

Armidale Investment Corporation Limited and its controlled entities

ABN 58 100 854 788

Appendix 4D & Interim Financial Statements

Results for announcement to the Market Half year ended 31 December 2016

Comparisons are to the half year ended 31 December 2015 (unless specified for 30 June 2016)

	\$	up/down	% mov't
Revenue from continuing operations	18,263,574	n/a	n/a
Net profit after tax	1,668,892	up	10,998%
Net profit after tax, attributable to members	1,088,646	up	7,139%
	31 Dec 2016	31 Dec 2015	
	Cents	Cents	
Earnings per share, attributable to members	0.139	0.004	
	31 Dec 2016	30 June 2016	
	\$	\$	
Net assets	146,416,630	88,693,056	
Less: Intangible assets / goodwill	(115,491,650)	-	
Non-controlling interests	(1,092,944)	-	
Net tangible assets	29,832,036	88,693,056	
NTA per share (cents)	2.90	15.62	

The net assets of Armidale Investment Corporation Limited (AIK) and its controlled entities have increased during the period, primarily due to capital raising activities which have been applied to the recent acquisitions. However, the net tangible assets per share of AIK have reduced when compared to the 30 June 2016 reporting period as a result of the change in a key accounting policy with AIK ceasing to be an investment entity during the reporting period. As a result, the above information compares a consolidated statement of financial position for this current half-year with a Company only statement of financial position (where equity investments were held at fair value) in the prior year. The key difference being that the consolidated balance sheet for the current half-year has resulted in the recognition of goodwill, intangible assets and non-controlling interests as at 31 December 2016 (which are excluded from the calculation of 'tangible assets').

Dividends

There were no dividends paid or proposed during the period.

Commentary and explanations of the results

The interim financial report of the Company for the half year ended 31 December 2016 is the first period that the Company has consolidated its results with its controlled entities and moved away from investment entity accounting. As a result of the change in status during the reporting period, the results presented include investment entity accounting from 1 July 2016 to 31 October 2016 and also include the consolidated earnings from controlled entities from 1 November 2016 to 31 December 2016.

Additional Appendix 4D disclosure requirements, commentary and explanation of the results for the period is contained in the Directors Report and the accompanying Interim Financial Statements dated 28 February 2017.

Notes

1. The current period is the half year ended 31 December 2016. For the Appendix 4D, the comparative period is the half year ended 31 December 2015 (in relation to financial performance) and to 30 June 2016 (in relation to the Company's financial position).
2. This report is based on the interim financial report which has been the subject of a review by the auditors and their review report is attached as part of the interim financial report.
3. All the documents comprise the information required by listing rule 4.2A. The information should be read in conjunction with the most recent annual financial report and all ASX announcements made by the Company during the period.

Armidale Investment Corporation Limited and its controlled entities

ABN 58 100 854 788

Interim Financial Statements

For the half year ended 31 December 2016

Directors Report

The Directors of Armidale Investment Corporation Limited (AIK or the Company) present their Report together with the interim financial report of the Consolidated Entity, for the half year ended 31 December 2016.

Director details

The following persons were Directors of the Company during or since the end of the financial half year:

Bruce Hatchman – Chairman

Andrew Grant – Joint Managing Director

Cameron McCullagh – Joint Managing Director

Mark Smith – Non-executive Director (resignation effective 28 February 2017)

Steve White – Non-executive Director

Principal activities*

The Company is an Australian Securities Exchange (ASX) listed company whose principal activities are primarily focused on the equipment finance sector. The investment objective of the Company is to grow its earnings per share from investing in complementary entities and growing existing businesses that specialise in equipment finance broking, finance aggregation and commercial leases for essential business assets.

**The above mentioned principal activity is an enhanced description of the Company's previous activities which were focused on investing in fixed interest, debt and equity instruments under its previous classification as an 'investment entity'.*

Review of operations and financial results

The Directors are pleased to present the interim financial report of the Company for the half year ended 31 December 2016, which is the first period that the Company has reported as a non-investment entity and consolidated its results with its controlled entities. As a result of the change during the reporting period, the results presented include:

- investment entity accounting from 1 July 2016 to 31 October 2016; plus
- the consolidated earnings from controlled entities from 1 November 2016 to 31 December 2016.

Profit after tax, attributable to members of the Consolidated Entity for the half year ended 31 December 2016 was \$1,088,646 (2015: \$15,038). Earnings per share, attributable to members from continuing operations was 0.139 cents for the period (2015: 0.004 cents).

The Consolidated Entity's net asset position as at the end of the reporting period was \$146,416,630 (30 June 2016: \$88,693,056) with \$115,491,650 of intangibles and goodwill being recognised during the period as a result of the deemed acquisition of controlled entities on the change of accounting policy (being no longer classified as an investment entity with investments held at fair value) on 1 November 2016.

Capital raising and acquisitions

During the period, the Company successfully raised \$33.65 million (before capital raising costs) by way of a placement and rights issue.

The majority of the funds raised were used for the purpose of acquiring:

- 80% of the issued capital of Consolidated Finance Group Pty Limited (CFG). CFG is a membership based asset finance aggregator, responsible for \$1.8 billion of asset finance in the year ended 30 June 2016
- 50% of the issued capital of Linx Group Holdings Pty Limited (Linx). Linx offers equipment finance, insurance and mortgage solutions to business and individuals throughout Australia
- 50% of the issued capital of QPF Holdings Pty Limited (QPF). QPF is based in Brisbane and offers asset finance, working capital finance and both commercial and residential mortgages.

(Linx and QPF are the largest asset finance broker members of CFG)

Directors Report (continued)

Review of operations and financial results (continued)

The total consideration payable by the Company across the three businesses is subject to any final working capital and price adjustments as a result of the 30 June 2016 audited financial statements of the acquired entities. Purchase consideration was 40% payable in scrip (at a share price of 11.11 cents) and 60% payable in cash. The effective date of the acquisitions was 1 July 2016 (for profit share purposes) with the Share Purchase Agreements being executed in October 2016.

The total consideration for the acquisitions is subject to a 'true-up' based on the finalisation of the audited 30 June 2016 financial statements of each of the acquired entities and an adjustment for working capital.

The Shareholders Agreements (which formed part of the transactions) provided the following provisions:

- i. Between 1 July and 31 July 2018, the vendor shareholders in QPF and Linx may require AIK to purchase up to 5% of the issued share capital in QPF and Linx. The price on this transaction will be calculated at 8 times the normalised EBITDA for the financial year ending 30 June 2018. AIK has the equivalent right to require the vendor shareholders in QPF and Linx to sell up to 5% of the issued shares to AIK. Each of the parties have the right to defer the request for 12 months. This put and call option repeats in 2020 and in 2022. If all three options were exercised by either party AIK would own 65% of Linx and QPF during the financial year ending 30 June 2023
- ii. Between 1 July and 31 July 2018, the vendor shareholders in CFG may require AIK to purchase their remaining shares in CFG. The price on this transaction will be calculated at 8 times the normalised EBITDA for the financial year ending 30 June 2018. AIK has the equivalent right to require the vendor shareholders in CFG to sell their remaining shares to AIK. Each of the parties have the right to defer the request for 12 months. If this option is exercised by either party AIK would own 100% of CFG during the financial year ending 30 June 2019.

Bendigo Bank Debt Facility

During the period, the Company secured a \$15 million bank facility with Bendigo Bank. The first drawdown of \$10 million occurred in December 2016. The funds will be available as and when required for the completion of the recent acquisitions, future acquisitions and the continued development of the Commercial Equipment Leasing segment of the Consolidated Entity.

Significant changes in the state of affairs

Chapter 19 of the ASX Listing Rules sets out the requirements of an entity to be classified for ASX purposes as an investment entity (LIC). Separately, the accounting standards set out a definition of an entity for accounting purposes being classified as an investment entity. It is this latter definition that triggers the treatment of controlled investments being held at fair value in the statement of financial position rather than being consolidated. The two definitions are for different purposes and not interrelated however, in the last 6 months the Company has ceased being an LIC under the ASX definition and also ceased being an investment entity under accounting standards.

As announced on 18 November 2016, the Company held discussions with the ASX relating to whether it continues to fit the definition of an investment entity under Chapter 19 of the ASX Listing Rules. The Company has concluded that it no longer fits the definition under Chapter 19 of the ASX Listing Rules and therefore should not be classified as an investment entity. The ASX has confirmed this position.

The Company had previously determined that it falls within the definition of Investment Entity as set out in the Australian Accounting Standards Board (AASB) AASB 2013-5 *Amendment to Australian Accounting Standards – Investment Entities*. In accordance with this accounting standard, the Company's interests in its investments that would have otherwise been accounted for as subsidiaries were measured at fair value through the statement of profit or loss and other comprehensive income (FVTPL). Effective 1 November 2016 and as a consequence of the recent acquisitions, the Company has determined that it ceases to be an Investment Entity which results in a status change and a move to consolidated accounting. The change has been accounted for prospectively from the date of the change in status as prescribed by the accounting standards.

Directors Report (continued)

Likely developments

As previously announced to the market, the Company intends to continue on the path of acquiring part or all of equipment finance broking entities where there is seen to be a strategic, cultural and commercial fit and are committed to a broker accumulation strategy. AIK does not intend to do any more than 3-5 such acquisitions over the next 18 months, subject to available funding.

In assessing future business acquisitions, strict acquisition criteria will be applied, including that an acquisition is expected to be earnings per share accretive for the Consolidated Entity in an appropriate time frame.

AIK continues to work closely with the existing management team of each acquired business and allows each entity to operate in a manner consistent with their ownership structure.

The medium-term goal for the Commercial Equipment Leasing segment is to increase value by selectively writing leases, whilst maintaining credit quality and utilising available funding avenues. The Directors are also focused on the development of additional sources of funding, additional sales resources and alliances with vendors.

Events subsequent to reporting date

The following items are noted as events subsequent to the reporting period:

Change of Company name

At a Board meeting of the Directors of the Company held in January 2017, it was agreed that there should be a change of the Company name which will be put to shareholders in an Extraordinary General Meeting (EGM) to be held on 13 April 2017. It is proposed that the Company changes its name from Armidale Investment Corporation Limited to Consolidated Operations Group Limited and the ASX code would be changed from ASX:AIK to ASX:COG.

Acquisitions

As announced on 17 February 2017, Platform (a 60% owned Subsidiary of AIK) executed a Terms Sheet to purchase 80% of an Equipment Finance Broker for total consideration of \$6.4 million. The AIK contribution to this purchase is expected to be approximately \$4 million and is supported by a cash contribution by existing Platform minority equity holders in order to purchase new Platform shares to fund the acquisition. The acquisition and contributions from minority equity holders is not expected to be dilutive to the Company's equity interest in Platform.

The consideration will be approximately \$4.6 million in cash and \$1.8 million in AIK scrip. The agreed multiple is approximately 4 times normalised EBITDA (estimated to be \$2 million) for the calendar year ended 31 December 2016.

The transaction is expected to be completed by 31 March 2017 and is contingent on matters such as due diligence, an audit of the target entity, ACCC approval and approval from Bendigo Bank.

Bendigo Bank Debt Facility

During the period, the Company secured a \$15 million bank facility with Bendigo Bank. The first drawdown of \$10 million occurred in December 2016. Subsequent to the end of the reporting period, the Company completed a further \$5 million draw down in early January 2017.

Other than declared in this Report, the Directors are not aware of any other events subsequent to the reporting period that would materially affect the half year financial report.

Directors Report (continued)

Rounding of amounts to nearest dollar

In accordance with ASIC Corporations (rounding in Director Reports) Instrument 2016/191, the amounts in the Directors Report have been rounded to the nearest dollar.


Auditors independence declaration

A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 is included on page 5 of this financial report and forms part of this Directors Report.

Signed in accordance with a resolution of the Board of Directors pursuant to section 306(3)(a) of the Corporations Act 2001.



Bruce Hatchman
Chairman



Cameron McCullagh
Joint Managing Director

28 February 2017

DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF ARMIDALE INVESTMENT CORPORATION LIMITED

As lead auditor for the review of Armidale Investment Corporation Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Armidale Investment Corporation Limited and the entities it controlled during the period.



Gareth Few
Partner

BDO East Coast Partnership

Sydney, 28 February 2017

**Consolidated Statement of Profit or Loss
and Other Comprehensive Income**

	Notes	31 December 2016 \$	31 December 2015 \$
Revenue from continuing operations	8	18,263,574	-
Interest income	8	959,853	800,119
Dividend income	8	1,060,290	-
Other income		123,837	303,103
Cost of sales		(1,161,675)	-
Commissions paid		(8,071,566)	-
Employee benefits expense		(5,007,224)	(589,725)
Administration expenses		(2,413,351)	(333,563)
Occupancy expenses		(440,748)	-
Finance costs		(325,914)	-
Depreciation and amortisation		(304,500)	(97,216)
Other expenses		(227,045)	(304)
Share of results from equity accounted associates	12	330,660	-
Profit before income tax		2,786,191	82,414
Income tax expense		(1,117,299)	(67,376)
Profit after tax for the half year		1,668,892	15,038
Other comprehensive income:			
<i>Items that may be reclassified subsequently to the statement of profit or loss:</i>			
Foreign currency translation differences	12	36,300	-
Other comprehensive income for the half year		36,300	-
Total comprehensive income for the half year		1,705,192	15,038
Profit after tax attributable to:			
Members of Armidale Investment Corporation Limited		1,088,646	15,038
Non-controlling interests		580,246	-
Total profit after tax for the half year		1,668,892	15,038
Total comprehensive income attributable to:			
Members of Armidale Investment Corporation Limited		1,124,946	15,038
Non-controlling interests		580,246	-
Total comprehensive income for the half year		1,705,192	15,038
Earnings and diluted per share from continuing operations, attributable to members:			
- Basic and diluted earnings per share (cents)	10	0.139	0.004

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	31 December 2016 \$	30 June 2016 \$
Assets			
Current			
Cash and cash equivalents		19,998,502	11,373
Trade and other receivables		9,393,506	505,993
Financial assets – lease receivables		11,200,405	-
Inventories		369,053	-
Current tax assets		26,521	-
Other assets		1,898,670	4,071,310
Total current assets		42,886,657	4,588,676
Non-current			
Financial assets – lease receivables		25,244,878	-
Financial assets – at FVTPL	14	140,000	69,360,730
Other financial assets		-	19,267,963
Equity accounted associates	12	4,031,533	-
Property, plant and equipment		3,062,043	-
Intangible assets and goodwill	6	115,491,650	-
Total non-current assets		147,970,104	88,628,693
Total assets		190,856,761	93,217,369
Liabilities			
Current			
Trade and other payables	15	14,697,579	4,081,611
Interest bearing liabilities	13	13,698,789	-
Current tax liabilities		1,619,908	-
Provisions		1,455,572	324,350
Total current liabilities		31,471,848	4,405,961
Non-current			
Provisions		886,812	118,352
Interest bearing liabilities	13	9,877,949	-
Deferred tax liabilities		2,203,522	-
Total non-current liabilities		12,968,283	118,352
Total liabilities		44,440,131	4,524,313
Net assets		146,416,630	88,693,056
Equity			
Share capital	9	183,802,366	128,296,682
Reserves		37,892,620	36,767,674
Accumulated losses		(76,371,300)	(76,371,300)
Non-controlling interests		1,092,944	-
Total equity		146,416,630	88,693,056

The accompanying notes form part of these interim financial statements

Consolidated Statement of Changes in Equity

	Notes	Share Capital \$	Accumulated losses \$	Reserves \$	Non- controlling interests \$	Total Equity \$
Balance at 1 July 2015		110,622,888	(76,371,300)	22,559,586	-	56,811,174
Net profit for the half year, after tax		-	15,038	-	-	15,038
Other comprehensive income for the half year:						
Movements in reserves		-	-	-	-	-
Total comprehensive income for the period		-	15,038	-	-	15,038
Transactions with owners:						
Shares issued via script consideration for acquisitions		5,389,508	-	-	-	5,389,508
Transfer to reserves		-	(15,038)	15,038	-	-
Balance at 31 December 2015		116,012,396	(76,371,300)	22,574,624	-	62,215,720
Balance at 1 July 2016		128,296,682	(76,371,300)	36,767,674	-	88,693,056
Net profit for the half year, after tax		-	1,088,646	-	580,246	1,668,892
Other comprehensive income for the half year:						
Movements in reserves		-	-	36,300	-	36,300
Total comprehensive income for the half year		-	1,088,646	36,300	580,246	1,705,192
Transactions with owners:						
Non-controlling interests acquired on deemed acquisition of controlled entities		-	-	-	512,698	512,698
Shares issued via placement	9	21,300,443	-	-	-	21,300,443
Shares issued via rights issue	9	12,349,627	-	-	-	12,349,627
Shares issued via script consideration for acquisitions	9	22,752,081	-	-	-	22,752,081
Costs of raising capital, net of tax	9	(896,467)	-	-	-	(896,467)
Transfer to reserves		-	(1,088,646)	1,088,646	-	-
Balance at 31 December 2016		183,802,366	(76,371,300)	37,892,620	1,092,944	146,416,630

Consolidated Statement of Cash Flows

		31 December 2016 \$	31 December 2015 \$
Notes			
Cash flows from operating activities			
		26,886,263	121,668
		(21,991,487)	(745,706)
		569,400	-
		982,925	800,119
		(204,040)	-
		(574,031)	(322,776)
		5,669,030	(146,695)
Cash flows from investing activities			
		(22,111,594)	(8,000,000)
		(3,800,000)	-
		(6,119,672)	-
		(255,779)	-
		160,000	-
		(5,259,177)	(4,140,001)
		1,178,091	1,477,410
	6	6,433,998	-
		(29,774,133)	(10,662,591)
Cash flows from financing activities			
	9	33,650,070	-
		(1,188,813)	-
	13	13,637,512	-
		(1,799,761)	-
		(206,776)	-
		44,092,232	-
Net increase / (decrease) in cash and cash equivalents			
		19,987,129	(10,809,286)
		11,373	10,834,815
		19,998,502	25,529
Non-cash investing and financing activities:			
	9	22,752,081	5,389,508

The accompanying notes form part of these interim financial statements

Notes to Interim Financial Statements

NOTE 1. GENERAL INFORMATION

Armidade Investment Corporation Limited (AIK or the Company) and its controlled entities (the Group or the Consolidated Entity) is an Australian Securities Exchange (ASX) listed company whose principal activities are primarily focused on the equipment finance sector. The investment objective of the Company is to grow its earnings per share from investing in complementary entities and growing existing businesses that specialise in equipment finance broking, finance aggregation and commercial leases for essential business assets.

The Company is a for-profit listed company limited by shares, incorporated and domiciled in Australia.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 28 February 2017.

The registered office is:

C/O Franks and Associates Pty Limited
Suite 4, Level 9, 341 George Street
Sydney, NSW, 2000
Phone 02 9299 9690

Principal place of business:

Level 1, 72 Archer Street
Chatswood NSW 2067
Phone 1300 137 146

NOTE 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These general purpose financial statements for the interim half year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the Annual Financial Report for the year ended 30 June 2016 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

These financial statements are presented in Australian Dollars, which is the Group's functional and presentational currency.

In accordance with ASIC Corporations (rounding in financial reports) Instrument 2016/191, the amounts in the financial report have been rounded to the nearest dollar.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Certain prior year comparative information has been revised in this interim financial report to conform to the current period's presentation.

New or amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Notes to Interim Financial Statements (continued)

NOTE 3. CHANGE OF ACCOUNTING POLICY

The Company had previously determined that it falls within the definition of Investment Entity as set out in the Australian Accounting Standards Board (AASB) AASB 2013-5 Amendment to Australian Accounting Standards – Investment Entities. In accordance with this accounting standard, the Company's interests in its investments that would have otherwise been accounted for as subsidiaries were not consolidated but rather measured at fair value through the statement of profit or loss (FVTPL).

Effective 1 November 2016 and as a consequence of the recent acquisitions, the Company has determined that it ceases to be an Investment Entity which results in a status change and a move to consolidated accounting. The change has been accounted for prospectively from the date of the change in status as prescribed by the accounting standards. Please refer to Note 6 and Note 12 for further information regarding the deemed acquisitions and recognition of associates as a result of the change in accounting policy.

NOTE 4. SIGNIFICANT ACCOUNTING POLICIES (INCLUDING THOSE OF CONTROLLED ENTITIES ACQUIRED)

(a) Principles of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. The excess of the consideration transferred over the fair value of identifiable net assets acquired and non-controlling interests is recorded as goodwill. If the consideration transferred is less than the fair value of identifiable net assets acquired and non-controlling interests, the difference is recognised directly in profit or loss. Costs of acquisition are expensed as incurred, except if it related to the issue of debt or equity securities.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date on which control commences until the date on which control ceases.

Non-controlling interests

Non-controlling interests (NCI) are measured at their proportionate share of the acquired subsidiaries' identifiable net assets at the date of acquisition. The term 'NCI' is used to describe that portion not owned by the parent entity, the NCI share of the consolidated profit and net assets is disclosed separately in the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position and the consolidated statement of changes in equity.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also recorded in equity.

Interests in equity-accounted associates

The Group's interests in equity-accounted investees comprise interests in associates. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the Group's share of the profit or loss of associates and the joint venture is included in the Group's profit or loss.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in full.

Notes to Interim Financial Statements (continued)

NOTE 4. SIGNIFICANT ACCOUNTING POLICIES (INCLUDING THOSE OF CONTROLLED ENTITIES ACQUIRED) (continued)

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Sales revenue

Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of products or services to entities outside the Group. Sales revenue is recognised when goods are provided to a customer with a complete contract of sale.

Finance commission income

Finance commission income, volume bonus incentives and fee income is accounted for on an accruals basis when the related service has been provided and the amount of consideration can be reliably measured. Such revenues are recorded on the gross basis as the Group acts as Principal in its dealings with customers and aggregation partners.

Finance income of leases

Finance leases are capitalised by recording an asset at the lower of the amounts equal to the fair value of the minimum lease payments, including any guaranteed residual values. Lease receipts are allocated between the reduction of lease receivables and the lease interest income for the period.

Residual rights

The Group recognises the estimated sum of expected end of term earnings on inception of the lease, discounted at the interest rates implicit in the lease. Income received from lease rentals and asset sale proceeds past the term of the lease over and above the residual rights receivable asset are recognised as per Note 4(d).

Lease rentals

Rental income on operating leases (where applicable) comprises revenue earned from leasing equipment where the Group is the lessor and has retained the right to the contracted rentals streams. Rental income on operating leases is recognised on an accruals basis, with amounts received but unearned taken up as deferred income and amounts earned but not yet received taken up as trade debtors.

Profit on sale of assets

Profit on sale of assets is recognised upon disposal of the asset and when right to receive payment is established.

Sale of receivable streams

Where contracted rental streams are sold to financiers and the Group contractually retains the residual rights then the proceeds received are recorded as revenue when received.

Interest income

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets, using the effective interest rate method.

(c) Lease receivables

The Group has classified its long term contracts as finance leases for accounting purposes. Under a finance lease, substantially all the risks and benefits incidental to the ownership of the lease asset are transferred by the Group to the lessees. The Group recognises at the beginning of the lease term as an asset at an amount equal to the aggregate of the present value (discounted at the interest rate implicit in the lease) of the minimum lease payments and an estimate of any unguaranteed residual value expected to accrue to the Group at the end of the lease term.

Notes to Interim Financial Statements (continued)**NOTE 4. SIGNIFICANT ACCOUNTING POLICIES (INCLUDING THOSE OF CONTROLLED ENTITIES ACQUIRED)
(continued)****(d) Lease receivable - residual rights**

The residual rights asset recognised represent the Group's rights to the guaranteed and unguaranteed residual values in the lease agreements, therefore they are accounted for as part of lease receivable on inception of a lease agreement and discounted at the interest rate implicit in the lease. Any over or under in recovery of this receivable is recognised directly in the profit or loss.

(e) Income taxes

The Company (AIK parent entity) and its wholly owned subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Consequently, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are offset in the consolidated financial statements (where applicable).

In addition, certain controlled entities and their wholly owned subsidiaries have formed income tax consolidated groups under the tax consolidation regime. These entities are also taxed as a single entity and the deferred tax assets and liabilities of these tax consolidated groups are offset in the consolidated financial statements.

NOTE 5. KEY ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Key judgement - investment entity accounting

The Company had previously determined that it falls within the definition of Investment Entity as set out in the Australian Accounting Standards Board (AASB) AASB 2013-5 Amendment to Australian Accounting Standards – Investment Entities. In accordance with this accounting standard, the Company's interests in its investments that would have otherwise been accounted for as subsidiaries were not consolidated but rather measured at fair value through the statement of profit or loss (FVTPL).

The Company has reassessed the investment entity status during the period due to facts and circumstances which indicated that there has been a change to one or more of the elements making up the definition of an investment entity and to the typical characteristics thereof.

If an entity obtains, or has the objective of obtaining, other benefits from its investments that are not available to other parties that are not related to the investee, the entity is arguably not investing solely for capital appreciation, investment income, or both, in which case the entity would arguably fail to meet certain criteria within the definition of an investment entity.

Whilst acknowledging that there are many factors that contribute to the Company remaining as or no longer being considered an investment entity, where an entity obtains, or has the objective of obtaining, other benefits from its investments that are not available to other parties that are not related to the investees, the entity is arguably considered not to be investing solely for capital appreciation and investment income.

As a result of the recent acquisitions made in the Finance Broking and Aggregation segment during the period, AIK intends to realise the benefits of scale and size from current controlled entities and intends to continue on the path of acquiring part or all of asset finance broking entities where there is seen to be a strategic, cultural and commercial fit. As a result, a change in accounting status has occurred during the period and the Company ceased to be an investment entity.

Notes to Interim Financial Statements (continued)

NOTE 5. KEY ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(b) Key judgement – finance commission income

Finance commission income, volume bonus incentives and fee income is accounted for on the gross basis as the Group acts as Principal in its dealings with customers and aggregation partners.

(c) Key estimate - rate of return on the residual rights

The Group estimates the value of unguaranteed lease residual rights based on its prior experience and history for similar contracts. The return is estimated to be between 20% to 25% of the original cost of the underlying asset (originally paid to the supplier). The Group estimated the up-front recognition based on rate of return of the asset. The estimated up-front recognition of residual rights is 100% of the estimated return of the residual rights discounted to present value using interest rates implicit in the lease.

(d) Key estimates – allowance for impairment of receivables

The Group assesses the allowance for impairment of receivables at each reporting date based on the likelihood of collectability of receivables due at that time.

(e) Key estimates – fair value of assets acquired

The Group measures the net assets acquired in a business combination at their fair value at the date of acquisition. If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identified adjustments to the fair value, then the amounts recognised as at the acquisition date will be retrospectively revised. Fair value is estimated with reference to the market transactions for similar assets or discounted cash flow analysis.

(f) Key estimates – deferred consideration

The Group has made a best estimate of the fair value of consideration payable for the acquisitions where there is a variable price or 'true-up' after performing due diligence on the acquisition financial information. Should the fair value of the final consideration payable vary from these estimates, the Group will be required to recognise the difference as an expense or income.

(g) Key estimates – goodwill

Goodwill is not amortised but assessed for impairment annually or when there is objective evidence of an impairment. The recoverable amount of goodwill is estimated using the higher of fair value or the value in use analysis of the relevant cash generating unit (CGU) deducting the carrying amount of the identifiable net assets of the CGU. Key assumptions used in the calculation of recoverable amounts are the discount rates, terminal value growth and EBITDA growth rates and multiples.

(h) Key estimates – recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and operating tax losses only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Notes to Interim Financial Statements (continued)

NOTE 6. BUSINESS COMBINATIONS

As outlined in Note 3 and Note 5, the Company had previously determined that it falls within the definition of Investment Entity as set out in the Australian Accounting Standards Board (AASB) AASB 2013-5 Amendment to Australian Accounting Standards – Investment Entities. In accordance with this accounting standard, the Company's interests in its investments that would have otherwise been accounted for as subsidiaries were measured at fair value through the statement of profit or loss and other comprehensive income (FVTPL).

Effective 1 November 2016 and as a consequence of the recent acquisitions, the Company has determined that it ceases to be an Investment Entity which results in a status change and the adoption of consolidated accounting. The change has been accounted for prospectively from the date of the change in status as prescribed by the accounting standards.

(a) Controlled entities acquired

The table below outlines the subsidiaries (or 'controlled entities') of the Consolidated Entity which are to be consolidated through the 'deemed acquisition' on the status change during the half year ended 31 December 2016 and as a result of the change in accounting policy:

Name of subsidiary acquired (ultimate parent entities only)	Notes	Ownership interest at 31 December 2016
Hal Group Pty Limited	(i)	100%
Platform Finance & Leasing Group Pty Limited	(ii)	60%
Consolidated Finance Group Pty Limited	(iii)	80%
QPF Holdings Pty Limited	(iv)	50%
Linx Group Holdings Pty Limited	(v)	50%

i. Hal Group Pty Ltd (Hal Group) (including TL Rentals Pty Limited (TL Rentals))

Hal Group is an IT service provider and is also the holding company for TL Rentals. TL Rentals writes leases for commercial business equipment. Funding of these leases is through:

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

ii. Platform Finance & Leasing Group Pty Ltd (Platform)

Platform owns 100% of the following main operating entities:

- Mildura Finance Limited (Mildura Finance)
- Melbourne Finance Broking Pty Limited (Melbourne Finance)
- Platinum Direct Finance Australia Pty Limited (Platinum Direct Finance)
- beInformed Group Pty Limited (trading as beCarWise) (beCarWise).

In addition to its finance broking operation to individuals and businesses including mortgage, commercial and equipment finance and ancillary services, Mildura Finance operates throughout Australia offering a comparator site, back office services and broking services through distribution channels such as mortgage brokers and accountants.

Melbourne Finance provides the business and private sectors with an independent source of finance specifically tailored towards motor vehicle, marine and equipment acquisition - both new and used. Melbourne Finance also provides independent brokers with fully serviced office facilities.

Notes to Interim Financial Statements (continued)

NOTE 6. BUSINESS COMBINATIONS (continued)

(a) Controlled entities acquired (continued)

Platinum Direct Finance also specialises in motor vehicle finance and generates leads through its website and smartphone application using Search Engine Optimisation and Search Engine Marketing.

beCarWise provides services when buying, financing and insuring a motor vehicle. The services include novated leases; offering a complete service that includes advice, the purchase of the motor vehicle, warranty, insurance, maintenance, resale of the motor vehicle and ease of record keeping. beCarWise also offers salary packaging and vehicle procurement.

Platform is the majority owner of the Group Platform Unit Trust, which is an aggregation platform and placed over \$1 billion of asset finance with financial institutions in the 2016 financial year.

iii. Consolidated Finance Group Pty Limited (CFG)

CFG is a membership based group that aggregated approximately \$1.8 billion of asset finance with financial institutions in the 2016 financial year.

CFG currently provides services to over 100 independent finance broking firms, which represents over 250 individual brokers. CFG is currently the largest independent specialist equipment finance aggregator in Australia. CFG is not a finance broker; it provides its equipment finance broker members access to lenders, product, commission, volume based incentives (VBI's) and services such as credit, documentation and compliance advice.

iv. Linx Group Holdings Pty Limited (Linx)

Linx has offices in Melbourne and regional New South Wales. Linx provides financial services throughout Australia. Linx specialises in the heavy equipment industries with expertise in the transport, bus, coach, logging, civil construction, manufacturing and agricultural sectors. The financial services offered by Linx include asset finance, insurance along with residential and commercial mortgages. Linx provides financial services as a credit representative under CFG's credit licence.

v. QPF Holdings Pty Limited (QPF)

QPF was established in 1977 and is a commercial finance broker with offices in Brisbane, Perth and regional Queensland. QPF provides finance solutions to businesses throughout Australia via partnerships with equipment vendors and a strong online presence on leading internet equipment sales platforms. The financial services offered by QPF include asset finance, working capital finance, insurance and both residential and commercial mortgages. QPF provides financial services under its credit licence.

Notes to Interim Financial Statements (continued)

NOTE 6. BUSINESS COMBINATIONS (continued)

(b) Acquisition accounting

The following disclosures provide information in relation to the 'deemed acquisitions' of controlled entities by the Group as a result of the change in investment entity status during the period.

i. Identifiable assets and liabilities acquired as a result of the deemed acquisition

Description	Hal Group \$	Platform \$	CFG \$	Linx \$	QPF \$	Total \$
Cash and cash equivalents*	1,006,912	3,125,030	464,070	589,633	1,248,353	6,433,998
Trade and other receivables**	2,407,856	3,676,229	1,393,792	382,675	774,817	8,635,369
Financial assets	32,491,648	1,471,492	-	-	-	33,963,140
Inventory	-	286,073	-	-	-	286,073
Other assets	2,180,560	274,699	8,315	253,374	64,910	2,781,858
Property, plant and equipment	2,427,716	354,082	18,913	150,426	550,822	3,501,959
Intangible assets	274,963	-	-	45,550	100,736	421,249
Deferred tax assets	7,490,931	424,488	-	-	136,460	8,051,879
Trade and other payables	(551,100)	(7,532,869)	(972,410)	(440,390)	(736,689)	(10,233,458)
Current tax liabilities	-	(735,046)	(199,479)	(310,906)	(516,530)	(1,761,961)
Provisions	(298,008)	(528,449)	(51,585)	(124,865)	(435,169)	(1,438,076)
Interest bearing liabilities***	(38,658,526)	-	-	-	(232,053)	(38,890,579)
Deferred tax liabilities	(10,254,931)	-	-	-	(240,671)	(10,495,602)
Other liabilities	-	(9,900)	(529,320)	(475,207)	(519,569)	(1,533,996)
Total net identifiable assets / (liabilities)	(1,481,979)	805,829	132,296	70,290	195,417	(278,147)

*This balance represents the net cash acquired on deemed acquisition of the controlled entities (as presented in the consolidated statement of cash flows).

**The trade receivables comprise contractual amounts and are expected to be fully recoverable.

***The interest bearing liabilities acquired from Hal Group include pre-existing relationships with the parent entity in Armidale Investment Corporation Limited and are eliminated on consolidation.

All intangible assets and goodwill recognised by the Consolidated Entity at the end of the reporting period were as a result of the deemed acquisitions and business combination.

In relation to the deemed acquisitions recognised in this interim reporting period, if new information is obtained within the one year measurement period from the deemed acquisition date, about facts and circumstances that existed at the acquisition date which identifies adjustments to the amounts recognised, then the acquisition accounting will be revised accordingly.

ii. Deemed purchase consideration on change of accounting policy ('deemed status change')

Description	Hal Group \$	Platform \$	CFG \$	Linx \$	QPF \$	Total \$
Fair value of investments on deemed status change*	42,649,713	22,906,444	14,518,582	13,471,658	20,754,607	114,301,004
Total	42,649,713	22,906,444	14,518,582	13,471,658	20,754,607	114,301,004

*At the Company's respective ownership interests.

As prescribed by the accounting standards, the fair value of the investments on the deemed acquisition date represents the transferred deemed consideration when measuring goodwill or any gain arising from deemed acquisition. In accordance with the above, the fair values of all the investments held by the Company have been assessed at the acquisition date in order to determine the deemed value of consideration transferred for the acquisition accounting. No gain or loss was recognised in relation to the fair values being assessed at the deemed acquisition date.

Notes to Interim Financial Statements (continued)

NOTE 6. BUSINESS COMBINATIONS (continued)

iii. Goodwill recognised on deemed acquisition

Description	Hal Group \$	Platform \$	CFG \$	Linx \$	QPF \$	Total \$
Deemed purchase consideration	42,649,713	22,906,444	14,518,582	13,471,658	20,754,607	114,301,004
Net identifiable (assets) and liabilities acquired	1,481,979	(805,829)	(132,296)	(70,290)	(195,417)	278,147
Non-controlling interests acquired	-	352,589	26,459	35,145	98,505	512,698
Goodwill on deemed acquisition	44,131,692	22,453,204	14,412,745	13,436,513	20,657,695	115,091,849

The majority of goodwill recognised on the deemed acquisition primarily relates to the subsidiaries' ability to generate future profits, their long standing operations, key personnel, reputation and processes, in addition to the identified benefits from the combination of synergies (where applicable). None of the goodwill recognised on the deemed acquisition is expected to be deductible for tax purposes.

iv. Financial performance of acquired subsidiaries

The contribution for the period since the deemed acquisition date (1 November 2016) by the acquired subsidiaries to the financial performance of the Consolidated Entity in the form of total revenue and profit after income tax attributable to members was \$18,263,574 and \$1,049,991 respectively.

If the acquisitions of the subsidiaries had been deemed to have occurred on 1 July 2016, the contributions to the Group by the acquired subsidiaries in the form of total revenue and profit after income tax attributable to members contributions would have been \$54,522,814 and \$3,095,629 respectively for the six-month period.

v. Acquisition related costs

The Company incurred \$527,841 of acquisition related costs, being external and internal legal fees, consultancy costs and external financial due diligence expenses for business interests acquired during the financial period.

These costs are only in relation to the acquisitions of CFG, Linx and QPF which took place during the reporting period. All costs have been recognised in the consolidated statement of profit or loss and other comprehensive income for the period.

Notes to Interim Financial Statements (continued)

NOTE 7. OPERATING SEGMENTS

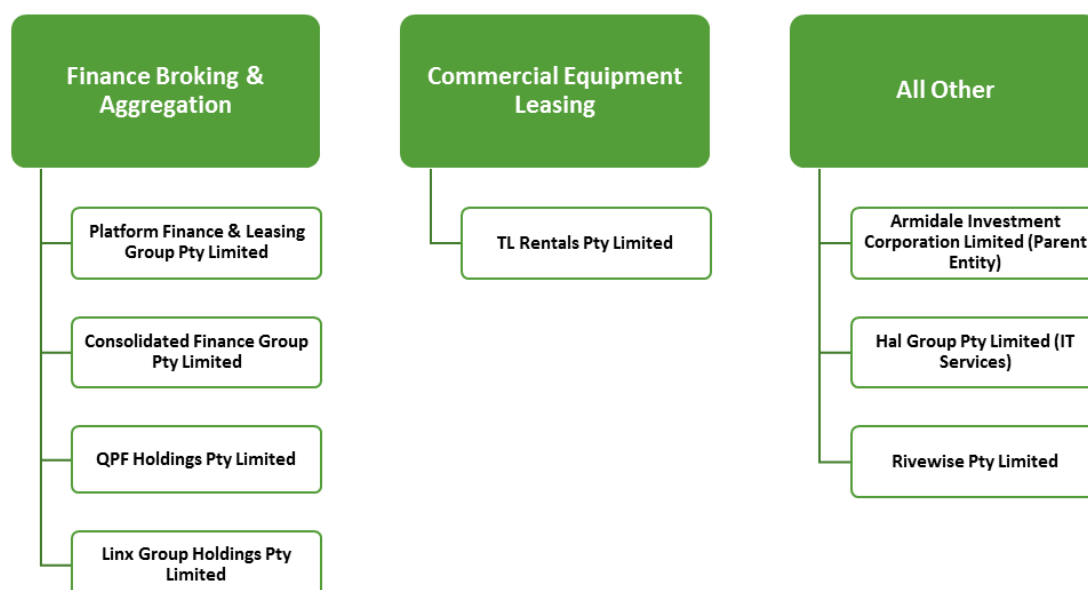
The Groups corporate structure includes equity investments in Finance Broking and Aggregation businesses, the Commercial Equipment Leasing sector and other complementary businesses. Discrete financial information about each of these entities is reported to management on a regular basis and, accordingly, management considers each entity to be a discrete business operation. The Consolidated Entity believes that all of its equity investments in the Finance Broking and Aggregation businesses exhibit similar economic characteristics and have therefore been aggregated into a single reporting segment, being the 'Finance Broking & Aggregation' segment. This assessment is based on each of the business operations having similar products and services, similar types of customers, employing similar operating processes and procedures, and operating within similar regulatory environments. Given the characteristics of TL Rentals being a Commercial Equipment Leasing provider, it has separate economic characteristics and will therefore be reported in its own operating segment.

The Groups corporate structure is set out as follows:

- **Finance Broking & Aggregation** businesses:
 - Platform Finance & Leasing Group Pty Limited
 - Consolidated Finance Group Pty Limited
 - QPF Holdings Pty Limited
 - Linx Group Holdings Pty Limited
- TL Rentals Pty Limited (**Commercial Equipment Leasing** provider)
- Hal Group Pty Limited (excl. TL Rentals) who provides managed IT services ('**All Other**' complementary businesses)
- Leading Edge Group (through Riverwise) which is a buying group and telecommunication reseller ('**All Other**' complementary businesses). This investment is equity accounted for.

The income and expenses of the AIK parent entity are included in the 'All Other' complementary businesses segment.

In addition to reviewing performance based on statutory profit after tax, the Chief Operating Decision Makers (being the Joint Managing Directors and the Chief Operating Officer) also review key additional performance measures being earnings before interest, tax, depreciation and amortisation (EBITDA) broken down by consolidated entities and associates. The additional performance measures, EBITDA and other related information are provided on a regular basis to the Chief Operating Decision Makers.



Notes to Interim Financial Statements (continued)

NOTE 7. OPERATING SEGMENTS (continued)

The information presented below for the Finance Broking & Aggregation and Commercial Equipment Leasing segments is only representative of the entities consolidated results from 1 November 2016.

As a result of the change in accounting policy during the reporting period, the results presented include:

- investment entity accounting from 1 July 2016 to 31 October 2016; plus
- the consolidated earnings from controlled entities from 1 November 2016 to 31 December 2016.

Period ended 31 December 2016	Finance Broking & Aggregation \$	Commercial Equipment Leasing \$	All Other / Intersegment \$	Total \$
Revenue	15,178,181	2,490,554	594,839	18,263,574
EBITDA¹ from core operations²	2,071,366	1,219,783	(609,230)	2,681,919
Finance income / (costs)*	(8,104)	(227,991)	870,034	633,939
Depreciation and amortisation	(58,336)	(230,266)	(15,898)	(304,500)
Non-recurring expenditure ³	-	(27,986)	(527,841)	(555,827)
Share of results from associates	-	-	330,660	330,660
Profit before tax	2,004,926	733,540	47,725	2,786,191
Income tax expense	(646,354)	(268,487)	(202,458)	(1,117,299)
Profit / (loss) after tax	1,358,572	465,053	(154,733)	1,668,892
Non-controlling interests	(580,246)	-	-	(580,246)
Profit / (loss) after tax, attributable to members	778,326	465,053	(154,733)	1,088,646
Other comprehensive income, attributable to members	-	-	36,300	36,300
Total comprehensive income / (loss), attributable to members	778,326	465,053	(118,433)	1,124,946

**The above financial information for the Commercial Equipment Leasing segment has been adjusted to reflect the impact of intercompany eliminations for Finance Costs with the parent entity in Armidale Investment Corporation Limited (included in 'All Other').*

No segment information has been presented for comparative purposes due to the change in accounting policy during the period.

¹ Earnings before interest, taxation, depreciation and amortisation (EBITDA).

² EBITDA from core operations excludes non-recurring expenditure and income (where applicable).

³ Non-recurring expenditure relates to acquisition due diligence costs incurred during the period (refer to Note 6) in addition to redundancies and restructuring expenses.

Notes to Interim Financial Statements (continued)

NOTE 8. PROFIT FOR THE HALF YEAR

Profit after tax from continuing operations for the half year includes the following items that are significant because of their size, nature or incidence:

Revenue

	31 December 2016 \$	31 December 2015 \$
Commission, fee and volume bonus income	15,178,181	-
Finance lease income and rentals	1,231,645	-
Finance lease residual rights	886,036	-
Sale of goods	801,086	-
Other operating income	166,626	-
	18,263,574	-

Interest income

Interest income – related parties	818,694	738,291
Interest income – external	141,159	61,828
	959,853	800,119

Interest income from related parties is in relation to transactions between the parent entity and its controlled entities prior to the change in accounting policy. For the interim period, the interest income of \$818,694 from related parties is the amount received from 1 July 2016 to 31 October 2016, before the change in accounting policy and resulting consolidation of these entities (and associated intercompany eliminations).

Dividend income

Total dividend income received during the period of \$1,060,290 (nil in the comparative period) is in relation to the dividends received from controlled entities for the period from 1 July 2016 to 31 October 2016, before the change in accounting policy and resulting consolidation of these entities (and associated intercompany eliminations).

Notes to Interim Financial Statements (continued)

NOTE 9. SHARE CAPITAL AND RESERVES

	31 December 2016 \$	30 June 2016 \$
(a) Paid up capital		
1,029,018,383 ordinary shares full paid (June 2016: 567,846,198)	183,802,366	128,296,682
(b) Movement in issued capital for the period	No. of Shares	\$
Opening balance at 30 June 2016	567,846,198	128,296,682
Shares issued via placement (i)	193,640,400	21,300,443
Shares issued via rights issue (i)	112,269,335	12,349,627
Shares issued via scrip consideration for acquisitions (ii)	155,262,450	22,752,081
Costs of raising capital, net of tax	n/a	(896,467)
Closing balance at 31 December 2016	1,029,018,383	183,802,366

(i) During the period, the Company successfully raised \$21.3 million through a placement of 193.6 million shares with sophisticated investors at an issue price of 11 cents per share.

The Company also raised \$12.3 million through a one for five non-renounceable entitlement offer to shareholders with an issue price of 11 cents per share.

(ii) To partially fund acquisitions during the period, the Company issued scrip consideration to the vendors of CFG, Linx and QPF. The shares were issued in two tranches with 85% of the shares being issued on completion in October 2016 and the remaining 15% being issued in December 2016, with an issue price of 11.11 cents per share. For the purposes of the recognition of the issued capital from scrip consideration in the interim financial statements, the shares were revalued based on their fair value at the issue date.

Capital management policy

Management controls the capital of the Company to endeavour to provide the shareholders with adequate returns and ensure that the Company can make and support its strategic investments and continue as a going concern. Management effectively manages the Company's capital by assessing its financial risks and adjusting its capital structure in response to changes in these risks and in the market.

(c) Ordinary shares

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

(d) Options

No options have been issued by the Company during the financial year.

(e) Reserves

Profits Reserve

The Profits 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 the payment of dividends in future periods.

Foreign Currency Translation Reserve

The Foreign Currency Translation Reserve represents the Consolidated Entity's equity accounted for associate share of reserves from Riverwise Pty Limited (see Note 12).

Notes to Interim Financial Statements (continued)

NOTE 10. EARNINGS PER SHARE

Both the basic and diluted earnings per share have been calculated using the profit attributable to members of the Company as the numerator.

	31 December 2016 \$	31 December 2015 \$
Profit after income tax, attributable to members	1,088,646	15,038
Basic and diluted earnings per share (cents)	0.139	0.004
Weighted average number of ordinary shares outstanding during the period used in calculating basic and diluted earnings per share	782,084,653	399,034,659
Closing number of ordinary shares on issue at the end of the reporting period	1,029,018,383	443,878,104

There are no outstanding securities that are potentially dilutive in nature for the Company.

NOTE 11. DIVIDENDS

There were no dividends paid in or declared to be paid during the period ended 31 December 2016.

As at the end of the reporting period, the franking credits available for subsequent financial periods based on a tax rate of 30% was \$2,010,359 (30 June 2016: \$1,375,775).

The ability of the Company to pay franked dividends is dependent upon the availability of profit reserves in the AIK parent entity as well as franking credits received through franked dividends from subsidiaries and associates and through the payment of tax.

Armidale Investment Corporation Limited and its wholly-owned Australian controlled entities have formed a consolidated group under the tax consolidated regime.

As at 31 December 2016, total tax losses not brought to account for the tax consolidated group was \$13,217,376 (30 June 2016: \$11,553,170). These tax losses are subject to an available fraction in each financial reporting period when being utilised.

NOTE 12. INVESTMENTS IN ASSOCIATES

As outlined in Note 3 and Note 5, the Company had previously determined that it falls within the definition of Investment Entity as set out in the Australian Accounting Standards Board (AASB) AASB 2013-5 Amendment to Australian Accounting Standards – Investment Entities. In accordance with this accounting standard, the Company's interests in its investments that would have otherwise been accounted for as associates were measured at fair value through the statement of profit or loss and other comprehensive income (FVTPL).

Effective 1 November 2016 and as a consequence of the recent acquisitions, the Company has determined that it ceases to be an Investment Entity which results in a status change and a move to consolidated accounting. The change has been accounted for prospectively from the date of the change in status as prescribed by the accounting standards.

Accordingly, the Company's investment in Riverwise Pty Limited (Riverwise) is now equity accounted for under AASB 128 'Investments in Associates and Joint Ventures'. As prescribed by the accounting standards, the fair value of the investments on the deemed change of status represents the initial value to be recorded on the recognition of the associate.

Notes to Interim Financial Statements (continued)

NOTE 12. INVESTMENTS IN ASSOCIATES (continued)

The Company holds approximately 33% of the equity in Riverwise Pty Limited (Riverwise). Riverwise is the sole shareholder of the Leading Edge Group Limited (LEG). LEG provides telecommunication distribution services to three large telecommunications providers and also operates buying groups. The principal activities of LEG are:

- Owns two Telstra Business Centres, one in Victoria and one in New South Wales
- Operates an outsourced sales team for British Telecom in the United Kingdom and retail, business to business distribution channels in New Zealand
- LEG's buying group members have over 900 retail shop-fronts throughout Australia.

	31 December 2016 \$	30 June 2016 \$
Equity accounted associates carrying value	4,031,533	-
(a) Movement in equity accounted carrying value		
Carrying amount at 30 June 2016	-	
Recognition of an associate on 'deemed status change'	3,664,573	(See Note 14)
Share of profits, after income tax	330,660	
Share of associates increment in reserves	36,300	
Equity accounted carrying value at 31 December 2016	4,031,533	

NOTE 13. INTEREST BEARING LIABILITIES

During the period, the Company secured a \$15 million bank facility with Bendigo Bank. The first drawdown of \$10 million occurred in December 2016 (with a further \$5 million being drawn down in early January 2017). The funds will be available as and when required for the completion of the recent acquisitions, future acquisitions and the continued development of the Commercial Equipment Leasing segment of the Consolidated Entity.

The facility agreement includes the following key terms:

- Facility limit of \$15 million
- Term of 60 months from initial drawdown date
- Quarterly repayments of \$750,000 commencing three months from the initial drawdown date
- Variable interest rates based on a floating base rate, plus the applicable margin
- The facility is guaranteed by the Company and certain controlled entities
- Other terms and conditions (as well as covenants) with a facility of this size and nature and the circumstances of the Company.

The remaining balance of interest bearing liabilities at the end of the reporting period primarily relates to the amounts recognised as a result of the deemed acquisitions and consolidation of controlled entities. These balances primarily represent secured loans and debentures which are secured against finance lease receivables of the Group, where the Group is the lessor.

Notes to Interim Financial Statements (continued)

NOTE 14. FAIR VALUE MEASUREMENT

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 (Level 3) at 31 December 2016 and 30 June 2016 on a recurring basis are as follows:

	31 December 2016	30 June 2016
	\$	\$
Financial assets at FVTPL		
(a) Composition of equity investments – Level 3		
Hal Group Pty Limited	-	42,649,713
Riverwise Pty Limited	-	3,664,573
The Reading Room Inc - BDB Soti Pty Ltd	140,000	140,000
Platform Finance & Leasing Group Pty Limited	-	22,906,444
	140,000	69,360,730
(b) Movements during the financial period – Level 3		
Opening balance at 30 June 2016	69,360,730	
Equity acquired in Consolidated Finance Group Pty Limited	14,518,582	
Equity acquired in Linx Group Holdings Pty Limited	13,471,658	
Equity acquired in QPF Holdings Pty Limited	20,754,607	
Derecognition of investment in Riverwise at FVTPL*	(3,664,573)	(See Note 12)
Derecognition of investments in Hal Group, Platform, CFG, Linx and QPF at FVTPL**	(114,301,004)	(See Note 6)
Closing balance at 31 December 2016 – Level 3	140,000	

*Investment in Riverwise is equity accounted for from 1 November 2016 as a result of the change in accounting policy from the deemed status change as an investment entity.

**Investments in Hal Group, Platform, CFG, Linx and QPF are consolidated as controlled entities from 1 November 2016 as a result of the change in accounting policy from the deemed status change as an investment entity.

There have been no transfers between the levels of the fair value hierarchy during the period ended 31 December 2016.

As outlined in Note 3 and Note 5, the Company had previously determined that it falls within the definition of Investment Entity as set out in the Australian Accounting Standards Board (AASB) AASB 2013-5 Amendment to Australian Accounting Standards – Investment Entities. In accordance with this accounting standard, the Company's interests in its investments that would have otherwise been accounted for as subsidiaries were measured at fair value through the statement of profit or loss and other comprehensive income (FVTPL).

Effective 1 November 2016 and as a consequence of the recent acquisitions, the Company has determined that it ceases to be an Investment Entity which results in a status change and a move to consolidated accounting. The change has been accounted for prospectively from the date of the change in status as prescribed by the accounting standards. As prescribed by the accounting standards, the fair value of the investments on the deemed acquisition date represents the transferred deemed consideration when measuring goodwill or any gain arising from deemed acquisition. In accordance with the above, the fair values of all the investments held by the Company has been assessed at the acquisition date in order to determine the deemed value of consideration on the acquisition date.

Notes to Interim Financial Statements (continued)

NOTE 14. FAIR VALUE MEASUREMENT (continued)

The equity instruments of the Company are held in unlisted companies and are not traded in active markets. The fair value of these investments is determined based on the provision of cash flow and earnings forecasts provided by the investee companies and provided to an external valuer. The valuation technique used by the valuer does use observable market data where available. These instruments are therefore classified as Level 3. An independent valuer has determined the valuation based on these inputs. The most recent valuation was performed for the purposes of the 30 June 2016 Annual Financial Report. 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.

Management have determined that the carrying values as at the deemed status change were a reasonable approximation of fair value. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period. Please refer to the 30 June 2016 Annual Financial Report for further information in relation to the methods and valuation techniques for the equity investments held at FVTPL.

The acquisitions of CFG, Linx and QPF are deemed to have been an arm's length transaction and as such the price paid was deemed to be reflective of the market value of the investment at the time of the deemed status change.

For those financial instruments not measured at fair value on a recurring basis, their carrying amounts are considered to be a reasonable approximation of fair values due to their short-term natures.

NOTE 15. TRADE AND OTHER PAYABLES

	31 December 2016 \$	30 June 2016 \$
Trade and other payables	<u>14,697,579</u>	<u>4,081,611</u>

Included in the above trade and other payables amount is deferred consideration in relation to the acquisition of Platform (Dec'15), CFG, Linx and QPF (Oct'16). Table (a) below reconciles the movements in deferred consideration payable during the period.

(a) Movement in deferred consideration

Carrying amount at 30 June 2016	4,000,000
Payments made	(3,800,000)
Fair value of deferred consideration (CFG, Linx & QPF)	3,881,173
Total deferred consideration at 31 December 2016	<u>4,081,173</u>

The Company often defers a portion of the purchase price under the Share Purchase Agreements to cover warranties and indemnities or until the audited results and working capital positions of the target entity are finalised when determining price.

In December 2016, \$3,800,000 of the \$4,000,000 deferred consideration payable to Platform under the Share Purchase Agreement was made (in relation to the 60% equity purchased in December 2015). An amount has been withheld (\$200,000) against warranties and indemnities which are in the process of being reviewed.

Under the Share Purchase Agreements for CFG, Linx and QPF (executed in October 2016) 15% of the total purchase price was withheld at completion to be issued following the settlement of the audited completion accounts and determination of working capital.

Notes to Interim Financial Statements (continued)

NOTE 16. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following key subsidiaries:

Name of entity	Country of incorporation	Direct equity interest	*Indirect equity interest
Hal Group Pty Limited	Australia	100%	
Hal Assist Pty Limited	Australia		100%
Data Box International Pty Limited	Australia		100%
TL Rentals Pty Limited	Australia		100%
Secured Finance Limited	Australia		100%
BEN Leasing Portfolio Pty Limited	Australia		100%
Number Rentals Pty Limited	Australia		100%
Platform Finance & Leasing Group Pty Limited	Australia	60%	
Beinformed Group Pty Limited	Australia		60%
Platinum Direct Finance Australia Pty Limited	Australia		60%
The Mardent Group Pty Limited	Australia		60%
National Direct Finance (Australia) Pty Limited	Australia		60%
Mildura Finance Limited	Australia		60%
Melbourne Finance Broking Pty Limited	Australia		60%
Aussie Fleet Management Pty Limited	Australia		60%
New Cars Group Pty Limited	Australia		60%
Aussie VIP Card Pty Limited	Australia		60%
Platinum Fleet Pty Limited	Australia		42%
Platinum Finance (Central Coast) Pty Limited	Australia		30%
Platinum Finance Accounting Solutions Pty Limited	Australia		40%
Access Cash Flow Solutions Pty Limited	Australia		40%
Group Platform Finance Pty Limited	Australia		45%
Consolidated Finance Group Limited	Australia	80%	
CFG (QLD) Pty Limited	Australia		80%
QPF CFG Pty Limited	Australia		80%
Linx Group Holdings Pty Limited	Australia	50%	
Linx Finance Australia Pty Limited	Australia		50%
Linx Mortgage Holdings Pty Limited	Australia		50%
Linx Mortgage Australia Pty Limited	Australia		50%
Linx Insurance Holdings Pty Limited	Australia		50%
Linx Insurance Australia Pty Limited	Australia		50%
QPF Holdings Pty Limited	Australia	50%	
QLD Pacific Finance Pty Limited	Australia		50%
QPF Mortgages Pty Limited	Australia		50%
Security Allied Finance Pty Limited	Australia		50%
Crain Holdings Pty Limited	Australia		50%
Gordon Holdings Pty Limited	Australia		50%
Deep Blue Holdings Pty Limited	Australia		50%
QPF CondonTreasure Pty Limited	Australia		25%
Cat One Investments Pty Limited**	Australia	100%	
Venagrow Pty Limited**	Australia	100%	
Meco Investments Pty Limited**	Australia	100%	

*Indirect equity interests represent the beneficial interest in entities which are non-wholly owned but are controlled entities of direct equity interests.

**These entities did not operate during or since the end of the period and are in the process of being de-registered.

Notes to Interim Financial Statements (continued)

NOTE 17. CONTINGENCIES AND COMMITMENTS

As disclosed in Note 15, the Company is expected to pay the deferred consideration in relation to the acquisitions of CFG, Linx and QPF over the coming months. The total deferred consideration for the acquisitions is subject to a 'true-up' based on the finalisation of the audited 30 June 2016 financial statements of each of the acquired entities and an adjustment for working capital.

There are no other material contingencies or commitments as at the end of the reporting period, other than those already disclosed in this report.

NOTE 18. EVENTS AFTER THE REPORTING PERIOD

The following items are noted as events subsequent to the reporting period:

Change of Company name

At a Board meeting of the Directors of the Company held in January 2017, it was agreed that there should be a change of the Company name which will be put to shareholders in an Extraordinary General Meeting (EGM) to be held 13 April 2017. It is proposed that the Company changes its name from Armidale Investment Corporation Limited to Consolidated Operations Group Limited and the ASX code would be changed from ASX:AIK to ASX:COG.

Acquisitions

As announced on 17 February 2017, Platform (a 60% owned Subsidiary of AIK) executed a Terms Sheet to purchase 80% of an Equipment Finance Broker for total consideration of \$6.4 million. The AIK contribution to this purchase is expected to be approximately \$4 million and is supported by a cash contribution by existing Platform minority equity holders in order to purchase new Platform shares to fund the acquisition. The acquisition and contributions from minority equity holders is not expected to be dilutive to the Company's equity interest in Platform.

The consideration will be approximately \$4.6 million in cash and \$1.8 million in AIK scrip. The agreed multiple is approximately 4 times normalised EBITDA (estimated to be \$2 million) for the calendar year ended 31 December 2016.

The transaction is expected to be completed by 31 March 2017 and is contingent on matters such as due diligence, an audit of the target entity, ACCC approval and approval from Bendigo Bank.

Bendigo Bank Debt Facility

During the period, the Company secured a \$15 million bank facility with Bendigo Bank. The first drawdown of \$10 million occurred in December 2016. Subsequent to the end of the reporting period, the Company completed a further \$5 million draw down in early January 2017.

Other than the above mentioned information, the Directors are not aware of any other events subsequent to the reporting period that would materially affect the half year financial report.

Directors Declaration


In the opinion of the Directors of Armidale Investment Corporation Limited:

- a) the consolidated financial statements and notes, as set out on pages 6 to 28 of Armidale Investment Corporation Limited and its controlled entities are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 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) in the Directors opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors pursuant to section 303(5)(a) of the Corporations Act 2001.



Bruce Hatchman
Chairman



Cameron McCullagh
Joint Managing Director

28 February 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Armidale Investment Corporation Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Armidale Investment Corporation Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

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 internal control 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 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 consolidated entity's financial position as at 31 December 2016 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.

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 have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Armidale Investment Corporation Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'Gareth Few', is written over a faint, stylized 'BDO' logo.

Gareth Few
Partner

Sydney, 28 February 2017