

Armidale Investment Corporation Limited
ABN 58 100 854 788

Appendix 4D Statement
Half Year Report

Results for announcement to the Market
Half year ended 31 December 2015

All comparisons to the half year ended 31 December 2014

	6 months ended 31 December 2015	6 months ended 31 December 2014	% change prior year
	\$	\$	
Revenue	800,119	813,337	(1.63)
Other income, including unrealised gain on investments	303,103	793,167	(61.79)
Net profit before tax	82,414	804,970	(89.76)
Net profit after tax	15,038	614,355	(97.55)
Net assets	62,215,720	37,724,792	64.92
Net tangible assets per share	0.1395	0.1432	(2.58)
Dividend paid on ordinary shares	Nil	Nil	Nil

Commentary and explanations of the results

Summary

- Other income has decreased compared to the previous half-year due to a revaluation of investment for \$442,370 in the previous half-year relating to Riverwise shares issued to AIK in that half-year at below valuation. No such revaluation took place in the current half-year.
- Revenue remained consistent with the prior half-year, all being interest income predominantly from Hal.
- Net assets increased significantly compared to the previous half-year due to profit generated as well as the acquisition of a 60% equity interest in Platform Finance and Leasing Group Pty Limited (Platform Finance) recognised at cost of \$22.9m (which equates to fair value).
- Expenses rose slightly compared to the prior half-year period mainly due to costs associated with the acquisition of Platform Finance.

Commentary

Commentary on the results for the period is contained in the directors report accompanying the Interim Half Year Financial Report dated 26 February 2016.

Notes

1. The current period is the half-year ended 31 December 2015. For Appendix 4D, the comparative period is the half year-ended 31 December 2014.
2. This report is based on accounts which have been subject of a review.
3. All the documents comprise the information required by listing rule 4.2.A.
4. The information should be read in conjunction with the most recent annual report.

Armidale Investment Corporation Limited

Interim Financial Statements

For the half-year ended

31 December 2015

Contents

	Page
Director's report	2
Auditor's independence declaration	4
Statement of profit or loss and other comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the interim financial statements	9
Director's declaration	20
Independent auditor's review report	21

Directors' Report

The Directors of Armidale Investment Corporation Limited (AIK) present their Report together with the financial statements of the Company, for the half-year ended 31 December 2015.

Director details

The following persons were directors of AIK during or since the end of the financial half-year:

Bruce Hatchman – Chairman

Mark Smith

Steve White

Andrew Grant

Cameron McCullagh – appointed 5 October 2015

Review of operations and financial results

Armidale Investment Corporation Limited (AIK) continues to apply AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities, as the Directors have determined that AIK continues to meet the definition of an Investment Entity as set out in AASB 2013-5. The standard requires that all investments be carried at fair value and are not consolidated, regardless of whether they are subsidiaries of AIK. The effect of this is that both the current and comparative results are reported for AIK, the Company only.

AIK continues to operate as an investment entity with investments in Hal Group Pty Limited, Riverwise Pty Limited, Cat One Investments Pty Limited, Venagrow Pty Limited, The Reading Room Inc and the acquisition of Platform Finance and Leasing Group Pty Limited during the period.

The post-tax operating result of AIK for the half-year is a profit of \$15,038 (2014 profit: \$614,355).

Hal Group Pty Limited (formerly Hal Data Services Pty Ltd) and controlled entities (Hal) continues to increase its origination of operating leases as well as collect upon the existing lease book. In the half-year ended 31 December 2015, Hal originated \$13.8m of leases at original equipment cost (2014: \$13.3m). Hal finances leases out of a combination of free cash flows within Hal, borrowings from AIK, raising debenture funding through a Hal subsidiary or via finance facilities established with various institutions. Since the half-year end Hal has signed a Term Sheet with a Tier 1 financier which will improve both funding rates and availability of funding once in place. The investment in Hal under the Loan Note remains at a fair value of \$26,465,627 with key metrics driving the valuation having been maintained.

Riverwise Pty Limited, in which AIK holds a 32.71% interest continues to operate the existing businesses being buying group operations in Australia plus telecommunication sales channel services in Australia, the UK and New Zealand. Expansion of the existing businesses continues into new and aligned areas to counteract the declining margins in retail and telecommunications.

On 21 December 2015 AIK completed the acquisition of a 60% equity investment in Platform Finance and Leasing Group Pty Limited (Platform Finance). The consideration for this investment was part cash and part AIK shares and is valued at \$22,918,276. Platform Finance is an asset finance aggregator representing a collective of specialised finance brokers engaged in plant and equipment and motor vehicle finance to the commercial and consumer finance sector.

Directors' Report (continued)

The Shareholders Agreement between AIK and Platform Finance vendors includes the following provisions in respect of the remaining 40% equity;

- i) between 1 and 31 August 2018, the minority shareholders in Platform Finance may require AIK to purchase 20% of the remaining shares in Platform Finance. The price on this transaction will be calculated on 8 times the maintainable EBITDA for the financial year ending 30 June 2018. AIK has the equivalent right to require the minority shareholders in Platform Finance to sell 20% of their remaining shares to AIK.
- ii) between 1 and 31 August 2020, the minority shareholders in Platform Finance may require AIK to purchase the balance of the remaining shares in Platform Finance. The price on this transaction will be calculated on 8 times the maintainable EBITDA for the financial year ending 30 June 2020. AIK has the equivalent right to require the minority shareholders in Platform Finance to sell the balance of their remaining shares to AIK.

Each party has the right to defer such an offer for 12 months.

Earnings per share for the period to 31 December 2015 was 0.00 cents (2014: 0.24 cents)

A copy of the auditor's independence declaration as required under s307C of the *Corporations Act 2001* is included on page 4 of this financial report and forms part of this Directors report.

Signed in accordance with a resolution of the directors.



Andrew Grant
Director

26 February 2016

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Armidale Investment Corporation Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



P J Woodley
Partner - Audit & Assurance

Sydney, 26 February 2016

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Statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2015

	Notes	31 December 2015	31 December 2014
		\$	\$
Revenue - interest income		800,119	813,337
Unrealised gain on investments		-	442,370
Other income		303,103	324,270
Employee benefits expense		(589,725)	(494,360)
Depreciation and amortisation		(97,216)	(97,215)
Other expenses		(333,867)	(183,432)
Profit before tax		<u>82,414</u>	<u>804,970</u>
Tax expense		<u>(67,376)</u>	<u>(190,615)</u>
Profit for the period		<u>15,038</u>	<u>614,355</u>
Other comprehensive income		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		<u>-</u>	<u>-</u>
Profit for the period attributable to owners of the entity		<u>15,038</u>	<u>614,355</u>
Total comprehensive income for the period attributable to owners of the entity		<u>15,038</u>	<u>614,355</u>
Earnings per share			
Basic earnings per share	9	<u>0.00 cents</u>	<u>0.24 cents</u>
Diluted earnings per share		<u>0.00 cents</u>	<u>0.24 cents</u>

The accompanying notes form part of these financial statements.

Statement of financial position

As at 31 December 2015

	Notes	31 December 2015	30 June 2015
		\$	\$
Assets			
Current			
Cash and cash equivalents		25,529	10,834,815
Financial assets	16	10,779,507	6,503,181
Current tax assets	18	23,173	-
Other current assets		25,232	209,739
Total current assets		10,853,441	17,547,735
Non-current			
Financial assets	16	61,075,634	39,589,660
Intangible assets	15	288,477	385,692
Total non-current assets		61,364,111	39,975,352
Total assets		72,217,552	57,523,087
Liabilities			
Current			
Trade and other payables	17	9,609,572	262,981
Current tax liabilities		-	232,227
Provisions		193,655	84,038
Financial liabilities		63,885	63,885
Total current liabilities		9,867,112	643,131
Non-current			
Provisions		134,720	68,782
Total non-current liabilities		134,720	68,782
Total liabilities		10,001,832	711,913
Net assets		62,215,720	56,811,174
Equity			
Share capital	10	116,012,396	110,622,888
Reserves	12	22,574,624	22,559,586
Accumulated losses		(76,371,300)	(76,371,300)
Total equity		62,215,720	56,811,174

The accompanying notes form part of these financial statements.

Statement of changes in equity

For the half-year ended 31 December 2015

	Share capital \$	Current profit reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2014	98,489,481	14,760,171	(76,371,300)	36,878,352
Transactions with owners	239,119	-	-	239,119
Share issue costs	(7,034)	-	-	(7,034)
Profit/(loss) for the period	-	-	614,355	614,355
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	232,085	-	614,355	846,440
Transfer between reserves	-	614,355	(614,355)	-
Balance at 31 December 2014	98,721,566	15,374,526	(76,371,300)	37,724,792
Balance at 1 July 2015	110,622,888	22,559,586	(76,371,300)	56,811,174
Profit for the period	-	-	15,038	15,038
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	15,038	15,038
Issue of share capital	5,389,508	-	-	5,389,508
Transfer between reserves	-	15,038	(15,038)	-
Balance at 31 December 2015	116,012,396	22,574,624	(76,371,300)	62,215,720

The accompanying notes form part of these financial statements.

Statement of cash flows

For the half-year ended 31 December 2015

	31 December 2015 \$	31 December 2014 \$
Operating activities		
Receipts from investment companies	121,668	324,270
Payments to suppliers and employees	(745,706)	(1,173,763)
Interest received	800,119	585,826
Income taxes paid	(322,776)	(304,573)
Net cash (used in)/provided by operating activities	<u>(146,695)</u>	<u>(568,240)</u>
Investing activities		
Payments for investments	(8,000,000)	(412,592)
Loans advanced to investment companies	(4,140,001)	(3,536,500)
Proceeds from loans repaid	1,477,410	3,854,988
Net cash used in investing activities	<u>(10,662,591)</u>	<u>(94,104)</u>
Net change in cash and cash equivalents	(10,809,286)	(662,344)
Cash and cash equivalents, beginning of period	<u>10,834,815</u>	<u>770,284</u>
Cash and cash equivalents, end of period	<u><u>25,529</u></u>	<u><u>107,940</u></u>

The accompanying notes form part of these financial statements.

Notes to the interim financial statements

1 Nature of operations

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

2 General information and basis of preparation

The interim financial statements of the Company are for the six months ended 31 December 2015 and are presented in Australian dollars (\$), which is the functional currency of the Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the financial statements of the Company for the year ended 30 June 2015 and any public announcements made by the Company during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The interim financial statements have been approved and authorised for issue by the Board of directors on 26 February 2016.

3 Significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in AIK's last annual financial statements for year ended 30 June 2015.

Dividends are recognised at the time the contractual right to receive payment is established.

The accounting policies have been applied consistently for the purpose of preparation of these interim financial statements.

4 Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Company's last annual financial statements for the year ended 30 June 2015.

The acquisition of 60% of Platform Finance on 21 December 2015 for \$22,918,276 included both a put and a call option over the remaining 40%. Management has determined that the net impact of the put and the call options was immaterial at 31 December 2015 and will be independently valued at 30 June 2016.

5 Significant events and transactions

Overall, the Company's investments are expected to perform in line with expectations, for the foreseeable future.

Hal Group Pty Limited (Hal), AIK's primary investment continues to originate equipment leases with \$13.8m originated in the 6 months to 31 December 2015 (2014: \$13.3m). Hal continues to raise funding for these leases in accordance with its business plan.

Notes to the interim financial statements

5 Significant events and transactions (continued)

On 21 December 2015 AIK completed the acquisition of a 60% equity investment in Platform Finance.

The primary reasons for the acquisition of the equity in Platform Finance were:

- AIK can see synergies between the TL Rentals (Hal's equipment finance business) and Platform Finance, namely referrals from Platform Finance to TL Rentals
- In addition AIK considers there is significant opportunity in the expansion of the Platform Finance business through acquisitions and organic growth.

This investment was part cash and part issue of AIK shares and cost \$22,918,276. AIK has paid \$8m in cash on the acquisition date and issued AIK shares worth \$5.4m. The balance of \$9.5m is payable in two instalments to Platform Finance vendors with first instalment for \$5.5m payable in February 2016 and second instalment for \$4m payable in December 2016 subject to various warranties.

6 Interests in unconsolidated subsidiaries

The following entities are controlled by the Company but not consolidated as required under *AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities*:

Hal Group Pty Limited (and its controlled entities) (Hal)

Ownership interest held: 98.09% (30 June 2015: 98.09%)

Principal place of business: Level 2, 72 Archer Street, Chatswood, NSW 2057

The repayments made to the Company by Hal in respect of the Loan Note Investment are governed by the terms of the Loan Note Agreement entered into in 31 January 2011. The further loans advanced to Hal by the Company are secured by a general security arrangement over Hal held by the Company. The Company continues to advance loan funds to Hal for the purpose of originating equipment leases. In the half-year ended 31 December 2015 the Company advanced \$4,140,001 to Hal for the purpose of originating operating leases. There are set repayment terms for these loans which range in remaining terms from 31 months to 36 months. The interest rate charged is 15% p.a. Hal repaid principal of \$1,477,410 to the Company on these loans in the 6 months ended 31 December 2015.

Cat One Investments Pty Limited and Venagrow Pty Limited

Ownership interest held: 100%

Principal place of business: Suite 4, Level 9, 341 George Street, Sydney NSW 2000

Cat One Investments Pty Limited and Venagrow Pty Limited own the rights to repayments under the Loan Note Agreement in the portion of 7.5% each.

Platform Finance and Leasing Group Pty Limited (Platform Finance)

Ownership interest held: 60%

Principal place of business: Level 4, 174 Pacific Highway, St Leonards, NSW 2065

On 21 December 2015, the Company made a new equity investment in Platform Finance for \$22,918,276, payable \$8,000,000 in cash and 47,694,762 shares in the Company of \$5,389,508 on 21 December 2015, with the balance of \$9,528,768 payable over the next 12 months. Platform Finance is an asset finance aggregator representing a collective of specialised finance brokers engaged in plant and equipment and motor vehicle finance to the commercial and consumer finance sector.

Notes to the interim financial statements

7 Segment reporting

Management identifies that the Company operates in one segment; investment activities.

8 Seasonal fluctuations

The Company evaluates the carrying value of its investments regularly, due to the relatively long term nature of the underlying investments there is little movement in value expected in a six month period. There are no seasonal or cyclical factors that cause a material impact on the value of the underlying investments held. Interest income and distributions received which are derived from the investments of the Company are also not subject to any particular cyclical or seasonal fluctuations.

9 Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Company (Armidale Investment Corporation Limited) as the numerator, i.e. no adjustments to profits were necessary during the six month period to 31 December 2015.

The weighted average number of shares for the purposes of the calculation of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	6 months to 31 December 2015	6 months to 31 December 2014
Weighted average number of shares used in basic earnings per share		
Closing number of shares on issue	399,034,659	258,104,749
Basic earnings per share (cents per share)	443,878,104	260,125,470
	0.00 cents	0.24 cents

10 Share capital

	31 December 2015 Number	31 December 2014 Number
Number of shares issued and fully paid	443,878,104	260,125,470
Number of shares issued but not fully paid	-	-
	6 months to 31 December 2015	Year to 30 June 2015
	\$	\$
<i>Shares issued and fully paid:</i>		
Beginning of the period	110,622,888	98,489,481
Issued under share-based payment plans	-	-
Share issue	5,389,508	12,558,901
Share issue costs net of tax	-	(425,494)
Shares issued and fully paid	116,012,396	110,622,888

47,694,762 AIK shares were issued as consideration for the acquisition of Platform Finance on 21 December 2015.

Notes to the interim financial statements

11 Dividends

There were no dividends paid or declared to be paid in the six months ended 31 December 2015.

12 Reserves

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

13 Related party transactions

The following are significant related party transactions which occurred during the half-year ended 31 December 2015.

The Company received interest payments from Hal of \$738,291 (31 Dec 14: \$807,896).

The Company advanced funds to Hal for the purpose of originating leases of \$4,140,001 (31 Dec 14: \$3,775,550).

The Company received principle loan repayments from Hal during the period of \$1,477,410 (31 Dec 14: \$3,854,988).

The Company charged Riverwise for management services of \$95,000 (31 Dec 14: \$174,632).

The Company charged Riverwise for director fees of \$20,000 (31 Dec 15: \$nil)

The Company accrued income as an estimate of the 30 June 2015 shares to be issued by Riverwise to AIK under the profit share arrangement of \$108,652 (31 Dec 14: \$150,000).

The Company accrued dividend income from Platform Finance of \$181,435 (31 Dec 14: \$nil).

14 Contingent assets and liabilities

AIK will pay \$5,528,768 for the settlement of Platform Finance in late February or early March. The amount is calculated based on an initial payment value of \$6m adjusted for the working capital based on the audited 30 November 2015 financials of Platform Finance.

There is a further \$4m payable to Platform Finance vendors in 12 months which is subject to various warranties. Together with the AIK shares issue, the 60% equity investment cost \$22,918,276.

Both of these amounts are included in trade and other payables at period end (refer note 17).

The acquisition of 60% of Platform Finance on 21 December 2015 included both a put and call option to acquire the remaining 40%. The put and call option creates a contingent liability and a contingent asset, which has an equal and opposite value. Management has determined that the net impact of the put and the call options was immaterial at 31 December 2015 and will be independently valued at 30 June 2016.

There are no other contingent assets or liabilities as at 31 December 2015.

Notes to the interim financial statements

15 Intangible assets

The following table shows the movements in intangible assets:

	6 months to 31 December 2015 \$	Year to 30 June 2015 \$
Rights under the Loan Note		
Gross carrying amount		
Amount recognised on acquisition	881,280	881,280
Balance, end of period	<u>881,280</u>	<u>881,280</u>
Amortisation		
Balance at beginning of period	495,588	302,743
Amortisation	97,215	192,845
Balance, end of period	<u>592,803</u>	<u>495,588</u>
Carrying amount, end of period	<u>288,477</u>	<u>385,692</u>

16 Fair value measurement of financial instruments

16.1 Fair value hierarchy

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

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

The Company's financial assets measured and recognised at fair value at 31 December 2015 and 30 June 2015 on a recurring basis are as follows:

31 December 2015	Level 3 \$	Total \$
Assets		
<i>Debt instruments</i>		
Hal Group Pty Limited - Loan Note	26,465,627	26,465,627
<i>Equity in unlisted companies</i>		
Hal Group Pty Limited	-	-
Riverwise Pty Limited	6,053,762	6,053,762
Cat One Investments Pty Limited	-	-
Venagrow Pty Limited	-	-
The Reading Room Inc – BDB Soti	200,000	200,000
Platform Finance and Leasing Group Pty Limited	22,918,276	22,918,276
Total	<u>55,637,665</u>	<u>55,637,665</u>

Notes to the interim financial statements

16 Fair value measurement of financial instruments (continued)

16.1 Fair value hierarchy (continued)

30 June 2015	Level 3 \$	Total \$
Assets		
<i>Debt instruments</i>		
Hal Data Services Pty Limited - Loan Note	26,465,627	26,465,627
<i>Equity in unlisted companies</i>		
Hal Data Services Pty Limited	-	-
Riverwise Pty Limited	6,053,762	6,053,762
Cat One Investments Pty Limited	-	-
Venagrow Pty Limited	-	-
The Reading Room Inc – BDB Soti	200,000	200,000
Armidale Investment Corporation (Australia) Pty Limited	-	-
Total	32,719,389	32,719,389

16.2 Movements in level 3 assets

	6 months to 31 December 2015 \$	Year to 30 June 2015 \$
Assets		
<i>Movement in fair value of debt instruments</i>		
Hal Group Pty Limited – Loan Note	26,465,627	14,728,942
Add: Fair value adjustment recognised in the profit and loss*	-	11,736,685
<i>Movement in fair value of equity investments in unlisted companies</i>		
The Reading Room Inc – BDB Soti	200,000	200,000
Riverwise Pty Limited	6,053,762	10,288,036
Add: Equity acquired Riverwise Pty Limited	-	691,923
Add: Fair value adjustment recognised in the profit and loss*	-	(4,926,197)
Add: Equity acquired Platform Finance and Leasing Group Pty Limited	22,918,276	-
Total	55,637,665	32,719,389

*Based on the mid-point of an independent valuation issued on 30 April 2015.

Notes to the interim financial statements

16 Fair value measurement of financial instruments (continued)

16.3 Methods and valuation techniques

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

a) Debt instruments

The debt instruments are held in unlisted companies and the debt instruments are not traded in active markets. The fair values of these instruments are determined using management's best estimates of future cash flows arising from the debt instruments. These cash flows are then discounted using a discount rate with reference to observable market data where available. These instruments are therefore classified as Level 3. An independent valuer has determined the final valuation based on these inputs. The most recent valuation was performed on 30 April 2015. The Board and management review the inputs and assumptions to the valuation formally at each annual and half-year reporting period to determine if there are any material changes to key inputs.

Significant inputs in the Hal valuation

Growth rates

Due to the nature of the operations of Hal Group Pty Limited and controlled entities (Hal), the projected cash flows are based primarily on rental stream and fee income from existing and future lease contracts. Cost projections are based primarily on overheads plus staff requirements driven by the number of lease contracts under management. A terminal value growth rate of 2.5% was applied when preparing the cash flow projections.

Discount rates

The discount rates reflect appropriate adjustments relating to market risk and specific risk factors of each entity. A terminal discount rate of 21% was applied.

	2015	2016	2017	2018	2019
Discount rate	21%	21%	21%	21%	21%

	2015	2014
Change in Investment - Hal	\$	\$
- Increase in discount rate by 100 basis points	(1,893,000)	(957,000)
- Decrease in discount rate by 100 basis points	2,116,000	1,062,000

(b) Equity investments in unlisted companies

The equity instruments are held in unlisted companies and are not traded in active markets. The fair value of these investments is determined based on the provision of cash flow and earnings forecasts provided by the investee companies and provided to an external valuer. The valuation technique used by the valuer does use observable market data where available. These instruments are therefore classified as Level 3.

Notes to the interim financial statements

16 Fair value measurement of financial instruments (continued)

16.3 Methods and valuation techniques (continued)

An independent valuer has determined the final valuation based on these inputs. The most recent valuation was performed on 30 April 2015. The Board and management review the inputs and assumptions to the valuation formally at each annual and half-year reporting period to determine if there are any material changes to key inputs.

Significant inputs in the Riverwise valuation

The valuation approach adopted for the Riverwise valuation was to apply an EBITDA future maintainable earnings multiple to the year to date results to 30 April 2015 combined with the forecast remaining 2 months to 30 June 2015, as well as the financial year 2016 budget. The EBITDA multiple applied took into account EBITDA multiple range of 6.0 to 6.7 times to the estimate of future maintainable earnings. The 30 June 2015 forecast was derived by management based on expected profit levels determined by historic performance, adjusted for non-recurring items and then taking into account expected cost savings initiatives.

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

The Board has considered the sensitivity of both the Hal and Riverwise valuations by adopting the mid-point valuation in the range provided by the valuer.

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

There have been no transfers between the levels of the fair value hierarchy during the year ended 30 June 2015.

	2015	2014
	\$	\$
Change in Investment - Riverwise		
- Increase maintainable EBITDA by 500 basis points	360,000	610,000
- Decrease maintainable EBITDA by 500 basis points	(370,000)	(610,000)

Significant inputs in Platform Finance valuation

On 21 December 2015, AIK made an investment of \$22,918,276 (representing 60% holding) in Platform Finance. The purchase price places an enterprise value on Platform Finance at \$38.2m which is 8.9 times on the 2015 financial year normalised EBITDA.

This acquisition (after working capital adjustments) is deemed to have been an arm's length transaction and as such the price paid is deemed to be reflective of the market value of the investment.

As outlined in Note 14, there are back-to-back put and call options over the remaining 40% which has been determined to have an immaterial net impact as at 31 December 2015.

Notes to the interim financial statements

16 Fair value measurement of financial instruments (continued)

16.4 Fair value of other financial assets

The Company also has a number of financial instruments which are not measured at fair value in the Statement of Financial Position. These had the following fair values as at 31 December 2015:

	Fair value \$	Carrying amount \$
Financial assets - current		
Hal Group Pty Limited – Loans	10,489,420	10,489,420
Riverwise Incentive	108,652	108,652
Platform Finance and Leasing Group Pty Limited dividends receivable	181,435	181,435
Financial assets – non-current		
Hal Group Pty Limited – Loans	5,437,969	5,437,969
	16,217,476	16,217,476

As at 30 June 2015:

	Fair value \$	Carrying amount \$
Financial assets - current		
Hal Group Pty Limited – Loans	6,394,529	6,394,529
Riverwise Incentive	108,652	108,652
Financial assets – non-current		
Hal Group Pty Limited – Loans	6,870,270	6,870,270
	13,373,451	13,373,451

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

Notes to the interim financial statements

16 Fair value measurement of financial instruments (continued)

16.5 Financial assets

	31 December 2015	30 June 2015
	\$	\$
Financial assets - Current		
Hal Group Pty Limited – Loans	10,489,420	6,394,529
Riverwise Incentive	108,652	108,652
Platform Finance and Leasing Group Pty Limited dividends receivable	181,435	-
Total	10,779,507	6,503,181
Financial assets – Non-current		
Hal Group Pty Limited – Loans	5,437,969	6,870,271
Hal Group Pty Limited – Loan Note	26,465,627	26,465,627
Investment in Riverwise Pty Limited	6,053,762	6,053,762
Investment in The Reading Room Inc – BDB Soti	200,000	200,000
Investment in Platform Finance and Leasing Group Pty Limited	22,918,276	-
Total	61,075,634	39,589,660

17 Trade and other payables

The following table shows the movements in Trade and other payables:

	31 December 2015	30 June 2015
	\$	\$
Deferred Settlement - Platform Finance	9,528,768	-
Accruals	80,804	257,851
Trade payables	-	5,130
	9,609,572	262,981

18 Current tax assets

	31 December 2015	30 June 2015
	\$	\$
Tax recoverable	23,173	-
	23,173	-

Notes to the interim financial statements

19 Events after the reporting date

In January 2016, a rights issue was completed that raised \$8.3m at an issue price of 10 cents per share. The shortfall of \$1.5m was placed to sophisticated and professional investors. The full maximum possible raising under the offer document of \$9.8m was achieved. The capital raising activity was undertaken for acquisition of Platform Finance and to provide funding for Hal lease originations.

No other matters have arisen since 31 December 2015.

Directors' declaration

1. In the opinion of the directors of Armidale Investment Corporation Limited:
 - a the financial statements and notes of Armidale Investment Corporation Limited are in accordance with the *Corporations Act 2001*, including
 - i. giving a true and fair view of its financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
 - ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting*, and
 - b there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Andrew Grant
Director

26 February 2016

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

We have reviewed the accompanying half-year financial report of Armidale Investment Corporation Limited (the "Company"), which comprises the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies, other explanatory information and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Armidale Investment Corporation Limited financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Armidale Investment Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Armidale Investment Corporation Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the Company's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



P J Woodley
Partner - Audit & Assurance

Sydney, 26 February 2016