman, non-executive director*

Experience and expertise

Mr Barry Walker OAM was elected to the board of Graziers' Investment Company Limited in October 2003 and elected as Chairman on 8 March 2006.

Mr Walker has extensive experience in the wool industry holding numerous agricultural, community and local government positions including, Past President of the Australian Superfine Wool Growers' Association and Executive Committee member. He was a director of the Australian Wool Testing Authority until 2001, a board member of the Australian Wool Research and Promotion Organisation and non-executive director for three years, and Chairman, of The Woolmark Company Pty Ltd from September 2006 until its sale on 5 October 2007. Mr Walker is a former Wool Council of Australia member representative and has held positions on the NSW Farmers Wool Committee and as a General Councillor.

In 2009 Mr Walker was awarded a Medal of the Order of Australia for his service to the wool industry as a producer and to the community of the Yass district.

Other current directorships

Chairman of GIC Holdings Pty Ltd, GIC (NZ) Limited, Andar Tool & Press Pty Ltd, International Wool Secretariat and Network Investments Pty Ltd. Mr Walker is also the Deputy Chairman of the wool broking business Australian Wool Network Pty Ltd and a partner in a family grazier business.

Special responsibilities

Chairman of the Board

Interests in shares and options

690 'B' class shares in Graziers' Investment Company Limited.

P.M. Attard *Non-executive director*

Experience and expertise

Mr Philip Attard is a businessman, who owns and operates a superfine and ultrafine merino enterprise, Gostwyck, in the New England tablelands. Mr Attard has extensive experience building successful and profitable businesses in the information technology world, holding senior executive roles in sales, marketing, strategic planning and general management. He has worked with European, American and Australian companies in Australia and Asia. Mr Attard is now focusing his attention on the family business, successfully developing grazing systems, pastures and merino quality. Mr Attard was also a non-executive director of The Woolmark Company Pty Ltd from January 2007 to 5 October 2007 and former Chairman of the Sheep Genetics Advisory Council.

Other current directorships

Non-executive director of GIC Holdings Pty Ltd. Director of Gostwyck Group Pty Ltd, Gostwyck Partners, Goslan Pty Ltd, Huglipulken Pty Ltd, UNE Partnerships Pty Ltd and Practical Systems Pty Ltd.

Interests in shares and options

614 'B' class shares in Graziers' Investment Company Limited.

Information on directors (continued)

R.L. Sefton *Non-executive director*

Experience and expertise

Ms Robbie Sefton, a New South Wales woolgrower and communications expert, together with her husband, Alistair Yencken, own and operate wool, meat and grain properties. She is also the founder and director of a national public relations and marketing consultancy, Sefton & Associates, based in Tamworth, an Advisory Member at USQ (University of Southern Queensland – Public Relations Discipline) and a member of the Small Business Advisory Group of the Reserve Bank of Australia.

Ms Sefton was the 2002 Rural Industries Research Development Corporation, NSW Rural Woman of the Year, is a graduate of the prestigious Australian Rural Leadership program and the Australian Institute of Company Directors. Robbie's past board and advisory council appointments include being a board member of the NSW Australia Day Council and a member of the Regional Women's Advisory Council (which reported directly to the Deputy Prime Minister). Ms Sefton was a director of the Australian Rural Leadership Foundation Board and Observant Pty Ltd. She was also a former Board Member of Australian Wool Services Limited (now known as Graziers' Investment Company Limited) and The Woolmark Company Pty Ltd.

Other current directorships

Non-executive director of GIC Holdings Pty Ltd. Deputy Chair of the National Australia Day Council and director of Sefton & Associates.

Interests in shares and options

121 'B' class shares in Graziers' Investment Company Limited.

I.D. Knight BBus (Acc), FCA, CPA, AFAIM, MAICD *Non-executive director*
(Appointed 10 May 2016)

Experience and expertise

Mr Knight is a retired Partner of KPMG where he held the position of National Head of Mergers & Acquisitions. Prior to his retirement in 2012 he was Head of Private Equity (Corporate Finance) where he advised private investment companies on strategy, acquisitions and divestments. During his time at KPMG Mr Knight was lead advisor on over 150 transactions across 30+ industries with a combined value of over \$5bn.

Mr Knight is an experienced non-executive director, CEO and chair with over 25 years board level experience. He has sat on the board or committees of over 15 separate organisations spanning: listed; private; not for profit; and government (State & Federal) sectors. He has managed listed and private companies and divisions.

Other current directorships

Mr Knight is currently a Partner of Nem Australasia Pty Ltd where he is Lead Partner of Hotels, Tourism & Leisure and Managing Director of Nem Corporate Pty Ltd, a boutique corporate advisory business. Mr Knight is a non-executive director of a number of private and public companies, including:- GIC Holdings Pty Ltd, CleanTeQ Limited (since July 2013), Rockwell Bates Pty Ltd and Alzheimer's Australia Dementia Research Foundation Victoria Limited (since May 2012) as well as Deputy Chairman of Alzheimer's Australia (Vic) Limited (since May 2010).

Information on directors (continued)

E. Beever BBus (Acc), CA *Managing Director*

Experience and expertise

Mrs Beever has been with Graziers' Investment Company Limited since its incorporation in 2001. She held the position of financial controller before becoming the Group General Manager and member of the Executive Management Committee in October 2005.

Other current directorships

Managing Director of GIC Holdings Pty Ltd. Director of GIC (NZ) Limited and Andar Tool & Press Pty Ltd.

Company Secretary

The Company Secretary is Dr Peter J J McKeown BEc, LLB, Grad Dip Law, Doctor of Juridical Science (all from Monash University) and registered Legal Practitioner. Dr McKeown was appointed to the position of Company Secretary and General Counsel with Graziers' Investment Company Limited in July 2002 and subsequently became Chairman of the Executive Management Committee of the company. Dr McKeown left the company on 1 May 2009 however continues to hold the position of Company Secretary. He also is a senior fellow of the law faculty at Monash University, a lay member of the St Vincent's Hospital Animal Ethics Committee and the external legal member of the Australian Catholic University Human Research Ethics Committee. Dr McKeown was a non-executive Director of City West Water Corporation and a member of their Occupational Health & Safety, New Maintenance Contract and Risk Management & Audit Committees. Before joining the company he was a Legal Practitioner in private, government and corporate practice including 12 years as the General Counsel and Company Secretary of The Australian Wheat Board and AWB Limited.

Retirement, election and continuation in office of directors

Mr B.C. Walker and Mr P.M. Attard are directors retiring by rotation at the annual general meeting. Mr Walker who, being eligible, offers himself for re-election. Mr Attard does not offer himself for re-election.

Mr I.D. Knight was appointed a director on 10 May 2016. In accordance with the constitution, Mr I.D. Knight retires as a director at the annual general meeting and, being eligible, offers himself for election.

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 2016, and the number of meetings attended by each director were:

	Full meetings of directors	
	A	B
Mr B C Walker OAM, Chairman	13	14
Mr P M Attard	13	14
Ms R L Sefton	14	14
Mr I D Knight (<i>Appointed 10 May 2016</i>)	2	2
Mrs E Beever	14	14

A = Number of meetings attended

B = Number of meetings held during the time the director held office during the year

Insurance of officers

During the financial year, Graziers' Investment Company Limited and its controlled entities have maintained a group policy to insure all directors and officers within the group. The nature of the insurance and amount of the premium payable are prohibited from disclosure by virtue of the terms of the insurance contract. The constitution of the company provides an indemnity for officers of the company against liability incurred by the officer in or arising out of the conduct of the business of the company or the discharge of the duties of the officer.

In addition, during October 2007, director's Deed of Indemnity Insurance and Access were entered into between Graziers' Investment Company Limited and the directors in office at that date.

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*.

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 14.

Rounding of amounts

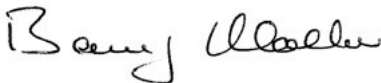
In accordance with Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and consolidated financial report have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

Auditor

PricewaterhouseCoopers resigned as the group auditor, effective 7 March 2016.

In accordance with s327C of the *Corporations Act 2001* the directors appointed Pitcher Partners as the group auditor, to fill the vacancy, and will continue to hold office until the company's next Annual General Meeting.

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



Barry Walker OAM, Chairman
Director

Melbourne, 12 October 2016

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF GRAZIER'S INVESTMENT COMPANY LIMITED**

In relation to the independent audit for the year ended 30 June 2016, to the best of my knowledge and belief there have been:

- (ii) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of any applicable code of professional conduct.

This declaration is in respect of Graziers' Investment Company Limited and the entities it controlled during the year.



B POWERS
Partner

12 October 2016



PITCHER PARTNERS
Melbourne

Graziers' Investment Company Limited

Annual financial report - 30 June 2016

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These financial statements cover the consolidated financial statements for the consolidated entity consisting of Graziers' Investment Company Limited and its subsidiaries. The financial statements are presented in Australian currency.

Graziers' Investment Company Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

369 Royal Parade
Parkville VIC 3052

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on page 9, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 12 October 2016. 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 and complete. All press releases, financial reports and other information are available at our Shareholders' centre on our website: www.graziersinvestco.com.au

Graziers' Investment Company Limited
Consolidated statement of profit or loss and
other comprehensive income
For the year ended 30 June 2016

		Consolidated	
		2016	2015
	Notes	\$'000	\$'000
Revenue from continuing operations	4	3,506	3,384
Other income	5	19	-
Changes in inventories of finished goods and work in progress		(710)	(562)
Raw materials and consumables used		(49)	(33)
Employee benefits expense		(1,996)	(2,021)
Depreciation and amortisation expense	6	(80)	(96)
Exchange losses		-	(16)
Consultants		(67)	(40)
Marketing/sponsorships		(7)	(4)
Travel		(32)	(28)
Legal/professional fees		(132)	(157)
Communications		(90)	(103)
Rent & utilities		(125)	(155)
Other expenses from operating activities		<u>(49)</u>	<u>(198)</u>
Profit/(loss) before income tax		188	(29)
Income tax expense	7	<u>(62)</u>	<u>(93)</u>
Profit/(loss) from continuing operations		126	(122)
(Loss)/profit from discontinued operations	8	<u>(77)</u>	<u>347</u>
Profit for the year		<u>49</u>	<u>225</u>
Total comprehensive income for the year		<u>49</u>	<u>225</u>
Profit is attributable to:			
Owners of Graziers' Investment Company Limited		2	269
Non-controlling interests		<u>47</u>	<u>(44)</u>
		<u>49</u>	<u>225</u>
Total comprehensive income for the year is attributable to:			
Owners of Graziers' Investment Company Limited		2	269
Non-controlling interests		<u>47</u>	<u>(44)</u>
		<u>49</u>	<u>225</u>

The above statement should be read in conjunction with the accompanying notes.

Graziers' Investment Company Limited
Consolidated statement of financial position
As at 30 June 2016

		Consolidated	
		2016	2015
	Notes	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	21,389	21,219
Trade and other receivables	10	612	647
Inventories	11	74	<u>132</u>
Total current assets		<u>22,075</u>	<u>21,998</u>
Non-current assets			
Property, plant and equipment	12	247	288
Deferred tax assets	13	7	<u>24</u>
Total non-current assets		<u>254</u>	<u>312</u>
Total assets		<u>22,329</u>	<u>22,310</u>
LIABILITIES			
Current liabilities			
Trade and other payables	14	526	586
Provisions	15	2,304	2,297
Current tax liabilities	16	19	<u>2</u>
Total current liabilities		<u>2,849</u>	<u>2,885</u>
Non-current liabilities			
Provisions	18	281	<u>275</u>
Total non-current liabilities		<u>281</u>	<u>275</u>
Total liabilities		<u>3,130</u>	<u>3,160</u>
Net assets		<u>19,199</u>	<u>19,150</u>
EQUITY			
Contributed equity	19	57,334	57,334
Reserves	20(a)	(528)	(528)
Accumulated losses	20(b)	(37,929)	<u>(37,931)</u>
Capital and reserves attributable to owners of Graziers' Investment Company Limited		18,877	18,875
Non-controlling interests	21	322	<u>275</u>
Total equity		<u>19,199</u>	<u>19,150</u>

The above statement should be read in conjunction with the accompanying notes.

Graziers' Investment Company Limited
Consolidated statement of changes in equity
For the year ended 30 June 2016

	Attributable to owners of Graziers' Investment Company Limited				Non-controlling interests	Total equity
	Contributed equity	Reserves	Accumulated Losses	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2014	57,334	(528)	(38,200)	18,606	319	18,925
Profit for the year	-	-	269	269	(44)	225
Balance at 30 June 2015	<u>57,334</u>	<u>(528)</u>	<u>(37,931)</u>	<u>18,875</u>	<u>275</u>	<u>19,150</u>
Profit for the year	-	-	2	2	47	49
Balance at 30 June 2016	<u>57,334</u>	<u>(528)</u>	<u>(37,929)</u>	<u>18,877</u>	<u>322</u>	<u>19,199</u>

The above statement should be read in conjunction with the accompanying notes.

Graziers' Investment Company Limited
Consolidated statement of cash flows
For the year ended 30 June 2016

		Consolidated	
		2016	2015
	Notes	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		2,884	2,826
Payments to suppliers and employees (inclusive of goods and services tax)		(3,293)	(3,411)
Interest received		649	849
Income taxes paid		(28)	(98)
Net cash inflow from operating activities	29	<u>212</u>	<u>166</u>
Cash flows from investing activities			
Payments (net) for settlement of cash held in trust	8	(39)	(834)
Proceeds from IWS International Pension Plan	8	-	473
Payments for property, plant and equipment	12	-	(8)
Proceeds from sale of property, plant and equipment		-	13
Net cash outflow from investing activities		<u>(39)</u>	<u>(356)</u>
Net increase (decrease) in cash and cash equivalents		173	(190)
Cash and cash equivalents at the beginning of the financial year		21,219	21,316
Effects of exchange rate changes on cash and cash equivalents		(3)	93
Cash and cash equivalents at end of year	9	<u>21,389</u>	<u>21,219</u>
Financing arrangements	17		

The above statement should be read in conjunction with the accompanying notes.

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1 Summary of significant accounting policies

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 group consisting of Graziers' Investment Company Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Graziers' Investment Company Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Graziers' Investment Company Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value, certain classes of property, plant and equipment and investment property.

(iii) Comparatives

When necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

- **AASB 9 *Financial Instruments* (effective 1 July 2017)**
This standard will replace AASB 139 *Financial Instruments: Recognition and Measurement*. The key changes that may affect the group on initial application of this new standard and associated amending standards include:
 - ◊ simplifying the general classifications of financial assets into those carried at amortised cost and those carried at fair value;
 - ◊ permitting entities to irrevocably elect on initial recognition to present gains and losses on an equity instrument that is not held for trading in other comprehensive income (OCI);
 - ◊ simplifying the requirements of embedded derivatives, including removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
 - ◊ requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

- ◊ introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- ◊ requiring impairment of financial assets carried at amortised cost to be based on an expected loss approach.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

- **AASB 15 *Revenue from Contracts with Customers* (effective 1 July 2017)**
This standard will provide (except in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue.

AASB 15 provides a revised principle for recognising and measuring revenue. Under the amended standard, revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. To give effect to this principle, AASB 15 requires the adoption of the following 5-step model:

- ◊ identify the contract(s) with a customer;
- ◊ identify the performance obligations under the contract(s);
- ◊ determine the transaction price;
- ◊ allocate the transaction price to the performance obligations under the contract(s); and
- ◊ recognise revenue when (or as) the entity satisfies the performance obligations.

AASB 15 also provides additional guidance to assist entities in applying the revised principle to licences of intellectual property, warranties, rights of return, principal/agent considerations and options for additional goods and services.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's reported revenue, it is impracticable at this stage to provide a reasonable estimate of such impact.

(b) Principles of consolidation

(i) *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Graziers' Investment Company Limited ('company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. Graziers' Investment Company Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Graziers' Investment Company Limited.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(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 Graziers' Investment Company 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 of monetary assets and liabilities denominated in foreign currencies, at year end exchange rates, are generally recognised in profit or loss, except when they are deferred in equity as attributable to part of the net investment in a foreign operation.

1 Summary of significant accounting policies (continued)

(c) Foreign currency translation (continued)

(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:

- assets and liabilities are translated at the closing rate on the reporting date,
- income and expenses 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.

On consolidation exchange differences arising from the translation of any net investment in foreign entities, and of borrowings, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Sale of goods

A sale is recorded when goods have been delivered to the customer, the customer has accepted the goods and collectibility of the related receivables is probable. Revenue from the sale of goods manufactured under a contract is recognised in accordance with the percentage of completion method. The stage of completion for each individual contract is measured with reference to the total costs incurred to date as a percentage of the estimated total costs for each contract.

(ii) Interest

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

1 Summary of significant accounting policies (continued)

(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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Graziers' Investment Company Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(f) 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 (note 25). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

1 Summary of significant accounting policies (continued)

(g) Impairment of assets

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 of disposal and value in use. 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 group of assets (cash generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(h) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and are therefore all classified as current.

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment. The group considers that there is evidence of impairment if any of the following indicators are present:-

- 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).

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses. See note 1(l) for information about how impairment losses are calculated.

1 Summary of significant accounting policies (continued)

(j) Inventories

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts. 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.

(k) Non-current assets (or disposal groups) held-for-sale and discontinued operations

A discontinued operation is a component of the group that has been disposed of or is classified as held-for-sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of profit or loss and other comprehensive income.

(l) Investments and other financial assets

(i) Classification

The group classifies its investments in the following categories:

- *Financial assets at fair value through profit or loss*
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current.
- *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 (note 10) in the consolidated statement of financial position.

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 period.

(ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. 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.

1 Summary of significant accounting policies (continued)

(I) Investments and other financial assets (continued)

(iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised in profit or loss within other income or other expenses.

Interest income from financial assets at fair value through profit or loss is included in the net gains/(losses).

(iv) Impairment

The group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and that amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment testing of trade receivables is described in note 1(i).

(v) Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans or other amounts due to director-related entities.

Non-derivative financial liabilities are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

1 Summary of significant accounting policies (continued)

(m) Property, plant and equipment

Property, plant and equipment is 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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation of assets is calculated using either the diminishing value ('DV') or straight line ('SL') method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives.

- Plant and equipment	10% SL, 14.4% - 66% DV
- Leasehold improvements	20% SL

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

(n) 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. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(o) Provisions

Provisions for legal claims and make good obligations 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 can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

1 Summary of significant accounting policies (continued)

(o) Provisions (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(p) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

(ii) Other long-term employee benefit obligations

Liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Retirement benefit obligations

The group's legal or constructive obligation is limited to contributions to defined contribution superannuation plans of the employee's choice, which are recognised as an expense as they become payable.

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of termination benefits. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(q) Contributed Equity

Ordinary shares are classified as equity.

1 Summary of significant accounting policies (continued)

(r) 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 statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(s) Rounding of amounts

The parent entity and the consolidated entity have applied the relief available under the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, the amounts in the consolidated financial statements and in the directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

(t) Parent entity financial information

The financial information for the parent entity, Graziers' Investment Company Limited, disclosed in note 30 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Graziers' Investment Company Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation

Graziers' Investment Company Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Graziers' Investment Company Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

2 Financial risk management

This note explains the group's exposure to financial risks and how these risks could affect the group's future financial performance.

2 Financial risk management (continued)

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 and ageing analysis for credit risk.

Risk management is carried out by management under policies approved by the board of directors. Management evaluates financial risks in co-operation with the group's operating units and considers actions required to mitigate any identified risks. The board provides 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 investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The group has international legacies to resolve (refer note 8(a)(ii)) and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Indian Rupee, New Zealand Dollar and Euro.

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. The risk is measured using sensitivity analysis and cash flow forecasting.

Management proactively manages this risk by creating natural hedges of currencies for expected cash usage by foreign operations and repatriates, where possible, surplus cash not required in the cash management activities of those operations into Australian dollars.

Exposure

The group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	30 June 2016			30 June 2015		
	INR \$'000	NZD \$'000	EUR \$'000	INR \$'000	NZD \$'000	EUR \$'000
Cash	807	56	582	793	54	565
Other receivables	9	-	-	8	-	-
Other payables	(210)	(6)	-	(220)	(8)	-
Provisions	-	-	(1,609)	-	-	(1,562)
Net exposure	<u>606</u>	<u>50</u>	<u>(1,027)</u>	<u>581</u>	<u>46</u>	<u>(997)</u>

Sensitivity

As shown in the table above, the group is primarily exposed to changes in the INR/AUD and EUR/AUD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from INR and EUR denominated financial instruments.

2 Financial risk management (continued)

(a) Market risk (continued)

Based on the financial instruments held at 30 June 2016, had the Australian Dollar weakened/strengthened by 10% against the Indian Rupee and Euro (2015 - Indian Rupee and Euro) with all other variables held constant, the group's post-tax profit for the year would have been \$47,000 lower/\$38,000 higher (2015 - \$46,000 lower/\$38,000 higher), as a result of foreign exchange gains/losses on translation of the Indian Rupee and Euro (2015 - Indian Rupee and Euro) denominated financial instruments.

The group's exposure to other foreign exchange movement is not material.

(ii) Price risk

The group does not have any significant price risks, nor is it exposed to commodity price risk.

(iii) Cash flow and fair value interest rate risk

The group's main interest rate risk arises from cash and cash equivalents with future cash flows being subject to changes in market interest rates. The group policy is to hold cash on deposit over short term periods to ensure availability of cash resources when required.

As at the end of the reporting period, the group had the following variable interest rates:

	30 June 2016		30 June 2015	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Cash and cash equivalents	3.0 %	21,389	3.1 %	21,219
Bank overdrafts and bank loans	10.6 %	-	10.6 %	-
Net exposure to cash flow interest rate risk		<u>21,389</u>		<u>21,219</u>

Sensitivity

At 30 June 2016, if interest rates had changed by +/- 100 basis points from the year end rates with all other variables held constant, post tax profit for the year would have been \$214,000 lower/higher (2015 - \$212,000) lower/higher, mainly as a result of higher/lower interest income from cash and cash equivalents.

(b) Credit risk

Credit risk arises from cash and cash equivalents as well as credit exposures to customers, including outstanding receivables and committed transactions. The group's exposures to credit risks, in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the consolidated statement of financial position. The consolidated entity has no significant exposure to any concentrations of credit risk other than repatriation of cash held in foreign jurisdictions (refer note 8(a)(i)).

(i) Risk management

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a minimum rating of AA- (long term) or A1+ (short term) by S&P Australian ratings are accepted.

2 Financial risk management (continued)

(b) Credit risk (continued)

(i) Risk management (continued)

The credit quality of customers is considered, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external factors in accordance with limits set by the Board. The compliance with credit limits by customers is regularly monitored by management.

(ii) Guarantees

Credit risk also arises in relation to financial guarantees given to certain parties (see notes 28 and 30 for details). Such guarantees are only provided in exceptional circumstances and are subject to specific board approval.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(i) Financing arrangements

The group has standby credit facilities of \$100,000 (2015 - \$100,000) as disclosed in note 17(a).

3 Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the related actual results. Management also needs to exercise judgement in applying the group's accounting policies.

This note provides an overview of the areas that involved a high degree of judgement or complexity and items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. It also provides detailed information about each of the estimates and judgements, with information about the basis of calculation for each affected line item in the financial statements.

(a) Significant estimates and judgements

The areas involving significant estimates and judgements are:

- Estimation of provision for recovery costs - note 8(a)(i)

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4 Revenue

	Consolidated	
	2016	2015
	\$'000	\$'000
From continuing operations		
Sale of goods	<u>2,868</u>	<u>2,679</u>
<i>Other revenue</i>		
Interest	<u>638</u>	<u>705</u>
	<u>3,506</u>	<u>3,384</u>

5 Other income

	Consolidated	
	2016	2015
	\$'000	\$'000
Foreign exchange gains (net)	<u>19</u>	<u>-</u>

6 Expenses

	Consolidated	
	2016	2015
	\$'000	\$'000
Profit/(loss) before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	78	93
Leasehold improvements	<u>2</u>	<u>3</u>
Total depreciation	<u>80</u>	<u>96</u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	<u>95</u>	<u>118</u>
Total rental expense relating to operating leases	<u>95</u>	<u>118</u>
<i>Defined contribution superannuation expense</i>	147	159

7 Income tax expense

	Consolidated	
	2016	2015
	\$'000	\$'000
(a) Income tax expense		
Current tax on profits for the year	45	11
Decrease (increase) in deferred tax assets (note 13)	<u>17</u>	<u>82</u>
	<u>62</u>	<u>93</u>
Income tax expense is attributable to:		
Profit/(loss) from continuing operations	62	93
(Loss)/profit from discontinued operations	<u>-</u>	<u>-</u>
	<u>62</u>	<u>93</u>

7 Income tax expense (continued)

	Consolidated	
	2016	2015
	\$'000	\$'000
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) from continuing operations before income tax expense	188	(29)
(Loss)/Profit from discontinued operations before income tax expense	(77)	347
	111	318
Tax at the Australian tax rate of 30% (2015 - 30%)	33	95
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Employee entitlements	-	93
Foreign attributable income	19	14
Unrealised exchange (gains)/losses	4	(29)
Sundry items	(7)	61
	49	234
Adjustments for current tax of prior periods	139	-
Previously unrecognised tax losses now recouped to reduce current tax expense	(126)	(141)
	13	(141)
Total income tax expense	62	93
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	20,905	21,031
Potential tax benefit @ 30%	6,272	6,309

8 Discontinued operations

(a) Description

(i) Legacies

IWS International Pension Plan

International Wool Secretariat (IWS), as successor to an IWS International Pension Plan (IPP) in Guernsey, received residual funds held by the IPP upon its dissolution in October 2014. The IPP was essentially an umbrella scheme of the former IWS Retirement Benefits Plan in the UK (UK Pension Plan), with IWS being the sponsoring employer/establisher of the plan. In consideration for the residual funds the company has indemnified the IPP Trustees - refer note 24(a)(iii).

Based on legal advice received the IPP was a separate fund to the UK Pension Plan, so acceptance of the IPP residual funds did not jeopardise the clean break achieved by the parties to the Deed of Compromise entered into on 5 October 2007 in respect of the UK Pension Plan.

8 Discontinued operations (continued)

(a) Description (continued)

(i) Legacies (continued)

Closure of IWS India

Discussions with local agents is continuing to implement the process and steps required to close this entity, which involves approval from the Reserve Bank of India ('RBI') for the repatriation of \$807,000 in cash. Based on prior dealings with the RBI, and past experience regarding the cash held in trust, management estimates the cost to repatriate the cash to be \$202,000. The assumptions made in relation to the current period are consistent with those in the prior year.

French Tax Claim - Refer note 15

In February 2014, an unfavourable judgement was handed down against the group in respect of a claim by the French Tax Authorities for capital gains tax payable on the sale of a property in France. In accordance with the accounting policy set out in note 1(p), the group has recognised an amount to cover the claim of EUR 1,081,000 (AU\$1,609,000). Based on legal advice payment is due upon the receipt of the Tax Authorities formal demand, issued within three years from the Court's judgement date. The group's exposure to foreign currency risk is provided in note 2.

Remaining inherited legacies

The remaining inherited legacies which GIC continues to manage and resolve is the dissolution of the International Wool Secretariat.

Any associated costs and exchange movements in connection with these legacy matters are reported in these financial statements as discontinued operations.

Financial information relating to the discontinued operations for the reporting period is set out below.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the years ended 30 June 2016 and 30 June 2015.

	Consolidated	
	2016	2015
	\$'000	\$'000
IWS International Pension Plan	-	467
IWS India	(27)	(119)
French tax claim (note 15)	(47)	9
Other legacy matters	(3)	(10)
Profit before income tax	<u>(77)</u>	<u>347</u>
Income tax expense	-	-
(Loss)/profit from discontinued operation	<u>(77)</u>	<u>347</u>
Net cash outflow from operating activities	(12)	(30)
Mumbai Property cash held in trust - associated recovery costs	-	(834)
IWS International Pension Plan residual funds received	-	473
Net (decrease)/increase in cash generated by the division	<u>(12)</u>	<u>(391)</u>

9 Current assets - Cash and cash equivalents

	Consolidated	
	2016	2015
	\$'000	\$'000
Cash at bank and in hand	1,253	1,063
Deposits at call	19,866	19,886
Other cash and cash equivalents (c)	<u>270</u>	<u>270</u>
	<u>21,389</u>	<u>21,219</u>

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the consolidated statement of cash flows as follows:

	Consolidated	
	2016	2015
	\$'000	\$'000
Balances as above	<u>21,389</u>	<u>21,219</u>

(b) Risk exposure

The group and the parent entity's exposure to foreign currency risk, credit risk and interest rate risk in relation to cash is discussed in note 2.

(c) Other cash and cash equivalents

Other cash represents deposits held by banks as security to cover the legal claim, recognised in provisions (refer note 18).

(d) Fair value

A provision has been recognised for estimated costs payable upon the repatriation of cash held in India to Australia - refer note 8(a)(i).

10 Current assets - Trade and other receivables

	Consolidated	
	2016	2015
	\$'000	\$'000
Trade receivables	594	621
Prepayments	<u>18</u>	<u>26</u>
	<u>612</u>	<u>647</u>

(a) Past due but not impaired

As at 30 June 2016, trade receivables of \$235,000 (2015 - \$199,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

10 Current assets - Trade and other receivables (continued)

(a) Past due but not impaired (continued)

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The group does not hold any collateral in relation to these receivables.

(b) Foreign exchange and interest rate risk

Information about the group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 2.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

Information about the group's exposure to credit risk is provided in note 2.

11 Current assets - Inventories

Work in progress - at cost

Consolidated	
2016	2015
\$'000	\$'000
<u>74</u>	<u>132</u>

12 Non-current assets - Property, plant and equipment

	Plant and equipment \$'000	Leasehold improvements \$'000	Total \$'000
At 1 July 2014			
Cost or fair value	1,029	59	1,088
Accumulated depreciation	<u>(658)</u>	<u>(42)</u>	<u>(700)</u>
Net book amount	<u>371</u>	<u>17</u>	<u>388</u>
Year 30 June 2015			
Opening net book amount	371	17	388
Additions	8	-	8
Disposals	(4)	(8)	(12)
Depreciation charge	<u>(93)</u>	<u>(3)</u>	<u>(96)</u>
Closing net book amount	<u>282</u>	<u>6</u>	<u>288</u>
At 30 June 2015			
Cost or fair value	1,014	43	1,057
Accumulated depreciation	<u>(732)</u>	<u>(37)</u>	<u>(769)</u>
Net book amount	<u>282</u>	<u>6</u>	<u>288</u>

12Non-current assets - Property, plant and equipment (continued)

	Plant and equipment \$'000	Leasehold improvement s \$'000	Total \$'000
Year 30 June 2016			
Opening net book amount	282	6	288
Additions	39	-	39
Depreciation charge	(78)	(2)	(80)
Closing net book amount	<u>243</u>	<u>4</u>	<u>247</u>
At 30 June 2016			
Cost or fair value	982	43	1,025
Accumulated depreciation	(739)	(39)	(778)
Net book amount	<u>243</u>	<u>4</u>	<u>247</u>

13Non-current assets - Deferred tax assets

Consolidated
2016 **2015**
\$'000 **\$'000**

The balance comprises temporary differences attributable to:

Tax losses	-	17
Other	<u>7</u>	<u>7</u>
Total deferred tax assets	<u>7</u>	<u>24</u>
Deferred tax assets to be recovered within 12 months	7	24
Deferred tax assets to be recovered after more than 12 months	<u>-</u>	<u>-</u>
	<u>7</u>	<u>24</u>

14Current liabilities - Trade and other payables

Consolidated
2016 **2015**
\$'000 **\$'000**

Trade payables	324	380
Other payables	<u>202</u>	<u>206</u>
	<u>526</u>	<u>586</u>

15 Current liabilities - Provisions

	Consolidated	
	2016	2015
	\$'000	\$'000
Employee benefits (note (b))	695	735
Tax claim (note 8(a)(i))	<u>1,609</u>	<u>1,562</u>
	<u>2,304</u>	<u>2,297</u>

(a) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Tax claim	Total
	\$'000	\$'000
2016		
Current		
Carrying amount at start of year	1,562	1,562
Charged/(credited) to the consolidated statement of profit or loss and other comprehensive income		
- exchange differences	<u>47</u>	<u>47</u>
Carrying amount at end of year	<u>1,609</u>	<u>1,609</u>

(b) Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes accrued annual leave, long service leave and termination benefits. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	Consolidated	
	2016	2015
	\$'000	\$'000
Leave obligations expected to be settled after 12 months	<u>582</u>	<u>527</u>

16 Current liabilities - Current tax liabilities

	Consolidated	
	2016	2015
	\$'000	\$'000
Income tax payable	<u>19</u>	<u>2</u>

17Non-current liabilities - Borrowings

(a) Financing arrangements

The group had access to the following undrawn borrowing facilities at the end of the reporting period:

	Consolidated	
	2016	2015
	\$'000	\$'000
Floating rate		
Bank overdrafts	100	100
Used at reporting date	<u>-</u>	<u>-</u>
	<u>100</u>	<u>100</u>

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

(b) Fair value

The fair value of the financial assets and liabilities is deemed to be the carrying amount.

(c) Risk exposures

Information about the entity's exposure to interest rate and foreign currency changes is provided in note 2.

18Non-current liabilities - Provisions

	Consolidated	
	2016	2015
	\$'000	\$'000
Employee benefits	11	5
Legal claim (a)	<u>270</u>	<u>270</u>
	<u>281</u>	<u>275</u>

(a) Legal claim

A Mumbai Property, sold in May 2010, was originally purchased by IWS Nominee Company Limited ('IWSNCL' - refer note 24(a)(ii)) and, pursuant to approval by the Reserve Bank of India, was gifted to Woolmark Services India Private Limited ('WSIPL') in 2002, in accordance with the terms of a Deed of Transfer.

The Collector, in India, issued a demand to WSIPL for transfer fees, including penalties, for the transfer of the property by IWSNCL to WSIPL in 2002. WSIPL formed part of the company's key assets sold to Australian Wool Innovation Limited on 5 October 2007 however, it has been agreed between the parties that payment of the demand vests with the company, capped at \$270,000.

18 Non-current liabilities - Provisions (continued)

A provision has been recognised for this amount. However, after taking appropriate legal advice, the directors have decided to appeal against the claim. No payment has been made to the claimant however, an equivalent amount is held in an Escrow Account with a bank, pending the outcome of the appeal.

19 Contributed equity

	Consolidated	
	2016	2015
	\$'000	\$'000
(a) Share capital		
Ordinary shares		
Fully paid	<u>57,334</u>	<u>57,334</u>

(b) Movements in ordinary share capital:

Date	Details	'B' Class Shares
1 July 2014	Opening balance	<u>2,093,586</u>
30 June 2016	Balance	<u>2,093,586</u>

There has been no movement in ordinary share capital.

(c) Ordinary shares

The net worth of Graziers' Investment Company Limited as at 1 January 2001 was treated as equivalent to its consolidated net asset value on that date. In accordance with section 17, of the Wool Services Privatisation Act 2000, this is deemed to be its share capital which was issued to woolgrowers at nil cost.

'B' class shares entitle the holder to:

- (i) on a poll, one vote for each fully paid 'B' class share held
- (ii) vote at a general meeting
- (iii) dividends declared
- (iv) the right to participate in the profits or assets of the company (whether surplus or otherwise)

(d) Capital risk management

The group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets.

20 Reserves and accumulated losses

	Consolidated	
	2016	2015
	\$'000	\$'000
(a) Reserves		
Foreign currency translation	<u>(528)</u>	<u>(528)</u>

(b) Accumulated losses

Movements in accumulated losses were as follows:

	Consolidated	
	2016	2015
	\$'000	\$'000
Balance 1 July	(37,931)	(38,200)
Net profit for the year	<u>2</u>	<u>269</u>
Balance 30 June	<u>(37,929)</u>	<u>(37,931)</u>

(c) Nature and purpose of reserves

(i) Foreign currency translation

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.

21 Non-controlling interests

	Consolidated	
	2016	2015
	\$'000	\$'000
Interest in:		
Share capital	38	38
Retained profits	<u>284</u>	<u>237</u>
	<u>322</u>	<u>275</u>

22 Key management personnel disclosures

(a) Directors

The following persons were directors of Graziers' Investment Company Limited during the financial year:

(i) *Chairman - non-executive*
B.C. Walker OAM

(ii) *Executive directors*
E. Beever, Managing Director

22Key management personnel disclosures (continued)

(iii) Non-executive directors

P.M. Attard
R.L. Sefton
I.D. Knight (appointed 10 May 2016)

(b) Other key management personnel

The following persons had authority and responsibility for planning, directing and controlling the activities of subsidiaries of the group, directly or indirectly, during the financial year:

<i>Name</i>	<i>Position</i>	<i>Employer</i>
C. Wilson	Managing Director - Andar Tool & Press Pty Ltd	Andar Tool & Press Pty Ltd
G. Lillie	Director - Andar Tool & Press Pty Ltd	Andar Tool & Press Pty Ltd

All of the above persons were also key management persons during the year ended 30 June 2015.

(c) Key management personnel compensation

	Consolidated	
	2016	2015
	\$'000	\$'000
Short-term employee benefits	610	702
Post-employment benefits	174	121
	<u>784</u>	<u>823</u>

(d) Details of remuneration

Details of the remuneration of each non-executive director of Graziers' Investment Company Limited is set out in the following tables.

2016

Name	Total \$
Non-executive directors	
B.C. Walker	80,687
P.M. Attard	47,158
R.L. Sefton	34,059
I.D. Knight (Appointed 10 May 2016)	5,046
Total	166,950

2015

Name	Total \$
Non-executive directors	
B.C. Walker	79,778
J.M. Patten (Deceased 5 September 2014)	16,204
P.M. Attard	55,275
R.L. Sefton	30,613
Total	181,870

23 Remuneration of auditors

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

	Consolidated	
	2016	2015
	\$	\$
(a) Pitcher Partners (2015: PricewaterhouseCoopers) Australia		
<i>Audit and other assurance services</i>		
Audit and review of financial reports	<u>22,500</u>	<u>35,000</u>
Total remuneration for audit and other assurance services	<u>22,500</u>	<u>35,000</u>
Total remuneration of Pitcher Partners (2015: PricewaterhouseCoopers) Australia	<u>22,500</u>	<u>35,000</u>
(b) Non-Pitcher Partner audit firms		
<i>Audit and other assurance services</i>		
Audit and review of financial reports	<u>170</u>	<u>-</u>
Total remuneration of non-Pitcher Partner audit firms	<u>170</u>	<u>-</u>
Total auditors' remuneration	<u>22,670</u>	<u>35,000</u>

24 Contingencies

(a) Contingent liabilities

The group had contingent liabilities at 30 June 2016 in respect of:

(i) Guarantees

For information about guarantees given by entities within the group, including the parent entity, refer to notes 28 and 30.

(ii) Closure of IWSNCL India

An Indian branch office, registered in the name IWS Nominee Company Limited ('IWSNCL'), is in the process of being closed. IWSNCL India, a separate entity to IWS India referred to in note 8(a)(i), formed part of the company's key assets sold to Australian Wool Innovation Limited ('AWI') on 5 October 2007 however, all obligations and benefits in relation to IWSNCL India vest with the company. Graziers' Investment Company Limited ('GIC') has indemnified AWI, and its subsidiary IWSNCL, against all possible losses and costs in respect of IWSNCL India until three years after its dissolution or upon the date of dissolution of GIC (whichever is earlier).

(iii) IWS International Pension Plan

In consideration for the Residual Funds received from the IWS International Pension Plan (IPP), disclosed in note 8(a)(i), Graziers' Investment Company Limited has indemnified the Trustee of the IPP for a period of four years from 17 April 2014 against any liabilities the Trustee may incur, capped at the amount received of GBP262,787.

No material losses are anticipated in respect of any of the above contingent liabilities.

24Contingencies (continued)

(b) Contingent assets

(i) Legal claim

The legal claim outlined in note 18 has been appealed and based on legal advice, the directors believe that a favourable outcome is probable. However, the contingent asset has not been recognised as a receivable at 30 June 2016 as the amount is dependent upon the outcome of the appeal process.

25Commitments

(a) Lease commitments : Group as lessee

(i) Non-cancellable operating leases

The group leases an office and factory under a non-cancellable operating lease expiring within less than five years. The term of the lease is five years, with an option for a further term of five years. Rent is reviewed annually in accordance with CPI increase. On renewal, the terms of the lease are renegotiated.

Consolidated	
2016	2015
\$'000	\$'000

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	79	77
Later than one year but not later than five years	137	219
	<u>216</u>	<u>296</u>

26Related party transactions

(a) Parent entities

The parent entity within the group is Graziers' Investment Company Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 27.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 22.

27 Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding 2016 %	2015 %
Subsidiaries controlled by Graziers' Investment Company Limited				
GIC Holdings Pty Ltd*	Australia	Ordinary	100	100
Subsidiaries controlled by GIC Holdings Pty Ltd				
International Wool Secretariat	Not resident in any country	N/A	100	100
GIC (NZ) Limited	New Zealand	Ordinary	100	100
Subsidiaries controlled by GIC (NZ) Limited				
Andar Tool & Press Pty Ltd **	Australia	Ordinary	62	62
NXR Limited	New Zealand	Ordinary	100	100

* This subsidiary has been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 28.

** On 15 November 2015 this subsidiary was transferred from being a 'Limited' company registered with Companies Office in New Zealand to an Australian 'Pty Ltd' company registered with the Australian Securities and Investments Commission.

28 Deed of cross guarantee

Graziers' Investment Company Limited and GIC Holdings Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated statement of profit or loss and other comprehensive income and summary of movements in consolidated accumulated losses

The above companies represent a 'Closed Group' for the purposes of the Class Order and, as there are no other parties to the Deed of Cross Guarantee that are controlled by Graziers' Investment Company Limited, they also represent the 'Extended Closed Group'.

28Deed of cross guarantee (continued)

(a) Consolidated statement of profit or loss and other comprehensive income and summary of movements in consolidated accumulated losses (continued)

Set out below is a consolidated statement of profit or loss and other comprehensive income and a summary of movements in consolidated accumulated losses for the year ended 30 June 2016 of the Closed Group consisting of Graziers' Investment Company Limited and GIC Holdings Pty Ltd.

	2016 \$'000	2015 \$'000
<i>Consolidated statement of profit or loss and other comprehensive income</i>		
Revenue from continuing operations	635	702
Other income	19	-
Employee benefits expense	(394)	(409)
Depreciation and amortisation expense	-	(1)
Exchange losses	-	(16)
Consultants	(96)	(87)
Travel	(25)	(20)
Legal/professional	(80)	(103)
Communications	(64)	(77)
Rent & utilities	(17)	(16)
Other expenses	(25)	(39)
Loss before income tax	(47)	(66)
Profit from discontinued operations	-	468
(Loss)/profit for the year	(47)	402

Summary of movements in consolidated accumulated losses

Accumulated losses at the beginning of the financial year	(39,758)	(40,160)
(Loss)/profit for the year	(47)	402
Accumulated losses at the end of the financial year	(39,805)	(39,758)

28 Deed of cross guarantee (continued)

(b) Consolidated statement of financial position

Set out below is a consolidated statement of financial position as at 30 June 2016 of the Closed Group consisting of Graziers' Investment Company Limited and GIC Holdings Pty Ltd.

	2016	2015
	\$'000	\$'000
Current assets		
Cash and cash equivalents	19,954	20,077
Trade and other receivables	193	142
Other	<u>6</u>	<u>11</u>
Total current assets	<u>20,153</u>	<u>20,230</u>
Non-current assets		
Other financial assets	294	294
Property, plant and equipment	<u>-</u>	<u>1</u>
Total non-current assets	<u>294</u>	<u>295</u>
Total assets	<u>20,447</u>	<u>20,525</u>
Current liabilities		
Trade and other payables	2,238	2,284
Provisions	<u>410</u>	<u>395</u>
Total current liabilities	<u>2,648</u>	<u>2,679</u>
Non-current liabilities		
Provisions	<u>270</u>	<u>270</u>
Total non-current liabilities	<u>270</u>	<u>270</u>
Total liabilities	<u>2,918</u>	<u>2,949</u>
Net assets	<u>17,529</u>	<u>17,576</u>
Equity		
Contributed equity	57,334	57,334
Accumulated losses	<u>(39,805)</u>	<u>(39,758)</u>
Total equity	<u>17,529</u>	<u>17,576</u>

29 Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated	
	2016	2015
	\$'000	\$'000
Profit for the year	49	225
Depreciation and amortisation	80	96
IWS International Pension Plan	-	(473)
Net (gain) loss on sale of non-current assets	-	(1)
Net exchange differences	46	(93)
Change in operating assets and liabilities, net of effects from sale of discontinued operations		
Decrease in trade debtors	27	291
Decrease (increase) in inventories	58	(95)
Decrease in other operating assets	25	9
(Decrease) in trade creditors	(56)	(34)
Increase in other operating liabilities	17	200
(Decrease) increase in other provisions	(34)	41
Net cash inflow (outflow) from operating activities	<u>212</u>	<u>166</u>

30 Parent entity financial information

(a) Summary financial information

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

	Parent entity	
	2016	2015
	\$'000	\$'000
Statement of financial position		
Non-current assets	<u>19,199</u>	<u>19,150</u>
Total assets	<u>19,199</u>	<u>19,150</u>
<i>Shareholders' equity</i>		
Contributed equity	57,334	57,334
Accumulated losses	<u>(38,135)</u>	<u>(38,184)</u>
	<u>19,199</u>	<u>19,150</u>
Profit for the year	<u>49</u>	<u>225</u>
Total comprehensive income	<u>49</u>	<u>225</u>

30 Parent entity financial information (continued)

(b) Guarantees entered into by the parent entity

There are cross guarantees given by Graziers' Investment Company Limited and GIC Holdings Pty Ltd as described in note 28. No deficiencies of assets exist in any of these companies.

No liability was recognised by the parent entity or the consolidated entity in relation to these guarantees, as at the date of this report no claims have been made in respect of the guarantees and no material claims are anticipated.

(c) Contingent liabilities of the parent entity

For contingent liabilities relating to the parent entity refer to note 24.

(d) Contractual commitments for the acquisition of property, plant or equipment

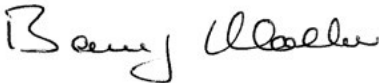
The parent entity did not have any contractual commitments for the acquisition of property, plant and equipment as at 30 June 2016 or 30 June 2015.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 15 to 52 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 2016 and of its performance for the financial 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 identified in note 28 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 described in note 28.

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

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



Barry Walker OAM, Chairman
Director

Melbourne
12 October 2016

We have audited the accompanying financial report of Graziers' Investment Company Limited and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the 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 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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 company's preparation of the financial report that gives a true and fair view 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 company'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*.

Opinion

In our opinion:

- (a) the financial report of Graziers' Investment Company Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of Graziers' Investment Company Limited (the company) for the year ended 30 June 2016 included on Graziers' Investment Company Limited website. The company's directors are responsible for the integrity of the Graziers' Investment Company Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.



B POWERS
Partner

12 October 2016



PITCHER PARTNERS
Melbourne

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Graziers' Investment Company Limited Registrar

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