

Armidale Investment Corporation Limited

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ASX Company Announcements

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The Manager
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

Net Tangible Asset Value as at 31 October 2012 on a

Consolidated and Company Basis

Armidale Investment Corporation Limited (AIK) holds approximately ~87% of HAL Data Services Pty Limited (HDS) and is therefore required under the Accounting Standards to consolidate the financial statements of HDS into its financial and management accounts. This consolidation commenced with the month ended 31 December 2011, being when AIK had the ability to exercise its call option over HDS.

As a result of this, AIK will report its Net Tangible Asset (NTA) Value on both a **Consolidated** and **Company** level. Providing the Company NTA will allow comparability to the NTA figures that, prior to the requirement to consolidate HDS, have been reported.

Furthermore it was announced on 22 June 2012 that AIK would purchase, subject to appropriate legal documentation and escrow arrangements being executed and any required regulatory and shareholder approval being obtained, an additional 15% of the 'Waterfall Arrangement' through the issue of shares in AIK. It is noted that this transaction is scheduled for consideration by shareholders at the 2012 Annual General Meeting and therefore any changes to the financial statements which would result from this transaction is not reflected in the 31 October 2012 Net Tangible Asset Value.

The unaudited NTA value per share (after all taxes, fees and expenses) as at 31 October 2012 was:

	Consolidated	Company
Net Assets	\$19,616,262	\$16,225,038
Intangible Assets	\$ 7,756,282	\$ 0
NTA	\$11,859,980	\$16,225,038
NTA per share	7.33 cents	10.03 cents

Intangible Assets comprise:

Intangibles (Software & Residual rights)	\$ 4,502,749
Goodwill	\$ 2,551,998
Rental Income Stream	\$ 701,535
Intangible Assets	\$ 7,756,282

Refer to **Consolidated NTA** below for an explanation of the intangible assets

Company NTA

The Company NTA reflects the valuation of AIK's interests in HDS as announced to the ASX on 24 June 2011 of \$13,612,000, being a mid-point of the valuation ranges and adjusted for the receipt of \$4.4 million in repayments from HDS as detailed below:

- (i) two repayments of \$1.5m each from HDS as announced on 5 August 2011 and 20 December 2011;
- (ii) a repayment of \$0.7m from HDS as announced on 7 February 2012; and
- (iii) a repayment of \$0.7m from HDS as announced on 17 October 2012.

As announced on 24 July 2012, a \$1.0 million payment of amounts owed by HDS to AIK under the December 2010 Loan Agreement was received. It is noted that this is different to payments received previously as part of the Loan Note Restructure.

This brings the total payments received since 31 July 2011 to \$5.4 million, comprising:

(a) Payments as part of the Loan Note Restructure	\$4.4m
(b) Payments under December 2010 Loan Agreement	<u>\$1.0m</u>
	\$5.4m

For clarity, the repayments noted above have no effect on the Company NTA.

Consolidated NTA

The Consolidated NTA includes consolidation of HDS, which includes intangible assets. An intangible asset is an identifiable non-monetary asset without physical substance that has, identifiability, control over a resource and existence of future economic benefits.

The intangible assets arising from the consolidation of HDS include:

- **Software**

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from 2 to 5 years.

- **Residual Rights**

Residual rights form a key part of a leasing business operation. These are the rights to any inertia lease income that flows through to HDS following the end of a lease term. The fair value of residual rights is present value of the expected future inertia lease income and expected sale proceeds on the sale of the leased asset. At the end of the lease term the residual right (intangible asset) is transferred to property, plant and equipment to reflect the ownership of the physical asset by the HDS.

- **Rental Income Stream**

A separately identifiable intangible asset, Rental Income Stream, was recognised following the acquisition of HDS. The value has been determined based on the present value of expected future net cash flows over the next 3 years. Amortisation is calculated on a straight-line basis over 3 years commencing 1 July 2011.

Hal Data Services (HDS)

It is noted that HDS is currently in discussions with another third party source of lease rental finance. These discussions are incomplete but were noted at the Annual General Meeting. Further details will be provided in due course when additional information becomes available.

For further information please contact:

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