



# Armidale Investment CORPORATION

ABN: 58 100 854 788  
Suite 4, Level 9, 341 George Street, Sydney NSW 2000  
GPO Box 4325, Sydney NSW 2001  
Tel: 02 9299 9690  
Fax: 02 9299 9629

## LETTER TO SHAREHOLDERS

26 September 2014

Dear Shareholder

### Annual General Meeting

On behalf of the Board, I am pleased to invite you to attend the Annual General Meeting of Armidale Investment Corporation Limited (Armidale). This will be held at 10.00am (AEDT) on Tuesday, 18 November 2014 at:

History House – Royal Australian Historical Society  
Auditorium  
133 Macquarie Street  
SYDNEY NSW 2000

Enclosed are the following documents:

- Notice of Meeting and Explanatory Statement;
- Proxy Form for the Annual General Meeting; and
- Annual Report for the year ended 30 June 2014, for those Shareholders who have requested a printed copy.

### GEGM

On 30 April 2014, the Company notified shareholders that it had received notice from GEGM Investments Pty. Limited (**GEGM**) that GEGM had entered into a conditional agreement with Armidale Investment Company Pty Limited (a company associated with a non-executive Director of the Company, Mr Mark Smith) (**Vendor**) to purchase 50,561,700 Shares in the Company from the Vendor (**Proposed Transaction**).

The Proposed Transaction is conditional on Shareholders approving the transaction in accordance with section 611, item 7 of the Corporations Act. GEGM subsequently requested the Company to hold an extraordinary general meeting to authorise the Proposed Transaction. The Board has decided to ask shareholders to consider the Proposed Transaction at this Annual General Meeting (see Resolution 6).

### Independent Expert's Report

The Company engaged Titan Partners Corporate Finance Pty Limited (**Independent Expert**) as the independent expert to report on whether the advantages of the Proposed Transaction outweigh the disadvantages (from the perspective of the Non-Associated Shareholders).

The Independent Expert concluded that the advantages of the Proposed Transaction outweigh the disadvantages from the perspective of the Non-Associated Shareholders and therefore may be considered to be fair and reasonable to the Non-Associated Shareholders.

The full Independent Expert's Report is set out on page 23 of this Notice.

I suggest that you carefully consider the contents of this Notice, particularly the Independent Expert's Report, before reaching any decision on how to vote on Resolution 6.

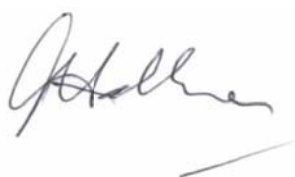
If you are unable to attend the Meeting, I encourage you to appoint a proxy, by following the instructions on page 4 of the Notice of Meeting. You may also provide questions or comments in advance of the Meeting, by contacting the Company Secretary, using the details set out on page 19 of the Notice.

**Important notice – 2014 Annual Report**

Shareholders are reminded that the 2014 Annual Report is only mailed to those Shareholders who have elected to receive it in hard copy. The 2014 Annual Report can be viewed on the Company's website at <http://armidaleinvestmentco.com.au>.

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

Yours faithfully

A handwritten signature in dark ink, appearing to read 'B. Hatchman', with a horizontal line drawn underneath it.

Bruce Hatchman  
Chairman

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## ARMIDALE INVESTMENT CORPORATION LIMITED

ABN 58 100 854 788

### NOTICE OF ANNUAL GENERAL MEETING

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**TIME:** 10.00am (AEDT)

**DATE:** Tuesday, 18 November 2014

**PLACE:** History House – Royal Australian Historical Society  
Auditorium  
133 Macquarie Street  
SYDNEY NSW 2000

*This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.*

*Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary, using the contact details on page 19.*

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## YOUR VOTE IS IMPORTANT

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The business of the Annual General Meeting affects your shareholding and your vote is important.

## VOTING IN PERSON

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To vote in person, attend the Annual General Meeting on the date and at the place set out on page 6.

## APPOINTING A PROXY

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A Shareholder who is entitled to attend and vote at the Meeting may appoint a proxy to attend and vote at the Meeting on their behalf. A proxy does not need to be a Shareholder of Armidale.

If a Shareholder is entitled to cast two or more votes at the Meeting, the Shareholder may appoint two proxies and may specify the percentage or number of votes each proxy can exercise. If the proxy form does not specify the percentage or number of the Shareholders' votes that each proxy may exercise, each proxy may exercise half of the Shareholders' votes on a poll. Fractions will be disregarded.

To appoint a proxy online, go to [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) and click the 'Investor & Employee Login' button. You will need your HIN (holder identification number) or SRN (shareholder reference number) to log in.

Alternatively, you can appoint a proxy by completing and signing the enclosed proxy form and sending the form to:

- (a) by post to Link Market Services, Locked Bag A14, Sydney South NSW 1235; or
- (b) by fax to Link Market Services at (+61 2) 9287 0309.

The deadline for receipt of proxy appointments is 10.00am (AEDT) on Sunday, 16 November 2014.

**Proxy appointments received later than this time will be invalid.**

## POWER OF ATTORNEY

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If the proxy form is signed under a power of attorney on behalf of a Shareholder, then the attorney must make sure that either the original power of attorney or a certified copy is sent

with the proxy form, unless the power of attorney has already been provided to the Share Registry.

## **CORPORATE REPRESENTATIVES**

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If a representative of a corporate Shareholder or a corporate proxy will be attending the Meeting, the representative should bring to the Meeting adequate evidence of their appointment, unless this has previously been provided to the Share Registry.

An appointment of corporate representative form may be obtained from Link Market Services by calling (+61) 1300 554 474 or online at <http://www.linkmarketservices.com.au/corporate/InvestorServices/Forms.html>.

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## NOTICE OF ANNUAL GENERAL MEETING

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Notice is given that the Annual General Meeting (AGM) of Shareholders of Armidale Investment Corporation Limited will be held at History House – Royal Australian Historical Society, Auditorium, 133 Macquarie Street, SYDNEY NSW, 2000, at 10.00am (AEDT) on 18 November 2014. Registration will open at 9.30am (AEDT).

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the AGM. Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

The Directors have determined under Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders of the Company at 7.00pm (AEDT) on Sunday 16 November 2014.

### AGENDA

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#### ADOPTION OF ANNUAL REPORT

To receive and consider the Annual Financial Report, the Directors' Report and the Auditor's Report for the year ended 30 June 2014.

**1. RESOLUTION 1 – RE-ELECTION OF DIRECTOR – MR STEPHEN WHITE**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **Ordinary Resolution**:

*"That, for the purposes of rule 6.4(a) of the Constitution and for all other purposes, Mr Stephen White be re-elected as a Director of the Company."*

**2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR BRUCE HATCHMAN**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **Ordinary Resolution**:

*"That, for the purposes of rule 6.2(c) of the Constitution and for all other purposes, Mr Bruce Hatchman be re-elected as a Director."*

**3. RESOLUTION 3 - ADOPTION OF THE REMUNERATION REPORT**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding Ordinary Resolution**:

*"That, for the purposes of Section 250R(2) of the Corporations Act and for all other purposes, approval is given to the adoption of the Armidale Remuneration Report as contained in the Company's financial report for the year ended 30 June 2014."*

**4. RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE OF SECURITIES**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **Ordinary Resolution**:

*"That for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Shareholders ratify and approve the issue of 27,500,031 Shares for the purposes and on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."*

5. **RESOLUTION 5 – ISSUE OF SHARES TO A DIRECTOR, MR ANDREW GRANT**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **Ordinary Resolution**:

*"That approval be given for all purposes, including ASX Listing Rule 10.11, for the issue of 150,000 Shares to a Director of the Company, Mr Andrew Grant and 91,150 Shares to CAT Family Investments Pty Ltd, a related party of Mr Grant, for the purposes and on the terms set out in the Explanatory Statement accompanying this Notice of Meeting."*

6. **RESOLUTION 6 – APPROVAL FOR THE ACQUISITION OF SHARES BY GEGM**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **Ordinary Resolution**:

*"That, for the purposes of section 611, item 7 of the Corporations Act and for all other purposes, approval be given for GEGM to acquire 50,561,700 Shares at 9.1 cents per Share and otherwise on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."*

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DATED: 26 September 2014

BY ORDER OF THE BOARD



ARMIDALE INVESTMENT CORPORATION LIMITED  
DAVID FRANKS  
COMPANY SECRETARY

## Voting Exclusion Statement

For the definitions of Key Management Personnel (**KMP**) and Closely Related Parties, please refer to the Glossary on page 20.

The Corporations Act restricts members of the KMP of the Company and their Closely Related Parties from voting in relation to remuneration related Resolutions (such as Resolution 3).

In addition, separate voting restrictions apply in respect of Resolutions 4 and 5 under the ASX Listing Rules and Resolution 6 under the Corporations Act.

**What this means for Shareholders:** If you intend to appoint a member of the KMP (other than the Chairman of the Meeting) as your proxy, please ensure that you direct them how to vote on Resolution 3. If you do not do so, your proxy will not be able to vote on your behalf on Resolution 3.

If you intend to appoint the Chairman of the Meeting as your proxy, you are encouraged to direct him how to vote by marking the boxes for Resolution 3 (for example if you wish to vote for, or against, or to abstain from voting). If you appoint the Chairman as your proxy without directing him how to vote, the proxy form authorises him to vote as he decides on Resolution 3 (even though that Resolution is connected with the remuneration of KMP). The Chairman of the Meeting intends to vote in favour of Resolution 3 (where permissible).

The Company will disregard votes cast on Resolutions 3, 4, 5 and 6 by the persons detailed in the table below.

Resolution	Voting exclusions
Resolution 3 – Adoption of Remuneration Report	<p>A vote must not be cast in any capacity by:</p> <ul style="list-style-type: none"><li>- a current or former member of the KMP whose remuneration details are included in the remuneration report for the year ended 30 June 2014, and</li><li>- any Closely Related Parties of such member of the KMP.</li></ul> <p>In addition, no votes may be cast as a proxy by any other person who has become a member of the KMP by the time of the AGM, or their Closely Related Parties.</p> <p>However, the Company need not disregard a vote cast as proxy for a person who is entitled to vote on Resolution 3 if:</p> <ul style="list-style-type: none"><li>- the vote is cast in accordance with the directions on the proxy form, specifying how the proxy is to vote on the Resolution; or</li><li>- the vote is cast by the Chairman of the Meeting and the proxy form authorises him to vote as he decides on the Resolution (even though it is connected with the remuneration of members of the KMP, including the Chairman).</li></ul>
Resolution 4 – Ratification of Prior Issue of Securities	<p>A vote must not be cast by:</p> <ul style="list-style-type: none"><li>- the persons listed in Section 4, part (d) of the Explanatory Statement, being the persons that participated in the issue of the securities that are the subject of the Resolution; and</li><li>- any Associates of those persons.</li></ul> <p>However, the Company need not disregard a vote cast as proxy for a person who is entitled to vote on Resolution 4 if:</p> <ul style="list-style-type: none"><li>- the vote is cast in accordance with the directions on the proxy form, specifying how the proxy is to vote on the Resolution; or</li><li>- the vote is cast by the Chairman of the Meeting, in accordance with a direction on the proxy form, to vote as the proxy decides.</li></ul>



<p>Resolution 5 – Grant of Shares to a Director, Mr Andrew Grant</p>	<p>A vote must not be cast by:</p> <ul style="list-style-type: none"> <li>- the persons listed in Section 5, part (a) of the Explanatory Statement, being the persons that will participate in the issue of the securities that are the subject of the Resolution; and</li> <li>- any Associates of those persons.</li> </ul> <p>However, the Company need not disregard a vote cast as proxy for a person who is entitled to vote on Resolution 5 if:</p> <ul style="list-style-type: none"> <li>- the vote is cast in accordance with the directions on the proxy form, specifying how the proxy is to vote on the Resolution; or</li> <li>- the vote is cast by the Chairman of the Meeting, in accordance with a direction on the proxy form, to vote as the proxy decides.</li> </ul>
<p>Resolution 6 – Approval for the Acquisition of Shares by GEGM</p>	<p>A vote must not be cast by:</p> <ul style="list-style-type: none"> <li>- GEGM or GEGM's Associates; and</li> <li>- the Vendor or the Vendor's Associates.</li> </ul> <p>However, the Company need not disregard a vote cast as proxy for a person who is entitled to vote on Resolution 6 if:</p> <ul style="list-style-type: none"> <li>- the vote is cast in accordance with the directions on the proxy form, specifying how the proxy is to vote on the Resolution; or</li> <li>- the vote is cast by the Chairman of the Meeting, in accordance with a direction on the proxy form, to vote as the proxy decides.</li> </ul>

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the Annual General Meeting to be held on Tuesday, 18 November 2014 at 10.00am (AEDT).

This purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

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### 1. ANNUAL REPORT

The business of the Meeting will include receipt and consideration of the Company's Annual Financial Report, the Directors' Report and the Auditor's Report for the year ended 30 June 2014, which are included in Armidale's Annual Report.

In accordance with the Corporations Act 2001, Shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions and make comments on the Annual Report, and on the management of Armidale.

The Company's auditor will be present at the Meeting. During the discussion of this item, the auditor will be available to answer questions on:

- the conduct of the audit;
- the preparation and content of the Auditor's Report;
- the accounting policies adopted by the Company in relation to the preparation of the Financial Statements; and
- the independence of the auditor in relation to the conduct of the audit.

#### Written questions for the auditor

If you would like to submit a written question about the content of the Auditor's Report or the conduct of the audit of the Annual Financial Report to the Company's auditor, please send your question to the Company Secretary. A list of qualifying questions will be made available at the Annual General Meeting.

Please note that all written questions must be received at least five business days before the Annual General Meeting, that is, by 11 November 2014.

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### 2. RESOLUTION 1 – RE-ELECTION OF DIRECTOR – MR STEPHEN WHITE

Rule 6.4(a) of the Constitution requires that one third of the Directors (or if their number is not a multiple of three, then the number nearest one third) must retire at each annual general meeting. It also provides that a Director who retires under rule 6.4(a) is eligible for re-election. A Managing Director (if any) is exempt from this requirement.

Mr White will retire by rotation and seeks re-election in accordance with rule 6.4(b) of the Constitution.

**Brief Curriculum Vitae of Mr White – MM, GAICD**  
Independent Non-Executive Director

#### ***Experience and expertise***

Mr White joined the Board of Armidale on 21 September 2010. He holds a Masters of Management from MGSM and is a Graduate Member of the Australian Institute of Company Directors.

Mr White 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. Mr White has had over 21 years of experience in banking including roles with Barclays Capital Singapore, Rothschild and HSBC Japan in their treasury divisions. Mr White is actively involved working with Managing Directors and Chief Financial Officers in developing the strategies and solutions to their companies' Financial Markets Risks, ensuring the management of these risks are within corporate strategy while enhancing any potential upside.

***Current directorships of other listed companies***

None

***Former directorships of other listed companies in the last three years***

None

***Special responsibilities***

Chairman of the Audit Committee

Member of the Remuneration Committee

***Board recommendation:*** *The Directors (with Mr White abstaining) unanimously recommend the re-election of Mr White.* The Chairman will vote undirected proxies in favour of this Resolution.

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**3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR BRUCE HATCHMAN**

Rule 6.2(c) of the Constitution allows the Directors to appoint at any time a person to be a Director as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Any Director so appointed holds office until the next following general meeting of the Company and is then eligible for re-election.

When GEGM provided notice of the Proposed Transaction, it also indicated that it would seek the election of an additional Director to the Board and subsequently nominated Mr Bruce Hatchman. The Board accepted this nomination and appointed Mr Hatchman as a Director and the new non-executive Chairman on 1 June 2014.

Mr Bruce Hatchman will retire in accordance with rule 6.2(c) of the Constitution and, being eligible, seeks re-election.

**Brief Curriculum Vitae of Mr Hatchman – FCA, MAICD, JP**

Independent Non-Executive Director and Chairman

***Experience and expertise***

Mr Hatchman is a Fellow of the Institute of Chartered Accountants, a member of the Australian Institute of Company Directors and a Justice of the Peace. He was also a registered company auditor for 30 years.

Mr Hatchman was a founding partner of Carpenter Hatchman & Kean (now known as Crowe Horwath), one of the largest start up accounting firms in Australia.

Mr Hatchman is currently chairman of Darwin Clean Fuels Limited and Sutlers Architects Pty Limited. He is also an independent advisory board member of Hunt & Hunt Lawyers.

*Current directorships of other listed companies*

None

*Former directorships of other listed companies in the last three years*

None

*Special responsibilities*

Member of the Audit Committee

Chairman of the Remuneration Committee

*Interests in the Proposed Transaction*

GEGM has advised the Company that:

- there are no arrangements or understanding between Mr Hatchman and GEGM with respect to the Company or its business; and
- Mr Hatchman has no interest in the Proposed Transaction or the outcome of Resolution 6.

GEGM has expressly stated that it has nominated Mr Hatchman because it believes that Mr Hatchman will be a strong, independent Director.

**Board recommendation:** *The Directors (with Mr Hatchman abstaining) unanimously recommend the re-election of Mr Hatchman.* The Chairman will vote undirected proxies in favour of this Resolution.

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**4. RESOLUTION 3 – ADOPTION OF REMUNERATION REPORT**

The Remuneration Report is set out in the Annual Report. The Remuneration Report details the Company's remuneration arrangements for the Directors and senior management of the Company.

Section 250R(2) of the Corporations Act requires that a resolution to adopt the Remuneration Report be put to the vote of the Company. Shareholders should note that the vote on Resolution 3 is advisory only and not binding on the Company or its Directors.

However, under the Corporations Act, if at least 25% of the votes cast on Resolution 3 are against the adoption of the Remuneration Report then:

- if comments are made on the Remuneration Report at the Meeting, Armidale's 2015 Remuneration Report will be required to include an explanation of the Board's proposed action in response or, if no action is proposed, the Board's reasons for this; and
- if, at next year's AGM, at least 25% of the votes cast on the resolution for adoption of the 2015 Remuneration Report are against it, Armidale will be required to put to Shareholders a resolution proposing that an Extraordinary General Meeting (**EGM**) be called to consider the election of Directors (**Spill Resolution**). If the Spill Resolution is passed (i.e. more than 50% of the votes cast are in favour of it), all of the Directors (other than the Managing Director) will cease to hold office at the subsequent EGM, unless re-elected at that Meeting.

Last year, a resolution was passed to adopt the 2013 Remuneration Report, with in excess of 75% of votes in favour of that Remuneration Report on a show of hands (and proxies lodged).

In accordance with the Corporations Act, Shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions and make comments on the Remuneration Report.

*The Chairman will vote undirected proxies in favour of this Resolution.*

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5. **RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE OF SECURITIES**

**Background**

On 27 May 2014, the Company announced that it had arranged a Placement of 27,500,031 Shares (**Placement Shares**) to institutional and sophisticated investors. The Placement Shares were issued under ASX Listing Rule 7.1. The Placement Shares were allotted on 2 June 2014.

**ASX Listing Rule 7.1**

ASX Listing Rule 7.1 restricts listed companies in relation to the number of equity securities that they can issue or agree to issue without shareholder approval. Generally, a listed company cannot, in any 12 month period, issue a number of equity securities which is more than 15% of their fully paid ordinary shares on issue without shareholder approval (**15% limit**), unless an exception applies. The Company has not exceeded this 15% limit.

**ASX Listing Rule 7.4**

ASX Listing Rule 7.4 provides that where holders of ordinary securities approve a previous issue of securities made without approval under ASX Listing Rule 7.1, and provided that the previous issue of securities did not breach ASX Listing Rule 7.1 as applicable, those securities shall be deemed to have been issued with Shareholder approval for the purpose of ASX Listing Rule 7.1.

Shareholder approval is now sought for the issues of securities set out below, pursuant to ASX Listing Rule 7.4, to reinstate the Company's capacity to issue up to 15% of its ordinary issued capital under ASX Listing Rule 7.1, if required, over a 12 month period without seeking further Shareholder approval.

ASX Listing Rule 7.5 requires the following information to be provided to Shareholders:

- (a) the number of securities issued was 27,500,031 Placement Shares.
- (b) the Placement Shares were issued at an issue price of \$0.085 per Share.
- (c) the Placement Shares issued rank equally with, and are on the same terms as, the existing Shares on issue.

- (d) the Placement Shares were issued to the persons set out in the table below:

Issue date	Name of Applicant	No. of Placement Shares
02/06/2014	Paul Fielding	1,176,471
02/06/2014	Sandon Capital Pty Ltd (1)	16,323,560
02/06/2014	Naos Emerging Opportunities Company Ltd (2)	10,000,000

(1) 7,508,838 shares issued in name of National Nominees Pty Ltd and 8,814,722 shares issued in name of One Managed Investment Fund Limited

(2) issued in name of Citigroup Global Markets Ltd

- (e) the funds raised will be used to fund future strategic investment opportunities, funding commercial operating leases originated by Hal Data Services Pty Ltd, an entity in which Armidale currently holds 86% equity, and general working capital.

- (f) a voting exclusion statement is shown on pages 8 and 9 of the Notice.

**Board recommendation:** The Directors unanimously recommend that Shareholders vote in favour of ratifying the above issue of equity securities. This will enable the Company to retain the flexibility to issue further equity securities representing up to 15% of the Company's share capital under ASX Listing Rule 7.1 during a 12 month period without seeking further Shareholder approval. The Chairman will vote undirected proxies in favour of this Resolution.

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## 6. RESOLUTION 5 – ISSUE OF SHARES TO A DIRECTOR, MR ANDREW GRANT

### Background

On 15 August 2014, the Company announced an offer to acquire the remaining minority shareholdings in Hal Data Services Pty Limited (**Hal**).

As a means to clean up the ownership structure of Hal, the Company is offering 50 Shares for each outstanding Hal share. If the offer is taken up by all minority shareholders, the Company will issue a further 833,650 Shares bringing the total Shares on issue to 258,474,420 Shares.

Mr Andrew Grant, the Company's Executive Director holds 4,823 Hal shares. In order for Mr Grant to take up this offer, should he decide to do so, shareholder approval will be required under Chapter 10 of the Listing Rules for the issue of up to 241,150 Shares. The remaining issue of up to 592,500 Shares for the other minority shareholders does not require shareholder approval under Listing Rule 7.1.

### Chapter 2E of the Corporations Act

Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required for the issue of the Shares to Mr Grant because the issue will be issued on the same terms and conditions as all minority shareholders in Hal, being also to non-related party minority shareholders, as such, the giving of the financial benefit is on arm's length terms, in accordance with the exception contained in section 210 of the Corporations Act.

### ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

### ASX Listing Rule 10.13

ASX Listing Rule 10.13 requires the following information to be provided to Shareholders:

- (a) The Shares will be issued to Mr Andrew Grant and CAT Family Investments Pty Ltd, a related party of Mr Grant. Mr Grant is an Executive Director of the Company.
- (b) The maximum number of securities to be issued is 241,150 Shares, being 150,000 Shares to Mr Grant and 91,150 Shares to CAT Family Investments Pty Ltd.
- (c) The Shares will be issued no later than one month after the date of the Meeting.
- (d) The Shares will be issued at 11.5 cents per shares. The allotment of the Company Shares to Mr Grant and CAT Family Investments Pty Ltd is subject to Mr Grant and CAT Family Investments Pty Ltd accepting the offer as outlined in the Background material above. Mr Grant and CAT Family Investments Pty Ltd have accepted the offer subject to shareholder approval.
- (e) The Shares issued rank equally with, and are on the same terms as, the existing Shares on issue.
- (f) There is no cash funds being raised from the allotment of Shares.
- (g) A voting exclusion statement is shown on pages 8 and 9 of the Notice.

**Board recommendation:** The Directors recommend (with Mr Grant abstaining) that Shareholders vote in favour of approving the above issue of equity securities. The Chairman will vote undirected proxies in favour of this Resolution.

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## 7. RESOLUTION 6 – APPROVAL FOR THE ACQUISITION OF SHARES BY GEGM

The Corporations Act and ASIC Regulatory Guide 74 set out a number of regulatory requirements that must be satisfied in relation to the Proposed Transaction and Resolution 6.

### Section 606 of the Corporations Act

Section 606 of the Corporations Act prohibits a person from acquiring a relevant interest in issued voting shares in a company, if as a result of the acquisition, that person's or someone else's voting power in the company increases above 20% (or if the relevant person already holds 20% of the voting power in the company, increasing that power further above 20% but below 90%).

A person's "voting power" for these purposes means the total number of votes that the person and his or her associates has a relevant interest in, expressed as a percentage of total votes attaching to all voting shares in the entity.

A person has a '**relevant interest**' in securities if they:

- are the holder of the securities;
- have the power to exercise, or control the exercise of a power to dispose of, the securities; or
- have the power to dispose of, or control the exercise of a power to dispose of, the securities.

### **Section 611, Item 7 of the Corporations Act**

There are a number of exceptions to the prohibition in section 606 of the Corporations Act, including the exception set out in section 611, item 7 of the Corporations Act (**Item 7**). Item 7 allows a person to acquire a relevant interest in a company's voting shares in excess of the 20% threshold with the approval of shareholders.

The purpose of Resolution 6 is to seek approval from the Shareholders under Item 7 to allow GEGM to acquire a relevant interest in more than 20% of the total issued voting Shares in the Company.

### **Independent Expert Report**

To assist Shareholders in their consideration of the Proposed Transaction, the Board commissioned Titan Partners Corporate Finance Pty Limited (**Independent Expert**) to prepare an independent expert's report in relation to the Proposed Transaction. A copy of the report accompanies this Notice of Meeting and should be read carefully by Shareholders.

The Independent Expert has concluded that the advantages of the Proposed Transaction outweigh the disadvantages from the perspective of the Non-Associated Shareholders and therefore may be considered to be fair and reasonable to the Non-Associated Shareholders.

For the reasons outlined in the Independent Expert's Report, the Independent Expert has determined a valuation range of the Shares of 14.37 to 16.17 cents per Share on a control basis.

### **Information required by ASIC Regulatory Guide 74 and the Corporations Act**

The following information is required to be provided to Shareholders in accordance with the Corporations Act and ASIC Regulatory Guide 74 in respect of an approval under Item 7.

#### **(a) Purchaser**

The Shares the subject of Resolution 6 will, if approved by Shareholders, be purchased by GEGM. GEGM is an Australian proprietary company with Georgiana Elizabeth Gordon McCullagh (**Mrs McCullagh**) as its sole shareholder and director. Mrs McCullagh and her husband, Cameron McCullagh (**Mr McCullagh**) are Associates of GEGM.

Mr McCullagh is a director of Riverwise Pty Limited (ACN 084 303 408), an entity in which GEGM holds 153,855 fully paid ordinary shares (3.58% of the ordinary shares on issue) and the Company holds 1,248,548 fully paid ordinary shares (29.02% of the ordinary shares on issue).

Mr McCullagh is also the brother of non-executive Director, Mr Mark Smith.

Further information regarding GEGM is set out in Section 8 of this Explanatory Statement.



(b) Voting power

GEGM currently holds 34,963,384 Shares and its Associates hold no Shares. The current voting power of GEGM and its Associates is 13.57% (based on 257,640,770 Shares on issue as at the date of this Notice of Meeting).

If Resolution 6 is passed by Shareholders, GEGM will acquire 50,561,700 Shares and the voting power of GEGM and its Associates will increase to 33.20% (based on 257,640,770 Shares on issue as at the date of this Notice of Meeting).

The effect of the Proposed Transaction on the voting power of GEGM and its Associates is summarised in the following table:

	Current Position		Position after the Proposed Transaction	
Shareholder	No. of Shares held	% Voting power	No. of Shares held	% Voting power
GEGM and its Associates	34,963,384	13.57	85,525,084	33.20
Other Shareholders	222,677,386	86.43	172,115,686	66.80
<b>Total</b>	<b>257,640,770</b>	<b>100.00</b>	<b>257,640,770</b>	<b>100.00</b>

(c) GEGM's intentions in relation to the Company

GEGM has indicated to the Company that it intends to support the current board of Directors and management team of the Company.

GEGM previously indicated to the Company that it wished to nominate an additional Director to the Board. Mr Bruce Hatchman was appointed by the Board as non-executive Chairman on 1 June 2014. The re-election of Mr Hatchman is the subject of Resolution 2 and further details of Mr Hatchman's qualifications and relevant experience are summarised in Section 3 above. The re-election of Mr Hatchman is not dependent on the Proposed Transaction being approved.

Except as set out above or elsewhere in this Explanatory Statement, GEGM has confirmed to the Company that it does not have any present intention to seek to:

- change the business of the Company;
- inject further capital into the Company;
- implement changes to the future employment of the present employees of the Company;
- transfer any property between the Company and GEGM or any person associated with the Company or GEGM;
- redeploy any fixed asset of the Company; or
- significantly change the financial or dividend distribution policies of the Company.

(d) Terms of the Proposed Transaction

The terms of the Proposed Transaction are set out in the Share Sale Agreement, the terms of which are summarised in Section 8 of this Explanatory Statement.

(e) Relationship between the parties

Both GEGM and the Vendor have confirmed to the Company that there is no practical or formal agreement between each other or any other Shareholder as to the voting or disposal of Shares other than the Share Sale Agreement.

(f) Timing of the Proposed Transaction

In accordance with the terms of the Share Sale Agreement, it is intended that the Proposed Transaction will complete on or about five days following the approval of Resolution 6.

(g) Reasons for the Proposed Transaction

The Vendor wishes to sell its Shares in order to repay certain loans that it owes to GEGM and GEGM's sole director and shareholder, Mrs McCullagh. The terms of the Share Sale Agreement provide for the purchase price to be payable by set off against these loans.

(h) Directors' Interests

Mr Mark Smith has an interest in the Proposed Transaction and outcome of Resolution 6 as he is the sole director of the Vendor and the sole director and shareholder of the Vendor's shareholder, Presmore Pty Limited (ACN 003 430 779). The remaining Non-Associated Directors do not have an interest in the Proposed Transaction or the outcome of Resolution 6, other than as Shareholders.

(i) Directors' Approval

The Non-Associated Directors have considered Resolution 6 and have resolved to put Resolution 6 to Shareholders.

**Board recommendation:** The Non-Associated Directors recommend that Shareholders vote in favour of Resolution 6. Mr Mark Smith does not intend to make a recommendation as he has a material personal interest in the outcome of Resolution 6. The Chairman will vote undirected proxies in favour of this Resolution.

---

## 8. PROPOSED TRANSACTION

### Overview of GEGM

GEGM is an Australian proprietary company with Georgiana Elizabeth Gordon McCullagh as its sole shareholder and director. GEGM is a Sydney-based investment company that has active and passive investments. GEGM had net assets of \$23.9 million at 30 June 2013 and revenue for the year ended 30 June 2013 of \$1.1 million.

### Terms of Share Sale Agreement

The terms of the Share Sale Agreement are as follows:

- |                  |                          |
|------------------|--------------------------|
| - <b>Parties</b> | 1. GEGM<br>2. the Vendor |
| - <b>Date</b>    | 11 April 2014            |

- **Subject matter**                      The Share Sale Agreement records the terms and conditions of the sale by the Vendor to GEGM of 50,561,700 Shares.
  
- **Execution**                              The Share Sale Agreement has been executed by all parties.
  
- **Consideration**                        The total consideration of \$4,601,114.70 (9.1 cents per Share) is payable by GEGM as follows:
  1. \$4,423,521.47 will be set off against certain unsecured loans owed by the Vendor to GEGM and its sole director and shareholder, Mrs Georgiana McCullagh; and
  2. \$177,593.23 in cash will be paid to the Vendor.
  
- **Conditions**                            The Share Sale Agreement is conditional on the Non-Associated Shareholders approving the Proposed Transaction.

The Share Sale Agreement is a simple document and does not contain any other express covenants, undertakings or obligations.

---

## 9. ENQUIRIES

Shareholders may contact the Company Secretary if they have any queries in respect of the matters set out in these documents.

David Franks  
 Company Secretary  
 Armidale Investment Corporation Limited  
 c/- Franks & Associates Pty Limited  
 GPO Box 4325  
 Sydney, NSW 2001

Tel: (+61 2) 9299 9690  
 Fax: (+61 2) 9299 9629  
 Email: [dfranks@fa.com.au](mailto:dfranks@fa.com.au)

## GLOSSARY

**AEDT** means Australian Eastern Daylight Time, Sydney, New South Wales.

**Annual General Meeting, AGM or Meeting** means the meeting convened by the Notice.

**Armidale Group** means Armidale and its controlled entities.

**ASIC** means the Australian Securities & Investments Commission.

**Associate** has the meaning given to that term by section 12 of the Corporations Act.

**ASX** means ASX Limited (ABN 98 008 624 691).

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the board of Directors of the Company as constituted from time to time.

**Chairman** the chair of the Meeting.

**Closely Related Parties**, in relation to a member of KMP, means the member's spouse, child or dependant (or a child or dependant of the member's spouse), anyone else in the member's family who may be expected to influence or be influenced by the member in the member's dealings with Armidale and any company the member controls.

**Company or Armidale** means Armidale Investment Corporation Limited ABN 58 100 854 788.

**Constitution** means the Constitution of the Company.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** mean the directors of the Company.

**Documents** mean each of the Notice, Explanatory Statement and the Proxy Form and all other documents that accompany each other when sent to each Shareholder.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**GEGM** means GEGM Investments Pty Limited (ACN 074 482 581).

**Independent Expert** means Titan Partners Corporate Finance Pty Limited (ACN 177 095 636).

**Independent Expert's Report** means the report provided by the Independent Expert accompanying this Notice.

**Key Management Personnel or KMP** means those persons having authority and responsibility for planning, directing and controlling the activities of Armidale or the Armidale Group, whether directly or indirectly. Members of the KMP include Directors and certain senior executives.

**Non-Associated Director** means a Director other than Mr Mark Smith.

**Non-Associated Shareholder** means a Shareholder not associated with GEGM or the Vendor.

**Notice** means the notice of meeting that accompanies and forms part of the Documents.

**Ordinary Resolution** means a resolution passed by more than 50 per cent of the votes at a general meeting of shareholders.

**Placement** means the private placement described in the Background section of Resolution 4 in the Explanatory Statement.

**Placement Shares** means the Shares issued on 2 June 2014 under the Placement.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**Share** means a fully paid ordinary share in the capital of the Company.

**Share Sale Agreement** means the conditional share sale agreement between GEGM and the Vendor dated 11 April 2014.

**Shareholder** means a holder of a Share.

**Share Registry** means Link Market Services.

**Vendor** means Armidale Investment Company Pty Limited (ACN 143 917 088).

## Interpretation

In these Documents, unless the context requires otherwise:

- (a) a reference to a word includes the singular and the plural of the word and vice versa;
- (b) a reference to a gender includes any gender;
- (c) if a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;
- (d) a term which refers to a natural person includes a company, a partnership, an association, a corporation, a body corporate, a joint venture or a governmental agency;
- (e) headings are included for convenience only and do not affect interpretation;
- (f) a reference to a document includes a reference to that document as amended, novated, supplemented, varied or replaced;
- (g) a reference to a thing includes a part of that thing and includes but is not limited to a right;
- (h) the terms "included", "including" and similar expressions when introducing a list of items do not exclude a reference to other items of the same class or genus;
- (i) a reference to a statute or statutory provision includes but is not limited to:
  - (i) a statute or statutory provision which amends, extends, consolidates or replaces the statute or statutory provision;
  - (ii) a statute or statutory provision which has been amended, extended, consolidated or replaced by the statute or statutory provision; and
  - (iii) subordinate legislation made under the statute or statutory provision including but not limited to an order, regulation, or instrument;
- (j) reference to "\$", "A\$", "Australian Dollars" or "dollars" is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia; and
- (k) a reference to an asset includes all property or title of any nature including but not limited to a business, a right, a revenue and a benefit, whether beneficial, legal or otherwise.



# Armidale Investment Corporation Limited

(ASX: AIK)

ABN 58 100 854 788

## Independent Expert's Report

Report to Non-Associated Shareholders on the Proposed Transaction for a transfer of shares in the Company under Section 611(7) of the *Corporations Act 2001*

Report Issued: 2 September 2014



**Titan Partners Corporate Finance Pty Limited**  
Australian Financial Services  
Licence Number: 427275  
ABN 38 177 095 636  
Level 3, 7 Macquarie Place  
Sydney NSW 2000  
PO Box R415  
Royal Exchange NSW 1225  
Australia  
T +61 2 9268 3300  
www.titanpartners.com.au

2 September 2014

The Directors  
Armidale Investment Corporation Limited  
Level 2  
72 Archer Street  
CHATSWOOD NSW 2067

Dear Sirs,

## INDEPENDENT EXPERT'S REPORT – ARMIDALE INVESTMENT CORPORATION

### 1. Introduction

Armidale Investment Corporation Limited ("**AIK**" or "**the Company**") announced on 14 April 2014 to the Australian Securities Exchange Limited ("**ASX**") it has received notice of an agreement for the sale of shares between two of the Company's existing shareholders.

On 11 April 2014, Armidale Investment Company Pty Limited ("**AICPL**") signed a conditional agreement for the sale of 50,561,700 shares in AIK to GEGM Investments Pty Limited ("**GEGM**") at 9.1 cents per share for a total consideration of \$4,601,114.70 (the "**Proposed Transaction**").

The Proposed Transaction comprises all of the AIK shares currently held by AICPL and represents 19.62% of the Company's issued capital. If completed, the direct interest of GEGM in AIK will increase from 13.57% to 33.20%.

In accordance with Section 606 of the *Corporations Act 2001*, the acquisition of a relevant interest in issued voting shares of a company is prohibited if the acquisition results in a person's voting power in the company increasing from below 20% to more than 20%, or from a starting point that is above 20% and below 90%. Exceptions to the prohibition are set out in Item 7 of Section 611 of the *Corporations Act 2001*, whereby a majority of the shareholders of the company not associated with the acquirer or vendor of such shares, pass a resolution to approve the acquisition at a general meeting.

Titan Partners Corporate Finance Pty Limited ("**Titan Partners Corporate Finance**") was appointed by the directors of AIK as an independent expert to provide an opinion on the Proposed Transaction for the shareholders of AIK not associated with AICPL or GEGM (the "**Non-Associated Shareholders**"). Our findings and conclusions are set out in this Independent Expert's Report ("**IER**", the "**Report**"), which will accompany the Notice of Meeting for an Extraordinary General Meeting expected to be held by AIK in August/September 2014 to consider the Proposed Transaction. Titan Partners Corporate Finance provides this report under its Australian Financial Services Licence (No. 427275).

### 2. Summary of Opinion

We conclude that, based on the assessment outlined in the remainder of this Report, the advantages of the Proposed Transaction outweigh the disadvantages from the perspective of Non-Associated Shareholders and therefore may be considered to be fair and reasonable to the Non Associated Shareholders<sup>1</sup>. Our key considerations are summarised as follows.

---

<sup>1</sup> As this report is in relation to a sale of securities and Non Associated Shareholders will not receive any consideration there has been no need to assess the value that they may receive. Similarly, use of the term "reasonable" in this report does not relate to any offer to Non-Associated Shareholders.



## 2.1 Advantages

- No control premium is being paid by GEGM and as a result, Non-Associated Shareholders do not forgo their share of any takeover premium by not participating in the Proposed Transaction.
- No impact on existing relative voting and ownership interests of Non-Associated Shareholders.
- Off-market transfer of a significant shareholding avoids the negative share price impact on thinly traded AIK shares.
- Management and strategic direction of the Company remains unchanged.
- GEGM has indicated it supports the current management team and strategic direction of the Company.

## 2.2 Disadvantages

If approved, GEGM will hold a 33.20% direct interest in AIK. Although it is a minority rather than controlling majority interest, it has the voting capability to exert significant influence on AIK. In particular, GEGM will have the ability to block any special resolutions, which require at least 75% shareholder approval.

If the Proposed Transaction proceeds, it is reasonable to expect GEGM may from time to time have some influence on the board composition of AIK. It is also reasonable to expect AIK to have regard to any changes to the AIK board that GEGM supports (but note that any such change would require a majority vote of shareholders). We are not aware of any proposal by GEGM to initiate changes to the AIK board at this time. Further we note such board changes are unlikely as Bruce Hatchman was appointed as an independent director on 2 June 2014 upon recommendation of the AIK board.

## 2.3 Other Factors

We reviewed the recent share price performance of AIK, where we examined both the share price and volume traded in the year to 30 June 2014 and concluded as the Proposed Transaction is below the recent share price of AIK, its approval and completion is unlikely to have an impact on the likelihood of future takeover bids on the Company. If the Proposed Transaction is approved, GEGM will continue to be a minority shareholder without control of AIK. Hence any bidder in a future takeover will need to include a control premium in the bid price in order to gain control of AIK.

As the current three largest shareholders in AIK individually own greater than 10% of the share capital in the Company, any takeover bid by a third party that seeks to acquire 100% of AIK shares on issue would require all three shareholders to accept (at least in part). As such, the Proposed Transaction does not materially change the potential of a takeover by a third party. Additionally any proposed control transaction effected by a Scheme of Arrangement requires the approval of at least 75% of all shareholders; which therefore would most likely require the approval of at least two of the three largest shareholders. For this reason, we consider the Proposed Transaction would not materially impact the likelihood of a third party making a takeover bid or seeking to implement a control transaction by a Scheme of Arrangement without the support of the largest shareholders.


The above summary of our opinion and conclusion should be read in conjunction with the remainder of this Report and Appendices as attached herein.

Titan Partners Corporate Finance has prepared a Financial Services Guide as required by *Corporations Act 2001* and is attached at Appendix 1. This Report is for general financial advice only and was prepared without taking into account the objectives and circumstances of individual Non-Associated Shareholders of the Company. Our report herein should be read in conjunction with the Notice of Extraordinary General Meeting and Explanatory Memorandum to which it accompanies.

Unless the context requires otherwise, references to “we”, “our” and similar terms refer to Titan Partners Corporate Finance.

Yours faithfully

**Titan Partners Corporate Finance Pty Limited**

A handwritten signature in black ink, appearing to read 'B. Higgs', with a long horizontal flourish extending to the left.

**BRAD HIGGS**

Director

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### 3. Scope of Report

#### 3.1 Purpose of the Report

The Australian Securities and Investments Commission (“ASIC”) issued Regulatory Guide 74 (“RG 74”) states directors are required to provide sufficient information to shareholders to assess the merits of a proposal, such as that contemplated under the Proposed Transaction. Directors also have a duty to provide shareholders with full and proper disclosure, such that shareholders are fully informed of the nature of the resolutions proposed at a general meeting. Section 606 of the *Corporations Act 2011* prohibits the acquisition of an interest in a company that represents greater than 20% of the voting shares outstanding, subject to the exemptions set out in Items 7 of Section 611 of the *Corporations Act 2011*, where shareholders other than the parties involved agree by resolution to the proposed acquisition of such shares.

Titan Partners Corporate Finance Pty Limited (“Titan Partners Corporate Finance”) has been engaged by the directors of AIK to prepare an Independent Expert’s Report with respect to the Proposed Transaction for this purpose.

This Report has been prepared to assist Non-Associated Shareholders to consider and approve, if appropriate, the Proposed Transaction at an Extraordinary General Meeting, under the relevant exception set out in item 7 of Section 611 of the *Corporations Act 2011*.

#### 3.2 Basis of Assessment

In preparing the Report herein, we consider ASIC Regulatory Guide 111 (“RG111”) dated March 2011 which sets out requirements of expert reports.

Specifically with respect to a sale of securities transaction which may be approved subject to Item 7 of Section 611 of the *Corporations Act 2011*, RG111 states the expert should identify the advantages and disadvantages of the proposal to security holders not associated with the transaction and provide an opinion either:

- The advantages of the proposal outweigh the disadvantages; or
- The disadvantages of the proposal outweigh the advantages. (RG111.42).

In addition, the expert should also consider in such transactions:

- whether the non-associated shareholders may be foregoing the opportunity of receiving a takeover bid and to share in a takeover premium by approving the proposal (RG 111.41);
- whether the vendor is to receive a premium for control (RG 111.43);
- whether further transactions are planned between the company, the vendor and any of their associates and determine whether such transactions would be on an arm’s length basis (RG 111.45);
- whether the proposed acquisition, if approved, might deter the making of a takeover bid for the company (RG 111.46).

#### 3.3 Sources of Information

The information set out below was considered, adopted and relied upon by us in forming our opinion and preparing the report herein:

- Audited Annual Financial Reports of AIK for the year ended 30 June 2013 (“FY2013”), with comparative information shown for the year ended 30 June 2012 (“FY2012”);
- Interim Financial Statements of AIK for the half-year ended 31 December 2013 (“1H2013”);
- Audited Financial Report of Hal Data Services Pty Limited (“Hal”) for FY2013 and FY2012;
- Audited Annual Report of Riverwise Pty Limited (“Riverwise”) for FY2013 and FY2012;
- Audited Annual Report of Leading Edge Group Limited (“Leading Edge Group”) for FY2012;

- Business unit-level management financial information of Leading Edge Group for the year ending 30 June 2014 (“FY2014”);
- Management forecast financial model of Hal for five years to 30 April 2019;
- ASX Company Announcements of AIK;
- AIK shareholder register as at 2 May 2014;
- Board reports of Leading Edge Group for 11 months to 31 May 2014;
- Management financial and operational information on AIK, Hal and Leading Edge Group;
- Regulatory Guide 111 Content of expert reports, (“RG111”) of the Australian Securities and Investments Commission;
- Industry Research Reports published by IBISworld Pty Limited (“IBISworld”);
- Comparable company research including financial information and corporate transaction data as sourced from S&P Capital IQ; and
- Discussions with key management of AIK, Hal, Riverwise and Leading Edge Group.

### 3.4 Limitations and Reliance on Information

Our opinions are based on economic, financial, share market, operational and other conditions and expectations prevailing at the date of this Report. These conditions can change significantly over relatively short periods of time and, if such material change occurs, the opinions expressed in this Report could differ.

Titan Partners Corporate Finance has no obligation to, nor does it undertake to, advise any person of any change in circumstances that has come to its attention after the date of this Report or to review, revise or update this Report or the opinions contained herein.

We have evaluated the information set out in Section 3.3 through analysis, enquiry and review, as appropriate for the purposes of preparing this Report and forming our opinion on the Proposed Transaction. Titan Partners Corporate Finance do not warrant that our evaluation has identified or verified all of the matters that an audit, extensive examination or due diligence investigation may disclose.

We have relied on certain representations and relevant information provided by the directors of AIK and its controlled entities. This information was evaluated through analysis, enquiry and review. However, such information is often not capable of external verification or validation and has therefore not been independently verified.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Titan Partners Corporate Finance:

- assumes no responsibility and offers no legal opinion or interpretation on any issue; and
- has generally assumed that matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so.

## 4. Summary of Transaction

### 4.1 Background

On 6 March 2014, AIK announced to the ASX it has received a Bidder's Statement from GEGM, with respect to a proposed proportional off-market takeover for 66.67% (or two of every three shares held by each shareholder) at a price of 7.5 cents per share ("Discontinued Proportional Takeover"). The Bidder's Statement for this transaction was also released by the Company via an ASX announcement on the same day. The Discontinued Proportional Takeover transaction was subsequently discontinued on 7 April 2014, where GEGM has advised AIK it will not proceed with that prior takeover bid.

On 11 April 2014, AICPL signed a conditional agreement for the sale of 50,561,700 shares in AIK to GEGM at 9.1 cents per share for a total consideration of \$4,601,114.70 (the "Proposed Transaction"). GEGM has also requested AIK hold an Extraordinary General Meeting for Non-Associated Shareholders to approve the Proposed Transaction.

### 4.2 Current Shareholding

The following table sets out the shareholding structure of AIK as at 17 July 2014.

Armidale Investment Corporation Limited Current Ownership Structure		
Name	Shares	%
<b>Major Shareholders</b>		
Armidale Investment Company Pty Ltd	50,561,700	19.62%
Citicorp Nominees Pty Ltd	43,088,023	16.72%
GEGM Investments Pty Ltd	34,963,385	13.57%
One Managed Investment Funds Ltd ACF Sandon	12,954,722	5.03%
Presmore Pty Ltd	11,308,534	4.39%
National Nominees Limited	10,024,838	3.89%
Mr Andrew Grant	9,180,000	3.56%
Mr George James Matis	9,180,000	3.56%
Navigator Australia Ltd	8,300,000	3.22%
Scottow Pty Ltd	3,914,285	1.52%
HSBC Custody Nominees (Australia) Limited	3,597,620	1.40%
Scottow Pty Ltd	3,728,571	1.62%
	197,073,107	76.49%
<b>Other</b>		
Other Minority Shareholders	60,567,663	23.51%
<b>Total Shares Outstanding</b>	<b>257,640,770</b>	<b>100.00%</b>

Source: AIK Share Register as at 17 July 2014

### 4.3 GEGM

GEGM is an entity incorporated in New South Wales and is a company fully owned by Georgina McCullagh, who is also the sole director of GEGM.

#### 4.4 AICPL

AICPL is an entity incorporated in New South Wales. The sole director of AICPL is Mark Smith, who is currently a non-executive director of AIK and served as the Company's Chairman until 2 June 2014. AICPL is wholly owned by Presmore Pty Limited, an entity where Mark Smith is also the sole director and its shares are fully owned by Mark Smith. We note Presmore Pty Limited ("**Presmore**") separately holds 11.31 million shares, or 4.39% of issued capital, of AIK which does not form part of the Proposed Transaction.

#### 4.5 Transaction Impact

If the Proposed Transaction is approved and completed, GEGM will become the shareholder with the largest shareholding in the Company, with over 85.5 million shares in AIK. The relative ownership interests of all Non-Associated Shareholders will remain unchanged, with a combined interest in 66.80% of AIK, as set out below.

Armidale Investment Corporation Limited Ownership Structure - After proposed transaction		
Name	Shares	%
<b>Parties to Proposed Transaction</b>		
Armidale Investment Company Pty Ltd	-	0.00%
GEGM Investments Pty Ltd	85,525,085	33.20%
<b>Non-Associated Shareholders</b>		
All Non-Associated Shareholders	172,115,685	66.80%
<b>Total Shares Outstanding</b>	<b>257,640,770</b>	<b>100.00%</b>

*Source: AIK Share Register as at 17 July 2014, Titan Partners Corporate Finance Analysis*

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## 5. Profile of AIK

### 5.1 Background

#### *Overview*

AIK is an investment entity listed on the Australian Securities Exchange (“**ASX**”). It was first listed in January 2003 and was formerly known as the “Wallace Absolute Return Fund” until a name change to “Armidale Investment Corporation Limited” in November 2011. AIK engages in investment activities in Australia, with a focus on unlisted securities and fixed interest investments.

The principal investments of AIK comprise:

- Approximately 86.82% equity interest in Hal;
- Approximately 94.83% of Cash Available for Distribution from Hal under the Loan Note funding previously provided by AIK, of which 79.83% is held directly and 15% is held via fully owned subsidiaries;
- Approximately 29.02% of the issued capital of Riverwise, the parent entity of the Leading Edge Group Limited (“**Leading Edge Group**”);
- 100% equity interest in Lease Company of Australia Pty Limited (“**LCA**”);
- 100% equity interest in Cat One Pty Limited (“**Cat One**”);
- 100% equity interest in Venagrow Pty Limited (“**Venagrow**”) and
- 100% equity interest in Armidale Investment Corporation (Australia) Pty Limited (“**AICAPL**”)

Hal is the only trading business that is majority controlled by AIK. The business operates in two primary segments – the provision of equipment lease finance (predominately information and communications technology equipment) and as a reseller of such second-hand and new equipment.

Riverwise is the parent entity of Leading Edge Group, a business formed in 1986 as a buying group for independent retailers and has grown into a group buyer for a diverse range of consumer product industries. Today, the buying group business remains a major segment of the Leading Edge Group business as a buying group for products such as jewellery, books, computers, electronics and electrical appliances. The other major component of Leading Edge Group is the telecommunications group, which mainly operates in the Business-to-Business sector as representatives or licensees of Telstra in Australia, Telecom New Zealand in New Zealand and British Telecom in the United Kingdom.

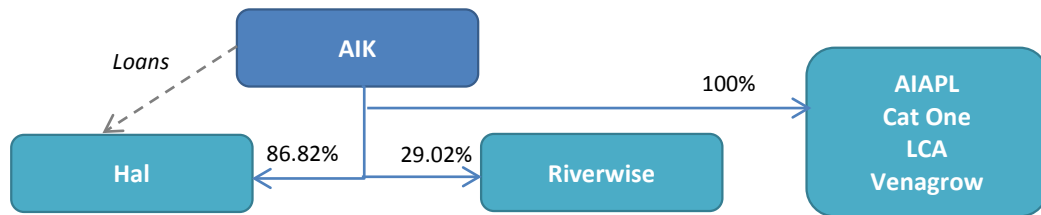
LCA is a dormant entity which previously managed repayment to note-holders of funds previously advanced to Hal. Cat One and Venagrow hold rights to certain debt instruments issued by Hal. We note all of AICAPL, Cat One, LCA and Venagrow are non-trading entities.

#### *Funding Arrangements*

AIK has previously provided funding to Hal to operate its leasing business. Known as the “Waterfall Arrangement”, Hal and AIK entered into an agreement on 26 November 2009 to restructure the investment of AIK in shares, loans and debentures issued by Hal. This agreement stipulates Hal will make quarterly payments of 85% of Cash Available for Distribution and until such time as the Principal Outstanding decreases to below \$21 million (hereafter referred to as the “**Loan Note**”), where at which time reduced payments are made. In addition, a minimum annual repayment schedule was agreed with Hal. AIK subsequently acquired additional rights to Cash Available for Distribution from other parties, increasing AIK’s entitlement to Cash Available for Distribution under the Loan Note to 94.83%. Due to a default in the minimum annual repayment schedule, an amending deed was agreed on 22 June 2012 which results in interest being chargeable on the Principal Outstanding and capitalised where not paid.

## Group Structure

The following diagram summarises the corporate structure of AIK.



We note that AIK has provided prior financing to its 86.82% owned subsidiary, which has since been restructured as part of the Waterfall Arrangement for the Hal Loan Note as summarised above.

## 5.2 Ownership Structure

As at 17 July 2014, AICPL and GEGM are two of the largest shareholders of AIK with a combined holding of 33.20% as set out in Section 4.2 above. Only one other shareholder holds an interest exceeding 10%, being Citicorp Nominees Pty Limited with 13.57%. Combined the top three shareholders currently control 49.92% of issued capital, with all remaining AIK shareholders individually owning less than 5% of the Company.

## 5.3 Industry Overview

Hal, the primary trading subsidiary of AIK, operates in the commercial segment of the equipment finance and leasing services industry in Australia. Specifically, the business provides operating finance leases to businesses and government organisations for a range of assets.

Leading Edge Group, the wholly owned subsidiary of Riverwise, operates in a number of segments in the consumer goods industry in Australia. In particular, the distribution of computer, electronics and telecommunications products through associate retail outlets in Australia. It also distributes telecommunications products and services in Australia, New Zealand and the United Kingdom.

## 5.4 Appliance and Equipment Leasing Industry Overview

With annual industry revenues of over \$2 billion, the appliance and equipment leasing industry has experienced mixed conditions in recent years, as a result of varying impacts of changes in broader economic conditions. During the global financial crisis of 2008 and 2009, industry losses were observed due to significant decreases in capital expenditure arising from steep declines in business and consumer confidence. Additionally, there was a tightening in credit markets which impacted the amount of funding available for leasing, accompanied by an increase in the cost of funding. A slight recovery was experienced from 2010 as both consumers and business customers seek to rent assets as a means of austerity and minimising initial outlay.

Electronic equipment, furniture and whitegoods are some of the main types of products offered for rental in the industry, which serves both household consumers and business clients of various scale of operations. The industry employs significant financial capital, as physical goods with medium to long useful lives are typical of assets under leasing or rental arrangements offered.

Major players in the industry include Alleasing, Macquarie Leasing, Equigroup, Capital Finance, FlexiGroup, Thinksmart and Thorn Group. Generally, the past five years has been a difficult trading environment for businesses in this industry, however conditions have improved over the past twelve months.

## 5.5 Consumer Product Distribution Industry Overview

The following summarises the domestic appliance segment of the retail industry, which encompasses the types of products sold by Leading Edge Group. We consider the factors impacting retail of computer, electronics and telecommunications products to be comparable to those factors affecting distributors, given the demand at the retail level directly translates into demand at the distributors and wholesalers of such products. Particularly, the Telecommunications business and Buying Groups for computers, electronics and appliances comprise the majority of the Leading Edge Group business as outlined in Section 5.1.

Household appliances, audio visual equipment, mobile phones and telecommunications equipment are the major products in the domestic appliance retailing industry, which generates over \$19 billion in revenue annually. Such products are also sold through competing channels such as department stores. The industry has experienced difficult trading conditions over the past five years, with intensified competition, changing retail trends, volatile consumer demand and declining retail prices of goods sold. Industry activity is significantly influenced by consumer sentiment, the level of household disposable income, interest rates and the rate of household formation. IBISworld estimates revenue to increase by 1.3% annually over the next five years, driven by technological advancement and new products.

Major players in the industry include BSR Australia, JB Hi-Fi, Harvey Norman and Muir Electrical.

## 5.6 Historical Financial Performance

The financial performance of AIK for the two most recent financial years being FY2012 and FY2013, and the first six months of FY2014, i.e. the half year to 31 December 2013 ("1H2014"), are summarised in the table below.

Armidale Investment Corporation Limited						
Historic Operating Results						
\$'000s	FY2012		FY2013		1H2014	
	Actual	%	Actual	%	Actual	%
<b>Revenue</b>						
Sales Revenue	17,072	79%	9,951	84%	-	-
Interest Income	-	-	-	-	473	22%
Repayments	-	-	-	-	890	42%
Other Income	4,489	21%	1,920	16%	780	36%
	21,561	100%	11,871	100%	2,143	100%
<b>Less Expenses</b>						
Cost of Sales	1,863	9%	1,088	9%	-	-
Employee Expenses	3,365	16%	2,857	24%	380	18%
Depreciation & Amortisation	14,129	66%	6,525	55%	97	5%
Finance Costs	1,217	6%	446	4%	-	-
General & Other Expenses	3,055	14%	3,259	27%	157	7%
	23,629	110%	14,175	119%	634	30%
<b>Profit/(Loss) before Tax</b>	<b>(2,068)</b>	<b>(10%)</b>	<b>(2,304)</b>	<b>(19%)</b>	<b>1,509</b>	<b>70%</b>

Source: AIK Audited Financial Reports and Interim Financial Statements

We note the following with respect to the recent financial performance of AIK:

- AIK results for 1H2014 accounts for AIK's investments in Hal and Riverwise at fair value and are not consolidated, in contrast to the FY2012 and FY2013 Financial Reports. With the introduction of Australian Accounting Standard AASB 2013-5 and the directors' assessment AIK meets the definition of an Investment Entity prescribed in that standard, AIK directors have early adopted AASB 2013-5.

- Other income in 1H2014 includes an amount of \$0.601 million as fair value adjustment of AIK's investment in Riverwise.
- Repayments in 1H2014 relates to Hal payment to AIK with respect to the Loan Note arrangement.
- Sales revenue in FY2012 and FY2013 pertains to equipment sales by Hal, consolidated into AIK.

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## 5.7 Financial Position

The financial position for AIK as at the end of FY2012, FY2013 and 1H2014 is summarised below.

Armida Investment Corporation Limited			
Balance Sheet			
\$'000s	Jun 2012 Actual	Jun 2013 Actual	Dec 2013 Actual
<b>Assets</b>			
<b>Current Assets</b>			
Cash	6,428	2,476	603
Receivables	8,420	7,609	-
Financial Assets	2,853	2,408	1,659
Other	444	184	12
	<b>18,145</b>	<b>12,677</b>	<b>2,274</b>
<b>Non-Current Assets</b>			
Financial Assets	4,757	6,833	27,879
Property, plant & equipment	4,009	5,558	-
Deferred Tax Assets	1,960	1,889	-
Intangible Assets	9,582	5,972	674
	<b>20,308</b>	<b>20,252</b>	<b>28,553</b>
<b>Total Assets</b>	<b>38,453</b>	<b>32,929</b>	<b>30,827</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables	2,661	2,026	170
Income in Advance	838	340	-
Financial Liabilities	4,571	886	91
Other	325	197	46
	<b>8,395</b>	<b>3,449</b>	<b>307</b>
<b>Non-Current Liabilities</b>			
Financial Liabilities	3,275	2,993	-
Deferred Tax Liabilities	6,377	5,137	-
Provisions	51	87	4
	<b>9,703</b>	<b>8,217</b>	<b>4</b>
<b>Total Liabilities</b>	<b>18,098</b>	<b>11,665</b>	<b>311</b>
<b>Net Assets</b>	<b>20,355</b>	<b>21,264</b>	<b>30,516</b>
<b>Equity</b>			
Issued capital	92,449	94,273	94,273
Reserves	(18,337)	(18,336)	11,864
Accumulated Losses	(50,531)	(51,125)	(75,621)
Non Controlling Interest	(3,226)	(3,548)	-
	<b>20,355</b>	<b>21,264</b>	<b>30,516</b>

Source: AIK Audited Financial Reports and Interim Financial Statements

We note the following with respect to the financial position of AIK:

- Other Current Assets comprise deferred tax assets, inventories and prepayments.
- Non-Current Financial Assets as at 1H2014 comprises the sum of AIK interest in the various investments listed in Section 5.1 and outstanding balance of AIK loans to Hal. In FY2012 and FY2013, this balance comprised non-current lease receivables from Hal's balance sheet and AIK's interest in Riverwise at fair value.
- Receivables, property plant and equipment, deferred tax assets, income in advance, non-current financial liabilities and non-current deferred tax liabilities are at nil balance as at 1H2014 as these accounts were no longer consolidated from the Hal balance sheet following adoption of new accounting treatment introduced in FY2014 in accordance with AASB2013-5.
- Other Current Liabilities comprise provisions in all years except FY2013 where the balance included a current tax liability of \$0.027 million.

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## 6. Valuation Methodology

### 6.1 Overview

The best determinant of value is the price at which a business or a comparable business has been bought or sold in an arm's length transaction. In its absence, estimates of value are made using methodologies that infer value from other available evidence. These methodologies are discussed below.

### 6.2 Asset Based Methods

Asset based methods estimate the market value of a company's shares based on the realisable value of its identifiable net assets. Asset based methods include:

- net tangible assets;
- orderly realisation of assets; and
- liquidation of assets.

Net tangible assets method is based on the value of the assets of the business less certain liabilities, at book values, adjusted to market value.

Orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders assuming the company is wound up in an orderly manner realising a reasonable market value for assets.

Liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter period, under a "distressed seller" scenario.

These approaches ignore the possibility that a company's value could exceed the realisable value of its assets. Asset based methods are appropriate when companies are not profitable, not actively trading or a significant proportion of a company's assets are liquid.

### 6.3 Market Based Methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its shares or the market value of comparable companies. Market based methods include:

- analysis of a company's recent share trading history;
- capitalisation of maintainable earnings; and
- industry specific methods.

Capitalisation of maintainable earnings method estimates fair market value by multiplying the company's future maintainable earnings by an appropriate capitalisation multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the company's earnings are relatively stable and comparable companies have similar cost structures.

Most recent share trading history provides strong evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using industry benchmarks. These methods generally provide less persuasive evidence on market value of a company, as they may not account for company specific factors. Industry specific methods are only used as a cross check to the primary valuation methodology.

#### 6.4 Discounted Cash Flow Method

The discounted cash flow method estimates market value by discounting a company's future cash flows to their present value. This method is appropriate where a projection of future cash flows can be made with a reasonable degree of confidence for a period of at least 5 years. The discounted cash flow method is commonly used to value early stage companies or projects with a finite life.

#### 6.5 Selection of Methodologies

As noted previously in Section 5.1 above, AIK is an investment entity with an interest in two main trading entities, namely Hal and Leading Edge Group (as a wholly owned subsidiary of Riverwise).

As a publicly listed security on the ASX, one available methodology is a market-based valuation using the recent share price trading history of AIK shares. For reasons further outlined in Section 7.1 below, we do not consider the share price to be an appropriate indicator of the fair value of AIK shares and have adopted alternative approaches as our primary valuation methodology for AIK.

In valuing AIK, we first consider the valuation of the primary trading subsidiaries, namely Hal and Leading Edge Group respectively. We then add the value of any other net tangible assets to determine the aggregate value of AIK.

In selecting our valuation methodologies for Hal and Leading Edge Group, we have considered:

- the historical results of each entity and current performance levels including revenue and earnings;
- representations by the management in terms of the current and future trading performance and margins, including actual and budgeted data available for FY2014;
- the forecasts prepared by management for Leading Edge Group;
- the 5-year financial model prepared by management for Hal;
- existing structure of the each business and relationships between related parties;
- our understanding of the competitive position of each business in their respective industries; and
- access to publicly available valuation benchmarks, comparable company information and comparable company transactions.

##### ***Hal***

To value AIK's interests in Hal, we have adopted a discounted cash flow methodology, which estimates market value by discounting the projected future cash flows to present value. We consider the discounted cash flow methodology to be most appropriate in valuing Hal, as the nature of the leasing business enables cash flows over the lease term to be estimated with a high level of accuracy.

##### ***Riverwise/Leading Edge Group***

To value the Leading Edge Group, we have adopted a capitalisation of future maintainable earnings methodology, which estimates fair market value by multiplying the company's future maintainable earnings by an appropriate capitalisation multiple. This approach is most appropriate for Riverwise as the earnings of the Leading Edge Group businesses are expected to be relatively stable, where comparable company valuation metrics can be ascertained and applied in determining the value of the business.

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## 7. Fair Value of AIK

### 7.1 Valuation Conclusion

We have determined the fair value of the equity in AIK on a controlling interest basis to be in the range of \$37.0 million to \$41.7 million. We subsequently derive a value for each of the Company's shares at between 14.37 to 16.17 cents per share. As set out below in the remainder of this Section, our conclusion on the value of AIK is based on a separate valuation assessment of AIK's interest in its two main trading investments, Hal and Leading Edge Group (as a wholly owned subsidiary of Riverwise), outstanding loan principal and other assets on the AIK balance sheet.

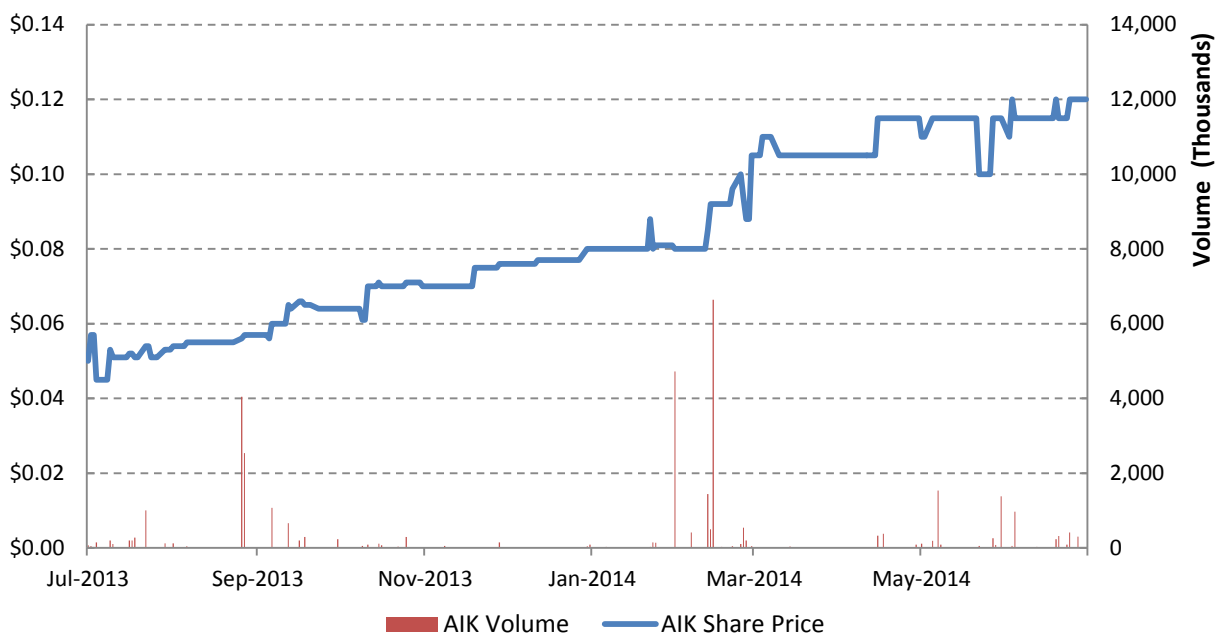
Equity Value \$'000s	Low	High	Midpoint
<b>Value of AIK Interest</b>			
Value of AIK Interest in Hal	18,498	20,993	19,746
Value of AIK Share in Riverwise	7,338	9,484	8,411
Value of Loan Principal Outstanding from Hal to AIK	8,891	8,891	8,891
Value of Other Net Assets per AIK Balance Sheet	2,292	2,292	2,292
<b>Total Value of AIK</b>	<b>37,019</b>	<b>41,659</b>	<b>39,339</b>

In determining the above valuation, we have assessed the:

- (1) market value of the operating business (enterprise value), in its current operating state and assuming recent historical and current trading conditions prevail; and
- (2) applied adjustments for interest bearing debt and other net assets.

### 7.2 Market-Based Valuation – Recent Share Price

As noted in Section 6.5 above, we first examine recent share price performance to determine whether a market-based valuation is an appropriate methodology to value AIK shares. Set out below is the trading performance of AIK shares for the twelve months to 30 June 2014. AIK shares are infrequently traded on the ASX, with trades being recorded on only 83 days during the period.



Source: S&P Capital IQ, Titan Partners Corporate Finance Analysis

We assess the recent trading performance of AIK and determine volume weighted average price ("VWAP") of the shares over a period of 1, 3, 6 and 12 months. The following summarises the VWAP calculated for these periods.

Period	Volume (Shares)	Volume (% of issue)	VWAP	Price (Low)	Price (High)	Days Traded
1 Month (Jun 2014)	2,410,519	0.9%	\$0.117	\$0.110	\$0.120	10
3 Months (Mar-Jun 2014)	6,905,928	2.4%	\$0.116	\$0.100	\$0.120	23
6 Months (Jan-Jun 2014)	21,999,517	8.5%	\$0.096	\$0.080	\$0.120	38
12 Months (Jul- Jun 2014)	34,669,943	13.5%	\$0.082	\$0.045	\$0.120	83

Source: S&P Capital IQ, Titan Partners Corporate Finance Analysis

As shown in the recent share trading history, there is a significant lack of liquidity in AIK shares with only 8.5% of shares on issue being traded over a six month period. The prevailing share price at any given time is therefore not solely indicative of the fair value of AIK and other valuation methodologies should be utilised to determine value. The recent share price does however provide a suitable valuation cross-check (refer to Section 7.9).

We therefore assess the value of AIK using a sum of the parts methodology, comprising separate valuation analysis for each of the investments in Hal and Riverwise. The remainder of this section outlines our assessment of the value of AIK's interest in Hal and Riverwise.

### 7.3 Valuation Methodology – Hal – Discounted Cash Flow

As outlined in Section 6.5, the discounted cash flow method involves discounting a company's future cash flows to their present value. To apply this methodology, we must first determine the cash flows which will be discounted to present value. Hal management have prepared a five year forecast for the business commencing in May 2014 according to the major types of cash inflows and outflows, inclusive of debt funding costs such as borrowings and debt instruments issued. The forecast is based on the existing and anticipated future new lease portfolio. We utilised this cash flow model maintained by Hal management as the basis of our valuation assessment, which we analysed and assessed for reasonableness, then applied an appropriate discount rate to arrive at a current market value for Hal.

#### Loan Note Cash Flows

The following table summarises expected cash flows with respect to Hal Loan Notes for the period from 1 May 2014 to 30 April 2019 and AIK's share of such cash flows.

Hal Data Services Pty Limited Cash Flow Forecast						
\$'000s	2 Mths FY2014	12 Mths FY2015	12 Mths FY2016	12 Mths FY2017	12 Mths FY2018	10 Mths FY2019
Leasing Cash Receipts	2,255	8,946	7,540	7,280	9,625	7,870
Other Income	57	313	261	243	229	191
Net Cash Outflows	(1,417)	(8,882)	(6,631)	(4,714)	(3,188)	(2,549)
Cash Available for Hal Loan Note	895	377	1,170	2,809	6,666	5,512
<b>AIK Share of Cash Available (94.83%)</b>	<b>849</b>	<b>358</b>	<b>1,110</b>	<b>2,664</b>	<b>6,321</b>	<b>5,227</b>

Source: Hal Management Cash Flow Projections

#### Discount Rate and Discounted Cash Flows

We have adopted the cost of equity for Hal to discount the above cash flows, as Hal Loan Note cash flows are variable payments based on performance and effectively a residual arrangement, unlike traditional debt financing. To reflect the specific risks and profile of Hal, we adopt a discount rate range of 19% to 21%. Refer to Appendix 3 for further detail on the methodology applied in deriving the discount rate.

Applying the discount rate range of 19% to 21%, the net present value of AIK's interest in the projected cash flows of Hal as shown above is in the range of \$8.879 million to \$9.351 million.

### Terminal Value

A terminal value reflecting Hal cash flows to perpetuity as at 30 April 2019 was computed using the Gordon Growth Model, which we subsequently discount to the present value as at 30 April 2014. AIK's interest in the net present value of the terminal value of Hal Loan Note cash flows is \$9.619 million to \$11.642 million. We add the net present value of projected cash flows above to this discounted terminal value, to determine the value of the Hal Loan Notes. Refer to Appendix 3 for further detail on the terminal value calculation.

### Equity Value

The Principal Outstanding on debt owed by Hal (including capitalised interest) under the Loan Note described in Section 5.1 above is \$46.9 million as at 30 April 2014. At an annual rate of 15%, interest charged amounts to \$7.0 million per year, which exceeds the Cash Available for Distribution under the Loan Note during each of the five years in the projection period, as set out in the table above.

At 30 April 2019, the end of the cash flow projection period, the Principal Outstanding based on current distributions and an interest rate of 15% is likely to be above \$70 million. As per the Loan Note summarised in Section 5.1 above, Cash Available for Distribution may only be retained by Hal, for corporate purposes such as dividends to equity holders, once the Principal Outstanding amount reduces to below \$21 million.

Based on an after tax terminal year cash available of \$4.389 million (refer to Appendix 3), it will require at least a further 11 years beyond the cash flow forecast period (i.e. financial year ending 30 June 2030) to reduce the principal outstanding to less than \$21 million (assuming the Hal Loan Notes become interest free). For an equity value to be attributed to Hal, a level of return must be derived by Hal equity holders. Given the cash flow available for distribution to equity holders is expected to be nil for at least the next 11 years, in our opinion the value of AIK's interest in the equity of Hal is therefore determined to be nil.

### Valuation Summary

Based on our assessment of the value of Hal using the discounted cash flow methodology, we determine the value of AIK's interest as follows:

Armida Investment Corporation Limited		
Value of Interest in Hal		
\$'000s	Low	High
<b>Hal Loan Note</b>		
Net present value of projected Hal Loan Note cash flows to April 2019	8,879	9,351
Terminal Value of Hal Loan Note cash flows	9,619	11,642
	<b>18,498</b>	<b>20,993</b>
<b>Equity</b>		
Value of Equity	NIL	NIL
AIK interest in Hal	86.82%	86.82%
<b>Value of AIK Interest in Hal</b>	<b>NIL</b>	<b>NIL</b>
<b>Total Value of AIK Investment in Hal</b>	<b>18,498</b>	<b>20,993</b>

Source: Titan Partners Corporate Finance Analysis

## 7.4 Valuation Methodology – Riverwise – Future Maintainable Earnings

Capitalisation of maintainable earnings is the most commonly used method for the valuation of trading businesses. This methodology involves capitalising the earnings of a business at a multiple that reflects the risks of the business

and its earnings stream. These multiples can be applied to a number of different earnings or cash flow measures including, EBITDA, EBITA, EBIT or NPAT<sup>2</sup>. These are referred to respectively as EBITDA multiples, EBITA multiples, EBIT multiples and price earnings multiples. Application of this methodology involves:

- Estimation of earnings (“**Future Maintainable Earnings**”) having regard to historical and forecast operating results, non-recurring items of income and expenditure and known factors likely to impact on operating performance;
- Consideration of an appropriate capitalisation multiple having regard to the market rating of comparable businesses, the extent and nature of competition, whether earnings for valuation purposes reflect historical or projected earnings, the quality of earnings, growth prospects and relative business risk;
- Multiplying the capitalisation multiple by the future maintainable earnings to establish the enterprise value;
- Considering the impact of control premiums on the valuation;
- Considering the impact of discounts such as minority or marketability discounts, or discounts specifically relevant to the valuation; and
- Considering the existence of surplus assets and liabilities, and interest bearing debt to determine an equity value.

## 7.5 Future Maintainable Earnings

Future maintainable earnings represent the level of earnings that the existing operations could reasonably be expected to generate on a sustainable or maintainable basis or the earnings level below which, in the absence of unforeseen and exceptional circumstances, the entity’s earnings is unlikely to fall.

We have selected EBITDA as the appropriate measure of earnings. Earnings multiples based on EBITDA are less sensitive to different financing structures, depreciation and amortisation policies and effective tax rates.

The Company’s directors have provided us with actual financial results for the 11 months to 31 May 2014 (“**YTD2014**”) and the monthly management budgets for FY2014 of each business unit in Leading Edge Group. For each of these business units, we determine a pro-forma EBITDA result projection by adding the actual results for YTD2014 to management’s budgeted results for the month of June 2014. The table below summarises our calculation of the projected FY2014 EBITDA for Leading Edge Group.

Leading Edge Group Projected FY2014 EBITDA Result			
\$'000s	YTD2014 Actual	Jun 2014 Budget	FY2014 Projected
Buying Group <sup>3</sup>	909	457	1,367
Telecommunications <sup>4</sup>	5,595	50	5,644
<b>Aggregate Leading Edge Group</b>	<b>6,504</b>	<b>507</b>	<b>7,011</b>

Source, Leading Edge Group Board Report May 2014, Management Budgets FY2014

<sup>2</sup> EBITDA = Earnings before interest, tax, depreciation and amortisation; EBITDA = Earnings before interest, tax, and amortisation; EBIT = Earnings before interest, and tax; NPAT = Net profit after tax.

<sup>3</sup> Buying Group comprises business units Jewellery and Lingerie; Computers and Pets; Electronics; Music, Video and Books; Head Office; Retaillease; EM<sup>2</sup>; MMC and Hum; LEG New Zealand; and Edge Distribution.

<sup>4</sup> Telecommunications comprises business units Leading Edge Communications New Zealand; Telstra Business Centres; TM; LEG United Kingdom; Computer Care Australia; TRS and Tariff Expert

Following discussions with Leading Edge Group management, we have applied adjustments to the projected FY2014 EBITDA result as shown below, to remove the impact of one-off and non-operational factors which have occurred during YTD2014 to normalise earnings of the business.

Leading Edge Group Normalised Operating Result		
\$'000s	Notes	FY2014 Projected
<b>Aggregate EBITDA</b>		<b>7,011</b>
<b>Normalisations</b>		
Telstra Clearance Account	1	330
Gain on Muses Closure	2	(187)
Tariff Expert Closure	3	1,045
Unrealised Foreign Exchange Gain	4	(316)
Prior Period Payroll Tax Provision	5	500
Fixed Assets Written-off	6	363
		1,735
<b>Normalised Aggregate EBITDA</b>		<b>8,746</b>

*Source: Leading Edge Group Management Information, Titan Partners Corporate Finance Analysis*

Specifically, our normalisation adjustments are in respect of:

- (1) Non-recurring write-off at head-office level with respect to Telstra business, due to an executive-level decision to eliminate aged legacy receivables which were no longer considered collectable.
- (2) One-off gain relating to disposal of assets on closure of MUSES business.
- (3) Non-recurring expenditure relating to closure of the Tariff Expert business, including redundancy payments and write-off of intercompany loan balances.
- (4) Unrealised foreign exchange gain on revaluation of liabilities in accordance with accounting standards.
- (5) Management estimate of provision for payroll tax relating to prior periods.
- (6) Write-off of fixed assets from prior premises following relocation of head office to Chatswood.

Based on the above assessment of the recent historical financial performance of Leading Edge Group, we therefore consider the future maintainable earnings of the Company to be \$8.746 million.

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## 7.6 Capitalisation Multiple

The selection of a multiple takes into account the unique features of the company including its business profile, assessed risks and the industry within which it operates. To assist the selection of this multiple we have examined the comparable company valuation metrics. Our criteria for identifying comparable companies were businesses which distribute computer, electronics and telecommunications products. In calculating the EBITDA multiple, we adopted the average multiple of listed comparable companies except for one outlier (TTA Holdings Limited), we then applied an adjustment for a control premium as publicly listed securities reflect the market value of a minority interest in an entity. We also assessed transaction multiples of companies selling the same products which involved a change in control of the target company, where the resulting multiples calculated are inclusive of a control premium, as a cross-check to the trading multiples of comparable companies. The average multiple of identified transaction confirms our approach using trading multiples despite being higher than our trading multiple adjusted for a control premium, as our sample included two transactions at significantly higher multiples, (EFTel Limited at 16.9 times and Railroad Bazaar LLC at 30.7). Further details on these comparable companies and on comparable transactions are set out in Appendix 5.

Based on the comparable company EBITDA multiples, we apply a discount for factors specific to the Leading Edge Group business, including:

- discount for size of the business given Leading Edge Group is less diversified and operates on a smaller scale than the comparable companies. As such, investors in smaller companies typically require a higher rate of return; and
- discount for the lack of marketability and liquidity compared to the publicly listed securities of comparable companies.

We therefore adopted a capitalisation of earnings multiple in the range of 5.75 to 6.50 times on a controlling interest basis to apply against the future maintainable EBITDA figure. The upper limit of the applied EBITDA multiple range accounts for the potential for growth in the various Leading Edge Group business units in future years, where growth was ascertained from discussions with management and review of various sales forecasts.

## 7.7 Calculation of Enterprise Value

The enterprise value of Leading Edge Group from the capitalisation of future maintainable earnings method is summarised below.

Enterprise Value (Controlling Basis)	Low (\$'000s)	High (\$'000s)
Future Maintainable EBITDA	8,746	8,746
Multiple (Controlling Basis)	5.75x	6.50x
<b>Enterprise Value (Controlling Basis)</b>	<b>50,290</b>	<b>56,849</b>

*Source: Titan Partners Corporate Finance Analysis*

## 7.8 Calculation of Equity Value

Equity value is calculated by adjusting the enterprise value for surplus assets or liabilities and deducting interest bearing debt.

### ***Surplus Assets and Liabilities***

We have assessed that as at 31 May 2014, Leading Edge Group does not hold any surplus assets or surplus liabilities on the balance sheet.

### ***Interest Bearing Debt***

As at 31 May 2014, Leading Edge Group has \$20.554 million in various outstanding debt financing owed to two banks including loans and short term facilities. It does not hold any loan receivable assets. Accordingly, we adjusted the net debt owing of \$20.554 million in determining equity value.

### Equity Value Calculation

We further adjusted the equity value of the Group after adjusting for surplus assets or liabilities and deducting interested bearing debt, to account for factors specific to the AIK shareholding in Leading Edge Group. In particular:

- discount for minority interest and lack of marketability, as the investment is in a private company where Riverwise or Leading Edge Group shares are not quoted on any public securities exchange, such that AIK's interest is a less liquid investment than an investment in listed entity.

Our calculation of the resultant equity value of in Leading Edge is as follows:

Equity Value	Low (\$'000s)	High (\$'000s)
<b>Enterprise Value (Controlling Basis)</b>	<b>50,290</b>	<b>56,849</b>
Add : Surplus Asset	-	-
Working Capital Adjustments	-	-
Less : Interest Bearing Debt	(20,554)	(20,554)
Less : Surplus Liability	-	-
<b>Equity Value (Controlling Basis)</b>	<b>29,736</b>	<b>36,295</b>
Less: Discount for Minority Interest	(15%)	(10%)
<b>Equity Value (Minority Basis)</b>	<b>25,275</b>	<b>32,666</b>
AIK interest in Riverwise	29.02%	29.02%
<b>Value of AIK Interest in Riverwise</b>	<b>7,338</b>	<b>9,484</b>

Source: Titan Partners Corporate Finance Analysis

Based on the above, we have determined the equity value of Riverwise to be in the range of \$25.28 million to \$32.67 million on a minority and illiquid controlling basis. Hence the value of the 29.02% interest in Riverwise shares held by AIK is thus in the range \$7.34 million to \$9.48 million.

### 7.9 Valuation of AIK

We aggregate the value of AIK's interest in Hal and Riverwise calculated above to determine the fair value of AIK.

#### Other AIK Subsidiaries

With respect to the remaining subsidiaries in AIK, we reviewed management reports of AICAPL, Cat One, LCA and Venagrow. Our analysis identified no net assets of value, as the balance sheets of these entities comprise intercompany balances, as such, we ascribe a nil value to each of these subsidiary entities.

#### Other Assets – Loan Principal

Our valuation of AIK's interest in Hal in Section 7.3 above is based upon a discounted cash flow analysis comprising cash flows after the repayment of principal and interest with respect to debt financing held by Hal. This approach is best suited to the structure of cash flows AIK expects to derive from the Hal Loan Note outlined previously in Section 5.1, which represents a residual interest in the after-debt cash flows of the Hal business.

In addition to an interest in the Loan Note, a number of outstanding loans from AIK remain unpaid by Hal at the date of this Report and therefore are considered an asset of AIK. Such loans were issued from time to time to support the strategic objectives of Hal, with the timing of repayments separate to the residual cash flows generated by the Hal business, to which AIK is entitled to 94.83% in accordance with the Loan Note. The repayment of outstanding loans has been accounted for in the Hal management cash flow projections set out in Section 7.3 and adopted in our DCF valuation of AIK's interest in the Hal Loan Note.

Our analysis of management reports and loan schedules indicate the total loan principal outstanding from Hal to AIK across several loans is \$8.891 million, as at 31 May 2014, which is added to the value of AIK.

### Other Assets – Other Net Assets

We reviewed the AIK management balance sheet as at 31 May 2014 to identify assets other than the interest in Hal cash flows under the Loan Note, investment in Riverwise and the outstanding principal amount of loans receivable from Hal. Our assessment identified further net assets of \$2.292 million, comprising predominately a cash balance, with relatively small amounts in sundry receivables, offset by accrued expenses, sundry payables and employee provisions.

Based on our analyses above, our valuation of AIK is set out as follows.

Armidale Investment Corporation Limited		
Valuation Summary		
Name	Low (\$)	High (\$)
<b>Trading Entities</b>		
Hal		
– Held directly by AIK	15,572	17,672
– Held under 100% owned subsidiaries Cat One and Venagrow	2,926	3,221
Total AIK interest in Hal	18,498	20,993
Leading Edge Group (as a wholly owned subsidiary of Riverwise)	7,338	9,484
<b>Other Entities</b>		
AICAPL	-	-
Cat One	-	-
LCA	-	-
Venagrow	-	-
<b>Other Assets Attributable to AIK</b>		
Total Loan Principal Outstanding from Hal	8,891	8,891
Other Net Assets per AIK Balance Sheet	2,292	2,292
<b>Total Value of AIK Interest</b>	<b>37,019</b>	<b>41,659</b>
Shares Outstanding (shares, in millions)	257.641	257.641
<b>Value per AIK share (cents per share)</b>	<b>14.37</b>	<b>16.17</b>

*Source: Titan Partners Corporate Finance Analysis, AIK Management Balance Sheet 31 May 2014.*

### Valuation Cross-Check

We cross-check the above valuation range of 14.37 to 16.17 cents per AIK share to the share price information set out in Section 7.2 above. During the six month period to 30 June 2014, AIK shares have traded in a range between 8 to 12 cents. Our calculation of the VWAP of AIK over the period ranges from 9.6 to 11.7 cents, which is between 27% to 33% below our valuation range above. We attribute the difference to the thinly traded nature of AIK shares, where the share price is not fully reflective of the value of the Company at the time. In our opinion, we consider that this discount of 27% to 33% to the fair value assessed for AIK shares, would be reasonably expected to account for the lack of liquidity in the stock.

In accordance with ASX Listing Rules and accounting standard AASB 2013-5, AIK announces to the market a monthly update of the Company's aggregate unaudited net tangible asset ("NTA") value per share. The values announced in each of the six months to 30 June 2014 are set out below.



Armidale Investment Corporation Limited Net Tangible Asset Value Summary	
Month	Cents per Share
January 2014	14.93
February 2014	13.89
March 2014	13.91
April 2014	13.92
May 2014	13.75
June 2014	14.31
<b>Average NTA Value (cents per share)</b>	<b>14.12</b>

**Source:** AIK Announcements to ASX, Titan Partners Corporate Finance Analysis.

We compare the above NTA values as an alternative cross-check to our valuation range of 14.37 to 16.17 cents per AIK share. The NTA for AIK has fluctuated between 13.89 to 14.93 cents per share during the six months to 30 June 2014. This range is below our assessed valuation summarised above, due primarily to the Company's adopted accounting treatment of the interest in Hal Loan Note held indirectly, through its controlled subsidiaries Cat One and Venagrow, which is accounted for differently in the AIK NTA calculations announced to the market. We therefore conclude the cross-check valuation using the NTA values for the six months to June 2014 is consistent with our assessment of the value of AIK shares.

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## 8. Evaluation of Proposed Transaction

### 8.1 Approach

In accordance with RG111.42, we assess the qualitative aspects of the Proposed Transaction to identify the advantages and disadvantages to Non-Associated Shareholders upon completion.

### 8.2 Advantages

#### ***No control premium paid by GEGM***

As outlined in Section 7 above and in accordance with RG111.43, we assess the fair value of AIK to be between 14.37 and 16.17 per share. The Proposed Transaction comprises the acquisition of 50.562 million shares at 9.1 cents per share. Based on our assessment of value, the price to be paid by GEGM is over 12% to 25% below our assessment of fair value. As such, the Offer by GEGM does not pay a control premium, thus Non-Associated Shareholders do not forgo their share of any takeover premium applicable by not participating in the transaction given the consideration does not comprise any premium above our assessed fair value.

#### ***No impact on voting and ownership interest of Non-Associated Shareholders***

The Proposed Transaction comprises a sale of shares between two existing shareholders of AIK, namely AICPL and GEGM. We note there is no dilution to existing shareholders, where the relative votes and ownership interests held by the Non-Associated Shareholders remains unchanged, which in aggregate represents 66.80%. Therefore, we consider the resultant change in ownership structure from the Proposed Transaction to have no apparent detrimental impact on the interests of Non-Associated Shareholders.

#### ***Off-market transfer of significant shareholding avoids negative impact on thinly traded AIK shares***

Our analysis set out in Section 7.1 illustrates AIK shares are a thinly traded security, based on share trading performance during the 12 months to 30 June 2014. If AICPL were to dispose of its 19.62% interest in AIK on-market, in the absence of ready, willing and able purchasers for such shares, is likely to result in an extended period of weakness in the AIK share price. In the Proposed Transaction with GEGM, AICPL is able to exit its interest in the AIK shares, avoiding any potential weakness in the AIK share price which would otherwise impact Non-Associated Shareholders over the medium to longer term. Further, Non-Associated Shareholders should be able to trade shares in volumes historically traded and have buyers to support the current value.

#### ***Continuing Management Support***

We have confirmed via the Directors of AIK that GEGM supports the current management team and strategic direction of the Company following completion of the Proposed Transaction. As such, the approval of Non-Associated Shareholders of the Proposed Transaction should not impact their relative position in the Company.

#### ***Management and strategic direction of the Company remains unchanged***

Our discussions with AIK executives indicate there will be no change to the management and strategic direction of the Company as a direct consequence of the approval of the Proposed Transaction. As GEGM intends to continue supporting the existing management and directors of the Company, we consider the interests of Non-Associated Shareholders with respect to AIK's strategic aims remains unaffected should the Proposed Transaction proceed. We further note Mr Mark Smith, the director of a party to the Proposed Transaction (AICPL), remains a non-executive director following his resignation from the position of Chairman on 2 June 2014, subsequent to announcement of the Proposed Transaction on 14 April 2014.

### 8.3 Disadvantages

#### *Power of veto on special resolutions*

If approved, GEGM will hold a 33.20% interest in AIK. Although it is a minority rather than controlling majority interest, it has the voting capability to exert significant influence on AIK. In particular, GEGM will have the ability to block any special resolutions, which require at least 75% shareholder approval. However, the same 33.20% interest in AIK were formerly held by GEGM and AICPL, effectively rendering the voting power of Non-Associated Shareholders ineffectual in any special resolutions should GEGM and AICPL vote against them. We note however there is currently no arrangement between GEGM, Presmore and AICPL, which all vote independently at AIK general meetings. Similarly, any scheme of arrangement for AIK will also require at least 75% shareholder approval, thus effectively the approval of the majority of Non-Associated Shareholders and GEGM interests. In this respect, we do not consider this potential disadvantage to have a significant impact on the AIK interests of Non-Associated Shareholders.

#### *Intentions for additional director*

Should the Proposed Transaction be approved, GEGM will become the largest shareholder in AIK issued shares. In the Bidder's Statement relating to the Discontinued Proportional Takeover, GEGM has previously indicated its intention to appoint its own nominee to the AIK Board. Notwithstanding the prior statements (and our subsequent enquiries with AIK management) that GEGM remains fully supportive of current AIK management, GEGM will have the ability to influence the appointment of directors on the AIK Board given the size of the GEGM shareholding, should the Proposed Transaction be completed. Although GEGM is unable to directly appoint its own nominee directly onto the AIK Board, there is potential for GEGM to exert some influence in AIK Board decision. It is also reasonable to expect AIK to have regard to any changes to the AIK board that GEGM supports (but note that any such change would require a majority vote of shareholders). We are not aware of any proposal by GEGM to initiate changes to the AIK board at this time. However, any director of AIK whether appointed directly by GEGM or independently by the remainder of the Board, will have fiduciary duty obligations to act in the best interests of all shareholders. Further, AIK recently appointed a new independent director and non-executive Chairman, Mr Bruce Hatchman, on 2 June 2014. Therefore, we do not consider this potential disadvantage to have a significant impact on the AIK interests of Non-Associated Shareholders.

### 8.4 Other Factors

#### *Future Transactions between the Parties*

In accordance with RG111.45, we enquired whether there are any future transactions planned between the Company, AICPL and its associates. As summarised in Section 4 above, AICPL intends to sell its entire shareholding in AIK to GEGM as part of the transaction, where if approved, AICPL will cease to be an AIK shareholder. Our enquiries indicate AICPL does not intend to re-acquire shares in AIK from either GEGM or the Company itself. We have made no enquiries of GEGM and its intentions with respect to future transactions relating to AIK shares.

#### *Impact on Takeover Bids for the Company*

In accordance with RG111.46, we considered the impact of the Proposed Transaction on the potential for any future takeover bid to be made on AIK shares. We reviewed the recent share price performance of AIK in Section 7.1 above, where we examined both the share price and volume traded in the year to 30 June 2014. The Proposed Transaction agreed between AICPL and GEGM is in respect of shares representing 19.62% of AIK issued capital at a price of 9.1 cents per share, some 28.6% discount to the one month VWAP of 11.7 cents per share and over 21% discount to the six month VWAP of 11.6 cents. As the Proposed Transaction is considerably below the recent share price of AIK, its approval and completion is unlikely to impact the likelihood of future takeover bids on the Company as no premium was paid for a transaction which in practice, involves an off-market transfer between two of the three largest shareholders with a combined interest of 33.20% in AIK. Any future takeover bid will continue to require the approval of the majority of Non-Associated Shareholders, who collectively remain shareholders of 66.80% of the Company and as such, a control premium over fair market value will still be required by a potential bidder to gain control of AIK. The Proposed Transaction has not impacted the need for a control premium to compensate Non-Associated Shareholders.

As the current three largest shareholders (AICPL, Citicorp Nominees Pty Limited and GEGM) as set out in Section 4.2 each hold greater than 10% of the share capital of AIK, any takeover bid by a third party that seeks to purchase 100% of AIK's shares would require all of these three shareholders to accept (at least in part). As such, the Proposed Transaction does not materially change the potential of a takeover by a third party, as Citicorp Nominees Pty Limited will continue to hold over 16% of AIK while the effective shareholding of GEGM increases to 33.20%.

Additionally, any proposed control transaction effected by a Scheme of Arrangement requires the approval of at least 75% of all shareholders; this would therefore most likely require the approval of at least two of the three largest shareholders.

For this reason, our view is that the Proposed Transaction would not materially impact the likelihood of a third party making a takeover bid, or seeking to implement a control transaction by Scheme of Arrangement, without the support of the two largest shareholders (Citicorp Nominees Pty Limited and GEGM).

We note in the six month period from 1 January 2014 to 30 June 2014, AIK shares have traded in a range of 8 cents to 12 cents a share, with trades occurring on 38 of 123 days where the ASX was open for trading. In our opinion, AIK shares are not frequently traded and any future bidder for the Company will likely require a purchase price which reflects the fair value of the Company to offer Non-Associated Shareholders, which in our opinion is above the 9.1 cents per share applied in the Proposed Transaction, as set out in Section 7. Approval and completion of the Proposed Transaction is unlikely to impact such a required return to the Non-Associated Shareholders, as the potential bidder is unlikely to acquire a controlling interest in the Company through purchase of shares on the ASX alone. We note in the twelve months to 30 June 2014, shares equivalent to only 13.5% of issued capital were traded in total.

On 6 March 2014, GEGM announced an unsolicited proportional takeover bid for two of every three shares it did not hold in AIK for a cash consideration of 7.5 cents per share. In the month prior to the announcement, AIK shares had traded in a range between 8 and 11 cents per share. This takeover offer was subsequently discontinued. In our opinion, we do not consider the Non-Associated Shareholders to be forgoing the opportunity of any further takeover bid from GEGM as a result of approving the Proposed Transaction.

## 8.5 Opinion and Conclusion

Based on our assessment of the factors outlined above, in our opinion, the advantages of the Proposed Transaction outweigh the disadvantages of the Proposed Transaction to Non-Associated Shareholders and therefore may be considered to be fair and reasonable to the Non Associated Shareholders<sup>5</sup>.

The decision of any individual shareholder to vote for or against the Proposed Transaction is subject to and influenced by his or her individual circumstances. Titan Partners Corporate Finance strongly advises Non-Associated Shareholders to consult their independent advisors if in doubt.

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<sup>5</sup> As this report is in relation to a sale of securities and Non Associated Shareholders will not receive any consideration there has been no need to assess the value that they may receive. Similarly, use of the term "reasonable" in this report does not relate to any offer to Non-Associated Shareholders.

**Titan Partners Corporate Finance Pty Limited**  
Australian Financial Services  
Licence Number: 427275  
ABN 38 177 095 636  
Level 3, 7 Macquarie Place  
Sydney NSW 2000  
PO Box R415  
Royal Exchange NSW 1225  
Australia  
T +61 2 9268 3300  
www.titanpartners.com.au

## **Financial Services Guide**

Titan Partners Corporate Finance Pty Limited ABN 38 177 095 636 ("**Titan Partners Corporate Finance**", "**we**", "**us**") has been engaged to prepare general financial product advice in the form of an Independent Expert's Report to be provided to you.

In this circumstance we are required to issue to you, as a retail client, a Financial Services Guide ("**FSG**"). This FSG is designed to assist retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

The FSG herein contains information with regards to:

- who Titan Partners Corporate Finance is and how we can be contacted;
- services we authorised to provide under our Australian Financial Services Licence;
- remuneration that we, our staff and any associates receive in connection with the general financial product advice provided; and
- our complaints handling process and the avenues available to lodge a complaint.

### ***Titan Partners Corporate Finance***

Titan Partners Corporate Finance is the corporate finance arm of Titan Partners, which provides corporate finance services in relation to mergers and acquisitions, capital raisings, corporate restructuring, property and financial matters generally. One of its activities is the preparation of company and business valuations and the provision of independent advice and expert's reports concerning mergers and acquisitions, takeovers and capital reconstructions.

Titan Partners Corporate Finance holds Australian Financial Services Licence Number 427275.

### ***Financial services we are licensed to provide***

The Australian Financial Services Licence we hold authorises us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities (including debentures, shares and bonds), derivatives and interests in managed investment schemes,

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

### ***General Financial Product Advice***

In our Report, we provide general financial product advice. It was prepared without taking into account your personal objectives, financial circumstances or needs.

You should consider your own personal objectives, financial circumstances or needs in assessing the appropriateness of the general advice we provide and may wish to seek personal advice from the holder of an Australian Financial Services Licence.

### ***Fees, commissions and benefits we may receive***

We charge fees to provide reports, including the IER provided herein. These fees are negotiated and agreed with the entity which engages us to provide a report. Our fees are determined on either a fixed amount or charged on an hourly time cost basis. Titan Partners Corporate Finance are expected to receive a fee of approximately \$22,000 for the preparation of this Report. The fee is not affected by whether the Non-Associated Shareholders approve or reject the Proposed Transaction. Except for such fees, Titan Partners Corporate Finance nor any of its directors, officers or associates receive any commissions or further benefits in connection with the report provided.

All of our employees receive a salary. Our employees do not receive any commissions or benefits arising directly from services provided to our clients.

We do not pay commissions or provide any other benefits to any party for referring clients to us in connection with the services that we are licensed to provide.

### ***Complaints***

As the holder of an Australian Financial Services Licence, we are required to have a complaints handling system for persons to whom we provide financial product advice. All complaints must be in writing, addressed to Titan Partners Corporate Finance Pty Ltd, PO Box R415, Royal Exchange NSW 1225.

In the event we are unable to satisfactorily resolve your complaint within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited ("**FOS**"), an independent external complaints resolution service established to provide advice and assistance to consumer to assist in resolving complaints relating to the financial services industry. You will not be charged for using the FOS service.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
Toll Free: 1300 78 08 08  
Facsimile: (03) 9613 6399  
Email: [info@fos.org.au](mailto:info@fos.org.au)

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**Appendix 2 – Qualifications, Declarations and Consents****Qualifications and Responsibilities**

Titan Partners Corporate Finance Pty Limited is the corporate finance arm of Titan Partners, which provides corporate finance services in relation to mergers and acquisitions, capital raisings, corporate restructuring, property and financial matters generally. One of its activities is the preparation of company and business valuations and the provision of independent advice and expert's reports concerning mergers and acquisitions, takeovers and capital reconstructions.

Mr Brad Higgs, *B.Com, CA, F.Fin* is responsible for this Report. Mr Higgs has a significant number of years' experience in relevant business advisory and corporate finance matters.

Mr Higgs is acting as a Representative of Titan Partners Corporate Finance pursuant to its Australian Financial Services Licence (No. 427275) held under Part 7 of the *Corporations Act 2001* (Cth) to provide advice on the valuation of securities.

**Disclaimers**

This Report has been undertaken in accordance with the instructions from the Directors of AIK. In performing this assignment we have accepted all information as presented to us as being free of material misstatement. We have relied on information provided, as set out in Section 3.3. We have evaluated this information through analysis, enquiry and review as appropriate. We do not warrant that our evaluation has identified or verified all of the matters that an audit, extensive examination or due diligence investigation may disclose.

The purpose of this Report, as set out in Section 3.1, is to satisfy Section 606 and 611 of the *Corporations Act 2001*. We understand that the Directors wish to obtain an Independent Expert's Report to assist Non-Associated Shareholders in their decision to vote for or against the Proposed Transaction at an Extraordinary General Meeting.

This report has been prepared solely to assist Non-Associated Shareholders in considering their voting intentions with respect to the Proposed Transaction. We do not assume any responsibility or liability for any losses suffered by any party as a result of the circulation, publication, reproduction or other use of this report contrary to the provisions of this paragraph.

This Report has been prepared by Titan Partners Corporate Finance with care and diligence and that statements and opinions given by Titan Partners Corporate Finance in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Titan Partners Corporate Finance or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Titan Partners Corporate Finance from liability arising from an opinion expressed recklessly or in bad faith.

**Declarations**

Our Report has been in accordance with *Regulatory Guide 111 Content of Expert Reports* issued by ASIC, professional standard *APES 225 Valuation Services*, issued by the Accounting Professional and Ethical Standards Board ("**APESB**") and any other applicable professional standards and statutory requirements, including the *Corporations Act 2001*.

Titan Partners Corporate Finance nor its Representatives or staff have at the date of this Report nor has ever had any shareholding in or other relationship with AIK that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

Titan Partners Corporate Finance will receive a fee based on time costs for the preparation of this Report. This fee is not contingent on the outcome of the Proposed Transaction. Titan Partners Corporate Finance will receive no other benefit for the preparation of this Report.

AIK have agreed that to the extent permitted by law to indemnify Titan Partners Corporate Finance employees and officers in respect of any liability suffered or incurred as a result of or arising out of the preparation of this Report;

including any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of AIK which is false, misleading or omits material information. This indemnity will not apply in respect of any conduct involving negligence or wilful misconduct or fraud. AIK have also agreed to indemnify Titan Partners Corporate Finance and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person except where Titan Partners Corporate Finance or its employees and officers are found liable for or guilty of conduct involving negligence or wilful misconduct or fraud in which case Titan Partners Corporate Finance shall bear such costs.

### ***Consents***

Titan Partners Corporate Finance consents to the inclusion of this Report in the form and context in which it is included in the Notice of Extraordinary General Meeting to be issued to Non-Associated Shareholders with respect to the Proposed Transaction. Other than this report, none of Titan Partners Corporate Finance or its affiliates has been involved in the preparation of the Notice of Extraordinary General Meeting.

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## Appendix 3 – Discounted Cash Flow

### Discount Rate

The selection of a discount rate takes into account the specific features of a company including its business profile, assessed risks and industry of operations. As we have adopted Hal management's forecast cash flows after tax, interest and debt funding repayments in determining the cash flow attributable to AIK's interest in Hal Loan Notes, the appropriate discount rate is the cost of equity.

A discount rate based on the estimated cost of equity capital for Hal was adopted in our discounted cash flow calculations. We apply the capital asset pricing model ("CAPM") which is represented by the following formula:

$$\text{Cost of Equity} = r_f + \beta \times (r_m - r_f) + \alpha$$

To calculate the cost of equity for Hal, we apply the CAPM using the following inputs:

- Risk free rate ( $r_f$ ) of 3.95% – the yield on 10 year Australian Commonwealth Government bonds for as at 30 April 2014;
- Beta ( $\beta$ ) of 0.80 to 0.90 – the average five year beta for a basket of Australian listed comparable companies<sup>6</sup> in the equipment leasing industry, after removing the impact of leverage. The beta co-efficient represents the relative degree of risk for the company when compared to the market as a whole, where a beta of 1.0 is the market average;
- Market risk premium ( $r_m - r_f$ ) of 6% – the lower range of generally accepted market risk premium on equity securities based on empirical evidence of the Australian share market. The risk premium represents the long term average return on the market basket of equities over the risk-free rate;
- Specific risk premium ( $\alpha$ ) of 10% to 12% – an additional return expected to be required by an investor in the Hal business due to the current state of the business. This represents the premium associated with the unique risks of Hal not captured in other parts of the cost of equity, which we assessed and calculated after reviewing the business attributes. The specific risk premium includes a premium for the small size of Hal operations relative to the publicly traded companies from which the beta was determined data is selected. The range is based on our professional opinion and is underpinned by Hal's relative lack of marketability/liquidity, management depth, and other factors mentioned noted below compared with the comparable listed entities.

We therefore determine the cost of equity and discount rate range to be applied of 19% and 21%.

### Specific Risk Premium – Hal vs Comparable Companies

As a company, Hal has greater business risk and financial risk than its competitor comparable companies. For example, larger companies are generally:

- Of a size where they participate in more than one industry or sector, therefore diversifying risk. Smaller companies are typically less diversified;
- Able to offer multiple product ranges (e.g. listed comparable companies for Hal offer capital leases, operating leases, and/or consumer loans) spread over a broader geographical area than smaller companies;
- Are able to leverage from partnerships with large vendors and original equipment manufacturers;
- Further developed in areas such as management, financial stability and strategic planning than many smaller companies;
- Better able to benefit from greater economies of scale than smaller companies; and

<sup>6</sup> Listed Comparable Companies we considered are FlexiGroup Limited (ASX:FXL), Silver Chef Limited (ASX:LIV), ThinkSmart Limited (ASX:TSM) and Thorn Group Limited (ASX: TGA).

- Able to access cheaper funding through securitisation.

Investors also tend to require greater returns from investments in private companies. Listed companies are generally better placed to benefit from:

- Access to capital markets; and
- More attractive to investors given the ability to liquidate when required.

### Terminal Value

The Gordon Growth Model is commonly used to calculate the value of cash flow stream in perpetuity. It is represented as follows:

$$\text{Terminal Value} = \frac{CF^{n+1}}{R - G}$$

To calculate terminal value of Hal at the end of the forecast period being 30 April 2014, we apply the Gordon Growth Model as follows:

- Long-term sustainable growth rate (G) of 2.5% – being the Reserve Bank of Australia’s long term inflation target of 2% to 3%.
- Required rate of return (R) of 19% to 21% –the cost of equity of Hal as computed above ;
- Cash flow in Year <sup>n+1</sup> i.e. 12 months to 30 April 2020 (CF <sup>n+1</sup>) estimated as follows per Hal management’s cash flow forecasts:

Hal Data Services Pty Limited	
Projected Cash Flows – 12 Months to 30 April 2020	
\$'000s	
Leasing Cash Receipts	9,103
Other Income	400
Operating Cash Outflows (inclusive of Debt Repayments)	(2,927)
<b>Net Cash from Operations</b>	<b>6,576</b>
Less: Interest Payments	(307)
<b>Net Cash Flow</b>	<b>6,269</b>
Less: Tax at 30%	(1,881)
<b>Net Cash Flow After Tax</b>	<b>4,389</b>
AIK Share	94.83%
<b>AIK Share of Net Cash Flow After Tax</b>	<b>4,162</b>

Source: Hal Management Forecasts

Based on the above, we determine the terminal value of Hal to be \$23.058 million to \$25.853 million at the end of the 5 year cash flow forecast period (i.e. at 30 April 2019). We then apply the same discount rates to further determine the net present value as at 30 April 2014 of \$9.619 million to \$11.642million.

## Appendix 4 – Glossary of Key Terms

Term	Definition
<b>1H2014</b>	Half year ended 31 December 2013.
<b>AICPL</b>	Armidale Investment Company Pty Limited.
<b>AIK, the “Company”</b>	Armidale Investment Corporation Limited, listed on the ASX under code “AIK”.
<b>ASX</b>	Australian Securities Exchange Limited.
<b>GEGM</b>	GEGM Investments Pty Limited.
<b>Hal</b>	Hal Data Services Pty Limited, a business majority controlled by AIK which engages in equipment lease finance and second hand equipment resale.
<b>IER, the “Report”</b>	This Independent Expert’s Report.
<b>Leading Edge Group</b>	Leading Edge Group Limited, a wholly owned subsidiary of Riverwise, which engages in buying group and telecommunications businesses.
<b>Non-Associated Shareholders</b>	Shareholders of AIK not associated with AICPL or GEGM.
<b>Proposed Transaction</b>	The sale of 50,561,700 shares in AIK by AICPL to GEGM at 9.1 cents per share for a total consideration of \$4,601,114.70.
<b>RG111</b>	ASIC Regulatory Guide 111 “Content of Experts Reports” dated March 2011 which sets out requirements for independent expert’s reports.
<b>Titan Partners Corporate Finance, “we”</b>	Titan Partners Corporate Finance Pty Limited, the Independent Expert which prepared this report.
<b>VWAP</b>	Volume weighted average price

## Appendix 5 – Comparable Company Multiples

### Trading Multiples

Set out below are the trading multiples for identified comparable companies to Leading Edge Group Limited, as at 31 May 2014. A summary of the business operations of each comparable company is set out in Appendix 6.

Riverwise Pty Limited / Leading Edge Group Limited Comparable Company Trading Multiples								
Company Name (Exchange: Code)	Enterprise Value (A\$m)	Market Cap. (A\$m)	EBITDA Multiple (Actual)	EBIT Multiple (Actual)	Revenue Multiple (Actual)	EBITDA Multiple (Forecast)	Revenue Multiple (Forecast)	Location of Headquarters
<b>Telecommunications</b>								
M2 Group Ltd (ASX:MTU)	1,384.9	1,095.0	9.9 x	13.8 x	1.6 x	8.3 x	1.3 x	Melbourne, VIC
Vita Group Ltd (ASX:VTG)	105.0	102.6	7.9 x	31.3 x	0.2 x	3.7 x	0.2 x	Albion, QLD
Glentel Inc. (TSX:GLN)	339.2	248.1	6.3 x	11.7 x	0.2 x	5.8 x	0.2 x	Burnaby, Canada
<b>Buying Group</b>								
Pacific Brands Ltd (ASX:PBG)	688.6	518.2	5.3 x	6.1 x	0.5 x	5.9 x	0.5 x	Hawthorn, VIC
RCG Corporation (ASX:RCG)	173.1	183.3	10.5 x	11.1 x	3.0 x	8.9 x	2.0 x	Waterloo, NSW
Funtastic Ltd (ASX:FUN)	94.0	46.0	6.5 x	9.0 x	0.6 x	4.7 x	0.5 x	Chadstone, VIC
TTA Holdings Ltd (ASX:TTA)	11.5	7.6	18.3 x	21.6 x	0.2 x	-	-	Thomastown, VIC
AMCON Distributing Co (AMEX:DIT)	80.7	52.2	6.2 x	7.8 x	0.1 x	11.2 x	3.1 x	Omaha, Nebraska, USA
Boss Holdings Ltd (OTCPK:BSHI)	18.0	23.8	5.0 x	6.1 x	0.3 x	-	-	Kewanee, Illinois, USA
<b>Average</b>			<b>8.4 x</b>	<b>13.2 x</b>	<b>0.7 x</b>	<b>6.9 x</b>	<b>1.1 x</b>	
<b>Average (ex Outliers)</b>			<b>7.2 x</b>	<b>12.1 x</b>	<b>0.8 x</b>	<b>6.9 x</b>	<b>1.1 x</b>	

Source: S&P Capital IQ

### Transaction Multiples

Set out below are the transaction multiples for identified comparable transaction to Leading Edge Group Limited. A summary of the business operations of the target company in each transaction is set out in Appendix 6.

Riverwise Pty Limited / Leading Edge Group Limited Comparable Transaction Information										
Target	Bidder	Target Business Description	Enterprise Value (m)	Revenue (m)	EBITDA (m)	EBIT (m)	Multiple			Announced Date
							Rev.	EBITDA	EBIT	
<b>Telecommunications</b>										
EFTEL Ltd	M2 Communications	Telecommunications	49.4	63.6	2.9	2.4	0.8 x	16.9 x	21.0 x	18/03/2013
Revera Ltd	Telecom Corporation of New Zealand	Communications & IT business services	80.1	40.2	10.5	n.d	2.0 x	7.7 x	0.0 x	29/04/2013
AMT Group Pty Ltd	Glentel Inc.	Telecom Retailer	84.0	161.9	18.5	n.d	0.5 x	4.5 x	0.0 x	25/09/2012
Railroad Bazaar LLC	Prime Active Capital	Retail store operator	5.8	62.9	0.2	3.0	0.1 x	30.7 x	n.m	30/09/2008
Next Byte Pty Ltd	Vita Group Ltd	Hardware Reseller	31.7	105.0	n.d	6.3	0.3 x	0.0 x	5.0 x	21/08/2007
Frequency Communications	Next Byte Pty Ltd	Hardware Reseller	1.5	7.9	n.d	0.3	0.2 x	0.0 x	4.7 x	18/10/2007
<b>Product Distribution</b>										
Harvard International Plc	Chengdu Geeya Technology Co Ltd	Consumer Electrical Goods Distributor	15.5	86.4	2.0	1.7	0.2 x	7.7 x	9.0 x	28/09/2011
Danks Holdings Ltd	Woolworths Ltd & Lowe's Companies	Hardware Products	83.5	569.4	14.3	11.4	0.1 x	5.8 x	7.3 x	25/08/2009
Health Minders Pty Ltd	Healthzone Ltd	Health Food	11.7	72.1	2.9	n.d	0.2 x	4.0 x	n.d	4/09/2007
Bertram Group Ltd	Entertainment UK Ltd	Books Wholesaler	104.5	n.d	13.7	1.5	n.d	7.7 x	71.6 x	17/01/2007
Judius Pty Ltd	Funtastic Ltd	Toys & Educational Equipment	43.4	n.d	8.0	n.d	n.d	5.4 x	n.d	8/11/2006
<b>Average</b>							<b>0.5 x</b>	<b>10.0 x</b>	<b>19.8 x</b>	
n.d. = Not Disclosed										

Source: S&P Capital IQ

## Appendix 6 – Comparable Company Business Descriptions

Set out below are brief business descriptions of the comparable companies identified in determining a trading multiple range, and of the target companies in the comparable transactions identified above.

Company (Exchange: Code)	Summary of Business Operations
<b>Telecommunications</b>	
M2 Group Ltd (ASX:MTU)	M2 Group Ltd provides telecommunications services to residential and business customers in Australia and New Zealand. It operates in two operating segments, Retail and Wholesale. The Retail segment offers telecommunications services, including line rental services, mobile voice and data services, and terrestrial dial-up and high speed broadband Internet services, as well as mobile telephone hardware primarily to small and medium sized enterprises, and Australian households. It also offers electricity and gas services. The Wholesale segment offers a suite of fixed line voice services, including line rental services, mobile voice and data services, terrestrial dial-up and high speed broadband Internet services, and mobile telephone hardware to the telecommunications reseller market. The company offers its products and services under the iPrimus, Dodo, Commander, and M2 Wholesale brand names. M2 Group Ltd, formerly known as M2 Telecommunications Group Limited, was founded in 1999 and is headquartered in Melbourne, Australia.
Vita Group Ltd (ASX:VTG)	Vita Group Limited operates as a retailer of electronics and telecommunications equipment in Australia. It operates in two segments, Telecommunications and Computing. The Telecommunications segment is engaged in the sale of mobile phones and related accessories, as well as provides voice and data services through a third party service provider. The Computing segment sells laptop and desktop computers, associated accessories, and peripheral equipment. This segment also offers service and rental contracts; and sells limited voice and data services through a third party service provider partner. Vita Group Limited sells its products and services through various retail store brands, such as Telstra, Fone Zone, One Zero, Next Byte, iConcierge, Vita Networks, and Sprout Accessories. The company was founded in 1995 and is based in Albion, Australia.
Glentel Inc (TSX:GLN)	GLENTEL Inc., a multi-carrier mobile phone retailer, provides wireless communications services and solutions to consumers and commercial customers. Its Retail Canada division provides personal wireless and wired communications products and services to consumers through retail outlets in shopping malls, Costco wholesale, and target stores, as well as offers Apple solutions in Canada. This division doing business under the names of WIRELESSWAVE, WAVE SANS FIL, TBooth wireless, la cabine T sans fil, WIRELESS, etc., as well as SANS FIL, etc. The company's Retail U.S. division, doing business as (dba) Diamond Wireless, is engaged in the retail of Verizon wireless products through mall-based kiosks, inline locations, and BJ's warehouse clubs in the United States. Its Retail U.S. division, dba Wireless Zone, operates as a franchisor of the Wireless Zone retail stores that offer Verizon wireless products in the United States. This also operates company owned retail stores. The company's Retail Australia division, dba Allphones, operates as a franchisor and licensor of the Allphones retail store that provides multicarrier mobile phone and telecommunications products in Australia and the Philippines. Its Business division offer wireless solutions to public and private sector customers, which comprise designing and commissioning wireless networks for applications in the areas of terrestrial radio systems and satellite network services. The company also provides wireless systems and hardware, rental equipment, and system implementation services. It serves public safety, government, energy, transportation, facilities management, oil and gas, mining, utilities, health care, education, and manufacturing sectors. As of December 31, 2013, the company operated approximately 485 locations in Canada; 750 retail locations in the United States; and 175 retail locations in Australia and the Philippines. GLENTEL Inc. was founded in 1963 and is headquartered in Burnaby, Canada.

Company (Exchange: Code)	Summary of Business Operations
<b>Buying Group</b>	
Pacific Brands Ltd (ASX:PBG)	Pacific Brands Limited operates as a marketer, distributor, importer, manufacturer, wholesaler, and retailer of consumer products. Its products include underwear, intimate apparel, socks, hosiery, and bonds outerwear products for women, men, and children under the Berlei, Bonds, Holeproof, Explorer, Jockey, Razzamatazz, Sheer Relief, Rio, Hestia, TMI, Red Robin, and Voodoo brands. The company also provides industrial workwear and corporate uniforms to employees and businesses, as well as the public sector under the Hard Yakka and KingGee, NNT, Stylecorp, and Stubbies brands. In addition, it offers homewares, footwear, and outerwear products that include pillows, quilts, bedlinen, towels, carpet underlay, and bedding accessories; women's, men's, and children's footwear; casual outerwear; and sporting outerwear and equipment under the Sheridan, Tontine, Dunlopillo, Dunlop, Clarks, Fairydown, Actil, Hush Puppies, Volley, Everlast, Diesel, Mossimo, Superdry, and Slazenger brands. The company sells its products primarily through indirect and direct, as well as business-to-business channels. Pacific Brands Limited sells its products in the Asia-Pacific region, as well as in the United Kingdom, Europe, the Middle East, and the United States. The company is based in Hawthorn, Australia.
RCG Corporation (ASX:RCG)	RCG Corporation Limited, an investment holding company, is engaged in the footwear retail business in Australia and New Zealand. The company operates a network of approximately 148 company owned and franchised general sports footwear stores under the 'The Athlete's Foot' name, as well as an online store. It is also involved in the wholesale distribution of footwear and apparel under the Merrell, Cushe, and Caterpillar brands to department stores, specialty retailers, and outdoor retailers; and manages retail stores for the Merrell brand. The company was founded in 1981 and is based in Waterloo, Australia.
Funtastic Ltd (ASX:FUN)	Funtastic Limited distributes licensed toys, sporting equipment, nursery equipment, and confectionary worldwide. It delivers a range of educational toys, action figures, remote controlled vehicles, dolls, collectables, craft activities, outdoor toys, and sporting goods to Australian families; and markets and distributes licensed, branded, and novelty confectionery ranges to various retail channels covering grocery, mass merchants, independent supermarkets, convenience stores, petrol stations, and major confectionery retail outlets. The company also designs, sources, and sells products under the Pillow Pets, QuickSmart, Chill Factor, and Floaties brand names. In addition, it is involved in theatrical rights, management, and home entertainment distribution business; and produces Australian film and television content. The company was founded in 1994 and is based in Chadstone, Australia.
TTA Holdings Ltd (ASX:TTA)	TTA Holdings Limited, through its subsidiary, TEAC Australia Pty Limited, distributes TEAC branded audio and visual consumer electronics products to retailers in Australia. Its audio products comprise sound systems, portable digital/analogue audio products, iPOD/iPhone docking systems, and clock radios; and visual products include flat panel televisions, portable DVD players, digital set top boxes, and twin tuner personal video recorders, as well as televisions with built in DVD or Blu ray players. The company also distributes disk jockey products, headphones, and party sound boxes under the iDance brand. TTA Holdings Limited is based in Thomastown, Australia. TTA Holdings Limited is a subsidiary of TT International Limited.

Company (Exchange: Code)	Summary of Business Operations
AMCON Distributing Co. (AMEX:DIT)	AMCON Distributing Company, together with its subsidiaries, is engaged in the wholesale distribution of consumer products in the Central, Rocky Mountain, and Southern regions of the United States. The company operates in two segments, Wholesale Distribution and Retail Health Food. The Wholesale Distribution segment distributes various consumer products, which include cigarettes and tobacco, candy and other confectionery, beverages, groceries, paper products, health and beauty care products, frozen and chilled products, and institutional foodservice products. This segment serves approximately 4,500 retail outlets, including convenience stores, discount and general merchandise stores, grocery stores, liquor stores, drug stores, gas stations, and tobacco shops, as well as institutional customers comprising restaurants and bars, schools, sports complexes, and other wholesalers. It also markets private label lines of water, candy products, batteries, films, and other products. The Retail Health Food segment operates retail health food stores that offer natural, organic, and specialty foods consisting of produce, baked goods, frozen foods, nutritional supplements, personal care items, and general merchandise. This segment operates 6 retail health food stores under the Chamberlin's Market & Café name in Florida; and 10 retail health food stores under the Akin's Natural Foods Market name in the Midwest. AMCON Distributing Company was founded in 1981 and is based in Omaha, Nebraska.
Boss Holdings Ltd (OTCPK:BSHI)	Boss Holdings, Inc., together with its subsidiaries, primarily imports, markets, and distributes gloves, boots, and rainwear worldwide. It also provides pet supplies, such as pet tethering and pet health care products, pet beds, collars and leads, restraints, rawhide chews, toys, feeders and dishes, grooming products, and dog training products. In addition, the company offers wireless accessories comprising Bluetooth products, headsets, AC chargers, cigarette cords, PDA accessories, memory cards, retail displays, try/test me packaging products, cases, heavy duty gear, device mounts, USB data/charging cords, USB adapters, stylus pens, touchscreen gloves, phone purses/pouches, portable music speakers, hard and soft phone shells, dry out kits for electronics, and waterproof bags and cases. Further, it markets custom promotional products for the advertising specialties industry, including balloons, beach balls, closeouts, holiday ornaments, novelty products, pet products, spirit and cheering products, sports balls, and stress relievers and water bottles; and hands free flashlights. The company offers its products to retailers ranging from convenience stores to mass merchandisers, and various commercial users primarily through distributors and manufacturer's representatives. Boss Holdings, Inc. was founded in 1893 and is headquartered in Kewanee, Illinois.
<b>Transaction Targets - Telecommunications</b>	
EFTEL Limited	EFTEL Ltd. provides broadband, wireless broadband, mobile, home phone, and VoIP services. It offers ADSL broadband, mobile broadband, and fibre broadband services. The company was founded in 2008 and is based in Melbourne, Australia.
Revera Ltd	Revera Limited provides cloud and data centre services for businesses. It offers homeland cloud Infrastructure-as-a-Service (IaaS) solutions, including compute, data centre, storage, backup/restore as a service, networking, silver-lining data recovery, and consulting services; and homeland cloud SaaS solution that include Revera c-Stack, a suite of cloud-based workplace productivity services. The company also provides homeland cloud PaaS solution, which includes Revera v-DaaS, a suite of desktops and applications for various devices; and homeland managed services that include platform, network, and service management, as well as service desk and outsourcing services. Revera Limited was formerly known as Hosting and Datacentre Services, Ltd. and changed its name to Revera Limited in September 2005. The company was incorporated in 2001 and is based in Auckland, New Zealand with additional offices and data centers in Wellington and Christchurch, New Zealand.



Company (Exchange: Code)	Summary of Business Operations
AMT Group Pty Ltd	AMT Group Pty Limited owns, operates, and franchises a chain of retail stores that sell mobile phone post-paid contracts, handsets, and accessories in Australia. It offers PABX hardware, telephony software, VoIP, video conferencing, fixed lines, mobile fleets, and Internet and VPN connections; and screen protectors, AC chargers, universal windscreen holders, headphones, and car chargers. The company provides telecommunication products to small to medium businesses. It also sells mobile phone numbers through Ecommerce. The company was founded in 1989 and is based in Rhodes, Australia.
Railroad Blazer LLC	Railroad Bazaar LLC operates music and cellular store chains. The company offers guitars/amps, live sound products, microphones, keyboards, recording equipment, drums, percussion, band instruments, and accessories; cellular phones and accessories; and TV/Internet and car audio products. It also provides musical instrument repair services. The company was incorporated in 1998 and is based in Athens, Alabama.
Next Byte Pty Ltd	Next Byte Pty, Ltd. operates as a computer reseller in Australia. It offers hardware and software products to K-12 and tertiary, corporate, and government markets. The company provides its products through specialized account managers, as well as outbound sales force. It has locations in New South Wales, Victoria, Queensland, South Australia, Western Australia, and Tasmania, Australia. Next Byte Pty, Ltd. was founded in 1995 and is based in Adelaide, Australia.
<b>Transaction Targets – Distribution</b>	
Harvard International Plc	Harvard International plc distributes consumer electrical goods primarily in the United Kingdom, Australia, and rest of Europe. The company supplies digital set top boxes under the Goodmans; and a portfolio of Apple's iPad, iPhone, and iPod accessories under the iLuv brands. It also imports and distributes digital vision, radio, personal, and consumer electrical products. The company was formerly known as Alba plc and changed its name to Harvard International plc in April 2009. Harvard International plc is based in Hemel Hempstead, United Kingdom.
Danks Holdings Ltd	Danks Holdings Limited distributes hardware and garden products to independent retailers in Australia. It offers products in the areas of hand tools, garden and garden care, bathroom and plumbing, paints, air tools, heating, flooring, cooling, lighting and electrical products, and outdoor living products.
Health Minders Pty Ltd	H Mind Pty Limited, a health food distributor, engages in the food distribution and retail franchise businesses in Australia. It has retail outlets and a distribution network. The company distributes its products to health food stores and pharmacies. The company was formerly known as Health Minders Pty Limited and changed its name to H Mind Pty Limited in March 2012. The company was founded in 1982 and is based in Milperra, Australia.
Bertram Group Ltd	Bertram Group Limited operates as a book wholesaler. The company supplies books, tapes, CDs, games, and audio-visual products to public libraries, schools, universities, and educational institutions in the United Kingdom and internationally. Its publishing services include distribution, trade marketing, and consumer marketing. The company was founded in 1968 and is based in Norwich, United Kingdom. Bertram Group Limited operates as a subsidiary of Smiths News Plc.

Company (Exchange: Code)	Summary of Business Operations
Judius Pty Ltd	<p>Judius Pty Ltd supplies educational toys and equipment for early childhood services and primary schools in Australia. It offers art and craft supplies, including painting and drawing accessories, collage materials, dough play, wood crafts, training spring scissors, and stamping; and musical instruments, including xylophones, gathering and marching drums, rhythm pals, double tone blocks, wrist bells, and tuned percussion tubes. The company also offers literacy products, including language, alphabet, and flash cards; talking books, puppets, felt resources, and posters; and lotto, concept, pre reading, and sequencing games. In addition, it offers mathematics products, including cuisenaire rods, junior and teacher clocks, measure balances, bingo bears, and color slit games; manipulatives, such as pathfinders, tap around pegs, jumbo beads, touch shapes, and rainbow stacking pegs; active play products, including egg balls, yoga for kids posters, earthmover and cement mixers, excavators and dump trucks, ladybug beanbags, maze balance boards, and plastic wheelbarrows; and first skill products to promote sensory and cognitive perception, and fine and gross motor skills. Further, the company offers science and discovery products, including magnetic weather tiles, small compass, investigator slide viewers, binoculars, and jumbo marine animals; building sets; puzzle collections, including matching, sequencing, occupation, multicultural, floor, layered, and story telling puzzles; social play products, such as shopping baskets, toddler stoves, disability aids sets and multicultural dolls, melamine top tables, and play stoves and fridges; and children's furniture and teacher resources. It offers its products through specialty retail outlets, as well as catalogues. The company was founded in 1970 and is based in Erskineville, Australia. As of January 2, 2007, Judius Pty Ltd operates as a subsidiary of Funtastic Ltd.</p>

**Source:** S&P Capital IQ



# Armidale Investment

CORPORATION

ABN 58 100 854 788

## LODGE YOUR VOTE



ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)



By mail:

Armidale Investment Corporation Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309



All enquiries to: Telephone: +61 1300 554 474



X99999999999

## PROXY FORM

I/We being a member(s) of Armidale Investment Corporation Limited and entitled to attend and vote hereby appoint:

### STEP 1

### APPOINT A PROXY

☐

the Chairman  
of the Meeting  
(mark box)

OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy.

Failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to vote on my/our behalf (including in accordance with the directions set out below or, if no directions have been given, to vote as the proxy sees fit, to the extent permitted by the law) at the Annual General Meeting of the Company to be held at 10:00am on Tuesday, 18 November 2014 at the History House - Royal Australian Historical Society, Auditorium, 133 Macquarie Street, Sydney NSW 2000 (the Meeting) and at any postponement or adjournment of the Meeting.

I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel.

The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

### STEP 2

### VOTING DIRECTIONS

#### Resolution 1

Re-election of Director - Mr Stephen White

For Against Abstain\*

☐ ☐ ☐

#### Resolution 2

Re-election of Director - Mr Bruce Hatchman

☐ ☐ ☐

#### Resolution 3

Adoption of the Remuneration Report

☐ ☐ ☐

#### Resolution 4

Ratification of Prior Issue of Securities

For Against Abstain\*

☐ ☐ ☐

#### Resolution 5

Issue of Shares to a Director,  
Mr Andrew Grant

☐ ☐ ☐

#### Resolution 6

Approval for the Acquisition of Shares by  
Gegm

☐ ☐ ☐

**i** \* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### STEP 3

### SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

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## HOW TO COMPLETE THIS PROXY FORM

### Your Name and Address

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you appoint someone other than the Chairman of the Meeting as your proxy, you will also be appointing the Chairman of the Meeting as your alternate proxy to act as your proxy in the event the named proxy does not attend the Meeting.

### Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

### Signing Instructions

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### Corporate Representatives

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

## Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am on Sunday, 16 November 2014**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



**ONLINE**

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



**by mail:**

Armidale Investment Corporation Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



**by fax:**

+61 2 9287 0309



**by hand:**

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138.

**If you would like to attend and vote at the Annual General Meeting, please bring this form with you.  
This will assist in registering your attendance.**