

Armidale Investment Corporation Limited
ABN 58 100 854 788

Annual Financial Report
For The Year Ended 30 June 2014

Contents

Chairman's Letter	2
Directors' Report	3
Auditor's Independence Declaration	15
Corporate Governance Statement	16
Statement of Profit or Loss and Other Comprehensive Income	27
Statement of Financial Position	28
Statement of Changes in Equity	29
Statement of Cash Flows	30
Notes to the Financial Statements	31
Directors' Declaration	53
Independent Auditor's Report	54
ASX Additional Information	57

**Armidale Investment Corporation Limited Financial Statements
For the year ended 30 June 2014**

Chairman's Letter

29 August 2014

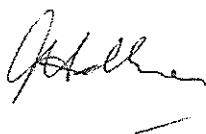
Dear Shareholder

I present you with the Annual Report for the year ended 30 June 2014 of Armidale Investment Corporation Limited (AIK or the Company), my first as Chairman of the Board. AIK holds two primary investments being; Hal Data Services Pty Limited (Hal) and Riverwise Pty Limited (Riverwise). In December 2013 the Directors of Armidale Investment Corporation Limited (AIK) undertook a review of the requirements of the Accounting Standard AASB 2013-5 *Amendment to Australian Accounting Standards – Investment Entities* and determined that AIK met the definition of an Investment Entity. The standard requires that all investments be carried at fair value and are not consolidated, regardless of whether they are subsidiaries of AIK. AIK has early adopted this standard in the current reporting period. As a result and as prescribed by the standard, AIK must present the financial statements as if AASB 2013-5 had always been applied, thus requiring the financial statements for the financial year ended 30 June 2013 to be restated. Therefore the comparatives in the financial statements are no longer consolidated financial statements but have been prepared applying the Investment Entity Accounting standard. The effect of this is that both the current full year results and the corresponding full year results are now reported for AIK, the Company, only. The key highlights of the financial statements for the year ended 30 June 2014 are:

- AIK recorded a profit after tax of \$3.7m in the year ended 30 June 2014 (2013:\$11.1m).
- Earnings per share after tax were 1.71 cents for the year ended 30 June 2014 (2013: 6.44 cents). In the year ended 30 June 2013 there was a large, positive revaluation of Hal which significantly impacted the earnings per share in that year.
- AIK's net assets at 30 June 2014 were \$36.9m (2013:\$29.0m).
- AIK generated strong operating cashflows of \$0.8m (2013:\$0.2m).
- Cash reserves at 30 June 2014 were \$0.8m (2013:\$1.8m).
- There were two share issues during the year to raise funding to advance to Hal for the purpose of originating leases. This provided cash to AIK of \$4.4m via the raisings.

I look forward to seeing you at the Annual General Meeting.

Yours sincerely



**Bruce Hatchman
Chairman**

29 August 2014

Armidale Investment Corporation Limited Financial Statements

For the year ended 30 June 2014

Directors' Report

The Directors of Armidale Investment Corporation Limited (AIK) present their Report together with the financial statements of Armidale Investment Corporation Limited (the Company) for the financial year ended 30 June 2014.

Director details

The following persons were directors of Armidale Investment Corporation Limited during or since the end of the financial year.

Bruce Hatchman

FCA, MAICD, JP

Non-executive Director

Chairman Appointed 1 June 2014

Chair of Nomination and Remuneration

Committee appointed 28 July 2014

Member of Audit Committee

Appointed 28 July 2014

Bruce Hatchman is an experienced and successful financial professional. As the former Chief Executive of Crowe Horwath, Mr Hatchman has 40 years' experience in providing audit and assurance services to listed companies and large private enterprises. He is a Chartered Accountant and a member of the Australian Institute of Company Directors.

Other current Directorships:

Chairman of Darwin Clean Fuels Limited and Suters Holdings Pty Limited, and an Independent Advisory Board Member of law firm Hunt and Hunt.

Previous Directorships (listed companies in the last 3 years):

None

Interests in shares:

Nil

Andrew Grant

B.Bus(Hons), CMA

Executive Director/CEO

Director since 2012

Andrew Grant is one of the founding members of Hal. Andrew has been an Associate Member of the Chartered Institute of Management Accountants (UK) since 1986. He has financial management experience in excess of 28 years and extensive experience within the computer and finance industry. Andrew is also a member of the Australian Institute of Company Directors.

Other current Directorships:

Non-executive Director of Employers Mutual Limited (EML), a specialised workers compensation manager and insurer, and is the Chairman of EML's Audit Risk and Compliance Committee.

Previous Directorships (listed companies in the last 3 years):

None

Interests in shares:

11,953,978

9,180,000 of these are subject to voluntary escrow until 4 December 2014. 2,773,978 of the above 11,953,978 shares are held in the Hal Directors Superannuation Fund, an entity which Mr Grant holds an interest in but does not control.

Interests in debentures (of a related entity, Secured Finance Limited, a wholly owned subsidiary of Hal Data Services Pty Limited):
\$515,947.

Armidale Investment Corporation Limited Financial Statements
For the year ended 30 June 2014

Directors' Report

Steve White
M.Mngt, GAICD

Independent Non-executive Director
Audit Committee Chair.
Member of Nomination and Remuneration
Committee. Chairman until 28 July 2014
Director since 2010

Steve is a Principal and Director of Noah's Rule, a specialist risk advisory firm providing independent input and advice on strategy and execution to companies managing significant financial markets exposures. Steve has had over 21 years experience in banking including roles with Barclays Capital Singapore, Rothschild and HSBC Japan in their treasury divisions. Steve is actively involved working with Managing Directors and Chief Financial Officers in developing the strategies and solutions to their company's Financial Markets Risks, ensuring the management of these risks are within corporate strategy while enhancing any potential upside. Steve is a Graduate Member of the Australian Institute of Company Directors and has a Masters of Management from MGSM.

Other current Directorships:
None

Previous Directorships (listed companies in the last 3 years):
None

Interests in shares:
700,000

Mark Smith
B.Optom

Non-executive Director
Member of Audit Committee
Member of Nomination and Remuneration
Committee
Director since 2010
Chairman from 28 January 2014 to 1 June 2014

Mark lives in Armidale in country New South Wales. He has been a long term investor for many years. He has also established a number of successful small businesses in the New England region of New South Wales. Mark is also a part time owner-builder, farmer and apiarist.

Other current Directorships:
None

Previous Directorships (listed companies in the last 3 years):
None

Interests in shares:
65,440,163

Gabriel Radzyninski
B.A(Hons), M.Com

Director since 2010
Resigned 20 December 2013
Previously Chairman

Gabriel is Managing Director of Sandon Capital Pty Limited, a funds management and advisory firm specializing in activist investing. Sandon Capital is the investment manager of two wholesale managed investment schemes and a listed investment company. Gabriel serves as Chairman of Sandon Capital Investments Limited, an Executive Director of Mercantile Investment Company Limited and a Non-executive Director of Future Generation Investment Fund Limited. Gabriel is also a Director of Sandon Capital Opportunities Limited, an unlisted public company.

Other current Directorships :
Mercantile Investment Company Limited, Future
Generation Investment Fund Limited, Sandon
Capital Investments Limited.

Previous Directorships (listed companies in the last 3 years):
RHG Limited

Interests in shares:
492,558

Armidale Investment Corporation Limited Financial Statements

For the year ended 30 June 2014

Directors' Report

Company Secretary

David Franks - BEc, CA, F Fin, JP

David Franks is principal of Franks and Associates Pty Limited (Chartered Accountants). David is currently Company Secretary for the following public companies: Amerod Exploration Limited, Elk Petroleum Limited, Pulse Health Limited, White Energy Company Limited and White Energy Technology Limited. David has been Company Secretary of AIK since 2010.

Principal activities

During the year, the principal activities of AIK were:

- Investment in fixed interest securities; and
- Debt and equity investment activities.

There have been no significant changes in the nature of these activities during the year.

Review of operations and financial results

The profit after income tax of the Company for the year amounted to \$3,654,966 (2013: \$11,105,205) and the profit before income tax was \$4,032,518 (2013: \$11,105,205). Earnings per share have decreased compared to the previous year to 1.71 cents (2013: 6.44 cents). In the year ended 30 June 2013 there was a large, position revaluation of Hal which significantly impacted the earnings per share in that year.

The financial position of the Company improved in the year with net assets being \$36,878,352 at 30 June 2014 (2013: \$29,006,419). This was partly due to capital raising activities undertaken during the year which raised \$4,437,500 and allowed the Company to advance debt funding to Hal to originate leases.

In April 2014, the Company announced that it had been the target of an unsolicited takeover offer. The Directors believed that this offer significantly undervalued the Company. The offer caused some disruption, diverting management time from daily operations. The offer has since been withdrawn.

The performance of each key investments of the Company is as follows:

Hal Data Services Pty Ltd (Hal)

The Company invests in debt and equity in Hal. This represents 57.4% of the Company's investment income and 70.5% of the Company's investment assets.

Hal continues to increase its origination of leases with \$12,062,717 of new leases (at asset cost) written in the year ended 30 June 2014 (2013: \$7,291,108). Funding of these leases is through:

- Drawdowns on loan funds from the Company; or
- Principal and agency agreements of which at present there are three external parties with which Hal has these agreements in place; or
- Sale of receivables agreements of which at present there is one external party with which Hal has such an agreement in place; or
- Raising of debt funding via the issue of debentures by a special purpose vehicle within the Hal Group; or
- Using working capital of Hal.

Armida Investment Corporation Limited Financial Statements

For the year ended 30 June 2014

Directors' Report

Review of operations and financial results (continued)

The Company's investment in Hal comprises three key areas:

- Newly issued debt advanced to Hal to originate operating leases totaling \$10,010,000 at 30 June 2014. This debt is repaid monthly and has a weighted average term to run of 33 months.
- The Company's direct interest in the Loan Note Agreement which entitles the Company to 79.9% of cashflows from Hal. This investment was valued at \$15,316,113 in a valuation concluded in February 2013 and in June 2014 was revalued to \$14,728,942 based on a valuation concluded at that date.
- The Company holds 86.82% of the equity in Hal. The Company has held this investment at a fair value of \$nil based on a valuation conducted in February 2013, the recent valuation held the value of equity at \$nil. The equity is considered to be \$nil value due to the Loan Note Agreement which obligates Hal to distribute cashflows in accordance with that agreement.
- On 15 August 2014 the Company announced to the market that it is offering to buy the remainder of equity in Hal that it currently does not hold.

The Hal financial results for the year ended 30 June 2014 were a loss after tax of \$1,228,707 (2013: loss \$2,449,698). Hal cash flows from operations for the year ended 30 June 2014 were \$1,553,905 (2013: \$6,014,773). The difference between the accounting results and the operating cashflow is predominantly due to historic accounting treatment where end of lease term earnings on the existing lease book had been recognised on origination of the leases, thus the related profit having been recognised in prior accounting periods. Operating expenses decreased \$706,066 compared to the prior year, depreciation expense reduced by \$1,920,730 compared to the prior year as the historic lease book runs off and new leases are being originated. In addition, the method of funding the leases impacts whether or not these assets are recorded in Hal and depreciated. Finance costs also increased for Hal this year as debt funding was used increasingly to finance new leases written. An independent valuation of the Company's interests in Hal in June resulted in a \$587,171 decrease in the carrying value of the Hal investment to \$14,728,942 recorded in the Company's accounts. This is after the Company had recorded income from distributions under the Loan Note Agreement of \$2,139,569.

Riverwise Pty Ltd (Riverwise)

The Company holds equity in Riverwise. During the year ended 30 June 2014, the Company increased its shareholding in Riverwise from 841,062 shares (22.68%) to 1,248,549 shares (29.02%). At the commencement of the financial year, the Company carried the Riverwise shares at a fair value of \$7.16 per share, which was the mid-point in a valuation conducted in February 2013. In June 2014, an updated valuation was obtained and again the mid point was taken which valued the shares at \$8.24 per share or a total holding of \$10,288,036, thus representing an increase in value of \$1,348,432 or 15.1%. As at 30 June 2014, the investment in Riverwise is therefore held at \$10,288,036. Riverwise is the sole shareholder of Leading Edge Group Limited (LEG). LEG operates as a telecommunication distributor as well as the manager of various buying groups.

LEG:

- Owns two Telstra Business Centres, one in Victoria and one in New South Wales,
- Operates retail and business distribution for Spark New Zealand, formerly Telecom New Zealand;
- Is a significant British Telecom distributor in the United Kingdom; and
- LEG has buying group members with over 1,100 retail shop-fronts throughout Australia.

Armidale Investment Corporation Limited Financial Statements

For the year ended 30 June 2014

Directors' Report

Review of operations and financial results (continued)

Riverwise continued

During the financial year, the Chief Executive Officer and Chief Financial Officer of the Company continued to jointly manage LEG. In accordance with an agreement between the Company and Riverwise/LEG, which concludes 30 June 2018, these services are charged at \$380,000 per annum plus the Company receives an incentive based on profit of LEG. The incentive is payable to the Company as long as the CFO and CEO remain employed by the Company. The incentive is payable by the issue of additional equity in Riverwise to the Company. For the year ended 30 June 2014, this is estimated to be \$125,000 or 17,385 Riverwise shares at the set issue price under the agreement of \$7.19 per share such price remaining for the life of the agreement. The exact incentive will be determined upon finalization of the 30 June 2014 Riverwise financial statements.

The Company intends to continue to invest in equity and debt. The Company continues to support the growth of Hal and the leasing operations and continues to explore opportunities to invest its cash resources in accordance with its overall investment strategy. In addition, the Company continues to maximize its investment in Riverwise through the contracted provision of the Company's management team.

In December 2013 the Directors of Armidale Investment Corporation Limited (AIK) undertook a review of the requirements of the Australian Accounting Standards Board (AASB) AASB 2013-5 *Amendment to Australian Accounting Standards – Investment Entities* and determined that AIK met the definition of an Investment Entity. The standard requires that all investments be carried at fair value and are not consolidated, regardless of whether they are subsidiaries of AIK. AIK has early adopted this standard in the current reporting period. As a result and as prescribed by the standard, AIK must present the financial statements as if AASB 2013-5 had always been applied, thus requiring the financial statements for the financial year ended 30 June 2013 to be restated. Therefore the comparatives in the financial statements are no longer consolidated financial statements but have been prepared applying the Investment Entity Accounting standard. The effect of this is that both the full year results and the corresponding full year results are now reported for AIK, the Company only.

As an Investment Entity, the Company continually evaluates and considers options for the mid and long-term realisation of their investments held. Future prospects for the Company focus on improving the performance of the current investments, through strategic evaluation, development and implementation. The medium-term strategy for Hal is aimed at increasing the value by selectively writing leases, while maintaining credit quality and utilising funding avenues. The medium-term strategy for Riverwise is also focused on increasing value, this will be done via continual operational focus, via the contracted management team, seeking to improve profitability by leveraging the infrastructure in the buying groups and maintaining relevance to the telecommunications partners, thereby reducing debt. The Board will consider other investments depending on opportunity and funding availability. Risks for the Company include the limited diversification of investments and reliance on funding.

Significant changes in the state of affairs

Other than stated elsewhere in this Report no significant changes in the Company's state of affairs occurred during the financial year.

Dividends

No dividends were paid or declared during the year.

Armidale Investment Corporation Limited Financial Statements
For the year ended 30 June 2014

Directors' Report

Events arising since the end of the reporting period

On 15 August 2014 the Company announced to the market that it is offering to buy the remainder of equity in Hal that it currently does not hold.

There are no further matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- The entity's operations in future financial years;
- The results of those operations in future financial years; or
- The entity's state of affairs in future financial years.

Director' meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director is as follows:

Board meetings

Director	Board Meetings		Audit Committee		Nomination and Remuneration Committee	
	A	B	A	B	A	B
Bruce Hatchman	-	-	-	-	-	-
Mark Smith	9	9	2	2	6	6
Steve White	9	9	3	3	6	6
Andrew Grant	9	9	-	-	-	-
Gabriel Radzyminski – Resigned 20/12/2013	5	5	-	-	-	-

Where:

- Column A is the number of meetings the Director was entitled to attend
- Column B is the number of meetings the Director attended.

Unissued share under option

There are no unissued shares under option.

Remuneration report (audited)

The Directors of AIK present the Remuneration Report for Non-executive Directors, Executive Directors and other Key Management Personnel, prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001*.

The Remuneration Report is set out under the following main headings:

- a. Principles used to determine the nature and amount of remuneration;
- b. Directors Fees;
- c. Benefits;
- d. Retirement Benefits;
- e. Directors and other key management personnel remuneration;
- f. Service agreements;
- g. Company performance, shareholder wealth and Non-executive Directors' remuneration;
- h. Key management personnel;
- i. Service agreements;
- j. Remuneration options;
- k. Shares issued on exercise of remuneration options.

Armidale Investment Corporation Limited Financial Statements

For the year ended 30 June 2014

Directors' Report

Remuneration report (continued)

a. Principles used to determine the nature and amount of remuneration

AIK's policy for determining the nature and amount of remuneration of board members and senior executives of AIK is as follows:

- The maximum total remuneration of the Directors of the Company (other than the Managing Director or a Director who is a salaried officer) has been set at \$250,000 per annum to be divided among them in such proportions as they think fit.

The principles of AIK's executive strategy and supporting incentive programs and frameworks are:

- To align rewards to business outcomes that deliver value to shareholders
- To ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent.

The remuneration of all Directors, except Andrew Grant, is not linked to the performance of the Company.

In January 2014 the contracts of the key executives were updated, the amendments were back dated to 1 July 2013. The incentive scheme under those contracts which pertains to the 2014 financial year is entirely at the discretion of the Board. No maximum value was set for Andrew Grant and Raylee Carruthers' (Group CFO) incentive. The incentive is payable in cash. Further to these contract amendments, in August 2014 the contracts of the key executives were further updated, backdating the amendments to 1 May 2014. At the date of this report, Andrew Grant's contract has been finalised and signed, Raylee Carruthers' contract has been substantially agreed but has not been formally executed. The disclosures in this report and in the financial statements are based on the contract terms which are expected to be enacted.

In determining the executive remuneration, anecdotal evidence was used to set an appropriate base remuneration and Short Term Incentive program that linked management outcome to shareholder returns namely, the financial results of Hal and Riverwise, there is no ceiling and the incentives are payable in cash. The Long Term Incentive program is linked to the AIK share price and is payable in cash. The first payment period is 30 June 2017 and the combined incentive ceiling for the executive team is \$1m. Raylee Carruthers is also entitled to seek a Long Term Incentive arrangement directly from Riverwise.

b. Directors Fees

The current base remuneration for non-executive Directors was last reviewed with effect from 21 September 2010.

c. Benefits

Directors received no additional benefits other than base remuneration.

d. Retirement Benefits

Other than statutory leave entitlements, no retirement benefits are provided to Directors.

e. Directors and other key management personnel remuneration

The remuneration of each Director of the Company and other key management personnel of the Company during the year is set out in the following table:

Armidale Investment Corporation Limited Financial Statements
For the year ended 30 June 2014

Directors' Report

Remuneration report (continued)

Directors' and Key Management Personnel Remuneration

		Short-term benefits		Post-employment benefits		
		Cash salary & fees	Cash bonus	Superannuation	TOTAL	Performance Based Percentage of Remuneration
		\$	\$	\$	\$	
Executive Director						
Andrew Grant Director & CEO	2014	269,352	90,000	20,128	379,480	23.7%
	2013	171,984	-	16,266	188,250	0%
Non-executive Directors						
Bruce Hatchman Independent (appointed 1 June 2014)	2014	7,500	-	-	7,500	0%
	2013	-	-	-	-	-
Steve White Independent	2014	32,500	-	3,006	35,506	0%
	2013	30,000	-	2,700	32,700	0%
Mark Smith	2014	30,307	-	2,803	33,110	0%
	2013	20,001	-	1,800	21,801	0%
Gabriel Radzynski (resigned 20 December 2013)	2014	20,000	-	1,850	21,850	0%
	2013	40,000	-	3,600	43,600	0%
Other Key Management Personnel						
Raylee Carruthers Group CFO	2014	258,519	60,000	20,128	338,647	17.7%
	2013	197,941	-	16,917	214,858	0%
Total Directors and Other Key Management Personnel Remuneration:						
	2014	618,178	150,000	47,915	816,093	
	2013	459,926	-	41,283	501,209	

*: Raylee Carruthers is also due \$10,833 directly from Riverwise in respect of her management services during the year ended 30 June 2014.

Armidale Investment Corporation Limited Financial Statements
For the year ended 30 June 2014

Directors' Report

Remuneration report (continued)

Directors' Shareholding

The movement during the year in the number of ordinary shares held, directly or indirectly, by each of the Directors, including their related parties, is as follows:

2014

Directors	Balance 1 July 2013	Net Change	Balance 30 June 2014
Bruce Hatchman	-	-	-
Mark Smith *	65,440,163	-	65,440,163
Gabriel Radzynski **	648,558	(156,000)#	492,558
Steve White	700,000	-	700,000
Andrew Grant ***	14,953,978	(3,000,000)	11,953,978
	<u>81,742,699</u>	<u>(3,156,000)</u>	<u>78,586,699</u>

2013

Directors	Balance 1 July 2012	Net Change	Balance 30 June 2013
Mark Smith *	65,440,163	-	65,440,163
Gabriel Radzynski **	648,558	-	648,558
Steve White	700,000	-	700,000
Andrew Grant ***	5,773,978	9,180,000	14,953,978
	<u>72,562,699</u>	<u>9,180,000</u>	<u>81,742,699</u>

* held by indirect interest through Armidale Investment Company Pty Limited, Presmore Pty Limited ATF Smith Miller Family Trust and Presmore Pty Limited ATF Serendipity Trust

** held by indirect interest through Sandon Capital Pty Limited, both as principal and in its capacity as manager of a fund.

*** 5,773,978 of these in the opening balance at 1 July 2012 and 2013 are held by the Hal Directors Superannuation Fund in which Andrew Grant has a 43% interest. 9,180,000 of Andrew Grant's shareholding is voluntarily escrowed until 4 December 2014. The shares reflect Mr Grant's holding at the time of his appointment of 24 July 2012.

this is a reclassification of shares held by Gabriel and not a sale. The shares are owned by Sandon Capital Pty Ltd and other than power to exercise voting power and to dispose of these securities as portfolio manager, there is no direct, indirect or beneficial interest in these shares.

f. Service agreements

Remuneration and other terms of employment for the Executive Directors and other Key Management Personnel are formalised in a service agreement. The major provisions of the agreements relating to remuneration are set out below:

Name	Base salary (incl. superannuation)	Term of agreement	Notice period
Andrew Grant	305,000	No set term	5 weeks
Raylee Carruthers	240,000	No set term	5 Weeks

*Raylee Carruthers is paid \$65,000 per annum directly from Riverwise in respect of her management services effective from 1 May 2014.

Armidale Investment Corporation Limited Financial Statements
For the year ended 30 June 2014

Directors' Report

Remuneration report (continued)

g. Company performance, shareholder wealth and Non-executive Directors' remuneration

The following table compares the Company's performance and Non-executive Directors' remuneration since 1 July 2010:

	2014	2013	2012	2011	2010
Net after tax profit/(loss) \$	3,654,966	11,105,205	83,916	10,397,713	(2,264,605)
Dividends paid (cents per share)	-	-	-	-	-
Share price at 30 June	0.12	0.05	0.05	0.07	0.06
Non-executive director's remuneration	97,966	98,101	85,550	104,136	120,806

Voting and comments made at the company's 2013 Annual General Meeting

The Company received more than 75% of "yes" votes on its remuneration report for the 2013 financial year. The Company did not receive any specific feedback at the AGM on its remuneration report.

h. Key management personnel

The key management personnel include the key executives of the Company only.

i. Service agreements

Subject to Rule 6.16(c) of the Company's Constitution, at every annual general meeting 1/3 of the Directors or, if their number is not a multiple of 3, then, subject to the Listing Rules, the number nearest to 1/3, must retire from office and are eligible for re-election.

j. Remuneration options

There were no options granted as remuneration during the financial year.

k. Shares issued on exercise of remuneration options

There were no shares issued on the exercise of options granted as remuneration during the financial year.

End of audited remuneration report.

Armidale Investment Corporation Limited Financial Statements

For the year ended 30 June 2014

Directors' Report

Environmental legislation

AIK's operations are not subject to any particular or significant environmental regulation under the law of the Commonwealth or of a State or Territory in Australia.

Options

At 30 June 2014 there were no options outstanding. No options have been granted over unissued shares during or since the end of the financial year.

Indemnities given and insurance premiums paid to auditors and officers

The Company has executed a deed of indemnity for each of the directors which indemnify them to the extent permitted by Sections 199A, 199B and 199C of the *Corporations Act 2001*.

During the year, the Company paid a premium to insure officers of the Company. The officers of the Company covered by the insurance policy include all Directors.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Company.

Details of the amount of the premium paid in respect of the insurance policies is not disclosed as such disclosure is prohibited under the terms of the contract.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditors of the Company against a liability incurred as such by an officer or auditor.

Non-audit services

During the previous financial year, Grant Thornton, the Company's auditor, performed certain other services in addition to their statutory audit duties.

The Board considered the non-audit services provided during the previous financial year by the auditor and, in accordance with advice provided by resolution of the Audit Committee, was satisfied that the provision of those non-audit services during that year was compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact upon the impartiality and objectivity of the auditor; and
- The non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or joint sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out in Note 18 to the Financial Statements.

A copy of the auditor's independence declaration as required under S307C of the *Corporations Act 2001* is included on page 15 of this financial report and forms part of this Directors' Report.

Armidale Investment Corporation Limited Financial Statements
For the year ended 30 June 2014

Directors' Report

Proceedings on behalf of the Company

No person has applied for leave of the Court under S237 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.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'Andrew Grant', with a stylized, cursive script.

Andrew Grant
Director & CEO

29 August 2014

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration
To the Directors of Armidale Investment Corporation Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Armidale Investment Corporation Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



P J Woodley
Partner - Audit & Assurance

Sydney, 29 August 2014

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

Armidale Investment Corporation Limited Financial Statements

For the year ended 30 June 2014

Corporate Governance Statement

Armidale Investment Corporation Limited (the Company) has adopted a corporate governance framework and practices intended to meet the interests of shareholders. This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the second edition of the ASX Corporate Governance Council's Principles and Recommendations (the Recommendations), unless otherwise stated. The information provided in this statement is current as at 13 August 2014. This statement has been approved by the Board. Company policies and charters are available in the Investor Relations section of the Company's website at www.armidaleinvestmentco.com.au.

Board functions

The Board Charter can be found on the Company's website. The functions of the Board include:

1. overseeing development of the Company's strategy, reviewing and approving strategic plans and performance objectives, monitoring implementation of strategic plans;
2. overseeing senior management performance and implementation of strategy, appointing and removing senior management including the Chief Executive Officer, approving succession plans for key individuals, ensuring that appropriate resources are available to senior management and approving senior management remuneration policies;
3. effective communication with, and reporting to, shareholders;
4. establishing and monitoring policies governing the Company's relationship with other stakeholders;
5. promoting ethical and responsible decision-making and maintaining a code of conduct;
6. monitoring financial performance including approval of the annual and half-year financial reports and overseeing the Company's accounting and financial management systems;
7. approving and monitoring the progress of major capital expenditure, capital management, major acquisitions and divestitures and determining the Company's dividend policy;
8. establishing and overseeing the Company's control and accountability systems, and the system for identifying, assessing, monitoring and managing significant risks facing the Company and its investments; and
9. establishing, overseeing and regularly reviewing systems of internal compliance, risk management, control and legal compliance.

Armidale Investment Corporation Limited Financial Statements For the year ended 30 June 2014

Corporate Governance Statement

Board composition

The current Board comprises Bruce Hatchman, Mark Smith, Andrew Grant and Steve White.

Bruce Hatchman was appointed as Independent Non-executive Chairman on 1 June 2014. Steve White (appointed on 21 September 2010) is an Independent Non-executive Director. Andrew Grant (appointed on 24 July 2012) is an Executive Director. Mark Smith (appointed on 21 September 2010) is a Non-executive Director, and served as Chairman of the Company from 28 January 2014 to 1 June 2014. Gabriel Radzyminski served as Non-executive Chairman until his resignation on 20 December 2013.

Due to his executive nature, Andrew Grant is not considered independent. As entities related to Mark Smith are substantial shareholders, he is not considered independent.

Upon appointment as a director, the director undertakes an Induction Program, including:

- a formal letter of appointment, with appropriate consents and required disclosures;
- information pack containing various company documentation including codes of conduct, policies, committee charters
- introduction meetings with other board members
- meetings with the executive management and Company Secretary.

The Chairman's responsibilities are set out in the Board Charter, and include leadership of the Board and the efficient organisation and conduct of the Board's functioning. The Chairman also monitors Board performance and oversees the implementation of policies and systems for Board performance review and renewal.

There is a clear division of responsibilities between the Chairman and the CEO. The Board has delegated authority to the CEO to manage the day to day affairs of the Company and authority to control the affairs of the Company in relation to all matters other than those reserved to the Board in the Board Charter. The Board ensures that the CEO is appropriately qualified and experienced to discharge his responsibilities. The CEO has authority to sub-delegate to the senior management team. The Board has documented these delegations of authority in a new delegation matrix. On appointment, directors are provided with a formal letter of appointment and executive management with written employment agreements.

The details of the Directors' skills, experience, expertise, special responsibilities and attendance at Board and Committee meetings are set out in the Directors' Report. The Company's Constitution provides that at each annual general meeting, one third of the Board (other than the CEO, who is also the Managing Director) must retire and, if the retiring Directors so choose, may offer themselves for re-election.

The Board has in place formal processes for performance evaluation of key executives. During the year the Board conducted a formal evaluation of the CEO and CFO's performance against a number of key deliverable outcomes. The CEO and CFO were assessed against strategic, operational, financial, human resource related and risk management measures. Evaluations for any other executives within the Company are completed by the CEO.

Armidale Investment Corporation Limited Financial Statements

For the year ended 30 June 2014

Corporate Governance Statement

Board selection, appointment and re-election

The Board considers the following factors when selecting new Directors and when recommending Directors to shareholders for appointment or re-election:

- the aim of having a majority of independent Directors on the Board and of having an independent Non-executive Chairman.
- the aim of having an independent Director, other than the Board Chairman, as the Chairman of the Audit Committee.
- that among them, the Directors have an appropriate range of skills, expertise, experience and diversity (where possible) to discharge the Board's mandate;
- that each individual Board member has sufficient time to meet his/her commitments as a Director of the Company;
- the duration of each existing Director's tenure, noting the retirement provisions of the Constitution, as set out above; and
- whether the size of the Board is appropriate to facilitate effective discussions and efficient decision making.

Since the year end, the Board has developed a Board skills matrix, to simplify the process for identifying any 'gaps' in the Board's skills, expertise and experience. This process is continuing as at the date of this report.

In relation to Board selection procedures, this is predominately actioned through determination of the type of skills and experience sought to enhance the current Board and seeking appropriate candidates through referrals. To date, the Company has not utilized professional intermediaries to identify and assess candidates.

Generally, Directors undertake their own continuing education.

As part of the risk management process of the Company, succession planning is considered and addressed where possible.

Armida Investment Corporation Limited Financial Statements
For the year ended 30 June 2014

Corporate Governance Statement

Independence

The Board annually assesses the independence of each Director. For this purpose an independent Director:

1. is a Non-executive Director whom the Board considers to be independent of management and free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with - the exercise of unfettered and independent judgment;
2. is not a substantial shareholder of the Company (as defined in S9 of the *Corporations Act 2001*), is not an officer of, or is not otherwise associated with a substantial shareholder;
3. within the last three years, has not been employed in an executive capacity by the Company or another Group member;
4. within the last three years, has not been a principal of a material professional advisor or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;
5. is not a material supplier to, or customer of, the Company or another Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and,
6. has no material contractual relationship with the Company or another Group member, other than as a Director.

In addition to being required to conduct themselves in accordance with the ethical policies of the Company, Directors are required to be meticulous in their disclosure of any material contract or relationship in accordance with the *Corporations Act 2001* and this disclosure extends to the interests of family companies and spouses. Directors are required to strictly adhere to the constraints on their participation and voting in relation to matters in which they may have an interest in accordance with the *Corporations Act 2001* and the Company's policies.

Bruce Hatchman and Steve White have been assessed as independent Directors. In reaching that determination, the Board has taken into account (in addition to the matters set out above):

1. the specific disclosures made by each Non-executive Director as referred to above;
2. where applicable, the related party dealings referable to each Non-executive Director, noting that those dealings are not material under accounting standards;
3. that no Non-executive Director has been employed by the Company or any of its subsidiaries;
4. that no Non-executive Director is, or has been associated with a supplier, professional adviser, consultant to or customer of the Company which is material under accounting standards; and
5. that no Non-executive Director personally carries on any role for the Company otherwise than as a Director of the Company.

Armidale Investment Corporation Limited Financial Statements For the year ended 30 June 2014

Corporate Governance Statement

Independence (continued)

Recommendation 2.1 states that a majority of the Board should be independent. The Company has not complied with Recommendation 2.1 throughout the year. However, with the appointment of Bruce Hatchman as Chairman on 1 June 2014, the Company now has equal numbers of independent and non-independent Directors. As the Chairman has a casting vote at Board meetings, the majority of the Board could be considered to be independent. The Board believes that its current composition is appropriate to deliver on the Company's stated objectives. The Company supports the appointment of Directors who bring a wide range of business and professional skills and experience.

Due to the size of the Company and the Board, no separate nomination committee has been established but the 'Nomination and Remuneration Committee' charter provides that committee has nomination committee responsibilities.

Resources available to Directors

Independent Directors have the right to seek independent professional advice in the furtherance of their duties as Directors of the Company at the Company's expense. The Chairman's prior approval of such expenditure is required.

The company secretarial role is held by David Franks. The Company Secretary is accountable to the Board through the Chairman on corporate governance matters pertaining to the company secretarial role. All Directors have access to the Company Secretary.

Board performance evaluation

The Board normally undertakes an assessment of its collective performance, the performance of the Board Committees and of the Chairman on an annual basis. The Chairman normally meets each Director on an individual basis to discuss their performance and to provide feedback.

The Board performance evaluation process is under the control of the Chairman. Due to the two recent changes in Chairmen, the Board did not formally conduct these performance evaluations during the year. The new Chairman will review and oversee the performance evaluation process in the current financial year.

Code of conduct

The Company recognises the importance of establishing and maintaining high ethical standards and decision making in conducting its business and is committed to increasing shareholder value in conjunction with fulfilling its responsibilities as a good corporate citizen. All Directors, officers, employees, contractors, consultants and associates of the Company are expected to act with honesty and integrity in all their dealings with stakeholders.

The Company has established a Code of Conduct, which has been approved by the Board and is available on the Company's website. New employees are introduced to the Code of Conduct as part of their induction training. The Code of Conduct includes requirements to:

1. act in good faith in pursuing the objectives of the Company;
2. avoid situations which may give rise to a conflict of interest;
3. maintain confidentiality in relation to the affairs of the Company, its customers and its suppliers;

Armida Investment Corporation Limited Financial Statements
For the year ended 30 June 2014

Corporate Governance Statement

Code of conduct (continued)

4. comply with the laws and regulations relating to the Company, particularly the prohibition on insider trading;
5. treat each other, suppliers, competitors, clients, customers and other stakeholders fairly and with respect;
6. protect and ensure efficient use of the Company's assets for legitimate business purposes; and
7. report unlawful/unethical behavior, with those who report violations in good faith to be protected from harassment or discriminatory treatment.

Diversity

The Board of Directors is committed to having an appropriate blend of diversity on the Board and in the Company's senior executive positions. The Board has established a Diversity Policy regarding gender, age and cultural diversity. The Diversity Policy is available on the Company's website. It includes a summary of employees' rights and responsibilities in relation to providing equal opportunities at work.

In the table below, the Board has set out the composition from a gender diversity perspective. This composition is expected to be maintained over the next two years. As positions become vacant and appropriately qualified candidates become available this will be one consideration in the selection process.

Senior management roles are defined as key management personnel.

	2014		2013	
	No.	%	No.	%
Women on the Board	0	0	0	0
Women in senior management roles*	1	50%	1	50%
Women employees in the Company*	1	50%	1	50%

*reported on a full-time equivalent employee basis, excluding the Non-executive Board

Audit arrangements

The Board has established an Audit and Risk Committee to assist in the execution of its duties by overseeing the material aspects of the Company's financial reporting, control, risk management and audit functions. The Audit and Risk Committee Charter is available on the Company's website.

During the year, the Board's Audit Committee comprised of Steve White (Independent Director and Chairman), Mark Smith (appointed on 28 January 2014) and Gabriel Radzynski (until his resignation on 20 December 2013). All members of the Audit and Risk Committee are financially literate and have an understanding of the industries in which the Company operates. Steve White has relevant financial experience, having a banking background.

Recommendation 4.2 states that the Audit Committee should be structured so that it consists only of Non-executive Directors, a majority of independent Directors, is chaired by an independent chair who is not chair of the board and has at least three members. The Company did not have a majority of independent Directors on the Audit Committee and had less than three members on the Audit and Risk Committee during the year. However, since the year end, Bruce Hatchman has been appointed as an additional member of the Audit and Risk Committee, so the Company now complies with Recommendation 4.2.

Armida Investment Corporation Limited Financial Statements
For the year ended 30 June 2014

Corporate Governance Statement

Audit arrangements (continued)

The main responsibilities of the Audit and Risk Committee include:

1. reviewing the annual and interim financial statements and reports of the Company;
2. approving changes in important accounting principles and their application in the interim and annual financial reports;
3. evaluating the qualitative aspects of financial reporting to shareholders;
4. reviewing and assessing the Company's business and financial risk management process, including the adequacy of the overall control environment and controls in selected areas representing significant risk;
5. reviewing and assessing the Company's system of internal controls, and discuss with management policies and programs in respect of risk management and risk assessment;
6. overseeing the external audit scope, plans to ensure completeness of coverage and the efficient use of audit resources
7. reviewing the results of audits, including any significant changes in audit plans, the rationale behind adoptions and changes in accounting principles and accounting estimates requiring significant judgments; and
8. recommending the selection of the external auditor for approval by the Board.

Independence of auditors

The Committee:

1. monitors the independence of the external auditors, including discussing with the auditors any relationships or non-audit services that may affect, or be perceived to affect, their objectivity or independence;
2. reviews the performance of the external auditors; and
3. reviews and if appropriate, approves requests for any non-audit services to be performed by the external auditors.

The Company requires the periodic rotation of the audit partner in accordance with the *Corporations Act 2001*.

Market disclosure

The Company has adopted policies and procedures to promote timely and balanced disclosure of all material matters concerning the Company, to comply with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules. The Disclosure and Communication Policy and the Disclosure and Materiality Guidelines for Officers and Employees are available on the Company's website.

Employees are required to report matters involving potential market sensitive information to the CEO or CFO, which they will assess regarding disclosure. Once the appropriate course of action has been agreed upon, the Company Secretary will notify the ASX if there is any disclosable information.

Armidale Investment Corporation Limited Financial Statements

For the year ended 30 June 2014

Corporate Governance Statement

Shareholder communications

The Board aims to keep shareholders informed of all major developments affecting the Company's activities and its state of affairs through announcements to the ASX and releases to the media.

The Board encourages full participation by shareholders at the annual general meeting. Shareholders who are unable to attend general meetings are encouraged to lodge proxy appointments in advance of the meeting.

A representative from the external auditor attends each annual general meeting to answer any questions concerning the audit of the Company and the contents of the Auditor's Report.

Shareholders may elect to receive electronic notifications when the Annual Report is available on the Company's website, and may electronically lodge proxy instructions for items of business to be considered at general meetings.

Business risks

During the year, the Board was responsible for identifying material business risks and implementing procedures to manage those risks. The Company's procedures manual contains detailed procedures in relation to the identification, analysis, evaluation, treatment and communication of risks associated with the Company's business. The procedures including documenting the Company's risk profile in a risk management matrix.

Since the year end, the Board has resolved to expand the Audit and Risk Committee's remit to include additional risk oversight responsibilities, including to review the Company's risk management framework. The Audit and Risk Committee Charter is available on the Company's website.

The Company's policies for the oversight and management of material business risks includes incorporating risk management into strategic planning process, requiring business operating plans to address risk management, improving risk culture, communicating Board approved risk appetite to employees and improving allocation of capital in line with business risks.

Internal control framework

The Company has developed a set of policies and procedures (set out in the Company's procedures manual) in relation to the Company's compliance and risk programs.

This provides the Board and management with an ongoing program to identify, monitor and manage compliance issues and significant risks with a view to protecting the value of shareholders' investment and safeguarding the Company's investments.

Key elements of the Company's internal control systems include:

- the Code of Conduct, which sets out an ethical and legal framework for all employees in the conduct of the Company's business;
- financial systems to provide timely, relevant and reliable information to management and the Board; and
- appropriate delegations of authority, consistent with the Company's objectives.

The CEO and CFO have reported and declared in writing to the Board that the Company's management of its material business risks is effective, as required by Recommendation 7.2.

Armidale Investment Corporation Limited Financial Statements

For the year ended 30 June 2014

Corporate Governance Statement

Internal control framework (continued)

The Board has also received an annual written assurance from the CEO and CFO that the declaration provided under section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks, as required by Recommendation 7.3.

Remuneration

The Board has established a Nomination and Remuneration Committee to assist in the execution of its duties by reviewing the Company's remuneration, retention and termination policies. The Nomination and Remuneration Committee Charter is available on the Company's website.

The Committee is responsible for reviewing:

1. the remuneration and incentive framework for the CEO and for staff;
2. the remuneration of Non-executive Directors;
3. superannuation arrangements; and
4. recruitment, retention and termination strategies.

During the year, the Nomination and Remuneration Committee comprised of Steve White as Chairman and Mark Smith.

Recommendation 8.2 states that the Nomination and Remuneration Committee should be structured so that it consists of a majority of independent Directors, is chaired by an independent chair and has at least three members. The Company did not have a majority of independent Directors on the Nomination and Remuneration Committee and had less than three members on the Nomination and Remuneration Committee during the year. However, since the year end, Bruce Hatchman has been appointed as an additional member of the Nomination and Remuneration Committee and as the Committee Chair, so the Company now complies with Recommendation 8.2. Clause 6.13 (g) of the Constitution provides that the Chairman of a Committee does not have a casting vote.

The Company's policies regarding the terms and conditions of remuneration relating to the appointment and retirement of Board members are approved by the Board following receipt and consideration of professional advice where this is considered appropriate.

The structure of Non-executive Directors' remuneration is clearly distinguished from the structure of Executive Director and senior management remuneration, in that Non-executive Directors' remuneration is not linked to the performance of the Company. The Non-executive Directors receive no retirement benefits, other than statutory superannuation contributions. Any increase in the maximum total remuneration of the Non-executive Directors of the Company, which was set at the last review date of 21 September 2010 at \$250,000, is subject to the approval of shareholders.

Further details about the CEO's fixed and performance based remuneration arrangements are disclosed in the Remuneration Report. Any employees participating in equity based remuneration schemes are prohibited from entering into transactions in products which limit the economic risk of holding unvested entitlements under those schemes.

Armidale Investment Corporation Limited Financial Statements **For the year ended 30 June 2014**

Corporate Governance Statement

Checklist of Corporate Governance Principles and Recommendations

Principles and Recommendations	Compliance
--------------------------------	------------

Principle 1: Lay solid foundations for management and oversight

- | | | |
|-----|--|---|
| 1.1 | Establish the functions reserved to the Board and those delegated to Senior Executives and disclose those functions. | ✓ |
| 1.2 | Disclose the process for evaluating the performance of Senior Executives. | ✓ |
| 1.3 | Provide the information indicated in Guide to reporting on Principle 1. | ✓ |

Principle 2: Structure the Board to add value

- | | | |
|-----|---|---|
| 2.1 | A majority of the Board should be Independent Directors. | x |
| 2.2 | The chair should be an Independent Director. | ✓ |
| 2.3 | The roles of the Chair and Chief Executive Officer should not be exercised by the same individual. | ✓ |
| 2.4 | The Board should establish a Nomination and Remuneration Committee. | ✓ |
| 2.5 | Disclose the process for evaluating the performance of the Board, its Committees, and individual Directors. | ✓ |
| 2.6 | Provide the information indicated in Guide to reporting on Principle 2. | ✓ |

Principle 3: Promote ethical and responsible decision-making

- | | | |
|-----|--|---|
| 3.1 | Establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> • the practices necessary to maintain confidence in Company 's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices | ✓ |
| 3.2 | Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and the progress in achieving them. | ✓ |
| 3.3 | Companies should disclose in each Annual Report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them. | ✓ |
| 3.4 | Companies should disclose in each Annual Report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board. | ✓ |
| 3.5 | Provide the information indicated in Guide to reporting on Principle 3. | ✓ |

Principle 4: Safeguard integrity in financial reporting

- | | | |
|-----|--|---|
| 4.1 | The Board should establish an Audit and Risk Committee. | ✓ |
| 4.2 | Structure the Audit and Risk Committee so that it: <ul style="list-style-type: none"> • consists only of Non-executive Directors • consists of a majority of Independent Directors • is chaired by an Independent Chair, who is not the Chair of the Board; and • has at least three members | x |
| 4.3 | The Audit and Risk Committee should have a formal charter. | ✓ |
| 4.4 | Provide the information indicated in Guide to Reporting on Principle 4. | ✓ |

Armida Investment Corporation Limited Financial Statements **For the year ended 30 June 2014**

Corporate Governance Statement

Principle 5: Make timely and balanced disclosure

- | | | |
|-----|--|---|
| 5.1 | Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a Senior Executive level for that compliance and disclose those policies or a summary of those policies. | ✓ |
| 5.2 | Provide the information indicated in Guide to Reporting on Principle 5. | ✓ |

Principle 6: Respect the rights of shareholders

- | | | |
|-----|--|---|
| 6.1 | Design a Communications Policy for promoting effective communication with shareholders and encouraging their participation at General Meetings and disclose the policy or a summary of the policy. | ✓ |
| 6.2 | Provide the information indicated in Guide to reporting on Principle 6. | ✓ |

Principle 7: Recognise and manage risk

- | | | |
|-----|--|---|
| 7.1 | Establish policies for the oversight and management of material business risks and disclose a summary of those policies. | ✓ |
| 7.2 | The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to the Board on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks. | ✓ |
| 7.3 | The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with S295A of the <i>Corporations Act 2001</i> is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. | ✓ |
| 7.4 | Provide the information indicated in Guide to Reporting on Principle 7. | ✓ |

Principle 8: Remunerate fairly and responsibly

- | | | |
|-----|--|---|
| 8.1 | The Board should establish a Nomination and Remuneration Committee. | ✓ |
| 8.2 | The Nomination and Remuneration Committee should be structured so that it: <ul style="list-style-type: none"> • consists of a majority of Independent Directors • is chaired by an Independent Chair • has at least three members | x |
| 8.3 | Clearly distinguish the structure of Non-executive Directors' remuneration from that of Executive Directors and Senior Executives. | ✓ |
| 8.4 | Provide the information indicated in Guide to Reporting on Principle 8. | ✓ |

Armidale Investment Corporation Limited Financial Statements
For the year ended 30 June 2014

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2014

	Note	2014 \$	2013 Restated \$
Revenue			
Interest income		1,087,586	664,042
Unrealised gain on investments		1,439,659	10,315,248
Other income		495,444	63,770
Dividend - LCA		366,181	-
Repayments – Hal Loan Note		2,139,569	750,000
Employee benefits expense		(919,904)	(261,377)
Depreciation and amortisation		(192,846)	(109,953)
Other expenses		(383,171)	(316,525)
Profit before income tax		4,032,518	11,105,205
Income tax expense	16	(377,552)	-
Profit after income tax		3,654,966	11,105,205
Other comprehensive income		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		3,654,966	11,105,205
 Profit for the year attributable to: owners of the entity		 3,654,966	 11,105,205
 Total comprehensive income for the year attributable to owners of the entity		 3,654,966	 11,105,205
 Earnings per share			
Basic earnings per share	19	1.71 cents	6.44 cents
Diluted earnings per share		1.71 cents	6.44 cents

This statement should be read in conjunction with the notes to the financial statements

Armidale Investment Corporation Limited Financial Statements
For the year ended 30 June 2014

Statement of Financial Position
As at 30 June 2014

Assets		2014	2013	1 July 2012
	Note	\$	Restated	Restated
		\$	\$	\$
Current				
Cash and cash equivalents	10	770,284	1,764,801	2,938,892
Other financial assets	7	3,593,484	1,350,000	-
Trade and other receivables	9	42,642	26,390	55,252
Total current assets		4,406,410	3,141,191	2,994,144
Non-current				
Other financial assets	7	33,025,469	25,284,627	13,319,585
Plant and equipment		-	-	57
Intangible assets	8	578,537	771,384	-
Total non-current assets		33,604,006	26,056,011	13,319,642
Total assets		38,010,416	29,197,202	16,313,786
Liabilities				
Current				
Trade and other payables	13	344,321	93,676	143,325
Deferred revenue	14	349,263	-	-
Current tax liabilities	15	304,573	-	-
Provisions	12	63,498	5,843	-
Financial liabilities	17	63,886	91,264	-
Total current liabilities		1,125,541	190,783	143,325
Non-current				
Provisions	12	6,523	-	-
Total non-current liabilities		6,523	-	-
Total liabilities		1,132,064	190,783	143,325
Net assets		36,878,352	29,006,419	16,170,461
Equity				
Share capital	11	98,489,481	94,272,514	92,448,555
Reserves		14,760,171	11,105,205	93,206
Accumulated losses		(76,371,300)	(76,371,300)	(76,371,300)
Total equity		36,878,352	29,006,419	16,170,461

This statement should be read in conjunction with the notes to the financial statements

Armidale Investment Corporation Limited Financial Statements
For the year ended 30 June 2014

Statement of Changes in Equity
for the year ended 30 June 2014

	Share capital	Equity reserve	Current profit reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$
Balance at 1 July 2012	92,448,555	93,206	-	(76,371,300)	16,170,461
Profit for the Year	-	-	-	11,105,205	11,105,205
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	11,105,205	11,105,205
Transactions with owners	-	-	-	-	-
Transfer of reserves	-	(93,206)	11,105,205	(11,105,205)	(93,206)
Issue of share capital	1,882,396	-	-	-	1,882,396
Share issue costs	(58,437)	-	-	-	(58,437)
Balance as at 30 June 2013	94,272,514	-	11,105,205	(76,371,300)	29,006,419
Transactions with owners	-	-	-	-	-
Profit for the Year	-	-	-	3,654,966	3,654,966
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	3,654,966	3,654,966
Transactions with owners	-	-	-	-	-
Transfer of reserves	-	-	3,654,966	(3,654,966)	-
Issue of share capital	4,437,500	-	-	-	4,437,500
Share issue costs	(220,533)	-	-	-	(220,533)
Balance as at 30 June 2014	98,489,481	-	14,760,171	(76,371,300)	36,878,352

This statement should be read in conjunction with the notes to the financial statements

Armidale Investment Corporation Limited Financial Statements
For the year ended 30 June 2014

Statement of Cash Flows
for the year ended 30 June 2014

	Note	2014 \$	2013 Restated \$
Operating activities			
Interest received		1,087,631	678,208
Management fees received		844,707	-
Payments to suppliers and employees		(1,027,358)	(510,415)
Income tax paid		(58,904)	-
Net cash from operating activities	20b	846,076	167,793
Investing activities			
Equity acquired in investee company		(2,241,175)	(575,652)
Dividends received		366,181	-
Proceeds from Loan Note repayments		2,000,000	750,000
Loans advanced to investee companies		(10,010,000)	(2,966,232)
Proceeds from loans repaid		3,841,509	1,450,000
Net cash from investing activities		(6,043,485)	(1,341,884)
Financing activities			
Proceeds from issue of share capital		4,202,892	-
Net cash from financing activities		4,202,892	-
Net change in cash and cash equivalents		(994,517)	(1,174,091)
Cash and cash equivalents at the beginning of the financial year		1,764,801	2,938,892
Cash and cash equivalents at the end of the financial year	20a	770,284	1,764,801

This statement should be read in conjunction with the notes to the financial statements

Armidale Investment Corporation Limited Financial Statements
For the year ended 30 June 2014

Notes to the Financial Statements

1 Nature of operations

The principal activities of Armidale Investment Corporation Limited (the Company) include investment in debt and equity instruments in Australia.

2 General information and statement of compliance

The general purpose financial statements of the Company have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Armidale Investment Corporation Limited is a for-profit entity for the purpose of preparing the financial statements.

Armidale Investment Corporation Limited is a public company incorporated and domiciled in Australia. The address of the registered office and principal place of business is Suite 4, Level 9, 341 George Street Sydney, NSW, 2000.

The financial statements for the year ended 30 June 2014 were approved and authorised for issue by the Board of Directors on 29 August 2014.

3 Changes in accounting policies

3.1 New and amended standards that are effective for these financial statements

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2013. Information on these new standards is presented below.

The Board has determined that the Company meets the definition of an Investment Entity as set out in AASB 2013-5 *Amendment to Australian Accounting Standards – Investment Entities*. This accounting standard provides an exception to the consolidation requirements in AASB 10 *Consolidated Financial Statements* and requires that Investment Entities measure investments at fair value through profit or loss, regardless of whether they are subsidiaries. The Directors of the Company have decided to early adopt this standard.

As required under this standard the Company is also required to adopt AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures*. The effect of this early adoption is that the comparative financial information in these financial statements is restated. Refer note 28 for details.

The Company has presented two comparative periods and thus a third statement of financial position.

Two comparative periods are presented for the Statement of Financial Position when the Company:

- i. Applies an accounting policy retrospectively,
- ii. Makes retrospective restatements of items in its financial statements, or
- iii. Reclassifies items in the financial statements

Other new and amended accounting standards that apply for the first time to the 30 June 2014 year include AASB 13 *Fair Value Measurement*, AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*, AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* and AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-11 Cycle*. While these standards introduced new disclosure requirements, they did not affect the Company's accounting policies or any of the amounts recognised in the financial statements.

Notes to the Financial Statements

3 Changes in accounting policies (continued)

3.1 New and amended standards that are effective for these financial statements (continued)

AASB 13 Fair Value Measurement

AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of AASB 13 is broad and it applies for both financial and non-financial items for which other Australian Accounting Standards require or permit fair value measurements or disclosures about fair value measurements, except in certain circumstances.

AASB 13 applies prospectively for annual periods beginning on or after 1 July 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Company has however included as comparative information the AASB 13 disclosures that were required previously by AASB 7 *Financial Instruments: Disclosures*.

The Company has applied AASB 13 for the first time in the current year.

Amendments to AASB 119 Employee Benefits

The 2011 amendments to AASB 119 made a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans which do not apply to the Company.

- Under the amendments, employee benefits 'expected to be settled wholly' (as opposed to 'due to be settled' under the superseded version of AASB 119) within 12 months after the end of the reporting period are short-term benefits, and are therefore not discounted when calculating leave liabilities. As the Company does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period, annual leave is included in 'other long-term benefit' and discounted when calculating the leave liability. This change has had no impact on the presentation of annual leave as a current liability in accordance with AASB 101 *Presentation of Financial Statements*.

4 Summary of accounting policies

4.1 Overall considerations

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

4.2 Segment reporting

The Company operates in one segment; investment activities, and in one market, Australia.

4.3 Revenue

Interest income is recognised as it accrues, taking into account the effective interest rate on the associated financial asset.

Profits and losses from realised and unrealised gains and losses on investments are included in the Statement of Profit or Loss and Other Comprehensive Income in the year they are incurred.

Other income is recognised when the right to receive the income has been established.

All revenue is recognised net of the amount of goods and services tax (GST).

Notes to the Financial Statements

4.4 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

4.5 Intangible assets

Right to Income Stream under Loan Note Agreement

A separately identifiable intangible asset, rights to the income stream under the Loan Note Agreement, was recognised following the acquisition of CAT One Investments Pty Limited and Venagrow Pty Limited. This asset has been measured at cost of acquisition and will be amortised over a period commencing at the date of acquisition being 4 December 2012 to 30 June 2017 on a straight line basis.

4.6 Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial instruments are initially measured at fair value adjusted by transaction costs, except for those carried at fair value through profit and loss where transaction costs related to financial instruments are expensed to profit or loss immediately.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss (FVTPL),

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is included within other expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Notes to the Financial Statements

4.6 Financial instruments (continued)

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

4.7 Income taxes

Tax expense recognised in profit or loss comprises current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Company's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Notes to the Financial Statements

4.7 Income taxes (continued)

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity respectively.

Armidale Investment Corporation Limited and its wholly-owned Australian controlled entities (refer Note 5) intend to form a consolidated group for tax purposes in respect of the 2014 financial year. Work is still being undertaken to confirm the implications of the formation of the consolidated group.

4.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.9 Equity and reserves

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

The Current Profit Reserve has been established by the Board by allocating the profits from the year ended 30 June 2014 and 30 June 2013, for the purpose of considering dividends in a future financial period.

Accumulated losses include all prior period losses before the year ended 30 June 2013.

All transactions with owners of the parent are recorded separately within equity.

4.10 Employee benefits

Short-term employee benefits are current liabilities included in employee benefits, measured at the undiscounted amount that the Company expects to pay as a result of the unused entitlement. Annual leave is included in 'other long-term benefit' and discounted when calculating the leave liability as the Company does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period. Annual leave liability is still presented as current liability for presentation purposes under AASB 101 *Presentation of Financial Statements*.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

4.11 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

Notes to the Financial Statements

4.12 Significant management judgement in applying accounting policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Fair value of financial instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Where determined necessary, management engages expert advice regarding valuations of key instruments. From the date of the external valuation to balance date, management considers observable data since the valuation date to determine if further adjustments to the fair value are required.

Application of Accounting Standards AASB 2013-5

The Directors have assessed the requirements of AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities* and have applied the criteria set out in that standard to the operations of the Company and as a result have determined that the Company meets the definition of "Investment Entity" under that standard.

4.13 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after July 2012, and have not yet been applied in preparing these financial statements. These which may have been relevant to the Company are set out below. The Company does not plan to adopt these standards early.

a) AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning after January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is expected to have no impact on the Company's financial assets and financial liabilities.

Armidale Investment Corporation Limited Financial Statements
For the year ended 30 June 2014

Notes to the Financial Statements

5 Investments in unconsolidated subsidiaries

The Board has determined that the Company is an Investment Entity as defined in AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities*. The impact of this is such that the following subsidiaries which are controlled by the Company are not consolidated in the financial statements. The Company has accounted for its investment in a subsidiary at fair value through profit and loss.

	Country of Incorporation & Principal Place of Business	Principal Activity	Percentage Owned (%)	
			June 2014	June 2013
Controlled Entities:				
Hal Data Services Pty Limited	Australia	IT equipment trading	86.82	86.82
Lease Company of Australia Limited*	Australia	-	100	100
Armidale Investment Corporation (Australia) Pty Limited*	Australia	-	100	100
Oceania Leasing Company Limited *	Australia	-	100	100
Cat One Investments Pty Limited	Australia	Owns rights to repayments under Loan Note Agreement	100	100
Venagrow Pty Limited	Australia	Owns rights to repayments under Loan Note Agreement	100	100
Entities controlled by Hal Data Services Pty Limited**				
Hal Professional Services Pty Limited*	Australia	-	86.82	86.82
Hal Financial Services Pty Limited	Australia	Partner in TLP	86.82	86.82
Technology Leasing Partnership (TLP)	Australia	Originates operating leases	86.82	86.82
Secured Finance Limited	Australia	Raises funding for lease origination	86.82	86.82
Technology Leasing New Zealand Pty Limited*	New Zealand	-	86.82	86.82
Technology Security Leasing Pty Limited*	Australia	-	86.82	86.82
Technology Leasing Limited#	Australia	Partner in TLP	86.82	86.82
Meco Investments Pty Limited*	Australia	-	86.82	86.82
Hal Leasing Pty Limited	Australia	Manages a lease portfolio	86.82	86.82

* These entities did not operate during the year

** Percentage owned is 100% by Hal Group however as ownership is through Hal, shown as the Hal ownership percentage of Hal

On 3 July 2014, the name of Technology Leasing Limited was changed to Technology Leasing Pty Limited

Armidale Investment Corporation Limited Financial Statements
For the year ended 30 June 2014

Notes to the Financial Statements

6 Segment reporting

The Company operates in one segment; investment activities, and in one market, Australia.

7 Other financial assets

	Note	2014 \$	2013 \$
Current			
Loans and receivables	7(a)	3,593,484	1,350,000
Other short-term financial assets		<u>3,593,484</u>	<u>1,350,000</u>
Non-current			
Loans and receivables	7(b)	8,008,489	3,950,714
Investments – fair value through profit or loss	7(c)	25,016,980	21,333,913
Other long-term financial assets		<u>33,025,469</u>	<u>25,284,627</u>

7(a) Loans and receivables
2014

Loans and receivables comprise of funds advanced to Hal to acquire or fund leases. These new borrowings advanced are at a rate of 15%. The terms of the facilities are 36 months. These facilities are not impaired or past due.

2013

Loans and receivables comprised of an unsecured short term facility with Riverwise Pty Limited. The interest rate charged for these funds was 20%. The loan was repaid in 2014.

7(b) Loans and receivables 2014

Loans and receivables comprise of funds advanced to Hal to acquire or fund leases. These new borrowings advanced are at a rate of 15%. The terms of the facilities are 36 months. These facilities are not impaired or past due.

7(c) Investments – fair value through profit or loss

The Company holds rights under the Hal Loan Note Agreement that provide entitlement to 94.83% of Hal's 'cash available for distribution' under the "Waterfall Arrangement". The Loan Note Agreement was entered into in November 2009 and amended in June 2012. The interest held in the Loan Note Agreement is not impaired or past due.

The Company holds 29.02% of the equity in Riverwise Pty Limited.

8 Intangible assets

	2014 \$	2013 \$
Rights to Loan Note Agreement		
Amount recognised on acquisition	881,280	881,280
Accumulated amortisation	(302,743)	(109,896)
Carrying amount at end of year	<u>578,537</u>	<u>771,384</u>

	2014 \$	2013 \$
Reconciliation of intangible assets		
Carrying amount at the beginning of year	771,384	-
Recognised on acquisition	-	881,280
Amortisation	(192,847)	(109,896)
Carrying amount at 30 June	<u>578,537</u>	<u>771,384</u>

Armidale Investment Corporation Limited Financial Statements
For the year ended 30 June 2014

Notes to the Financial Statements

9 Trade and other receivables

	2014	2013
	\$	\$
Current		
Sundry receivables	42,642	26,390
Total current trade and other receivables	42,642	26,390

All amounts are short-term. The net carrying value of trade and other receivables is considered a reasonable approximation of fair value.

10 Cash and cash equivalents

	2014	2013
	\$	\$
Cash at bank	770,284	1,764,801
	770,284	1,764,801

Terms and conditions:

The weighted average interest rate on cash and cash equivalents for the Company as at 30 June 2014 was 2.39% (2013: 2.54%). The effective interest rate on short-term bank deposits for the Company ranged from 0.0% to 4.15%.

11 Issued capital

The share capital of Armidale Investment Corporation Limited consists of fully paid ordinary shares; the shares do not have a par value.

	2014	2013
	\$	\$
<i>Shares issued and fully paid:</i>		
257,640,770 (2013: 200,140,739) fully-paid ordinary shares issued	98,489,481	94,272,514
<i>Fully-paid ordinary shares</i>		
Balance at the beginning of the reporting period	94,272,514	92,448,555
Shares issued in consideration for acquisition of Cat One Investments Pty Limited	-	440,640
Shares issued in consideration for acquisition of Venagrow Pty Limited	-	440,640
Shares issued in consideration for acquisition of Riverwise Pty Limited	-	1,001,116
Shares issued in capital raising 31 January 2014	2,100,000	-
Shares issued in capital raising 27 May 2014	2,337,500	-
Share issue costs net of tax	(220,533)	(58,437)
Balance at the end of the reporting period	98,489,481	94,272,514

	No.	No.
<i>Shares issued and fully paid (number of shares):</i>		
Beginning of the year	200,140,739	161,758,429
Shares issued – Cat One Investments Pty Limited	-	9,180,000
Shares issued – Venagrow Pty Limited	-	9,180,000
Share issue – Riverwise Pty Limited	-	20,022,310
Share issue – Capital raising 31 January 2014	30,000,000	-
Share issue – Capital raising 27 May 2014	27,500,031	-
Balance at the end of the reporting period	257,640,770	200,140,739

Armidale Investment Corporation Limited Financial Statements
For the year ended 30 June 2014

Notes to the Financial Statements

11 Issued capital (continued)

a. Options

No options have been issued by the Company during the financial year. At balance date the number of options over ordinary shares in the Company was nil.

b. Ordinary Shares

Ordinary shares participate in the dividends and the proceeds on winding up of the Company in proportion to the number of shares held. In the event of winding up of the Company, ordinary shareholders rank after unsecured creditors.

The shares issued to Andrew Grant and George Matis in respect of the acquisition of Cat One Investments Pty Limited and Venagrow Pty Limited have a voluntary escrow period of two years from allotment, being to 4 December 2014.

At shareholder meetings a shareholder is entitled to vote on a show of hands and when a poll is called they are entitled to one vote for each ordinary share held.

c. Capital Management

Management controls the capital of the Company to endeavour to provide the shareholders with adequate returns and ensure that the Company can fund its operations and continue as a going concern.

The Company's debt and capital includes ordinary share capital, and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market.

12 Employee benefits

	2014	2013
	\$	\$
Analysis of total provisions		
Current	63,498	5,843
Non-Current	6,523	-
	<u>70,021</u>	<u>5,843</u>
	2014	2013
	\$	\$
Employee Benefits		
Opening balance at 1 July	5,843	-
Additional provisions raised during the year	101,258	5,843
Amounts used	(37,080)	-
Balance at 30 June	<u>70,021</u>	<u>5,843</u>

Provision for employee benefits

A provision is recognised for employee benefits relating to annual leave and long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been included in Note 4.10.

Armidale Investment Corporation Limited Financial Statements
For the year ended 30 June 2014

Notes to the Financial Statements

13 Trade and other payables

	2014	2013
	\$	\$
Sundry payables and accrued expenses	344,321	93,676
	344,321	93,676

Terms and conditions:

Trade and other payables are unsecured and non-interest bearing.

All amounts are short-term and the carrying values are considered to be a reasonable approximation of fair value.

14 Deferred revenue

	2014	2013
	\$	\$
Income in advance	349,263	-
	349,263	-

15 Current tax liabilities

	2014	2013
	\$	\$
Income tax payable	304,573	-
	304,573	-

16 Taxation

a.

The components of tax expense comprise:

- Current tax

	2014	2013
	\$	\$
	377,552	-
	377,552	-

b. The reconciliation of the expected tax expense based on the domestic effective tax rate at 30% (2013:30%) is as follows:

Profit for the year before tax	4,032,518	11,105,205
Tax at the Australian tax rate of 30%	1,209,755	3,331,562
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Other assessable income	1,375,603	-
- Non deductible expenses	331,233	52,481
- Other deductible expenses	(32,707)	-
- Other non assessable income	(1,585,444)	(1,875,324)
- Utilisation of tax losses not previously brought to account	(920,888)	(1,508,719)
Income tax expense	377,552	-

The total franking account balance for the Company at 30 June 2014 is \$363,476.

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- i. franking credits that will arise from the payment of the current tax liability;
- ii. franking debits that will arise from the payment of dividends recognised as a liability at the year end;
- iii. franking credits that will arise from the receipt of dividends recognised as receivables at the year end; and
- iv. franking credits that the entity may be prevented from distributing in subsequent years.
- v. total tax losses not brought to account is \$5,749,013.

Notes to the Financial Statements

16 Taxation (continued)

The ability to utilise the franking credits is dependent upon there being sufficient available net assets to declare dividends, and the payment of dividends does not prejudice the Company's ability to pay its creditors and is fair and reasonable to the Company's shareholder as a whole.

17 Financial liabilities

	2014	2013
	\$	\$
Cat One & Venagrow	63,886	91,264
	63,886	91,264

18 Auditor's remuneration

	2014	2013
	\$	\$
Grant Thornton Audit Pty Limited	52,000	79,000
Other services provided by related practice of auditor	-	15,824
	52,000	94,824

The other services performed by the audit firm were in relation to advice provided in respect of tax advisory for the Company.

19 Earnings per share

	2014	2013
	\$	\$
Earnings used in calculation of basic earnings per share	3,654,966	11,105,205
<i>Weighted average number of shares</i>	No.	No.
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted profit/(loss) per share	214,209,232	172,474,450
Basic earnings per share	1.71 cents	6.44 cents

20 Reconciliation of cashflows from operating activities

a.

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:
 Cash at bank

	2014	2013
	\$	\$
10	770,284	1,764,801
	770,284	1,764,801

Armidale Investment Corporation Limited Financial Statements
For the year ended 30 June 2014

Notes to the Financial Statements

20 Reconciliation of cashflows from operating activities (continued)

<i>b. Reconciliation of cash flow from operations with profit after income tax</i>	2014	2013
	\$	\$
Profit from ordinary activities after income tax	3,654,966	11,105,205
<i>Non-cash flows items included in profit and loss</i>		
Depreciation and amortisation	-	93,263
Amortisation of intangibles	192,846	109,953
Gain on revaluation of financial assets	(1,439,659)	(10,315,248)
Repayment of Hal loan note	(2,139,569)	(750,000)
<i>Changes in assets and liabilities:</i>		
(Increase)/Decrease in receivables	(51,944)	(29,575)
(Increase)/Decrease in other assets	(384,824)	(1,942)
Increase/(Decrease) in other payables and accruals	950,081	(49,649)
Increase/(Decrease) in provisions	64,179	5,786
Cash flows from operations	846,076	167,793

In 2013, the Company acquired equity in Riverwise Pty Limited. The consideration of \$2,002,231 being the conversion of one Riverwise Pty Limited for seventy Armidale Investment Corporation Limited shares was a non-cash transaction and excluded from the statement of cash flows.

21 Related party transactions

a. Related party transactions

The interest and principal repayments on debentures advanced by Secured Finance Limited, a wholly owned subsidiary of Hal (a controlled entity of the Company) during the year were as follows:

	Amount Advanced during the Year	Interest Payment	Principal Repayment	Balance at 30 June
2014 Entity	\$	\$	\$	\$
Andrew and Christine Grant	800,000	34,354	292,418	515,947
Hal Directors' Superannuation Fund ¹	1,600,000	43,115	341,251	1,258,749

¹ Andrew Grant is a Director of this superannuation fund and a beneficiary but does not control the fund

	Amount Advanced during the Year	Interest Payment	Principal Repayment	Balance at 30 June
2013 Entity	\$	\$	\$	\$
AJ and CA Grant ¹	-	7,057	84,516	8,365
Hal Directors' Superannuation Fund ²	-	21,886	318,403	-

¹ This is Andrew Grant and his spouse

² Andrew Grant is a Director of this superannuation fund and a beneficiary but does not control the fund

Interest on these debentures is calculated at 10.0% per annum with interest calculated on a monthly compounding basis.

Notes to the Financial Statements

21 Related party transactions (continued)

b. Other related party transactions

The Company received management services income from Leading Edge Group Limited (wholly owned subsidiary of Riverwise in which the Company holds 29.02% equity in) of \$369,167 (2013: \$349,000).

The Company received a dividend from Lease Company Australia Limited of \$366,181 (2013: \$nil).

The Company received interest revenue from Hal of \$1,036,158 (2013: \$561,875).

The Company received Loan Note repayments from Hal of \$2,139,569 (2013: \$750,000).

The Company advanced loans to Hal of \$10,010,000 (2013: \$2,998,401).

The Company received loan repayments from Hal of \$1,782,164 (2013: \$nil).

The Company advanced loans to Riverwise of \$1,350,000 in 2013 which were repaid in 2014.

22 Contingent liabilities

There are no contingent liabilities as at 30 June 2014.

23 Capital commitments

There are no capital commitments as at 30 June 2014.

24 Financial risk management

Overview

The Company is exposed to various risks in relation to financial instruments. The main types of risks are credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks and the Board's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout this financial report.

The Board has overall responsibility for the establishment and oversight of the risk management framework.

The Board oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Notes to the Financial Statements

24 Financial risk management (continued)

a. Credit risk

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date as summarised below. The Company's management considers that all of the financial assets that are not impaired or past due for each of the balance date are of good credit quality. The Company's exposure to credit risk is limited to the receivables from related party Hal and Riverwise. The Directors regularly review the operations and cash flows from Hal and Riverwise to reduce the credit risk exposure during the term of any loan facilities.

	2014	2013
	\$	\$
Current		
Trade and other receivables	42,642	26,390
Financial assets - loans and receivables	3,593,484	1,350,000
Non-current		
Financial assets – fair value through profit or loss	25,016,980	21,333,913
Financial assets – loans and receivables	8,008,489	3,950,714
Total	36,661,595	26,661,017

b. Liquidity Risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

30 June 2014

	Statement of Financial Position	Contractual cash flows	6 mths or less	6-12 mths
	\$	\$	\$	\$
Non-derivative financial liabilities				
Other financial liabilities	63,886	(63,886)	-	(63,886)
Trade and other payables	344,321	(344,321)	(344,321)	-
Current tax liabilities	304,573	(304,573)	(304,573)	-
	712,780	(712,780)	(648,894)	(63,886)

30 June 2013

	Statement of Financial Position	Contractual cash flows	6 mths or less	6-12 mths
	\$	\$	\$	\$
Non-derivative financial liabilities				
Other financial liabilities	91,264	(91,264)	-	(91,264)
Trade and other payables	93,676	(93,676)	(93,676)	-
	184,940	(184,940)	(93,676)	(91,264)

Liquidity risk is the risk that the Company might be unable to meet its obligations. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Notes to the Financial Statements

24 Financial risk management (continued)

c. Market Risk

Market risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market place.

By its nature, as an investment company that invests in tradeable securities, the Company will always be subject to market risk as it invests its capital in securities which are not risk free as the market price of these securities can fluctuate.

The Company has not changed its investment strategies during 2014.

d. Sensitivity Analysis

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

The only exposure to interest rate risk is based on the cash held in short-term money market accounts. The total cash held for the Company is \$770,284 and is held in accounts where there is interest rate risk.

At 30 June 2014, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2014	2013
	\$	\$
Change in profit after tax		
- Increase in interest rate by 100 basis points	4,545	8,979
- Decrease in interest rate by 100 basis points	(4,545)	(8,979)
Change in equity		
- Increase in interest rate by 100 basis points	4,545	8,979
- Decrease in interest rate by 100 basis points	(4,545)	(8,979)

25 Fair value measurement of financial instruments

25.1 Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the fair value hierarchy, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial assets measured and recognised at fair value at 30 June 2014 and 30 June 2013 on a recurring basis are as follows:

	Level 3	Total
	\$	\$
30 June 2014		
Assets		
<i>Debt instruments</i>		
Hal Data Services Pty Limited - Loan Note	14,728,942	14,728,942
<i>Equity in unlisted companies</i>		
Riverwise Pty Limited - Equity	10,288,036	10,288,036
Armidale Investment Corporation (Australia) Pty Limited	2	2
Total	25,016,980	25,016,980

Notes to the Financial Statements

25 Fair value measurement of financial instruments (continued)

30 June 2013	Level 3 \$	Total \$
Assets		
<i>Debt instruments</i>		
Hal Data Services Pty Limited - Loan Note	15,316,113	15,316,113
<i>Equity in unlisted companies</i>		
Riverwise Pty Limited - Equity	6,017,798	6,017,798
Armidale Investment Corporation (Australia) Pty Limited	2	2
Total	<u>21,333,913</u>	<u>21,333,913</u>

25.2 Movements in level 3 assets

	Year to 30 June 2014 \$	Year to 30 June 2013 \$
Movement in fair value of debt instruments		
Hal Data Pty Limited – Loan Note	15,316,113	6,125,612
Add: Fair value adjustment recognised in the profit and loss*	(587,171)	9,190,501
Balance, end of period	<u>14,728,942</u>	<u>15,316,113</u>

Movement in fair value of equity investments in unlisted companies

Hal Data Pty Limited – Equity	-	93,206
(Less): Fair value adjustment* recognised in the profit and loss	-	(93,206)
Balance, end of period	<u>-</u>	<u>-</u>

Riverwise Pty Limited	6,017,798	3,316,284
Add: Equity acquired	2,241,175	1,576,768
Add: Fair value adjustment recognised in the profit and loss*	2,029,063	1,124,746
Balance, end of the period	<u>10,288,036</u>	<u>6,017,798</u>
Armidale Investment Corporation (Australia) Pty Limited	2	2
Total Balance, end of period	<u>25,016,980</u>	<u>21,333,913</u>

*Based on the mid-point of an independent valuation issued on 24 June 2014. The valuation was performed by Moore Stephens Corporate Finance Pty Limited.

25.3 Methods and valuation techniques

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

(a) Debt instruments

The debt instruments are held in unlisted companies and the debt instruments are not traded in active markets. The fair values of these instruments are determined using management's best estimates of future cash flows arising from the debt instruments. These cash flows are then discounted using a discount rate with reference to observable market data where available. These instruments are therefore classified as Level 3. An independent valuer has determined the final valuation based on these inputs. The most recent valuation was performed on 24 June 2014. The Board and management review the inputs and assumptions to the valuation formally at each annual and half-year reporting period to determine if there are any material changes to key inputs.

Notes to the Financial Statements

25 Fair value measurement of financial instruments (continued)

25.3 Methods and valuation techniques

Significant inputs in the Hal valuation

Growth rates

Due to the nature of the operations of Hal Data Services Pty Limited and controlled entities (Hal), the projected cashflows are based primarily on rental stream and fee income from existing and future lease contracts. Cost projections are based primarily on overheads plus staff requirements driven by the number of lease contracts under management. Therefore, there has been no application of a growth rate when preparing the cash flow projections.

	2014	2015	2016	2017	2018
Growth rate	-	-	-	-	-

Discount rates

The discount rates reflect appropriate adjustments relating to market risk and specific risk factors of each entity.

	2014	2015	2016	2017	2018
Discount rate	22%	22%	22%	22%	22%

(b) Equity investments in unlisted companies

The equity instruments are held in unlisted companies and are not traded in active markets. The fair value of these investments is determined based on the provision of cash flow and earnings forecasts provided by the investee companies and provided to an external valuer. The valuation technique used by the valuer does use observable market data where available. These instruments are therefore classified as Level 3. An independent valuer has determined the final valuation based on these inputs. The most recent valuation was performed on 24 June 2014. The Board and management review the inputs and assumptions to the valuation formally at each annual and half-year reporting period to determine if there are any material changes to key inputs.

Significant inputs in the Riverwise valuation

The valuation approach adopted for the Riverwise valuation was to apply an EBITDA future maintainable earnings multiple to the year to date results to 30 April 2014 combined with the forecast remaining 2 months to 30 June 2014, as well as the financial year 2015 budget. The earnings multiple applied took into account a growth rate of 10% (30 June 2013: 30%) which was then discounted for execution risk given the variable financial history of Riverwise. The 30 June 2014 forecast was derived by management based on expected profit levels determined by historic performance, adjusted for non-recurring items and then taking into account expected cost savings initiatives.

A key assumption which forms part of the valuation of Riverwise is the discount applied by the independent valuer in relation to the effect of holding a minority interest. A 10% discount has been applied and accepted as reasonable by the Board.

Changing inputs to the Level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in profit or loss, total assets or total equity. In addition, the Board has considered the sensitivity of both the Hal and Riverwise valuations by adopting the mid-point valuation in the range provided by the valuer.

The valuation process is managed by the CFO, who prepares or gathers the underlying data and provides the information to the external valuer and/or reports to the Board. Discussions on valuation processes and outcomes are held between the CFO and the Board every six months.

There have been no transfers between the levels of the fair value hierarchy during the year ended 30 June 2014.

Notes to the Financial Statements

25 Fair value measurement of financial instruments (continued)

25.4 Fair value of other financial assets and financial liabilities

The Company also has a number of financial instruments which are not measured at fair value in the Statement of Financial Position. These had the following fair values as at 30 June 2014:

	Fair value	Carrying amount
	\$	\$
Other short-term financial assets		
Hal Data Services Pty Limited – Loans	3,593,484	3,593,484
Other long-term financial assets		
Hal Data Services Pty Limited – Loans	8,008,489	8,008,489
	11,601,973	11,601,973

As at 30 June 2013:

	Fair value	Carrying amount
	\$	\$
Other short-term financial assets		
Riverwise Pty Limited – Loans	1,350,000	1,350,000
Other long-term financial assets		
Hal Data Services Pty Limited – Loans	3,950,714	3,950,714
	5,300,714	5,300,714

The carrying amounts of the other current assets and current payables are considered to be a reasonable approximation of their fair value.

26 Capital management policies and procedures

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and
- to provide an adequate return to shareholders

by pricing products and services commensurately with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity, less cash and cash equivalents as presented on the face of the Statement of Financial Position.

27 Post-reporting date events

On 15 August 2014 the Company announced to the market that it is offering to buy the remainder of equity in Hal that it currently does not hold.

No other adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

Armida Investment Corporation Limited Financial Statements
For the year ended 30 June 2014

Notes to the Financial Statements

28 Restatement of prior periods

As set out in Note 3 to these interim financial statements, the early adoption of Australian Accounting Standard (AASB) *AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities* required the Company to restate the prior period financial statements. Details of the effect of this restatement is set out below:

Statement of Profit or Loss and Other Comprehensive Income

	30 June 2013 Previously Reported	Adjustment	30 June 2013 Restated
	\$	\$	\$
Revenue	9,951,091	(9,951,091)	-
Interest income	-	664,042	664,042
Other income	1,107,682	(1,043,912)	63,770
(Loss)/gain on acquisition of receivables book	(312,335)	312,335	-
Revaluation of financial assets at fair value through profit or loss	1,124,747	9,190,501	10,315,248
Repayments – Hal Loan Note	-	750,000	750,000
Cost of sales	(1,087,568)	1,087,568	-
Administration expenses	(2,552,091)	2,552,091	-
Depreciation and amortisation expenses	(6,525,082)	6,415,129	(109,953)
Employee benefits expense	(2,857,206)	2,595,829	(261,377)
Finance costs	(446,474)	446,474	-
Marketing expenses	(288,001)	288,001	-
Facility expenses	(218,437)	218,437	-
Other expenses	(200,507)	(116,018)	(316,525)
Profit/(loss) before income tax	(2,304,181)	13,409,386	11,105,205
Income tax benefit/(expense)	1,387,780	(1,387,780)	-
Loss after income tax	(916,401)	12,021,606	11,105,205
Other comprehensive income	-	-	-
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	(916,401)	12,021,606	11,105,205
Loss for the year attributable to:			
Owners of the parent	(593,531)	11,698,736	11,105,205
Non-controlling interest	(322,870)	322,870	-
	(916,401)	12,021,606	11,105,205
Total comprehensive income attributable to:			
Owners of the parent	(593,531)	11,698,736	11,105,205
Non-controlling interest	(322,870)	322,870	-
	(916,401)	12,021,606	11,105,205
Basic earnings per share	(0.53) cents	6.97 cents	6.44 cents
Diluted earnings per share	(0.53) cents	6.97 cents	6.44 cents

Armidale Investment Corporation Limited Financial Statements
For the year ended 30 June 2014

Notes to the Financial Statements

28 Restatement of prior periods (continued)

Statement of financial position

	30 June 2013 Previously Reported	Adjustment	30 June 2013 Restated
	\$	\$	\$
Assets			
Current			
Cash and cash equivalents	2,476,127	(711,326)	1,764,801
Trade and other receivables	7,609,016	(7,609,016)	-
Other current assets	177,951	(151,561)	26,390
Inventories	5,600	(5,600)	-
Other financial assets	2,408,108	(1,058,108)	1,350,000
Current assets	12,676,802	(9,535,611)	3,141,191
Non-current			
Other financial assets	6,833,169	18,451,458	25,284,627
Plant and equipment	5,558,124	(5,558,124)	-
Deferred tax assets	1,889,024	(1,889,024)	-
Intangibles	5,972,184	(5,200,800)	771,384
Non-current assets	20,252,501	5,803,510	26,056,011
Total assets	32,929,303	(3,732,101)	29,197,202
Liabilities			
Current			
Trade and other payables	2,026,064	(1,932,388)	93,676
Income in advance	340,123	(340,123)	-
Other financial liabilities	886,315	(795,051)	91,264
Current tax liabilities	27,381	(27,381)	-
Provisions	169,298	(163,455)	5,843
Current liabilities	3,449,181	(3,258,398)	190,783
Non-current			
Other financial liabilities	2,992,682	(2,992,682)	-
Deferred tax liabilities	5,137,402	(5,137,402)	-
Provisions	86,559	(86,559)	-
Non-current liabilities	8,216,643	(8,216,643)	-
Total liabilities	11,665,824	(11,475,041)	190,783
Net assets	21,263,479	7,742,940	29,006,419
Equity			
Equity attributable to owners of the parent:			
Share capital	94,272,514	-	94,272,514
Reserves	(18,336,390)	29,441,595	11,105,205
Accumulated losses	(51,124,840)	(25,246,460)	(76,371,300)
Non-controlling interest	(3,547,805)	3,547,805	-
Total equity	21,263,479	7,742,940	29,006,419

Armidale Investment Corporation Limited Financial Statements
For the year ended 30 June 2014

Notes to the Financial Statements

29 Company details

The registered office is
C/O Franks and Associates Pty Limited
Suite 4, Level 9, 341 George Street
Sydney NSW 2000
Phone (612) 9299 9690

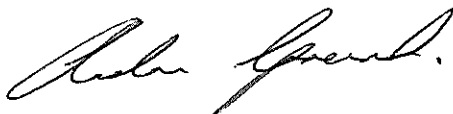
Principal place of business
C/O Franks and Associates Pty Limited
Suite 4, Level 9, 341 George Street
Sydney NSW 2000
Phone (612) 9299 9690

Armidale Investment Corporation Limited Financial Statements
For the year ended 30 June 2014

DIRECTORS' DECLARATION

1. In the opinion of the directors of Armidale Investment Corporation Limited:
 - a. the financial statements and notes of Armidale Investment Corporation Limited are in accordance with the *Corporations Act 2001*, including
 - i giving a true and fair view of its financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulation 2001*; and
 - b. there are reasonable grounds to believe that Armidale Investment Corporation Limited will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 30 June 2014.
3. Note 2 confirms that the financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors.



Andrew Grant
Director & CEO

29 August 2014

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report To the Members of Armidale Investment Corporation Limited

Report on the financial report

We have audited the accompanying financial report of Armidale Investment Corporation Limited (the "Company"), which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 company.

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. The Directors' responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, 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 us to 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.

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies

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.

Auditor's opinion

In our opinion:

- a the financial report of Armidale Investment Corporation Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the Company's financial position as at 30 June 2014 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 financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 8 to 12 of the directors' report for the year ended 30 June 2014. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Armidale Investment Corporation Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



P J Woodley
Partner - Audit & Assurance

Sydney, 29 August 2014

Armidale Investment Corporation Limited Financial Statements
For the year ended 30 June 2014

ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in the report is set out below. The information is effective 14 August 2014.

Substantial Shareholders

The number of substantial shareholders and their associates are set out below:

Shareholder	No. of shares	% of Total
Armidale Investment Company Pty Limited, Presmore Pty Limited ATF Smith Miller Family Trust and Presmore Pty Limited ATF Serendipity Trust (1)	65,440,163	25.40
GEGM Investments Pty Ltd**	85,525,084	33.20
Sandon Capital Pty Ltd	21,979,560	8.53

** includes 50,561,700 shares held by (1) under Conditional Agreement subject to shareholder approval pursuant to Section 611 Item 7 of the *Corporations Act 2001*. GEGM makes disclosure of these 50,561,700 shares pursuant to Section 671B(7) of the *Corporations Act 2001*.

Distribution of equity security holders

Holding	No of Holders	Total Securities	%
100,001 and Over	85	251,108,810	97.46
10,001 to 100,000	157	5,686,555	2.21
5,001 to 10,000	62	501,684	0.19
1,001 to 5,000	111	324,041	0.13
1 to 1,000	45	19,680	0.01
Total	460	257,640,770	100.0

There were 140 holders of less than a marketable parcel of ordinary shares.

Armidale Investment Corporation Limited Financial Statements
For the year ended 30 June 2014

Twenty largest shareholders	A/C Designation	Number Held	% of issued shares
ARMIDALE INVESTMENT COMPANY PTY LTD		50,561,700	19.62%
CITICORP NOMINEES PTY LIMITED		44,119,215	17.12%
GEGM INVESTMENTS PTY LTD		34,963,385	13.57%
ONE MANAGED INVESTMENT FUNDS LIMITED ACF			
SANDON CAPITAL INVESTMENTS LIMITED		12,954,722	5.03%
NATIONAL NOMINEES LIMITED		10,024,838	3.89%
MR GEORGE JAMES MATIS		9,180,000	3.56%
MR ANDREW GRANT		9,180,000	3.56%
NAVIGATOR AUSTRALIA LTD	<MLC INVESTMENT SETT A/C>	8,300,000	3.22%
PRESMORE PTY LTD	<SMITH MILLER FAMILY A/C>	6,137,905	2.38%
PRESMORE PTY LIMITED	<SMITH-MILLER FAMILY A/C>	5,170,629	2.01%
SCOTTOW PTY LTD	<SCOTTOW SUPER FUND A/C>	3,914,285	1.52%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2		3,597,620	1.40%
PRESMORE PTY LTD	SERENDIPITY TRUST	3,569,929	1.39%
MR SIMON ROBERT EVANS & MRS KATHRYN MARGARET EVANS	<KAMIYACHO SUPER FUND A/C>	3,259,375	1.27%
INVIA CUSTODIAN PTY LIMITED	<G & S DE GRAAFF FAMILY A/C>	2,923,108	1.13%
LEZAK NOMINEES PTY LTD	LEZAK NOMINEES P/L S/F	2,857,143	1.11%
HAL DATA SERVICES PTY LIMITED	<HAL DATA SERVICES DIR SF AC>	2,773,978	1.08%
SIDNEY HO& ASSOCIATES PTY LTD	<SIDNEY HO & ASS P/L S/F A/C>	2,486,218	0.96%
PALICAVE PTY LIMITED	RANOGAJEL FAMILY	2,175,000	0.84%
A & J PURCHASE PTY LTD		1,700,000	0.66%
TOTAL		219,849,050	85.32%
Balance of Register		37,791,720	14.68%
Grand TOTAL		257,640,770	100.00%

Securities exchange

The Company is listed on the Australian Securities Exchange under ASX Code AIK.

Restricted Securities

At 30 June 2014, the Company has 18,360,000 ordinary shares under voluntary escrow until 4 December 2014.

Listing Rule 3.13.1 and 14.3

Further to Listing Rule 3.13.1 and Listing Rule 14.3, the Annual General Meeting of the Company is scheduled for 18 November 2014.

Armidale Investment Corporation Limited Financial Statements
For the year ended 30 June 2014

DIRECTORS

Bruce Hatchman – Chairman
Mark Smith – Non-executive Director
Steve White – Independent Non-executive Director
Andrew Grant – Executive Director

SECRETARY

David Franks

MANAGEMENT

Raylee Carruthers – Chief Financial Officer

REGISTERED OFFICE

C/O Franks and Associates
Suite 4, Level 9, 341 George Street
Sydney NSW 2000
Tel (02) 9299 9690
Fax (02) 9299 9629

AUDITORS

Grant Thornton Audit Pty Limited
Chartered Accountants
Level 17
383 Kent Street
Sydney NSW 2000
Email: info.nsw@au.gt.com
Internet: www.grantthornton.com.au

SHARE REGISTRY

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Phone: (02) 8280 7111
Fax: (02) 9287 0303
Email: registrars@linkmarketservices.com.au
Internet: www.linkmarketservices.com.au

KEY DATES

Annual General Meeting Date: 18 November
2014