

A photograph of two business professionals in a meeting. One person, wearing a dark suit and a gold watch, is pointing at a tablet held by another person in a blue suit. The tablet displays a dashboard with a pie chart, a bar chart, and a line graph. A white circular graphic with a thin border is overlaid on the tablet, containing the text 'Be insightful...'. The background is softly blurred, showing a dark leather chair.

Be insightful...

# About Invigor

Invigor Group Limited is an Australian public company listed on the Australian Securities Exchange.

The Company has established itself as a leading data analytics and business intelligence group with a growing presence in business-to-business (B2B) and business-to-consumer (B2C) markets.

Data is fundamental to the growth and competitiveness of businesses today. It has become a key ingredient to the decision-making process and investment decisions for a large number of organisations across multiple sectors, both public and private. There are many similarities between Big Data and Resources. Striking gold is lucrative but such resources are hidden deep within a mine, and until you extract them it is hard to realise value. This is also true of Big Data. Placing golden, real-time and meaningful insights into the hands of those who need it, in a form that's useful for their role and objectives, leads to faster decisions and actions.

A manufacturer of consumer electronics may wish to analyse the performance of their products across multiple retail sites; a retailer, shopping centre owner, or Fast Moving Consumer Goods marketer could be seeking to assess the habits and desires of shoppers in a retail precinct; a local council will want to support and assist the businesses in its area or, a consumer may be searching for the best price for a refrigerator or washing machine by researching multiple offers from retailers from their smart phone. Invigor's technology underpins all these requirements.

We collect, aggregate, analyse and deploy this data and we push real revenue-generating opportunities to users every day. We don't just deliver data to our customers, but do a strategic analysis of the data to provide precise recommendations which can have a large impact on, for example, a retailer's and brand's bottom line. This provides the real competitive advantage and is at the heart of Invigor's business and the business is now active across a wide range of industry sectors.



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**Shopping  
Ninja**

**Insights Retail  
Analytics**

**Invigor is all about  
unlocking the value  
of data so private  
or public enterprises  
and consumers can have  
that competitive edge...**

**Insights Visitor  
Analytics  
+ Insights 360**

**Insights  
Network**



## Insights Retail Analytics

What we achieve for retailers and brand owners

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Put simply, we 'mine' big data and give our clients the bits (or gems) they need – as we like to put it 'Creating Value Through Data'. Invigor Insights uses advanced data analytics to give businesses a distinct competitive advantage in an increasingly digitised world. We are at the forefront of delivering tailored B2B data solutions that put brand owners and retailers in control.

**Insights Retail Analytics** is a cloud based software platform that allows our clients to use data analysis in a real time, meaningful and interactive ways to inform their decision making. We use a unique data set from proprietary and third party sources (online and offline) to deliver a range of innovative reporting insights.

The Insights solution allows a retailer to 'Know your competition and beat them at their game' by providing accurate and comprehensive pricing information on a product by product basis, with live alerts based on price change triggers and new advertisements or promotions.

The solution also allows retailers to view lost (or potentially lost) revenue opportunities and adjust pricing in real time accordingly – a critical need in our 24/7 digital world. All this information is available in a user friendly, tailor made and interactive online (or mobile) platform. We don't just do IT – we listen, engage and provide solutions.

Insights Retail Analytics also provides strategic insight for brand owners using similar deep analysis of big data, but with a different perspective. A brand can understand how retailers price their products compared to the competition as well as how it's positioned and promoted. In addition, having a view on Google search volumes and advertising spend will enable them to have a more complete picture and to 'own' the space to – 'Know your brand and how you compare.'

Our innovative reporting is a powerful tool that enables live oversight of price, marketing mix and consumer demand for almost every product in their chosen vertical.

Initially specialising in retail analytics for brand owners and retailers in the alcoholic beverage, whitegoods and consumer electronic sectors, Insights Retail Analytics will in the future provide these services to clients across a diverse and growing range of industry verticals as well as expanding beyond the Australian market.

Keep reading to find out how we use the capture and analysis of data to provide more solutions to empower business and now consumers...





# Insights Visitor Analytics + Insights 360

What we deliver for public and retail spaces

**Insights Visitor Analytics and 360 Analytics is a logical extension of the Insights product set, as we can now collect, aggregate and analyse data from a broad range of proprietary and open sources from in and around public and retail spaces (i.e. shopping centres) to deliver actionable insights for decision makers.**

The platform utilises (among other data sources) a unique and frictionless Wi-Fi user sign up which, unlike any other such service, respects the visitor's privacy – Insights Visitor Analytics does not request that users divulge any personal information, leading to a much higher level of engagement and therefore better quality data.

The information we gather is presented in a variety of tailored and easy to use formats, such as web dashboards, customisable reports and real time alerts, along with an array of systems integration including point of sale and e-commerce systems, connecting the dots between advertising, foot traffic and purchase conversion.

This allows our clients to gather the most holistic overview of their visitors possible, including demographic, psychographic, movement, behaviour and engagement, among others. Our proprietary technology is completely scalable and can be applied to a wide variety of retail and public spaces.

In a nutshell, Insights Visitor Analytics empowers decision makers and operators to obtain maximum return on investment for their space by generating higher rental, adding value for tenants, increasing consumer spend, maximising car park revenue and increasing advertising revenues.

Whether it be a local council, shopping centre owners, a media company or advertising agency, Insights Visitor Analytics and 360 Analytics can unlock considerable value from the data gathered.





# Shopping Ninja

How we empower consumers

Utilising our unique data collection capability where we gather and analyse pricing and other data from offline and online sources and across a wide range of industry verticals, Invigor has developed its first consumer focused price comparison and alert solution.

Built on the infrastructure behind Invigor's B2B Insights Retail Analytics solution it alerts shoppers to the best deal available from major retailers for the products for which they are browsing online. Covering over a hundred thousand products **Shopping Ninja** empowers consumers to find the best deal on their chosen product via an easy to use browser plug-in or smartphone Application (App)

**Shopping Ninja** allows consumers to find the lowest price including the most competitive delivery charges while they shop . It is truly transformative in the way it unobtrusively supports a user's natural online shopping experience to purchase more smartly.

It is a game-changer for the Australian consumer and a great example of how the deployment of data analytics in an easy to use application like Shopping Ninja is giving the edge back to the consumer. It's essentially a personal shopping assistant that automatically finds the lowest prices when you shop online.

The **Shopping Ninja** platform is unobtrusive it only appears if there is a better deal on offer. Consumers even have an option of being alerted when the product they desire falls below a particular price. In time it will also inform users if there are discount coupons for their chosen product. Consumers are more likely to stay engaged because they feel that they are in control with all the options available to them to be smart shoppers.

With the explosion in online shopping in Australia, which was collectively worth \$16.6 billion for the year to January 2015<sup>1</sup>, there are many compelling reasons to provide an innovative, user friendly price comparison tool like **Shopping Ninja** for consumers in this fragmented space.

Today, **Shopping Ninja** covers the Consumer Electronics, Whitegoods and Alcoholic Beverages markets in Australia with expansion into new retail verticals and international markets to follow.



1) Source: <http://www.news.com.au/finance/business/online-sales-growth-slows-to-9/story-e6frfkur-1227247558377>





## Insights Network

### Industrial scale analytics

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**Insights Network Analytics is a big data, streaming analytics solution specifically designed to provide valuable and actionable insight into smartphone and tablet usage data to mobile operators, WiFi providers, retailers, brands and marketing agencies.**

Network providers can gain a comprehensive understanding of tablet and smart device subscriber behaviour. For example devices, operating systems, mobile apps and domains are identified and categorised, Smartphone and tablet usage is tracked for every end-user in terms of the specific devices, applications and sites generating their traffic and powerful predictive algorithms are able to segment end-users based on common behavioural traits such as favourite mobile apps, usage profiles and preferred device.

Understanding customers' patterns of network usage enables informed decisions about pricing, product management, marketing, engineering and customer care.

With hardware installed on the operator network, this solution intelligently identifies virtually all of the data generated on smart devices to understand patterns of network usage, emerging applications and services which could lead to new revenue streams or consumption that potentially impacts pricing, product management, marketing, engineering and customer care.




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By not leveraging their existing internal data, Australian retail businesses are missing an enormous opportunity worth

**\$3.8bn**




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Online sales in Australia are expected to continue to rapidly grow, increasing from 2013: \$18.4 billion, over the next three years to be

**\$26.9bn**




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Public WiFi is a fast growing category with retail and outdoors hotspots locations set to increase rapidly over the next three years to

**5,763,907**

# Chairman's Report

Establishing a platform for growth

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“We are confident that we now have a suite of products that give Invigor the opportunity to achieve significant scale, primarily through organic growth.”

Gary Cohen, Executive Chairman

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Launch of

## Insights Retail

Leading retail analytics solution

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Launch of

## Insights Visitor

World class mobile analytics

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Launch of

## Shopping Ninja

First Consumer App

Dear Shareholders,

On behalf of the Board, I am pleased to present the 2014 annual report of Invigor Group Limited in what has been a transformational year for your company and one of significant progress. We have established a platform for growth that, in the near term, will position Invigor as one of Australia's leading data analytics and business intelligence companies across both business-to-business (B2B) and business-to-consumer (B2C) markets.

Big Data is fundamental to the growth and competitiveness of businesses today. It has become a key ingredient to the decision-making and investment decisions for a large number of organisations across multiple sectors, both public and private.

Collecting, aggregating, analysing and deploying this data is at the heart of Invigor's business and gives us exposure to a very wide range of industry sectors. Our focus now is to capitalise on this market opportunity.

The company has pursued organic and acquisition driven growth to establish itself as an industry leader which gathered momentum during 2014 with the acquisition of the balance of Global Group completing in July 2014 and the Amethon business which completed late in 2014. Both acquisitions have given Invigor the technology platforms to develop and market the Insights suite of products that are at the core of the Company's service offering today.



**Big Data is fundamental to the growth and competitiveness of businesses today. It has become a key ingredient in decision-making and investment decisions. Collecting, aggregating, analysing and deploying this data is at the heart of Invigor's business and gives us exposure to a very wide range of industry sectors. Our focus now is to capitalise on this market opportunity.**

**Insights Retail Analytics**, which provides pricing and market intelligence to a range of industries, is experiencing significant interest from retailers and brand owners and a number of trials are already underway. Our pricing is based on a Software as a Service (SaaS) model depending on the industry segment, product set and number of users.

**Insights Visitor Analytics** and **Insights 360 platforms** provide businesses with consumer intelligence and actionable insights arising from the growing use of mobile devices, particularly in Wi-Fi zones. As retailers embrace the use of data to help them enhance and tailor the shopping experience for consumers, the depth and timeliness of that data and the analysis into actionable insights becomes more important. The Insights Visitor platform is a fully integrated platform bringing together a range of sensory web-based point-of-sale, and proprietary data sets to give the most comprehensive analysis currently on the market.

Invigor announced its entry into the B2C market with the launch of **Shopping Ninja** in March 2015. Shopping Ninja is a price comparison and alert browser plug-in available to consumers which will shortly be offered as a smart device application. It builds on the infrastructure behind the Company's B2B Insights Retail Analytics solution and alerts shoppers to the best deal available from any retailer for the products for which they are browsing online. Shopping Ninja currently covers the Consumer Electronics, Whitegoods and Alcoholic Beverages markets in Australia and New Zealand and will be available across other verticals and markets in the coming months.

We are confident that we now have a suite of products that give Invigor the opportunity to achieve significant scale, primarily through organic growth. The sales pipeline is growing, and we are confident that we will convert this strong market interest into revenue generating contracts this year.

### **31 December 2014 financial results**

Invigor recorded a consolidated loss before interest, tax, depreciation and amortisation of approximately \$3.1 million for the year ended 31 December 2014. No dividend for FY2014 has been declared.

This result reflects the effect of the acquisitions made during 2014, the transition and repositioning of the Company, as well as costs associated with acquisitions and legacy issues, including the US litigation.

### **KIT digital and Pikel**

In relation to the KIT digital and Pikel matters, the Company is awaiting the distribution by the appointed KIT digital Creditors' Committee with timing of the distribution not yet determined. Invigor anticipates receiving over \$1 million for the claims with the value of the claim increasing due to the appreciating US dollar.

Following the decision by Pikel to issue warrants to Invigor during December 2014, the remaining issues between the parties narrowed considerably. The Company elected not to exercise the warrants after reviewing the financial information provided by Pikel. During March 2015 we reached a settlement on the outstanding litigation matters between the Company and Pikel with both parties withdrawing the allegations made against each other. This settlement does not impact on the claims made to the KIT Creditors' Committee. Settling this matter allows Invigor's team to focus on building its core business.

### **Capital management**

The Company raised \$7.0 million during 2014 following the completion of a share placement to professional, sophisticated and institutional investors and to some related parties.

This placement was followed by a successful share purchase plan offered to eligible shareholders. The funds were used to repay amounts owing under debt facilities and for operating and investment purposes.

I would like to thank shareholders who participated in the capital raising and we welcome new shareholders to Invigor's register. Shares were also issued as part of the consideration for the Global Group and Amethon acquisitions with executives from these businesses increasing their shareholding or becoming shareholders in Invigor.

### **A promising year ahead**

I would like to thank my fellow directors and the executive team for their support and efforts during 2014. Following completion of the acquisitions during 2014, and the opening of our centre of excellence in Chennai, India, we now have in place a highly experienced, motivated and professional team of executives focused on delivering Invigor's business strategy.

The Board and Executive Team look forward to meeting with shareholders at the Annual General Meeting to be held on 27 May 2015. Full details will be contained in the notice of meeting.



**Gary Cohen**  
Executive Chairman

# Board of Directors

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## **GARY COHEN**

### **Executive Chairman and Chief Executive Officer**

Masters of Laws (Honours 2nd), Bachelor of Laws and Bachelor of Commerce

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Gary Cohen has extensive experience in the information technology industry. Gary was Executive Chairman and Chief Executive Officer of iSOFT Group Limited, an ASX listed company from 1999 until 2010. Together with Brian Cohen, Gary built iSOFT into one of Australia's largest technology companies with operations in over 40 countries. Gary is the principal of the Marcel Equity group which is an investor in technology businesses.

Gary was previously a leading legal practitioner and a principal of an Australian investment bank.

Gary has the diverse expertise and experience required to execute growth strategies for information technology focused businesses and has a proven track record of building management teams, strengthening customer relationships and developing ties with stakeholders.



## **GREGORY COHEN**

### **Group Director – Operations**

Bachelor of Commerce (Marketing)

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Greg has an extensive international background in financial services and general management gained from a 27 year career with Ford Credit, the captive financing arm of Ford Motor Company.

Greg brings to Invigor his significant expertise in the financial services sector and operational market experience in Australia, Europe, South East Asia, India and China.



## **JOHN HAYSON**

### **Non-executive Director**

Bachelor of Business

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John Hayson is a director and owner of H Investments (NZ) Limited, a property company specialising in the development of new residential land estates and the construction of homes, villas and retail projects in Christchurch, New Zealand. Prior to pursuing his own interests, John gained experience in corporate finance and the origination and distribution of structured finance products at several companies, including BT Australia Limited and Schroders Australia Limited. John holds a Bachelor of Business (University of Technology, Sydney) and a diploma from the Securities Institute of Australia.





**VIC LORUSSO**  
**Non-executive Director**

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Vic has 12 years of experience in the media industry. Vic was appointed chief operating officer of the Australian Traffic Network during 2014 having previously served as its operations manager from 2003 to 2008. He has extensive experience in driving innovation in services and technology across established and emerging media.



**PAUL SALTER**  
**Non-executive Director**  
Bachelor of Commerce

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Paul Salter is a joint founder and Managing Director of MAP Capital Advisors and Chief Executive Officer of MAP Capital. Paul leads the corporate and M&A practice within the firm. Paul has extensive management and corporate finance experience having worked as Chief Financial Officer for Damovo Australia, Ericsson Corporate Networks and ACTTAB Ltd and in senior management with KPMG and Ernst & Young in corporate consulting. Paul's domain expertise is in the areas of telecommunication, information technology, gaming, digital and traditional media. Paul is non-executive chairman of Abilene Oil & Gas Limited. Paul holds a Bachelor of Commerce (University of Melbourne) and is a member of The Australian Institute of Company Directors and Chartered Accountants – Australia & New Zealand.

# Corporate Governance Statement

The Board of Invigor Group Limited is committed to achieving and demonstrating a robust corporate governance framework. In determining appropriate governance practices, the Company has examined the corporate governance principles and recommendations published from time to time by the Australian Securities Exchange (ASX) Corporate Governance Council (hereafter referred to as the ASX Governance Principles).

Corporate governance practices are continually being reviewed and refined to meet the requirements of the Company.

This Corporate Governance Statement outlines the main corporate governance practices of the Company. These practices comply with the ASX Governance Principles unless otherwise stated. If a recommendation has not been adopted by the Company, or an alternative approach has been taken, then the reasons for doing this are explained.

## **Principle 1: Lay Solid Foundations for Management and Oversight by the Board**

The Board is responsible for guiding and monitoring the overall business performance and strategic direction of the company on behalf of shareholders to whom it is accountable.

The Board has adopted a charter which details the roles and responsibilities that are specifically reserved to it for decision. The Board's responsibilities encompass the following:

- Set the Company's strategic direction and monitor management's implementation of that strategy;
- Monitor financial outcomes and the integrity of internal and external reporting;
- Approve annual budgets and longer-term strategic and business plans;
- Effective and timely reporting to shareholders including annual reports, half yearly reports and any other information for disclosure to the market that contains financial projections or statements as to future financial performance;
- Approve and monitor the progress of major capital expenditure projects, capital management and acquisitions and divestments;
- Approve borrowings other than in the ordinary course of business and the granting of security over or interests in the undertaking or assets of the Company;
- Implementing effective audit, risk management and compliance systems to protect the Company's assets and to minimise the possibility of the Company operating beyond legal requirements or beyond acceptable risk parameters;
- Set specific limits of authority for management to commit to new expenditure, enter contracts or acquire businesses without prior Board approval;
- Approve corporate governance and operating policies;
- Monitor compliance with regulatory requirements (including continuous disclosure) and ethical standards;
- Appoint and, where appropriate, remove the Chief Executive Officer, Company Secretary and, in agreement with the Chief Executive Officer, those senior executives who report to the Chief Executive Officer;
- Approve conditions of service and performance monitoring procedures to apply to the Executive Chairman/Chief Executive Officer and senior management; and
- Review, on a regular basis, senior management succession planning and development.

The Executive Chairman is responsible for leading the Board in those duties detailed above and for overseeing efficient and effective operation of the Company by the senior executive team on a day-to-day basis.

The Executive Chairman/Chief Executive Officer oversees the implementation of strategies approved by the Board and is accountable to the Board for all authority delegated to the senior executive team. The Executive Chairman/Chief Executive Officer is also responsible for bringing material matters to the attention of the Board.

The process for monitoring and evaluating the performance of senior executives is detailed in the Remuneration Report.

## **Principle 2: Structure the Board to Add Value**

The Board considers that its composition should be such that there is collectively a complementary mix of skills, personal attributes and experience amongst the members appropriate to the requirements of the Company.

The skills, experience and expertise of each director in office as at the date of this report are detailed in the Directors' Report.

As at the date of this report, the Board comprises a majority of Non-executive directors with the following composition:

**Gary Cohen** – Executive Chairman and Chief Executive Officer

**Gregory Cohen** – Group Director – Operations

**John Hayson** – Non-executive director

**Vic Lorusso** – Non-executive Director

**Paul Salter** – Non-executive Director

Details of changes in the composition of the Board during the last financial year are contained in the Directors' Report.

An independent director:

- is independent of management and any business or other relationship with the Company that could materially interfere with the exercise of objective, unfettered or independent judgement by the director or the Directors' ability to act in the best interests of the Company.
- is not a substantial shareholder in the Company or directly or indirectly associated with a substantial shareholder.
- has not been employed by the Company in an executive capacity within the within the last 3 years.
- is not a principal of a professional adviser to the Company.
- is not a significant customer of the Company.

The Board has assessed the independence of the Non-executive Directors in light of the above criteria. John Hayson is not considered an independent director because he is a substantial shareholder in the Company. Vic Lorusso is not considered an independent director because of his shareholding in the Company and his role as chief operating officer of a customer of the Consolidated Entity. Paul Salter is not considered an independent director because he has an interest in the Amethon transaction under which the vendors have an entitlement to additional consideration subject to business performance.



Therefore, the Board, at the present time, contains a majority of Non-executive directors but not contain a majority of independent directors. The Board considers the current composition to be appropriate having regard to the Company's present size and business objectives. The composition of the Board will be reviewed as business plans are implemented.

Directors have rights of access to management and to seek independent professional advice at the Company's expense to assist them with performing their duties.

The Board is committed to reviewing the performance of Non-executive Directors and the Board as a whole.

#### **Board Committees**

The Board has previously established the following committees to assist it in the execution of its duties:

- Nomination and Remuneration Committee
- Audit Committee

Each Committee is governed by a formal charter setting out its duties and responsibilities.

The operation of these committees has been suspended following changes in recent years to the scale and nature of the operations of the Company. All relevant matters are now being referred directly to the Board for consideration. The Board will consider reactivating the committees at a later date as circumstances require.

#### **Principle 3: Promote Ethical and Responsible Decision Making**

The Company has adopted a Code of Conduct that sets out the minimum standards of moral and ethical behaviour expected of all directors and employees. The Code of Conduct is not exhaustive and cannot anticipate every situation which may arise. It is expected that common sense and sound judgement will be applied. The Code of Conduct is based on the following guiding principles:

- to act honestly and fairly in all business transactions and dealings with others.
- to treat other directors and employees, contractors, customers, competitors and all other persons with whom they deal at work with the utmost courtesy and respect.
- not to compromise a duty to act within the best interests of the Company.
- to comply with all laws and regulations applicable to the business of the Company.

#### **Diversity Policy**

A formal diversity policy has not been adopted by the Board. The Company make assessments of employees and potential employees based on the ability of a person to perform their defined role and to meet the cultural objectives of the Company. Decisions are made irrespective of a person's gender, age, race, religion or cultural background. The practices for assessing and appointing employees are considered appropriate to meeting the needs of the Company taking into account its present size and operating structure. Accordingly, it is not considered appropriate or necessary to set measurable objectives for achieving gender diversity and none have been disclosed. Similarly, the proportion of women in the Company, including senior executive positions, has not been disclosed in this report.

#### **Principle 4: Safeguard Integrity in Financial Reporting**

The Board has previously established an audit committee but has suspended the operation of the committee given the current size of the Company and the change to the nature and scale of activities that have occurred in recent years. The Board will consider reactivating the committee at a later date as circumstances require.

Matters delegated to the Audit Committee under its charter are now considered directly by the Board. These matters include:

- reviewing annual and half yearly financial statements for approval;
- reviewing the appointment, terms of engagement and remuneration of the external auditor;
- considering the appropriateness of the Company's accounting policies and approving any changes which may be necessary;
- reviewing the audit plans of the external auditor;
- assessing the performance of the external auditor;
- reviewing results of the external audits, including meeting with the external auditor to discuss the outcome of the audit;
- assessing management's programs and policies which deal with the adequacy and effectiveness of internal controls over the Company's business processes;
- approving changes to the Company's formal accounting policies.
- reviewing jointly with management and, if necessary, legal counsel, any litigation, claim or other contingency, which could have a material effect on the financial position or operating results of the Company;
- reviewing and assessing compliance monitoring programs in place within the Company; and
- assessing the adequacy of the Company's insurance program and its risk management strategies.

An auditor independence policy has been approved that details processes to be undertaken to be satisfied that auditor independence is maintained. The policy details the types of non-audit services that are permitted to be provided by the external auditor and those that are prohibited from being provided.

The Board meets with the external auditor at least twice a year and more frequently, if considered necessary.

# Corporate Governance Statement

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## **Principle 5: Make Timely and Balanced Disclosure**

The Board is committed to providing shareholders and the investment community generally with timely information about material financial and non-financial events that impact upon the Company.

To reinforce this intention, the Company has approved an External Reporting Policy. This policy is designed to ensure the Company complies with its disclosure obligations for both financial and non-financial information in accordance with the Corporations Act 2001 and the ASX Listing Rules.

The Executive Chairman/Chief Executive Officer, Group Director – Operations and the Company Secretary have each been appointed as persons having authority for communicating with the Australian Securities Exchange. This includes responsibility for ensuring compliance with the continuous disclosure requirements contained in the ASX Listing Rules, and overseeing and coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

## **Principle 6: Respect the rights of Shareholders**

The Board is committed to providing shareholders with information in a timely manner to inform them about matters affecting the Company.

The principal communication channels are through the provision of the annual and half yearly reports, Company announcements and the Annual General Meeting.

The process for communicating with shareholders and other parties is documented in the External Reporting Policy.

The Board encourages the attendance and participation of shareholders at general meetings. Notices of meetings, including proposed resolutions, are issued in advance of meetings, in accordance with legal requirements.

The external auditor attends the annual general meeting and is available to answer shareholder questions about the conduct of the audit of the annual financial report and the preparation and content of the auditor's report.

The Company's website, [www.invigorgroup.com](http://www.invigorgroup.com), provides shareholders with access to:

- annual and half yearly financial reports and presentations;
- announcements and media releases;
- information on the Company's business strategy and objectives;
- details on business activities;
- information on corporate governance practices;
- details about the Board of directors and senior executive management.

## **Principle 7: Recognise and Manage Risk**

The Board is responsible for and oversees and reviews the effectiveness of risk management and internal compliance management in the organisation. Documented policies to enable appropriate management of business risk have been adopted. Management is responsible to the Board for identifying, managing, reporting upon and implementing effective operational measures to address risk and compliance.

Entities in which the Company has invested are responsible for their own risk management and internal control processes and reporting. The Company oversees those processes through board representation and involvement in assisting and overseeing the management of those businesses.

The Board confirms that the CEO and the CFO (or their equivalents) provide written assurance to the Board as to the integrity of the financial statements and that to the best of their knowledge they are founded on a sound system of risk management and internal controls and that those systems and controls are operating effectively in all material respects.

The Board notes that due to its nature, internal control assurance from the CEO and the CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

## **Principle 8: Remunerate Fairly and Responsibly**

The Board has previously established a Nomination and Remuneration Committee that operates under a formal charter. The operation of the committee has been suspended following the changes to the scale and nature of the operations of the Company that have occurred in recent years. All relevant matters are now being referred directly to the Board for consideration. The Board will consider reactivating the committee at a later date as circumstances require.

The Company's remuneration policy and practices are designed to attract, motivate and retain appropriately qualified and experienced people, and to ensure that remuneration of all directors, executives and staff properly reflect each person's accountabilities, duties and level of performance.

Details of the structure, composition and quantum of the remuneration of directors and senior executives are contained in the Remuneration Report.



# Directors' Report

for the year ended 31 December 2014

The Directors present their report together with the financial report of the Consolidated Entity comprising Invigor Group Limited ("the Company" or "Invigor") and its controlled entities (together "the Consolidated Entity") for the financial year ended 31 December 2014 and the Auditor's report thereon.

## Directors

The Directors of the Company at any time during or since the end of the reporting period were:

<b>Current Directors</b>	<b>Appointed</b>
Gary Cohen (Chairman)	19 July 2012
Gregory Cohen	19 July 2012
John Hayson	27 March 2014
Vic Lorusso	31 October 2012
Paul Salter	10 December 2014

  

<b>Former Directors</b>	<b>Resigned</b>
Gary Munitz	11 December 2014
Daniel Sekers	11 December 2014

Details of the experience and qualifications of directors in office at the date of this report are:

### GARY COHEN

#### **Executive Chairman and Chief Executive Officer**

Masters of Laws (Honours 2nd), Bachelor of Laws and Bachelor of Commerce

Gary Cohen has extensive experience in the information technology industry. Gary was Executive Chairman and Chief Executive Officer of iSOFT Group Limited, an ASX listed company from 1999 until 2010. Together with Brian Cohen, Gary built iSOFT into one of Australia's largest technology companies with operations in over 40 countries. Gary is the principal of the Marcel Equity group which is an investor in technology businesses.

Gary was previously a leading legal practitioner and a principal of an Australian investment bank.

Gary has the diverse expertise and experience required to execute growth strategies for information technology focused businesses and has a proven track record of building management teams, strengthening customer relationships and developing ties with stakeholders.

Other listed company directorships in the past 3 years:

TAG Pacific Limited – 1999 to current

### GREGORY COHEN

#### **Group Director – Operations**

Bachelor of Commerce (Marketing)

Greg has an extensive international background in financial services and general management gained from a 27 year career with Ford Credit, the captive financing arm of Ford Motor Company.

Greg brings to Invigor his significant expertise in the financial services sector and operational market experience in Australia, Europe, South East Asia, India and China.

Other listed company directorships in the past 3 years: None

### JOHN HAYSON

#### **Non-executive Director**

Bachelor of Business

John Hayson is a director and owner of H Investments (NZ) Limited, a property company specialising in the development of new residential land estates and the construction of homes, villas and retail projects in Christchurch, New Zealand. Prior to pursuing his own interests, John gained experience in corporate finance and the origination and distribution of structured finance products at several companies, including BT Australia Limited and Schroders Australia Limited. John holds a Bachelor of Business (University of Technology, Sydney) and a diploma from the Securities Institute of Australia.

Other listed company directorships in the past 3 years: None

### VIC LORUSSO

#### **Non-executive Director**

Vic has 12 years of experience in the media industry. Vic was appointed chief operating officer of the Australian Traffic Network during 2014 having previously served as its operations manager from 2003 to 2008. He has extensive experience in driving innovation in services and technology across established and emerging media.

Other listed company directorships in the past 3 years: None

### PAUL SALTER

#### **Non-executive Director**

Bachelor of Commerce

Paul Salter is a joint founder and Managing Director of MAP Capital Advisors and Chief Executive Officer of MAP Capital. Paul leads the corporate and M&A practice within the firm. Paul has extensive management and corporate finance experience having worked as Chief Financial Officer for Damovo Australia, Ericsson Corporate Networks and ACTTAB Ltd and in senior management with KPMG and Ernst & Young in corporate consulting. Paul's domain expertise is in the areas of telecommunication, information technology, gaming, digital and traditional media. Paul is non-executive chairman of Abilene Oil & Gas Limited. Paul holds a Bachelor of Commerce (University of Melbourne) and is a member of The Australian Institute of Company Directors and Chartered Accountants – Australia & New Zealand.

Other listed company directorships in the past 3 years:

Abilene Oil & Gas Limited – June 2013 to current

#### **Company Secretary**

### DAVID NEUFELD

Bachelor of Commerce (Honours)

David Neufeld has been the Chief Financial Officer and Company Secretary of Invigor since October 2012. David has worked as a chartered accountant and in corporate organisations for over 25 years. Most recently, David spent 7 years as Chief Financial Officer and Company Secretary of the ASX listed investment company, Oceania Capital Partners Limited. David has extensive experience in financial and management reporting, corporate compliance, governance and risk management, audit and business acquisitions and divestments. David is a member of Chartered Accountants – Australia & New Zealand and The Australian Institute of Company Directors.

# Directors' Report

for the year ended 31 December 2014

## Director Meetings

The number of Board meetings held and the number of meetings attended by each of the directors of the Company during the financial year were:

Directors	Board Meetings	
	A	B
Gary Cohen	15	15
Gregory Cohen	15	14
John Hayson	12	11
Vic Lorusso	15	15
Gary Munitz	15	14
Paul Salter	—	—
Daniel Sekers	15	14

A – Number of meetings held during the time the director held office during the period.

B – Number of meetings attended.

The Audit Committee and the Nomination and Remuneration Committee have previously been suspended following the changes in recent years to the scale of the operations of the Company. All matters are referred directly to the Board for consideration.

## Environmental Regulation and Performance

The Consolidated Entity is not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory.

## Principal Activity

The principal activity of the Consolidated Entity until 18 March 2014 was to operate as an investment company focused on the information and communication technologies sector. The Company invested its expertise and capital to transform innovative technology companies with outstanding management teams into successful international businesses in accordance with agreed business plans covering an appropriate timeframe. From 18 March 2014, the Company has been transforming into a digital solutions group capable of delivering both sales and fulfilment capability. It specialises in innovative business intelligence, big data solutions for businesses and consumers which are supported by strategic consulting, development and marketing services. Invigor delivers its cloud based solutions to a broad range of clients including retailers, brands, mobile network providers, local and state governments, advertising and media agencies.

## Significant Changes in the State of Affairs

The Company has been transforming itself into a digital solutions group and has completed several acquisitions and investments in line with this strategy. The transformation has initially been funded by the issue of convertible notes and raising of new equity, including \$7.0 million through a share placement to certain sophisticated, professional and institutional investors, a number of related parties and through a share purchase plan to eligible shareholders. Details of the transactions undertaken and the funding raised are provided throughout this Directors' Report.

There were no other significant changes in the affairs of the Consolidated Entity during the financial period.

## Operating and Financial Review

### Result for the period

The net loss after tax of the Consolidated Entity for the year ended 31 December 2014 was \$4,127,000 (31 December 2013 – \$15,952,000 loss).

The result reflects the effect of the acquisitions made during 2014, the transition and repositioning of the Company as well as costs incurred in connection with the acquisitions and legacy matters, including the US litigation.

The prior period result included an impairment charge of \$12.4 million against the exposure to KIT digital, Inc.

### Invigor Digital Solutions ("IDS")

IDS was established during 2014 following the acquisition of the balance of the issued shares of Global Group Australia Pty Ltd not already owned which completed on 1 July 2014. This acquisition was undertaken following a decision in March 2014 to transform the Company into a digital solutions company. IDS is the main operating focus of the Consolidated Entity. The acquisition of Global Group provided the foundation for development of the Insights range of solutions which provide powerful business analytics for a range of industries and have application in both the public and private sectors. Insights Retail Analytics, which provides pricing and market intelligence to a range of industries, is experiencing significant interest from retailers and brand owners. Our pricing is based on a Software as a Service (SaaS) model depending on the industry segment, product set and number of users.

The acquisition of Amethon Solutions (Asia Pacific) Pty Ltd on 1 December 2014 allows IDS to expand the Insights product suite into mobile analytics solutions providing deep, real-time insights into consumer behaviour. Insights Visitor analytics and Insights 360 are cloud based solutions which provide a fully integrated analysis of consumer behaviour including demographic, psychographic, sociographic and geographic information to give a holistic view of consumer profiles, preferences and trends. As retailers embrace the use of data to make more decisions around their consumer, the depth and timeliness of that data and the analysis into actionable insights becomes more important. The Insights Visitor platform is a fully integrated cross-functional platform bringing together a range of sensory data, web based data, point of sale data and proprietary data sets to give the most comprehensive analysis currently on the market.

Invigor expects to soon announce its entry into the B2C market with the launch of a price comparison and alert browser extension available to consumers. The product will build on the infrastructure behind the Company's B2B Insights Retail Analytics solution and alerts shoppers to the best deal available from any retailer for the products for which they are browsing online. The application will initially cover the Consumer Electronics, Whitegoods and Alcoholic Beverages markets in Australia. It will be available across other verticals and markets in due course.

IDS also provides professional services through contracts which provide a good catalyst for growing our credibility in the 'Big Data' arena.

Development teams are based in Australia and Chennai, India. The sales team has a national focus.

There are encouraging signs of solid market penetration for the Insights products during 2015.



### **MY Verified ID Holdings Pty Ltd ("MVID")**

MVID is developing a global identity verification and authentication platform designed to reduce business risks and fraud in the online world. The Consolidated Entity entered into a \$3.1 million convertible note funding facility with MVID on 12 November 2014. Funding was to be provided in accordance with an agreed schedule through to 30 June 2015. Funding provided was to be used by MVID for agreed purposes only as set out in the facility documentation. Subsequent to year end, it was conditionally agreed with MVID to restructure the arrangements between the parties. Formal documentation to give effect to the proposed restructure of the MVID arrangements was not signed and, on 16 March 2015, the Company exercised its rights as a secured creditor and appointed a Voluntary Administrator to MVID. The Company took this action to protect the value of its investment and as a step seeking to maximise recoveries. The Company, at the date of this report, reasonably believes that the convertible note exposure to MVID at 31 December 2014 of \$0.5 million remains recoverable having regard to the terms of the Convertible Note facility. Refer *Events subsequent to reporting date* below.

In assessing the appropriateness of the carrying amount in MVID at 31 December 2014, the directors have had regard to a number of factors, including:

- The terms of the Convertible Note funding facility entered into on 12 November 2014.
- The business performance of MVID since 12 November 2014.
- MVID's expected progress against its business plan.
- The intended restructuring of the convertible note arrangements which were conditionally agreed subsequent to balance date.
- The effect that the appointment of a Voluntary Administrator to MVID on 16 March 2015 could have on the recoverability of the exposure to MVID.

### **Piksel Inc. (formerly KIT digital, Inc) ("Piksel" or "KIT")**

The Company continued to manage the KIT/Piksel matters. In June 2014, the US Bankruptcy Court ruled in favour of the Company's application for summary judgement dismissing claims made by Piksel. The judge permitted that Piksel have an opportunity to refile its claims. An amended complaint was filed on 13 August 2014. The matters between the parties narrowed following a decision by Piksel to issue 14.1 million warrants to the Company during December 2014. The Company subsequently elected not to exercise the warrants. This followed a review of financial information received from Piksel in January 2015. During March 2015, the Company and Piksel Inc. agreed to settle the legal dispute between the parties. Documentation is in agreed final form but remains to be executed.

The Company still has claims before the appointed KIT digital Creditors' Committee. These claims remain to be finally determined by the Committee. The timing of distributions is not confirmed. The value of the claims is tied to the USD/AUD exchange rate at the time of the claim so we have seen an appreciation of approximately 25% in the value during 2014. We anticipate receiving over \$1.0 million for the claims in due course subject to the final outcome of the Creditors' Committee. These claims remain notwithstanding the agreed settlement of the legal matters between the Company and Piksel.

### **Borrowings and available facilities**

The Company had unsecured convertible note facilities with an outstanding principal value of \$2.3 million at 31 December 2014. The facilities are with entities associated with directors of the Company on terms approved by shareholders in March 2014. Each of these facilities has a 2 year term from 20 March 2014.

The Company had secured borrowings under a convertible note facility with Partners for Growth III, LP. The amount outstanding under the facility was repaid during September 2014. The security has been discharged.

In August 2013, the Company entered into an interest bearing short term loan arrangement with Gary Cohen under which his company, Marcel Equity Pty Ltd, would make available up to \$1,000,000 as and when required by the Company, subject to the terms of the loan arrangement. The facility amount was increased to \$1,300,000 in April 2014 and the term extended to 31 March 2015. The facility limit was further increased to \$1,500,000 on 13 August 2014. No amount was outstanding under this loan arrangement at 31 December 2014. On 24 March 2015, the term of the loan arrangement was extended to 31 March 2016.

Global Group Australia Pty Ltd ("GGA"), a member of the Consolidated Entity since 1 July 2014, has a \$100,000 bank overdraft facility with National Australia Bank entered into during 2012. The facility was fully available at 31 December 2014.

### **Dividends**

No interim dividend for the 2014 financial year was proposed or declared. No final dividend for the 2014 financial year has been proposed or declared. A dividend reinvestment plan has not been activated.

### **Events subsequent to reporting date**

Subsequent to balance date, Invigor elected not to exercise the 14.1 million warrants issued to it by Piksel Inc. during December 2014. This followed a review of financial information received from Piksel in January 2015. During March 2015, the Company and Piksel Inc. agreed to settle the legal dispute between the parties. Documentation is in agreed final form but remains to be executed. Claims by all parties will be withdrawn with each party giving a full and unconditional release to the other party. The claims made by the Company to the appointed Creditors' Committee of KIT digital, Inc. will remain in place.

On 20 February 2015, the Company signed a document intending to restructure the arrangements with My Verified ID Holdings Pty Ltd ("MVID"). Formal documentation to give effect to the proposed restructure of the MVID arrangements was not signed and, on 16 March 2015, the Company exercised its rights as a secured creditor and appointed a Voluntary Administrator to MVID. The Company took this action to protect the value of its investment and as a step seeking to maximise recoveries. The Company, at the date of this report, reasonably believes that the convertible note exposure to MVID at 31 December 2014 of \$0.5 million remains recoverable having regard to the terms of the Convertible Note facility. The exposure to MVID at the time of appointing the Voluntary Administrator was \$1.7 million under the Convertible Note facility and an outstanding receivable of \$0.3 million. The increase in exposure reflects funding provided to MVID subsequent to 31 December 2014.

# Directors' Report

for the year ended 31 December 2014

The Company borrowed \$90,000 during March 2015 under the funding facility in place with Marcel Equity Pty Ltd. On 24 March 2015, the term of the facility was extended to 31 March 2016.

The directors are not aware of any other matter or circumstance that has occurred since the end of the financial period that has significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial periods.

## Likely Developments and Prospects

The Company is continuing the process of transforming into a digital solutions group capable of delivering both sales and fulfilment capability with a focus on innovative business intelligence, big data solutions for businesses and consumers which are supported by strategic consulting, development and marketing services. A number of acquisitions and investments were completed during 2014 to support this business strategy. The Company intends continuing to seek investment opportunities which are profitable and synergistic with the overall strategy. The Company expects implementation of the strategy to deliver improved financial results and has made a positive start to the 2015 financial year. However, the Consolidated Entity's short to medium term cash requirements remain tight. Unexpected delays in implementing the strategy could adversely affect the cash position and the capacity to pursue the business objectives. Such delays could also impact the Company's capacity to operate as a going concern.

## Share Options

### a) Entitlement Options

The Company issued options pursuant to a pro rata entitlement offer completed in April 2013. Additional options, on the same terms, were issued in December 2013 and March 2014. There were 38,869,889 of these options ("Entitlement Options") on issue at 31 December 2014. Key terms of these options are:

**Exercise price** – 5.0 cents per Entitlement Option

**Expiry** – 1 July 2018

**Entitlement** – one fully paid ordinary share in the Company for each Entitlement Option exercised.

There are no vesting or exercise conditions.

Details of Entitlement Options on issue at the date of this report, and movements occurring during the period, are shown in the following table.

Entitlement Options	#
Balance at 1 January 2014	32,258,778
Issue of Options – 20 March 2014	6,611,111
<b>Net balance at the date of this report</b>	<b>38,869,889</b>

### b) Options issued under incentive plans

The Company provides benefits to defined employees of the Consolidated Entity (including executive directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or options over shares. Approved incentive plans for the issue of options to defined employees (including executive directors) ("Plans") are in place. At 31 December 2014, there were 13,818,870 options on issue under the Plans (2013 – 8,998,949). Options on issue under the Plans may have varying vesting dates. All options on issue under the Plans at 31 December 2014 expire 5 years from the applicable grant date.

The Company did not issue any ordinary shares to participants in the Plans during the year ended 31 December 2014 upon exercise of options as no previously issued options were exercised. The issue of shares upon the exercise of options will be governed by the terms of the relevant plan.

Details of options on issue under the Plans at the date of this report, and movements occurring during the period, are shown in the following table.

Date options granted	Expiry Date	Exercise price \$	Balance at 1 January 2014 #	Issued during the period #	Cancelled or Lapsed during the period #	Exercised during the period #	Balance at the date of this report #	Exercisable at the date of this report #
22 July 2013	22 July 2018	0.10	7,198,855	—	—	—	7,198,855	2,399,617
24 Dec 2013	24 Dec 2018	0.10	1,800,094	—	(1,530,079)	—	270,015	90,006
17 Sept 2014	17 Sept 2019	0.10	—	6,350,000	—	—	6,350,000	—
<b>Total</b>			<b>8,998,949</b>	<b>6,350,000</b>	<b>(1,530,079)</b>	<b>—</b>	<b>13,818,870</b>	<b>2,489,623</b>

### c) Options issued to BBY Limited

The Company issued 5,000,000 options to BBY Limited ("BBY Options") during 2014 pursuant to a mandate letter dated 5 August 2014. The mandate letter sets out the terms under which BBY Limited will provide sales, marketing and equity capital market services to the Company on a non-exclusive basis for a minimum of twelve months from the date of the letter. The BBY Options represent part of the fee payable to BBY Limited for providing these services.

Key terms of the options issued to BBY Limited are:

**Exercise price** – 10.0 cents per option

**Expiry** – 5 August 2019

**Entitlement** – one fully paid ordinary share in the Company for each BBY Option exercised.

There are no vesting or exercise conditions.

<b>BBY Options</b>	<b>#</b>
Balance at 1 January 2014	—
Issue of Options – 18 August 2014	2,500,000
Issue of Options – 19 September 2014	2,500,000
<b>Balance at the date of this report</b>	<b>5,000,000</b>

#### Directors' interests

The movement in the number of securities of the Company held during the financial year by directors who hold or held office during the financial year, including their personally related entities, are set out below.

<b>Ordinary shares</b>	<b>Balance at 1 January 2014 #</b>	<b>Purchases #</b>	<b>Transfers in (out) upon becoming (ceasing to be) a director #</b>	<b>Balance at 31 December 2014 #</b>
Gary Cohen	15,955,696	3,125,000	—	19,080,696
Gregory Cohen	16,379,054	3,125,000	—	19,504,054
John Hayson	—	6,250,000	22,222,222	28,472,222
Vic Lorusso	5,328,456	187,500	—	5,515,956
Gary Munitz	5,895,477	4,286,280	(10,181,757)	—
Paul Salter	—	—	3,074,563	3,074,563
Daniel Sekers	6,590,215	4,295,697	(10,885,912)	—

<b>Entitlement Options</b>	<b>Balance at 1 January 2014 #</b>	<b>Purchases (Disposals) #</b>	<b>Transfers in (out) upon becoming (ceasing to be) a director #</b>	<b>Balance at 31 December 2014 #</b>
Gary Cohen	6,506,250	—	—	6,506,250
Gregory Cohen	6,630,389	—	—	6,630,389
John Hayson	—	—	11,111,111	11,111,111
Vic Lorusso	2,146,522	—	—	2,146,522
Gary Munitz	614,272	(201,114)	(413,158)	—
Paul Salter	—	—	—	—
Daniel Sekers	3,719,110	201,114	(3,920,224)	—

<b>Incentive Plan Options</b>	<b>Balance at 1 January 2014 #</b>	<b>Issued during the financial year #</b>	<b>Transfers out upon ceasing to be a director #</b>	<b>Balance at 31 December 2014 #</b>
Gary Cohen	4,499,284	—	—	4,499,284
Gregory Cohen	899,857	—	—	899,857
John Hayson	—	—	—	—
Vic Lorusso	—	—	—	—
Gary Munitz	—	800,000	(800,000)	—
Paul Salter	—	—	—	—
Daniel Sekers	—	800,000	(800,000)	—

#### Remuneration Report

The Remuneration Report for the year ended 31 December 2014 is set out on page 19 and forms part of this Directors' Report.



# Directors' Report

for the year ended 31 December 2014

## Indemnification and Insurance of Officers

The Company's Constitution provides that the Company may indemnify any current or former Director, Secretary or executive officer of the Company or of a subsidiary of the Company out of the property of the Company against every liability incurred by a person in that capacity (except a liability for legal costs) and against all legal costs incurred in defending proceedings, whether civil or criminal or of an administrative or investigatory nature, in which the person becomes involved because of that capacity.

In accordance with the provisions of the Corporations Act 2001, the Company has a Directors and Officers Liability policy which covers all past, present or future Directors, secretaries and executive officers of the Company and its controlled entities. The terms of the policy specifically prohibit disclosure of details of the amount of the insurance cover and the premium paid.

The indemnification and insurances are limited to the extent permitted by law.

## Audit and Non-Audit Services

Fees paid or payable by the Consolidated Entity for audit and non-audit services during the year were:

	2014 \$	2013 \$
<b>Audit services</b>		
Nexia Melbourne – Fees paid for audit and review of financial reports	57,000	45,000
<b>Other services</b>		
Nexia Melbourne	—	—
<b>Total</b>	<b>57,000</b>	<b>45,000</b>

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001, and did not compromise the auditor independence requirements of the Corporations Act 2001, for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor.
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES110 – Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

## Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 23 and forms part of the Directors' Report for the year ended 31 December 2014.

## Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and, in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the Directors.



**Gary Cohen**

Director

Dated at Sydney this 27th day of March 2015

# Remuneration Report

for the year ended 31 December 2014

## Principles used to determine the nature and amount of remuneration

The Board (or the Nomination and Remuneration Committee when it is operative) is responsible for designing and reviewing remuneration policies that align the remuneration of executives with the interests of shareholders. Remuneration packages for key management personnel are set to properly reflect an executive's duties and responsibilities and to be competitive in attracting, retaining and motivating appropriately qualified and experienced people capable of managing the Company's operations and achieving the Company's business objectives. Remuneration arrangements are reviewed annually having regard to various factors, including key performance objectives, an appraisal process and relevant comparative information. Independent expert advice on remuneration packages will be obtained if considered necessary with appropriate protocols put in place so that recommendations will be free from any undue influence by key management personnel.

In addition to fixed remuneration, represented by a base salary and employer contributions to superannuation funds, remuneration packages may also include:

- cash bonuses linked to the achievement of agreed individual performance objectives and/or the overall performance of the Company;
- participation in formally documented long term incentive plans;
- termination entitlements; and
- fringe benefits.

Remuneration arrangements and other terms of employment are documented in service agreements or letters of employment.

## Long term incentive plans

The Company provides benefits to defined employees of the Consolidated Entity (including executive directors) in the form

of share-based payment transactions, whereby employees render services in exchange for shares or options over shares.

Formal incentive plans for the issue of options to defined employees ("Plans") are in place. The purpose of the Plans is to provide participants with an incentive to remain with the Consolidated Entity and work to improve the longer term performance of the Company and its returns to shareholders. The rules of the Plans have been approved by shareholders and were last approved at the Annual General Meeting held in May 2014. The Plans are open to Executive Directors and senior management personnel under the same qualification criteria as other employees. The terms of any options issued are determined by the directors in accordance with the rules of the Plan. The Plans are open to Executive Directors and senior management personnel under the same qualification criteria as other employees. The terms of any options issued are determined by the directors in accordance with the rules of the Plans.

The Company has also introduced a Tax Exempt Share Plan to allow employees to participate in the long-term success of Invigor's business by offering eligible employees ownership of fully paid ordinary shares in the capital of the Company.

## Non-executive directors

Fees for services provided by non-executive directors are paid in cash. Non-executive directors do not participate in performance based plans unless these have been approved by shareholders. The Company does not use options as a means to remunerate non-executive directors. Fees for non-executive directors are determined by the Board and reviewed annually within the maximum amount approved by shareholders. The maximum amount currently stands at \$400,000 per annum in aggregate for all non-executive directors of the Company.

Non-executive director fees have been set at \$25,000 per annum each from July 2012.

## Directors and officers remuneration (Company and Consolidated)

Year ended 31 December 2014	Short Term		Non-monetary benefits	Super-annuation	Post-Employment	Other Long Term Benefits	Share Based Payments		Total	Proportion of remuneration related %
	Cash salary, fees and compensated absences	Cash Bonus					Cash settled	Options and Shares		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors</b>										
Gary Cohen <sup>1</sup>	162,500	—	—	9,392	—	—	—	3,824	175,716	—
Gregory Cohen <sup>1</sup>	162,500	—	—	9,392	—	—	—	765	172,657	—
John Hayson <sup>3</sup>	18,750	—	—	—	—	—	—	—	18,750	—
Vic Lorusso	25,000	—	—	—	—	—	—	—	25,000	—
Gary Munitz <sup>2</sup>	120,784	—	—	9,500	—	15,372	—	1,790	147,446	—
Paul Salter <sup>4</sup>	1,411	—	—	—	—	—	—	—	1,411	—
Daniel Sekers <sup>2</sup>	114,413	—	—	9,549	—	11,363	—	1,790	137,115	—
<b>Executives</b>										
Brian Cohen <sup>1</sup>	150,000	—	—	9,392	—	—	—	765	160,157	—
David Neufeld <sup>1</sup>	200,000	—	—	18,279	—	—	—	765	219,044	—
<b>Total</b>	<b>955,358</b>	<b>—</b>	<b>—</b>	<b>65,504</b>	<b>—</b>	<b>26,735</b>	<b>—</b>	<b>9,699</b>	<b>1,057,296</b>	<b>—</b>

1) Contracted via service agreement with Marcel Equity Pty Ltd until 30 June 2014. Contracted directly with the Company from 1 July 2014.

2) Non-executive directors until 30 June 2014. Executive directors from 1 July 2014 until 11 December 2014. Executives from 11 December 2014.

3) Non-executive director from 27 March 2014.

4) Non-executive director from 10 December 2014.

# Remuneration Report

for the year ended 31 December 2014

Year ended 31 December 2013	Short Term		Non-monetary benefits \$	Super-annuation \$	Post-Employment	Other Long Term Benefits	Share Based Payments		Total \$	Proportion of remuneration performance related %
	Cash salary, fees and compensated absences \$	Cash Bonus \$					Cash settled \$	Options and Shares \$		
<b>Directors</b>										
Gary Cohen <sup>1</sup>	193,750	—	—	15,641	—	—	—	—	209,391	—
Gregory Cohen <sup>1</sup>	193,750	—	—	15,641	—	—	—	—	209,391	—
Vic Lorusso	25,000	—	—	—	—	—	—	—	25,000	—
Gary Munitz	25,000	—	—	—	—	—	—	—	25,000	—
Anthony Poiner <sup>2</sup>	10,416	—	—	—	—	—	—	—	10,416	—
Daniel Sekers	25,000	—	—	—	—	—	—	—	25,000	—
<b>Executives</b>										
Brian Cohen <sup>1</sup>	191,667	—	—	15,641	—	—	—	—	207,308	—
David Neufeld <sup>1</sup>	200,000	—	—	17,123	—	—	—	—	217,123	—
<b>Total</b>	<b>864,583</b>	<b>—</b>	<b>—</b>	<b>64,046</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>928,629</b>	<b>—</b>

1) Contracted via service agreement with Marcel Equity Pty Ltd.

2) Until 30 May 2013.

## Options issued to key management personnel

The Company provides benefits to defined employees of the Consolidated Entity (including executive directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or options over shares ("equity-settled transactions"). Approved incentive plans for the issue of options to defined employees (including executive directors) ("Plans") are in place. At 31 December 2014, there were 13,818,870 options on issue under the Plans (2013 – 8,998,949) of which 8,798,855 were on issue to key management personnel (2013 – 7,198,855). Options on issue under the Plans may have varying vesting dates. All options on issue under the Plans at 31 December 2014 expire 5 years from the applicable grant date. A share based payment expense of \$17,851 (2013 – \$nil) was recognised during the year of which \$9,031 related to incentive options on issue to key management personnel (2013 – \$nil).

The Company did not issue any ordinary shares to participants during the year ended 31 December 2014 upon exercise of incentive options as no previously issued incentive options were exercised (2013 – nil). The issue of shares upon exercise of incentive options will be governed by the terms of the relevant Plan.

Details of the number of incentive options issued to key management personnel of the Consolidated Entity, including their personally related entities, during the financial year and the balance held at the end of the financial year are set out below.

2014 Incentive Plan Options	Balance at 1 January 2014 #	Issued during the financial year #	Balance at 31 December 2014 #
<b>Directors</b>			
Gary Cohen	4,499,284	—	4,499,284
Gregory Cohen	899,857	—	899,857
John Hayson	—	—	—
Vic Lorusso	—	—	—
Paul Salter	—	—	—
<b>Executives</b>			
Brian Cohen	899,857	—	899,857
Gary Munitz <sup>1</sup>	—	800,000	800,000
David Neufeld	899,857	—	899,857
Daniel Sekers <sup>1</sup>	—	800,000	800,000

1) Gary Munitz and Daniel Sekers were directors until 11 December 2014. Thereafter, they remain executives of the Consolidated Entity.



<b>2013 Incentive Plan Options</b>	<b>Balance at 1 January 2013 #</b>	<b>Issued during the financial year #</b>	<b>Balance at 31 December 2013 #</b>
<b>Directors</b>			
Gary Cohen	—	4,499,284	4,499,284
Gregory Cohen	—	899,857	899,857
Vic Lorusso	—	—	—
Gary Munitz <sup>1</sup>	—	—	—
Anthony Poiner	—	—	—
Daniel Sekers <sup>1</sup>	—	—	—
<b>Executives</b>			
Brian Cohen	—	899,857	899,857
David Neufeld	—	899,857	899,857

1) Gary Munitz and Daniel Sekers were directors until 11 December 2014. Thereafter, they remain executives of the Consolidated Entity.

#### **Terms of Issue**

Exercise price: 10.0 cents per option

Vesting period: One-third of the options granted to each recipient will vest on each anniversary of the issue date provided the recipient remains employed by the Company or continues to provide executive services.

Exercise period: The options will be exercisable at any time commencing from the relevant vesting date and ending on the 5th anniversary of the date of issue of the options.

#### **Share Plan**

The Invigor Tax Exempt Share Plan ("ESP") was introduced in 2014. A share based payment expense of \$4,667 (2013 – \$nil) was recognised during the year of which \$668 related to ESP shares issued to key management personnel (2013 – \$nil).

Details of the number of shares issued to key management personnel of the Consolidated Entity under the ESP, including their personally related entities, during the financial year and the balance held at the end of the financial year are set out below.

<b>2014 ESP Shares</b>	<b>Balance at 1 January 2014 #</b>	<b>Issued during the financial year #</b>	<b>Balance at 31 December 2014 #</b>
<b>Directors</b>			
Gary Cohen	—	—	—
Gregory Cohen	—	—	—
John Hayson	—	—	—
Vic Lorusso	—	—	—
Paul Salter	—	—	—
<b>Executives</b>			
Brian Cohen	—	—	—
Gary Munitz	—	13,157	13,157
David Neufeld	—	—	—
Daniel Sekers	—	13,157	13,157

# Remuneration Report

for the year ended 31 December 2014

## Employment arrangements for current executive key management personnel

The current executive key management personnel are:

Gary Cohen, Executive Chairman and Chief Executive Officer  
Gregory Cohen, Group Director – Operations  
Brian Cohen, Chief Technology Officer  
Gary Munitz, Group Director – Invigor Digital Solutions  
David Neufeld, Chief Financial Officer and Company Secretary  
Daniel Sekers, Group Director – Mobile and Consumer Analytics

The remuneration arrangements for each of these key management personnel during 2014 were:

### Until 30 June 2014

- Base remuneration of:
  - Gary Cohen – \$125,000 per annum
  - Gregory Cohen – \$125,000 per annum
  - Brian Cohen – \$100,000 per annum
  - David Neufeld – \$200,000 per annum plus superannuation
- Entitlement to participate in long term incentive arrangements as detailed above.
- No short term bonus arrangements.

These arrangements were in place via a service agreement executed by the Company and Marcel Equity Pty Ltd, a company associated with Gary Cohen.

Gary Munitz and Daniel Sekers were non-executive directors during this period for which their fee was \$25,000 per annum each. Gary Munitz and Daniel Sekers, were also executives of Global Group Australia Pty Limited ("GGA") during this period when the Consolidated Entity owned 40% of GGA. Remuneration received by Gary Munitz and Daniel Sekers for performing those executive roles for GGA is not included in this Remuneration Report as the investment was not consolidated during this period.

### From 1 July 2014

Each of the executive key management personnel have the following employment arrangements from 1 July 2014:

- Base remuneration of \$200,000 per annum plus superannuation;
- Entitlement to participate in long term incentive arrangements as detailed above.
- Short term bonus arrangements ("Bonus"). Bonus payments are discretionary and based on the Company being profitable. Bonuses will be calculated in accordance with the following principles:
  - A Group Bonus Pool will be determined first on the Company reaching its Target EBITDA ("Target").
  - If EBITDA is less than 90% of the Target, the Group Bonus Pool will not be activated.
  - If EBITDA is between 90% and 100% of the Target, the Bonus Pool will grow from 50% to 100% pro rata.
  - If there is overachievement of the Target, an additional 33% Group Bonus Pool will be added pro rata up to a maximum Target of 150% overachievement.
  - Generally Key Management Personnel will be entitled to 100% of their base remuneration (not including superannuation) for Over Target Earnings. The entitlement is 150% for the Chief Executive Officer.
  - If the Group Bonus Pool is not activated then no Key Management Personnel will be entitled to a Bonus.
  - Bonuses will be paid in cash unless there is an election by the executive to receive up to 50% of the Bonus in shares in the Company.

No Bonuses were paid or are payable to key management personnel for the 2014 financial year.

These arrangements are in place via a service agreement between the Consolidated Entity and the executive or a personally related entity of the executive.

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER S 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF INVIGOR GROUP LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2014, there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



**NEXIA MELBOURNE**  
ABN 16 847 721 257



**GEORGE S DAKIS**  
**Director**  
**Audit & Assurance Services**

Melbourne

27 March 2015

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# Consolidated Statement of Comprehensive Income

for the year ended 31 December 2014

	Note	31 December 2014 \$'000	Consolidated 31 December 2013 \$'000
<b>Revenue</b>		869	38
Employee benefits expense	4	(1,878)	(1,030)
Professional fees	5	(1,034)	(1,608)
Impairment of Other financial assets	9	—	(12,399)
Other operating costs	5	(1,034)	(677)
<b>Total profit (loss) before financing costs, tax, depreciation and amortisation</b>		<b>(3,077)</b>	<b>(15,676)</b>
Depreciation and amortisation		(676)	(4)
<b>Total profit (loss) before financing costs and tax</b>		<b>(3,753)</b>	<b>(15,680)</b>
Financing costs		(374)	(272)
<b>Profit (loss) before income tax</b>		<b>(4,127)</b>	<b>(15,952)</b>
Income tax benefit (expense)	6	—	—
<b>Profit (loss) for the period</b>		<b>(4,127)</b>	<b>(15,952)</b>
<b>Other comprehensive income</b>			
Foreign currency translation reserve		—	—
<b>Total comprehensive income (loss) for the period</b>		<b>(4,127)</b>	<b>(15,952)</b>
<b>Total</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings (loss) per share attributable to ordinary equity holders	28	(3.01)	(21.42)
Diluted earnings (loss) per share attributable to ordinary equity holders	28	(2.12)	(21.26)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.



# Consolidated Statement of Financial Position

as at 31 December 2014

	Note	31 December 2014 \$'000	Consolidated 31 December 2013 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	7	1,077	144
Trade and other receivables	8	2,689	1,265
Other financial assets	9	496	—
<b>Total Current Assets</b>		<b>4,262</b>	<b>1,409</b>
<b>Non-Current Assets</b>			
Other financial assets	9	—	2,238
Property, plant and equipment	11	206	16
Intangible assets	12	6,014	—
<b>Total Non-Current Assets</b>		<b>6,220</b>	<b>2,254</b>
<b>Total Assets</b>		<b>10,482</b>	<b>3,663</b>
<b>Current Liabilities</b>			
Other creditors and accruals	13	2,827	2,142
Interest bearing loans and borrowings	14	2,273	1,986
Provisions	15	223	—
<b>Total Current Liabilities</b>		<b>5,323</b>	<b>4,128</b>
<b>Non-Current Liabilities</b>			
Provisions	15	136	—
<b>Total Non-Current Liabilities</b>		<b>136</b>	<b>—</b>
<b>Total Liabilities</b>		<b>5,459</b>	<b>4,128</b>
<b>Net Assets</b>		<b>5,023</b>	<b>(465)</b>
<b>Equity</b>			
Issued capital	17	127,028	117,436
Reserves	19	1,550	1,527
Accumulated losses	20	(123,555)	(119,428)
<b>Total Equity</b>		<b>5,023</b>	<b>(465)</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

# Consolidated Statement of Cash Flows

for the year ended 31 December 2014

	Note	31 December 2014 \$'000	Consolidated 31 December 2013 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		1,032	—
Payments to suppliers and employees		(4,484)	(2,485)
Interest received		30	23
Other income received		—	9
<b>Net cash from (used in) operating activities</b>	29	<b>(3,422)</b>	<b>(2,453)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of shares		—	715
Payments for property, plant and equipment		(324)	(3)
Payments for acquisition of investments and convertible notes		(893)	(450)
Payments for other assets		(62)	—
Net cash outflow upon acquisition of business operations, net of cash acquired	3	(261)	—
<b>Net cash from (used in) investing activities</b>		<b>(1,540)</b>	<b>262</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	17	6,404	2,905
Proceeds from issue of convertible notes		1,500	595
Proceeds from borrowings		1,277	880
Borrowing costs paid		(398)	(203)
Repayment of borrowings		(2,668)	(1,573)
Capital raising costs paid		(220)	(296)
<b>Net cash flow from (used in) financing activities</b>		<b>5,895</b>	<b>2,308</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>933</b>	<b>117</b>
Cash and cash equivalents at 1 January		144	27
<b>Cash and cash equivalents at 31 December</b>		<b>1,077</b>	<b>144</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

# Consolidated Statement of Changes in Equity

for the year ended 31 December 2014

<b>Consolidated</b>	<b>Issued Capital \$'000</b>	<b>Accumulated Losses \$'000</b>	<b>Reserves \$'000</b>	<b>Total \$'000</b>
<b>Balance at 1 January 2014</b>	<b>117,436</b>	<b>(119,428)</b>	<b>1,527</b>	<b>(465)</b>
Profit (loss) for the period	—	(4,127)	—	(4,127)
Foreign currency translation reserve	—	—	—	—
Total comprehensive income (loss)	—	(4,127)	—	(4,127)
<b>Transactions with owners in their capacity as owners:</b>				
Issue of share capital	9,992	—	—	9,992
Share based payments reserve	—	—	23	23
Capital raising costs incurred	(400)	—	—	(400)
<b>Balance at 31 December 2014</b>	<b>127,028</b>	<b>(123,555)</b>	<b>1,550</b>	<b>5,023</b>
<b>Balance at 1 January 2013</b>	<b>114,885</b>	<b>(103,476)</b>	<b>1,527</b>	<b>12,936</b>
Profit (loss) for the period	—	(15,952)	—	(15,952)
Total comprehensive income (loss)	—	(15,952)	—	(15,952)
<b>Transactions with owners in their capacity as owners:</b>				
Issue of share capital	2,905	—	—	2,905
Capital raising costs incurred	(354)	—	—	(354)
<b>Balance at 31 December 2013</b>	<b>117,436</b>	<b>(119,428)</b>	<b>1,527</b>	<b>(465)</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

## 1 SIGNIFICANT ACCOUNTING POLICIES

This general purpose consolidated financial report for the year ended 31 December 2014 comprises Invigor Group Limited ("the Company" or "Invigor"), its subsidiaries (together referred to as the "Consolidated Entity") and the Consolidated Entity's interests in associates and jointly controlled entities. The principal accounting policies adopted in the preparation of the consolidated financial report are set out below and have been consistently applied by each entity in the Consolidated Entity for all periods presented, unless otherwise stated.

Invigor Group Limited is a limited liability company incorporated and domiciled in Australia.

The principal activity of the Consolidated Entity until 18 March 2014 was to operate as an investment company focused on the information and communication technologies sector. The Company invested its expertise and capital to transform innovative technology companies with outstanding management teams into successful international businesses in accordance with agreed business plans covering an appropriate timeframe. The Company intends to exit investments at an appropriate time to maximise value and returns for shareholders. From 18 March 2014, the Company has been transforming into a digital solutions group capable of delivering both sales and fulfilment capability. It specialises in innovative business intelligence, big data solutions for businesses and consumers which are supported by strategic consulting, development and marketing services. Invigor delivers its cloud based solutions to a broad range of clients including retailers, brands, mobile network providers, local and state governments, advertising and media agencies. The Company intends continuing to seek investment opportunities which are profitable and synergistic with the overall strategy.

The financial statements were approved by the Board of Directors on 27 March 2015.

### a) Statement of compliance

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASB) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated financial report of the Consolidated Entity complies with the International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board. The Company is a for-profit entity for the purpose of preparing the financial statements.

### b) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial assets which are measured at fair value. The methods used to measure fair value are discussed further in Note 10.

Comparative figures have been adjusted to conform to changes in presentation for the current financial year when required by accounting standards. Where the Consolidated Entity has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the entities in the Consolidated Entity during the reporting period.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars unless otherwise stated.

### c) Preparation of financial statements on the going concern basis

The consolidated financial statements have been prepared on the going concern basis. In determining that the going concern basis is appropriate, the directors have had regard to the:

- the current business strategy to transform into a digital solutions group. The Company expects implementation of the strategy to deliver improved financial results;
- effect on the financial position of the Consolidated Entity following a review of the amount and terms of forecast investment, financial and operating commitments for the next 12 months, including short to medium term funding requirements which may need to be met through raising additional debt or equity;
- terms of current financing facilities available to the Company and the likelihood of these being extended, if required. The facility with Marcel Equity has been extended to 31 March 2016. Refer Note 30; and
- anticipated timing and amounts expected to be received from claims before the KIT Creditors' Committee and amounts due from My Verified ID. Refer Notes 8, 9 and 30.

The Company's ability to continue to operate as a going concern is dependent upon the items listed above. Should these events not occur as anticipated, the Company may not be able to pursue its business objectives and will have difficulty continuing to operate as a going concern, including realising its assets and extinguishing its liabilities at the amounts shown in the financial statements.

### d) Use of estimates and judgements

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Consolidated Entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are the measurement of Receivables (Note 8), Other financial assets (Note 9), Intangible assets (Note 12), Tax losses (Note 6), Interest bearing loans and borrowings (Note 14) and assessment of any potential claims under the sale transaction with Pikel Inc. (formerly KIT digital, Inc.) (Note 23).



## 1 SIGNIFICANT ACCOUNTING POLICIES : CONTINUED

### e) Principles of consolidation

#### **Subsidiaries**

The consolidated financial statements of Invigor Group Limited incorporate the assets and liabilities of all entities controlled by the Company as at 31 December 2014 and the results of all controlled entities for the year then ended. Control exists when the Consolidated Entity has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Where control of an entity is obtained during a financial year, its results are included in the consolidated income statement from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

#### **Associates and jointly controlled entities**

Associates are those entities in which the Consolidated Entity has significant influence, but not control, over the financial and operating policies. Jointly controlled entities are those entities over whose activities the Consolidated Entity has joint control, established by contractual agreement. In the consolidated financial statements, investments in associates and jointly controlled entities are accounted for using either fair value through profit and loss or the equity method of accounting.

The Consolidated Entity's investments in associates and jointly controlled entities include goodwill identified on acquisition net of impairment losses, if any.

Where the fair value through profit or loss method is applied, the carrying amount of investments in associates or jointly controlled entities is restated to the assessed fair value with changes recognised in the income statement. Such investments are classified as "Other financial assets" in the balance sheet.

Where the equity method is applied, the consolidated financial statements include the Consolidated Entity's share of the total recognised gains and losses of associates or jointly controlled entities on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Consolidated Entity's share of losses exceeds its interest in an associate or jointly controlled entity, the Consolidated Entity's carrying amount is reduced to \$nil and recognition of further losses is discontinued except to the extent that the Consolidated Entity has incurred obligations or made payments on behalf of the associate or jointly controlled entity.

#### **Transactions eliminated on consolidation**

All intercompany balances, unrealised income and unrealised expenses arising from intra-group transactions, have been eliminated in full.

Unrealised gains or losses on transactions between the Consolidated Entity and its equity accounted investments are eliminated to the extent of the Consolidated Entity's interest in those entities.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

### f) Foreign currency translation

#### **Foreign currency transactions and balances**

Transactions in foreign currencies are initially translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items that are outstanding at reporting date are translated at the foreign exchange rate prevailing at that date.

Foreign exchange gains and losses arising on translation are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the exchange rates prevailing at the dates the fair value was determined.

#### **Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at balance date.

The income and expenses of foreign operations are translated into Australian dollars at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case revenues and expenses are translated at exchange rates at the dates of the transactions). Any exchange differences arising on translation are taken directly to the Foreign currency translation reserve in equity.

Exchange differences arising from the translation of a net investment in foreign operations, and of related hedges, are taken to the Foreign currency translation reserve and are released into the income statement upon a disposal resulting in a loss of control.

### g) Revenue

Revenue is income that arises in the course of ordinary activities of the Consolidated Entity and is recognised at the fair value of the consideration received or receivable. Revenue is recognised when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably.

#### **Interest income**

Interest income is recognised in the income statement on an accruals basis, using the effective interest method.

#### **Dividend income**

Dividend income is recognised in the income statement when the entity's right to receive payment is established.

#### **Development projects and rendering of professional services**

Revenue from development projects and the rendering of professional services is recognised in accordance with the percentage of completion method. The stage of completion is measured by reference to some or all of the specific contract terms, milestone or performance delivery dates, agreed invoicing terms and costs incurred as a percentage of estimated total costs, including labour, for each contract. Where the contract outcomes cannot be reliably measured, revenue is recognised only to the extent that recoverable expenses have been recognised.

Revenue from time and materials and consulting services is recognised when the service is provided.

# Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

## 1 SIGNIFICANT ACCOUNTING POLICIES : CONTINUED

### h) Financing costs

Financing costs comprise interest expense on borrowings calculated using the effective interest rate method, costs incurred in establishing and maintaining borrowing facilities for use in funding business acquisitions, foreign exchange gains and losses on foreign currency borrowings, unwinding of the discount on provisions, fair value movements on other financial assets at fair value through the profit and loss where considered part of the borrowing cost, and gains and losses on hedging instruments that are recognised in the income statement. Borrowing costs are recognised in profit or loss using the effective interest method unless they relate to a qualifying asset in which case they are capitalised in the relevant asset.

### i) Operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

### j) Research and development expenditure

Research expenditure is expensed as incurred.

Development expenditure incurred on projects may be capitalised if the product or service is technically feasible, adequate resources are available to complete the projects, it is probable that future economic benefits will be generated and expenditure attributable to a project can be reliably measured. Expenditure capitalised comprises the direct costs of services, direct labour and an appropriate portion of overheads. Other development costs are expensed when they are incurred. Capitalised development expenditure, if any, is stated at cost less accumulated amortisation and any impairment losses and amortised over the period of expected future sales from the related projects, which is generally no more than 3 years. Capitalised development expenditure is reviewed at least annually for impairment.

### k) Income tax

The income tax expense or benefit on the profit or loss for the year comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is also recognised directly in equity.

Current tax is the expected tax payable on the current period's taxable income, using tax rates enacted or substantially enacted at balance date. Current tax also includes any adjustment to tax payable in respect of previous years.

Deferred tax is measured using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and income tax purposes. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the underlying items and the tax rates which are enacted or substantially enacted at balance date and expected to apply when the assets are recovered or liabilities are settled. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is not recognised for taxable temporary differences arising from the recognition of goodwill.

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

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

### Tax consolidation

The Company and its wholly-owned Australian controlled entities formed a tax consolidated group on 10 October 2012 meaning that all members of the tax consolidated group are taxed as a single entity from that date. The Company is the head entity of the tax consolidated group.

### l) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Financial assets are recognised when the rights to receive cash flows and the risks and rewards of ownership are transferred to the Consolidated Entity. Financial assets are derecognised when the rights to receive cash flows from these assets have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership.

Financial liabilities are recognised if the Consolidated Entity becomes a party to the contractual provisions of a financial instrument. Financial liabilities are derecognised if the Consolidated Entity's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value though profit or loss, any directly attributable transaction costs, except as described below.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Purchases of investments are recognised when the Consolidated Entity is entitled to the risks and rewards of ownership. This is usually on settlement date, being the date on which the asset is delivered to the Consolidated Entity. Sales of investments are recognised when the Consolidated Entity is unconditionally committed to sell the asset and the risks and rewards of ownership have been substantially transferred by the Consolidated Entity.

The Consolidated Entity classifies its investments as either loans and receivables at amortised cost or financial assets through profit or loss. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Consolidated Entity provides money, goods or services directly to a debtor with no intention of selling the receivable. After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest method, less allowance for impairment, if any. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in the income statement in interest income. Losses arising from any impairment of such loans and advances are recognised in the income statement.

## 1 SIGNIFICANT ACCOUNTING POLICIES : CONTINUED

### **Financial assets at fair value through profit or loss**

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition or subsequently re-designated in compliance with accounting standards. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Financial instruments are designated at fair value through profit or loss if the Consolidated Entity manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's investment strategy. Attributable transaction costs are recognised in profit or loss when incurred. Financial instruments that are classified as at fair value through profit or loss are measured at fair value, and changes therein are recognised in the income statement.

### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Entity's cash management strategy are reported within liabilities in the balance sheet, but included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

### **Impairment**

The Consolidated Entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is considered to be impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment includes observable data that indicates that there is a measurable decrease in the future cash flows expected to be received.

### **Loans and receivables**

For loans and receivables carried at amortised cost, the Consolidated Entity first assesses whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Consolidated Entity determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

### **Financial assets at fair value through profit and loss**

For financial assets at fair value through profit and loss, the Consolidated Entity assesses at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

### **m) Property, plant and equipment**

Items of property, plant and equipment are stated at historical cost less accumulated depreciation, accumulated amortisation and impairment losses (refer note 1(t)). The carrying amount of an item of property, plant and equipment includes the cost of replacing part of such an item when that cost is incurred if it is probable that future economic benefits embodied within the item will eventuate and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in the income statement as incurred.

Depreciation or amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

- capitalised equipment and installation costs – shorter of lease term or useful life
- leasehold improvements – shorter of lease term or useful life
- furniture and fittings – 5 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

### **n) Intangible assets**

#### **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Consolidated Entity's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Any goodwill on acquisitions of associates or jointly controlled entities is included in investments in associates or jointly controlled entities where the equity method is adopted. Goodwill is carried at cost less accumulated impairment losses, if any. Goodwill is allocated to cash generating units for the purpose of impairment testing. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### **Identifiable intangible assets**

The useful lives of separately identified intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

# Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

## 1 SIGNIFICANT ACCOUNTING POLICIES : CONTINUED

### **Amortisation**

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets other than goodwill which is not amortised. Other intangible assets are amortised from the date they are available for use. The useful lives of intangible assets are reviewed, and adjusted if appropriate, at each balance date.

### **o) Creditors and payables**

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the period and which remain outstanding at balance date. Creditors are stated initially at fair value and subsequently at amortised cost, are unsecured, and are usually paid within 60 days of recognition.

### **p) Interest-bearing loans and borrowings**

Interest-bearing borrowings are recognised initially at fair value. Fair value is calculated based on discounted expected future principal and interest cash flows. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with income/expense recognised in profit or loss on an effective interest basis.

### **q) Employee entitlements**

#### **Wages and salaries and annual leave**

Liabilities for wages and salaries, including non-monetary benefits and annual leave due to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

#### **Long service leave**

The Consolidated Entity's net obligation for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on government bonds that have maturity dates approximating to the terms of the Consolidated Entity's obligations.

#### **Profit-sharing and bonus plans**

The Consolidated Entity recognises a provision for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made. The liability is not discounted as it is settled within 12 months.

### **r) Employee benefits expense – share based payments**

The Consolidated Entity may provide benefits to its employees, including directors, in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity (employee equity benefits reserve). The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. Fair value is determined using an appropriate option pricing model (eg Black-Scholes). In determining fair value, no account is taken of any performance conditions other than those related to the share price of Invigor Group Limited.

### **s) Provisions**

Provisions are recognised in the balance sheet when the Consolidated Entity has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount has been reliably estimated. If the effect is material, provisions are determined by discounting expected future cash flows at a market rate.

### **t) Impairment of non financial assets**

Assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. Assets that have a definite useful life and are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is measured by reference to fair value less costs to sell and value in use. An impairment loss is recognised in the income statement unless the asset has previously been revalued, in which case the loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

### **u) Issued Capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or the collection of instalment amounts due from shareholders are accounted for as a deduction from equity, net of any related income tax benefit.

### **v) Earnings per share**

#### **Basic earnings per share**

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the reporting period.

#### **Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### **w) New and revised accounting standards**

The Australian Accounting Standards Board has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Consolidated Entity. The Consolidated Entity has decided not to early adopt any of the new and amended pronouncements. The Consolidated Entity's assessment of the new and amended pronouncements that are relevant to the Consolidated Entity but applicable in future reporting periods is set out below:



## 1 SIGNIFICANT ACCOUNTING POLICIES : CONTINUED

### ***AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018, as further amended by Part E of AASB 2014-1).***

This standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes made to the standard which may affect the Consolidated Entity on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting which will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the Consolidated Entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Consolidated Entity's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

### ***AASB 2014-1: Amendments to Australian Accounting Standards***

Part A of this standard is applicable to annual reporting periods beginning on or after 1 July 2014 and makes the following significant amendments:

- revises/adds the definitions of the terms "market condition", "performance condition" and "service condition" in AASB 2: Share-based Payment;
- clarifies that contingent considerations arising in a business combination should be accounted for as items of equity or liability and not as provisions in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets;
- requires additional disclosures when an entity aggregates its operating segments into one reportable segment in accordance with AASB 8: Operating Segments; and
- includes an entity that provides key management personnel services (a "management entity") to a reporting entity (or a parent of the reporting entity) within the definition of a "related party" in AASB 124: Related Party Disclosures.

This part also makes other editorial corrections to various Australian Accounting Standards. However, it is not expected to have a significant impact on the Consolidated Entity's financial statements.

Part B of this standard is applicable to annual reporting periods beginning on or after 1 July 2014 and permits an entity to recognise the amount of contributions from employees or third parties in a defined benefit plan as a reduction in service cost for the period in which the related service is rendered, if the amount of contributions is independent of the number of years of service. This part is not expected to have a significant impact on the Consolidated Entity's financial statements.

Part C of this standard is applicable to annual reporting periods beginning on or after 1 July 2014 and deletes the reference to AASB 1031: Materiality in particular Australian Accounting Standards. This part is not expected to have a significant impact on the Consolidated Entity's financial statements.

Part D of this standard is applicable to annual reporting periods beginning on or after 1 January 2016 and makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, which arise from the issuance of AASB 14: Regulatory Deferral Accounts in June 2014. AASB 14 permits first-time adopters to continue to account for amounts related to rate regulation in accordance with their previous GAAP when they adopt Australian Accounting Standards. In line with management's assessment of AASB 14, this part is not expected to have a significant impact on the Consolidated Entity's financial statements.

Part E of this standard is applicable to annual reporting periods beginning on or after 1 January 2015 and defers the application date of AASB 9 [December 2010] to annual reporting periods beginning on or after 1 January 2018. This part also makes consequential amendments to hedge accounting disclosures set out in AASB 7: Financial Instruments: Disclosures, and to AASB 132: Financial Instruments: Presentation to permit irrevocable designation of "own use contracts" as measured at fair value through profit or loss if the designation eliminates or significantly reduces an accounting mismatch. Management believes that there will not be any significant impact on the Consolidated Entity's financial statements on adoption of this part of the standard.

### ***AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations***

This standard is applicable to annual reporting periods beginning on or after 1 January 2016. It amends AASB 11: Joint Arrangements to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. Since adoption of this Standard would impact only acquisition of interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a reasonable estimate of such impact on the Consolidated Entity's financial statements.

## 2 SEGMENT REPORTING

The Consolidated Entity has adopted *AASB 8 Operating Segments* whereby segment information is presented using a 'management approach'. That is, segment information is provided on the same basis as information used for management reporting purposes by the chief operating decision maker.

### ***Current reporting period***

The Consolidated Entity did not have any reportable operating segments during the reporting period from 1 January 2014 until 30 June 2014 as the business activities of investments held during that period were not considered to be reportable operating segments. From 1 July 2014, following completion of the acquisition of the balance of the shareholding of Global Group Australia Pty Ltd, the Consolidated Entity has identified "digital solutions" as a separately identifiable operating segment.

# Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

## 2 SEGMENT REPORTING : CONTINUED

### Prior period comparatives

The Consolidated Entity did not have any reportable operating segments during the comparative reporting period. The business activities of investments held during the comparative reporting period were not considered to be reportable operating segments. Accordingly, no comparative information is presented below.

### Segment information

Year ended 31 December 2014	Digital Solutions \$'000	Consolidated Total \$'000
Revenue from external customers	549	549
Other revenue/income	2	2
Total segment revenue/income	551	551
EBITDA	(972)	(972)
Interest income	—	—
Interest expense	(6)	(6)
Depreciation and amortisation	(643)	(643)

Reconciliation of segment EBITDA to profit (loss) before income tax is as follows:

	Consolidated 2014 \$'000
Segment EBITDA	(972)
Non-segment EBITDA	(2,105)
Depreciation and amortisation	(676)
Finance costs	(374)
<b>Profit (loss) before income tax</b>	<b>(4,127)</b>

The Consolidated Entity has adopted the amendment included in AASB 2009-5. No segment assets or segment liabilities are disclosed as these were not regularly provided to the chief operating decision maker.

## 3 BUSINESS COMBINATIONS

### Global Group Australia Pty Ltd group

#### a) Summary of acquisition

The Consolidated Entity acquired the balance of the issued shares it did not already own (60%) of the Global Group Australia Pty Ltd group ("GGA") on 1 July 2014. The Consolidated Entity had acquired an initial 40% interest in GGA on 17 October 2012 and had provided funding under a convertible note facility between 17 October 2012 and 30 June 2014. The principal activity of GGA is the provision of digital technology services.

#### b) Purchase consideration and summary of cash movement

	2014 \$'000
<b>Purchase Consideration</b>	
<i>60% acquired on 1 July 2014</i>	
Cash consideration paid	200
Deferred cash consideration	700
Equity issued	827
Direct costs relating to acquisition capitalised	—
Total purchase consideration – 60% acquired on 1 July 2014	1,727
Total purchase consideration – initial 40% in October 2012	1,760
Convertible note funding provided before 1 July 2014	875
<b>Total purchase consideration – 100%</b>	<b>4,362</b>
<b>Reconciliation of cash movement</b>	
Cash consideration paid	200
Less: net (cash acquired) or liability assumed	46
<b>Net cash outflow</b>	<b>246</b>

### 3 BUSINESS COMBINATIONS : CONTINUED

Deferred cash consideration is payable on 1 July 2015. A liability has been recognised for this amount. Refer Notes 13 and 22.

Equity issued comprises 8,270,563 ordinary shares issued at \$0.10 per share on 15 September 2014.

No direct costs associated with the transaction were capitalised. Direct costs attributable to the acquisition totalling approximately \$16,000 were charged directly to professional fees in the profit and loss account. These expenses were mainly for legal costs.

#### c) Fair value of net assets acquired

	Acquiree's carrying amount (100%) \$'000	Fair value adjustments \$'000	Fair value (100%) <sup>1</sup> \$'000
Cash and other financial assets	728	—	728
Property, plant and equipment	109	—	109
Intangible assets	3,355	(2,455)	900
Creditors and provisions	(824)	(46)	(870)
Borrowings	(1,013)	875	(138)
<b>Net assets acquired</b>	<b>2,355</b>	<b>(1,626)</b>	<b>729</b>
Purchase consideration – 100%			4,362
Fair value of net assets acquired			729
<b>Goodwill on acquisition</b>			<b>3,633</b>

1) Fair values are provisionally accounted for at 31 December 2014.

Goodwill on consolidation relates primarily to growth and future profitability expectations and the expected benefits from the skill and expertise of the GGA executives and employees.

GGA contributed operating revenue of \$0.5 million for the period 1 July 2014 to 31 December 2014. The net loss before tax contributed for this period was \$1.6 million. These results are included in the results of the Consolidated Entity.

#### Amethon Solutions (Asia Pacific) Pty Ltd group

##### a) Summary of acquisition

The Consolidated Entity acquired the issued shares of Amethon Solutions (Asia Pacific) Pty Ltd group (“Amethon”) on 1 December 2014. The principal activity of Amethon is the provision of digital technology services specifically focused on the mobile data analytics market delivering subscriber data through advanced network analytics and content tracking solutions.

##### b) Purchase consideration and summary of cash movement

	2014 \$'000
<b>Purchase Consideration</b>	
Cash consideration paid	—
Equity issued	1,810
Direct costs relating to acquisition capitalised	—
<b>Total purchase consideration</b>	<b>1,810</b>
<b>Reconciliation of cash movement</b>	
Cash consideration paid	—
Less: net (cash acquired) or liability assumed	15
<b>Net cash outflow</b>	<b>15</b>

Equity issued comprises 22,625,000 ordinary shares issued at \$0.08 per share on 1 December 2014. Additional equity and cash consideration may become payable subject to the business performance of Amethon over the next two years. Refer Note 22. An amount of \$178,000 for contingent consideration has provisionally been included in the fair value of net assets acquired.

No direct costs associated with the transaction were capitalised. Direct costs attributable to the acquisition totalling approximately \$23,000 were charged directly to professional fees in the profit and loss account. These expenses were mainly for legal and due diligence costs.

# Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

## 3 BUSINESS COMBINATIONS : CONTINUED

### c) Fair value of net assets acquired

	Acquiree's carrying amount \$'000	Fair value adjustments \$'000	Fair value <sup>1</sup> \$'000
Cash and other financial assets	26	—	26
Property, plant and equipment	—	—	—
Intangible assets	1,357	(1,179)	178
Creditors and provisions	(134)	(178)	(312)
Borrowings	—	—	—
Non-controlling interests	—	—	—
<b>Net assets acquired</b>	<b>1,249</b>	<b>(1,357)</b>	<b>(108)</b>
Purchase consideration			1,810
Fair value of net assets acquired			(108)
<b>Goodwill on acquisition</b>			<b>1,918</b>

<sup>1</sup> Fair values are provisionally accounted for at 31 December 2014.

Goodwill on consolidation relates primarily to growth and future profitability expectations and the expected benefits from the skill and expertise of the Amethon executives and employees.

Amethon contributed operating revenue of \$21,000 for the period 1 December 2014 to 31 December 2014. The net loss before tax contributed for this period was approximately \$30,000. These results are included in the results of the Consolidated Entity.

### My Digital Marketing Team International Pty Ltd group

The Consolidated Entity acquired the 50% of this group that it did not already own for nominal value effective 3 November 2014. This was done to acquire full ownership of a dormant structure and provide the Consolidated Entity with an Indian subsidiary which could be used to employ the Chennai based development team. No fair value was ascribed to this acquisition. Goodwill acquired of \$19,000 was immediately written off.

## 4 EMPLOYEE BENEFITS EXPENSE

	2014 \$'000	Consolidated 2013 \$'000
Employee benefits	1,855	1,030
Share based payments	23	—
	<b>1,878</b>	<b>1,030</b>

Employee benefits expense includes any amounts incurred for services provided by executives under the Cost Recovery Agreement with Marcel Equity Pty Ltd. Refer Note 25.

The Company provides benefits to defined employees (including executive directors) of the Consolidated Entity in the form of share-based payment transactions, whereby services are rendered in exchange for shares or options over shares ("equity-settled transactions"). Formal share and option incentive plans are in place. Refer Note 1(r).

## 5 OTHER OPERATING EXPENSES

	2014 \$'000	Consolidated 2013 \$'000
Professional fees	1,034	1,608
Other operating costs	1,034	677
	<b>2,068</b>	<b>2,285</b>



## 6 INCOME TAX

### a) Income tax expense recognised in the income statement

	2014 \$'000	Consolidated 2013 \$'000
Current tax	—	—
Deferred tax	—	—
<b>Total income tax expense</b>	<b>—</b>	<b>—</b>

### b) Numerical reconciliation between income tax expense and pre-tax net profit (loss)

	2014 \$'000	Consolidated 2013 \$'000
<b>Profit (loss) for the year before tax</b>	<b>(4,127)</b>	<b>(15,952)</b>
Income tax at the Australian tax rate of 30% (2013 – 30%)	(1,238)	(4,786)
Non-deductible expenses	209	3,724
Other timing differences	(45)	(71)
Net non-assessable income	—	(60)
Unrealised losses	1,074	1,193
<b>Total income tax expense</b>	<b>—</b>	<b>—</b>

### c) Tax losses

Unused tax losses for which no deferred tax asset has been recognised:

	2014 \$'000	Consolidated 2013 \$'000
Income tax losses	9,514	6,096
Capital losses	32,360	32,360
Potential benefit at 30%		
Income tax losses	2,854	1,829
Capital losses	9,708	9,708

The benefit of all losses can only be utilised if the requirements of the Income Tax Assessment Act are satisfied at the time the Company seeks to utilise the available losses. This will include the requirement to meet either the continuity of ownership test or the same business test at that time. Deferred tax assets have not been recognised for deductible temporary differences and unused tax losses as it is not presently probable that future taxable amounts will be available to utilise those temporary differences and losses.

## 7 CASH AND CASH EQUIVALENTS

	2014 \$'000	Consolidated 2013 \$'000
Cash at bank and on hand	1,077	144
<b>Current</b>	<b>1,077</b>	<b>144</b>

# Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

## 8 RECEIVABLES

	2014 \$'000	Consolidated 2013 \$'000
Claims recoverable at fair value	1,150	1,150
Trade debtors	1,085	—
Provision for doubtful debts	(19)	—
Research and development grants receivable	360	—
Sundry debtors and receivables	40	44
Prepayments	73	71
<b>Current</b>	<b>2,689</b>	<b>1,265</b>

“Claims recoverable at fair value” represents the assessed fair value of claims made by the Company to the appointed Creditors’ Committee of KIT digital, Inc. These claims remain to be finally determined by the Creditors’ Committee.

## 9 OTHER FINANCIAL ASSETS

	2014 \$'000	Consolidated 2013 \$'000
Other financial assets, at fair value through profit or loss <sup>(a),(b)</sup>	12,895	12,399
Provision for impairment	(12,399)	(12,399)
<b>Current</b>	<b>496</b>	<b>—</b>
Other financial assets, at fair value through profit or loss <sup>(c)</sup>	—	2,238
<b>Non-current</b>	<b>—</b>	<b>2,238</b>

### a) My Verified ID Holdings Pty Ltd (“MVID”)

The Consolidated Entity entered into a \$3.1 million convertible note funding facility with MVID on 12 November 2014. Funding provided is in accordance with an agreed schedule. Funding provided is to be used by MVID for agreed purposes only as set out in the facility documentation. Subsequent to year end, it was conditionally agreed with MVID to restructure the arrangements between the parties. Formal documentation to give effect to the proposed restructure of the MVID arrangements was not signed and, on 16 March 2015, the Company exercised its rights as a secured creditor and appointed a Voluntary Administrator to MVID. The Company took this action to protect the value of its investment and as a step seeking to maximise recoveries. The Company, at the date of this report, reasonably believes that the convertible note exposure to MVID at 31 December 2014 of \$0.5 million remains recoverable having regard to the terms of the Convertible Note facility. Refer Note 30. The Maturity Date for the facility is 31 December 2016. The Consolidated Entity can only seek conversion into shares of the notes held between 1 January 2016 and the Maturity Date unless a Takeover Offer is made for MVID (as defined) or a defined Event of Default occurs. Conversion occurs on a 1 for 1 basis.

The Consolidated Entity had provided funding of \$0.5 million to MVID under the facility at 31 December 2014. The terms of the facility provide for redemptions upon MVID receiving certain defined cash receipts which are presently forecast to be received during 2015. These receipts exceed the carrying value at 31 December 2014. Accordingly, the exposure at 31 December 2014 has been shown as a current asset.

In assessing the appropriateness of the carrying amount in MVID at 31 December 2014, the directors have had regard to a number of factors, including:

- The terms of the Convertible Note funding facility entered into on 12 November 2014.
- The business performance of MVID since 12 November 2014.
- MVID’s expected progress against its business plan.
- The intended restructuring of the convertible note arrangements which were conditionally agreed subsequent to balance date. Refer Note 30;.
- The effect that the appointment of a Voluntary Administrator to MVID on 16 March 2015 could have on the recoverability of the exposure to MVID existing at balance date. Refer Note 30.

No amount has been ascribed to the fair value of the embedded derivative within the convertible note facility as any value is not able to be reliably measured after considering the events occurring after balance date.

## 9 OTHER FINANCIAL ASSETS : CONTINUED

### b) Pikel Inc. (formerly KIT digital, Inc) (“Pikel” or “KIT”)

An amount of \$12.4 million represents entitlements under the share sale agreement with KIT entered into during 2012 as well as the entitlement to receive warrants in Pikel following approval by the US Bankruptcy Court of a Plan of Reorganization in August 2013. At 31 December 2013 it was considered prudent for accounting purposes that no value be recognised for the warrants claim as the asset was contingent in nature, being dependent upon the number of warrants to be received, for which timing was then unclear, and then the raising of funding to enable those warrants to be exercised. Accordingly, the amount was fully provided against. Pikel issued 14.1 million warrants to the Company during December 2014. The Company subsequently elected not to exercise the warrants. Refer Note 30. At balance date, the Company still had an ongoing legal claim against Pikel for costs incurred in prosecuting and defending its position. No receivable has been recognised for this claim. The Company and Pikel agreed to settle the outstanding legal matters during March 2015. Refer Note 30.

### c) Global Group Australia Pty Ltd

The comparative period amount represented the assessed fair value at 31 December 2013 of shares (40% of issued capital) and a convertible note held in Global Group Australia Pty Limited (“Global Group”), an Australian incorporated company operating in the digital technology industry. On 1 July 2014, the Consolidated Entity acquired the balance of the issued shares of Global Group it did not already own at which time it became a wholly owned subsidiary and a member of the Consolidated Entity. The assets and liabilities of Global Group form part of the Consolidated Entity’s assets and liabilities at 31 December 2014 and its results from operations have been consolidated from 1 July 2014. Accordingly, no amount is shown as “Other financial assets, at fair value through profit or loss” for the investment in Global Group at 31 December 2014.

The investment in Global Group represents:

	2014 \$'000	Consolidated 2013 \$'000
Shares	—	1,760
Convertible notes	—	478
	—	<b>2,238</b>

## 10 FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of financial instruments traded in active markets (such as publicly traded securities and available-for sale securities) are based on quoted market prices at the balance date (usually being the closing bid price at that date).

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. The Consolidated Entity uses a variety of methods and makes assumptions based on market conditions existing at balance date.

The fair values of financial assets and liabilities recognised at balance date are not considered to be materially different from their carrying amounts as described below or in the relevant notes to these financial statements.

The Consolidated Entity has considered that the use of derivative financial instruments, such as foreign exchange contracts or interest rate swaps, to minimise the risks associated with financial instruments, was not necessary during the financial year.

### Estimation of fair values

The following summarises the major methods and assumptions used in estimating fair values of financial assets and liabilities.

#### **Financial assets at fair value through profit or loss**

Fair values for listed securities are based on the quoted market price at balance date without any deduction for transaction costs. The Consolidated Entity held no listed securities at balance date.

Fair values for unlisted securities are assessed using financial models, supporting analysis, including the terms upon which funding or investments are made, and may be supported by independent analysis if considered appropriate to aid the assessment. Factors considered in assessing the fair value of unlisted securities held at balance date are outlined in Note 9.

#### **Interest-bearing borrowings**

Fair values are estimated using analysis based on current terms and rates for similar types of lending arrangements. Fair values of interest-bearing borrowings due within 12 months are generally assessed to equal face value given the short term to maturity.

#### **Trade and other receivables and payables**

The carrying amounts represent fair value because of their short term to maturity.

The Consolidated Entity will usually use the BBSW yield curve as at the reporting date, plus an adequate constant credit spread, to discount financial instruments, where applicable.

# Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

## 10 FAIR VALUES OF FINANCIAL INSTRUMENTS : CONTINUED

### Fair value hierarchy

The following table analyses financial instruments carried at fair value by valuation method. The different levels have been defined 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 (ie as prices) or indirectly (ie derived from prices).
- Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Consolidated	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>31 December 2014</b>				
Financial assets designated at fair value through profit or loss	—	—	496	—
	—	—	496	—
Interest-bearing borrowings	—	2,273	—	2,273
	—	2,273	—	2,273
<b>31 December 2013</b>				
Financial assets designated at fair value through profit or loss	—	—	2,238	2,238
	—	—	2,238	2,238
Interest-bearing borrowings	—	1,986	—	1,986
	—	1,986	—	1,986

Other financial assets at 31 December 2014 designated as Level 3 represent the exposure to My Verified ID Holdings Pty Ltd, the fair value of which has been assessed having regard to the factors summarised in Note 9. In 2013, the exposure represented the shares and convertible notes held in Global Group Australia Pty Ltd at that date. A 10% increase or decrease to the ascribed value at 31 December 2014 would change the carrying amount upward or downward by \$49,600 with the change being recognised through the income statement (2013 – \$223,800). The exposure to Piksel group (\$nil carrying value) is designated as Level 3 and has been assessed having regard to the factors summarised in Note 9.

Interest-bearing borrowings designated as Level 2 have been assessed at face value as the holders of the convertible notes have a right to convert within the next 12 months. Refer Note 14.

## 11 PROPERTY, PLANT AND EQUIPMENT

	2014 \$'000	Consolidated 2013 \$'000
<b>Plant and equipment</b>		
Cost	184	4
Accumulated depreciation	(46)	(3)
Net carrying amount	138	1
<b>Computer equipment and software</b>		
Cost	341	18
Accumulated depreciation	(273)	(3)
Net carrying amount	68	15
<b>Total property, plant and equipment</b>		
Cost	525	22
Accumulated depreciation	(319)	(6)
<b>Net carrying amount</b>	<b>206</b>	<b>16</b>

## 11 PROPERTY, PLANT AND EQUIPMENT : CONTINUED

	2014 \$'000	Consolidated 2013 \$'000
Reconciliation of carrying amounts at the beginning and end of the period		
<b>Plant and equipment</b>		
Net carrying amount at the beginning of the period	1	3
Additions	105	—
Acquisitions through business combinations (net)	72	—
Depreciation charge for the year	(40)	(2)
Net carrying amount at the end of the period	138	1
<b>Computer equipment</b>		
Net carrying amount at the beginning of the period	15	14
Additions	37	3
Acquisitions through business combinations (net)	37	—
Amortisation charge for the year	(21)	(2)
Net carrying amount at the end of the period	68	15
<b>Total property, plant and equipment</b>		
Net carrying amount at the beginning of the period	16	17
Additions	142	3
Acquisitions through business combinations (net)	109	—
Depreciation charge for the year	(61)	(4)
<b>Net carrying amount at the end of the period</b>	<b>206</b>	<b>16</b>

## 12 INTANGIBLE ASSETS

	2014 \$'000	Consolidated 2013 \$'000
<b>Software and technology</b>		
Cost (gross carrying amount)	1,078	—
Accumulated amortisation	(615)	—
Net carrying amount	463	—
<b>Goodwill</b>		
Cost (gross carrying amount)	5,551	—
Accumulated impairment	—	—
Net carrying amount	5,551	—
<b>Total intangible assets</b>		
Cost (gross carrying amount)	6,629	—
Accumulated amortisation	(615)	—
Accumulated impairment	—	—
<b>Net carrying amount</b>	<b>6,014</b>	<b>—</b>



# Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

## 12 INTANGIBLE ASSETS : CONTINUED

	2014 \$'000	Consolidated 2013 \$'000
Reconciliation of carrying amounts at the beginning and end of the period		
<b>Software and technology</b>		
Net carrying amount at the beginning of the period	—	—
Additions	1,078	—
Accumulated amortisation	(615)	—
Accumulated impairment	—	—
Net carrying amount at the end of the period	463	—
<b>Goodwill</b>		
Net carrying amount at the beginning of the period	—	—
Additions	5,551	—
Accumulated impairment	—	—
Net carrying amount at the end of the period	5,551	—
<b>Total intangibles</b>		
Net carrying amount at the beginning of the period	—	—
Additions	6,629	—
Accumulated amortisation	(615)	—
Accumulated impairment	—	—
<b>Net carrying amount at the end of the period</b>	<b>6,014</b>	<b>—</b>

### Software and technology

An intangible asset is recognised for software and technology owned by the Consolidated Entity. Software and technology acquired under a business combination has been recognised at fair value at acquisition date. Fair value has been established using appropriate analysis and having regard to the relevant contractual terms of the transactions. The software and technology was acquired following completion of the acquisitions of Global Group Australia and Amethon Solutions. Refer Note 3. The Software and technology assets are recognised at cost less accumulated amortisation and impairment losses, if any. Refer Notes 1(n) and 1(t).

### Goodwill

Goodwill is allocated to the Consolidated Entity's cash generating units. At 31 December 2014, the goodwill balance related to the Invigor Digital Solutions division and arose following the acquisitions of Global Group Australia and Amethon Solutions. Refer Note 3. Goodwill is reviewed annually for impairment or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

The recoverable amount of goodwill has been assessed by reference to both fair value less costs to sell and value in use methodologies. Where possible, relevant comparable information is used from an active market and where such information is not readily available a combination of market accepted valuation techniques are used to estimate the amount available from the sale of assets in arm's-length transactions between knowledgeable and willing parties.

For value in use assessment, a discounted cash flow model was utilised which:

- Covered a 5 year forecast period;
- Used discount rates ranging from 8.0% to 25.0% based on cost of capital and business risk assessments; and
- Assumed annual revenue and cost growth rates ranging from 5% to 10%.

## 13 OTHER CREDITORS AND ACCRUALS

	2014 \$'000	Consolidated 2013 \$'000
Other creditors and accrued expenses	1,040	2,142
Deferred consideration payable on acquisitions	947	—
Unearned revenue	840	—
<b>Current</b>	<b>2,827</b>	<b>2,142</b>

### 13 OTHER CREDITORS AND ACCRUALS : CONTINUED

Included in other creditors and accrued expenses are amounts totalling \$11,283 (2013 – \$884,000) payable at balance date under cost recovery agreements with Marcel Equity Pty Ltd and associated entities. Refer Note 25. These amounts are unsecured.

Deferred consideration payable on acquisitions represents:

- An amount of \$700,000 (principal) payable on 1 July 2015 to the vendors of the 60% of issued shares of Global Group Australia Pty Ltd ("GGA Vendors") acquired by the Consolidated Entity on 1 July 2014. The deferred consideration is interest bearing at 7.5% per annum and is secured by an option held by the GGA Vendors over the issued shares of Global Group Australia Pty Ltd. The option is exercisable by the GGA Vendors in the event that the deferred consideration amount is not paid when due. In addition, the GGA Vendors are entitled to a share of research and development grants which the Consolidated Entity may receive in connection with Global Group for the year ended 30 June 2014. An estimate of \$69,000 has been recognised.
- An amount of \$178,000 representing the estimated fair value of contingent consideration to the vendors of Amethon Solutions (Asia Pacific) Pty Ltd pursuant to the terms of the share sale agreement dated 1 December 2014. Refer Note 22.

### 14 INTEREST BEARING LOANS AND BORROWINGS

	2014 \$'000	Consolidated 2013 \$'000
Unsecured borrowings – convertible notes	2,273	595
Secured borrowings – convertible notes	—	1,241
Unsecured borrowings – loan facility	—	150
<b>Current</b>	<b>2,273</b>	<b>1,986</b>

#### Unsecured borrowings – convertible notes

The Company raised \$595,000 by way of an issue of 13,222,222 redeemable convertible notes to H Investments International Pty Ltd <atf the H Investments Trust> in December 2013. The notes were converted into shares on 18 March 2014 after conditions precedent to conversion were satisfied.

The Company raised \$1,500,000 by way of an issue of redeemable convertible notes to H Investments International Pty Ltd <atf the H Investments Trust> in March 2014. Key terms of these notes are:

- Convertible notes on issue at balance date – 15,000,000 (31 December 2013 – nil)
- Term – 2 years from date of issue (20 March 2014)
- Ranking – unsecured
- Conversion price – The convertible notes may be converted into shares at the conversion price of \$0.10 per share (subject to any adjustment in accordance with the terms and conditions of those notes).
- Interest – 9.0 per cent per annum from the date of issue on the principal amount outstanding payable quarterly in arrears and ending on the earlier of the redemption date or conversion date. Any unpaid interest will capitalise on a quarterly basis.
- Redemption – on the maturity date or if the noteholder gives a notice requiring redemption after the occurrence of a defined event of default.

The Company issued redeemable convertible notes with a face value of \$773,000 to Marcel Equity Pty Ltd in March 2014 upon conversion of part of a liability to Marcel Equity Pty Ltd incurred under a Service Agreement between the companies. Key terms are:

- Convertible notes on issue at balance date – 7,730,000 (31 December 2013 – nil);
- Term – 2 years from date of issue (20 March 2014);
- Ranking – unsecured;
- Conversion price – The convertible notes may be converted into shares at the conversion price of \$0.10 per share (subject to any adjustment in accordance with the terms and conditions of those notes);
- Interest – 9.0 per cent per annum from the date of issue on the principal amount outstanding payable quarterly in arrears and ending on the earlier of the redemption date or conversion date. Any unpaid interest will capitalise on a quarterly basis; and
- Redemption – on the maturity date or if the noteholder gives a notice requiring redemption after the occurrence of a defined event of default.

The unsecured convertible notes are required to be converted into equity upon a valid conversion notice being received by the Company. A minimum 5 business days' notice to convert must be provided. The unsecured convertible notes are shown as a current liability because the note holders have a current right to issue a conversion notice and notwithstanding that the convertible notes have a 2 year term to maturity.

# Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

## 14 INTEREST BEARING LOANS AND BORROWINGS : CONTINUED

### Secured borrowings – convertible notes

The Company held a convertible note facility with Partners for Growth III, LP. The amount outstanding under the facility was repaid during September 2014. The security has been discharged.

### Unsecured borrowings – loan facility

In August 2013, the Company entered into an interest bearing short term loan arrangement with Gary Cohen under which under which his company, Marcel Equity Pty Ltd, would make available up to \$1,000,000 as and when required by the Company, subject to the terms of the loan arrangement. The facility amount was increased to \$1,300,000 in April 2014 and the term extended to 31 March 2015. The facility limit was further increased to \$1,500,000 on 13 August 2014. No amount was outstanding under this loan arrangement at 31 December 2014 (2013 – \$150,000). Borrowings under the facility incur interest at a rate of 10.8%pa, being a rate equivalent to a bank overdraft facility at the time the arrangement was entered into. On 24 March 2015, the term of the facility was extended to 31 March 2016. Refer Note 30.

### Bank overdraft

Global Group Australia Pty Ltd ("GGA") has a \$100,000 interest bearing bank overdraft facility with National Australia Bank entered into during 2012 which was fully available at 31 December 2014 (2013 – not applicable as GGA was not a member of the Consolidated Entity at that date). The facility is secured by guarantees provided by Gary Munitz and Daniel Sekers, being the directors of GGA at the time the facility was entered into and who became executives of the Consolidated Entity on 1 July 2014. The Company is seeking to restructure this arrangement.

## 15 PROVISIONS

	2014 \$'000	Consolidated 2013 \$'000
Employee benefits	223	—
<b>Current</b>	<b>223</b>	<b>—</b>
Employee benefits	136	—
<b>Non-Current</b>	<b>136</b>	<b>—</b>
Reconciliation of carrying amounts at the beginning and end of the period		
<b>Employee benefits</b>		
Balance at the beginning of the period	—	—
Provisions raised	77	—
Provisions assumed upon completion of business acquisitions	282	—
Balance at the end of the period	359	—
<b>Onerous contracts, fit out and make good</b>		
Balance at the beginning of the period	—	95
Provisions raised (reversed)	—	(95)
Balance at the end of the period	—	—
<b>Total provisions</b>		
Balance at the beginning of the period	—	95
Provisions raised (reversed)	77	(95)
Provisions assumed upon completion of business acquisitions	282	—
<b>Balance at the end of the period</b>	<b>359</b>	<b>—</b>

### Employee benefits

Provision for employee benefits represent amounts payable by the Consolidated Entity for accrued annual leave and long service leave. The Consolidated Entity had no employees at 31 December 2013.

### Onerous contracts, fit out and make good

The Consolidated Entity previously carried provisions for onerous contracts, being for non-cancellable operating leases of excess premises, fit out incentives provided by landlords and restoration of leased premises to original condition required at the end of the lease term. Provisions were carried in connection with leased premises in New Zealand. The provisions were reversed during 2013 as they were assessed to no longer be required.

## 16 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND PROCESSES

The Consolidated Entity has exposure to a variety of financial risks, which are categorised as market risk, credit risk and liquidity risk. This note presents information about the Consolidated Entity's exposure to each of these risks. Additional disclosures are presented throughout this financial report.

The Board recognises that the understanding and management of risk, particularly preservation of capital, is critical to the Company. The Board has overall responsibility for ensuring that there is a sound system of risk management and internal compliance and controls. The Board has formally adopted documented policies and processes to enable appropriate management of business and investment risk.

Key financial risk management practices presently employed by the Company include:

- The Board having ultimate responsibility for business, investment and divestment decisions. This includes monitoring the quantum of funds invested in any operating business or transaction so that the level of exposure is appropriate to the Company's circumstances.
- Preservation of cash resources. The Executive Chairman and Group Director – Operations, both Board members, oversee treasury management on behalf of the Board with ultimate responsibility retained by the full Board.

Operating businesses in which the Company is invested but which are not wholly owned are responsible for their own risk management. The Company oversees the risk management processes of these businesses by providing assistance and guidance to their management teams where appropriate. The Company may also have representation on the boards of these businesses.

The risk management policies and analysis described below and throughout the financial report refer to those practices adopted by entities that are members of the Consolidated Entity.

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. There are various types of market risk including exposures to foreign currencies, interest rates and equity market prices. The Consolidated Entity may use derivative financial instruments to hedge certain risk exposures. No derivative financial instruments were used during the financial year. The methods used to measure the types of risk to which the Consolidated Entity is exposed are described below.

#### i) Foreign currency risk

From 22 June 2012, the Company has made investments in Australian dollars only.

The Consolidated Entity established a development team in India during 2014 which has operated through a wholly owned subsidiary company since November. The Indian subsidiary is denominated in Indian Rupee. Exposure to Indian Rupee is limited to the exchange variations upon the provision of funding to the subsidiary and to exchange variations resulting from the translation of the operation's statement of financial position and statement of comprehensive income at closing and average rates respectively.

The Company has exposure to movements in the value of the claims made to the KIT digital Creditors' Committee as any distributions will be made in US dollars. Refer Note 8.

At 31 December 2014, the Consolidated Entity did not have any other material net foreign currency risk in respect of transactions in currencies other than the functional currency (31 December 2013 – nil).

#### Sensitivity Analysis

A 10% movement in the USD/AUD exchange rate would increase or decrease the fair value of the claims made to the KIT digital Creditors' Committee by \$115,000. No further sensitivity analysis is considered necessary as the Consolidated Entity did not have any other material exposure to currency risk at 31 December 2014.

#### ii) Interest rate risk

The Consolidated Entity's exposure to market interest rates on deposits is minimal. Cash reserves are held in interest-bearing accounts with either fixed or variable interest rates.

The Consolidated Entity had the following financial assets and liabilities at balance date:

	2014 \$'000	Consolidated 2013 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	1,077	144
Other financial assets, at fair value through profit or loss	496	2,238
<b>Financial liabilities</b>		
Secured borrowings	—	1,241
Unsecured borrowings	2,273	745

# Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

## 16 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND PROCESSES : CONTINUED

### *Sensitivity Analysis*

At 31 December 2014, if interest rates had changed by +/- 1% from the year-end rates, with all other variables held constant, and this change was applied to cash and cash equivalents, the effect on profit (loss) after tax for the year would be \$10,770 (2013: immaterial). If the same sensitivity is applied to secured and unsecured borrowings, the result would be a higher/lower interest expense of approximately \$22,730 (2013 – \$20,000).

Other financial assets, at fair value through profit or loss are represented by shares and convertible notes that are not considered sensitive to interest rates.

### *iii) Equity price risk*

The Consolidated Entity was not exposed to equity securities price risk arising from investments in listed securities during the 2014 financial year as it had no exposure to listed securities during 2014 or at balance date.

The Consolidated Entity has not hedged exposure to a general decline in equity market values as such strategies are not considered cost effective.

### *Sensitivity analysis*

No sensitivity analysis for listed equities is required at 31 December 2014 as the Consolidated Entity did not have an exposure to equity price risk of listed securities at that date (2013 – not applicable).

A 10% increase or decrease to the ascribed fair value of the convertible notes held in MVID Holdings Pty Ltd at balance date would change the carrying amount upward or downward by \$49,600 (2013 – not applicable).

### *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. Credit risk arises from all financial assets included in the balance sheet.

During the current reporting period and particularly from 1 July 2014, the Consolidated Entity has been exposed to credit risk arising from the potential default of customers with which it transacted. The Consolidated Entity endeavours to trade with only creditworthy third parties. As such collateral is not requested nor is it the Consolidated Entity's policy to securitise its trade and other receivables. A credit policy is in place and exposure to credit risk is monitored on an ongoing basis. Derivatives are not held to offset any credit exposure.

The Consolidated Entity may provide loan funding to investee entities which are not wholly owned but only when it forms part of the overall funding provided for an investment transaction. Approval of such funding is the responsibility of the Board.

Operating businesses that the Consolidated Entity invests in and which are not wholly owned will have their own credit risk policies. The Consolidated Entity endeavours to oversee that such entities have appropriate credit risk policies in place. Such oversight may be limited by the terms of the transaction.

The carrying amounts of the financial assets recognised in the balance sheet best represent the Consolidated Entity's maximum exposure to credit risk at the reporting date.

The Company has exposure to loans made to subsidiary entities to enable those entities to fund the investment transactions that the Board has elected to pursue and/or to fund the operations of those subsidiaries. Repayment of loans by the subsidiary entities is dependent upon proceeds realised by the subsidiary entities from investment transactions and/or net cash generated from operating activities.

### *Ageing of financial assets*

The following table assesses the ageing of the carrying amount of the Consolidated Entity's financial assets at the reporting date and details any financial assets that are individually impaired. A description of collateral held is detailed, where relevant.

<b>Consolidated 2014</b>	<b>Cash and cash equivalents \$'000</b>	<b>Receivables \$'000</b>	<b>Other financial assets \$'000</b>
Neither past due or impaired	1,077	1,625	496
Past due but not impaired:			
< 30 days	—	1,025	—
30-60 days	—	2	—
60-90 days	—	—	—
> 90 days	—	18	—
Collectively impaired	—	—	—
Individually impaired	—	19	—
<b>Total</b>	<b>1,077</b>	<b>2,689</b>	<b>496</b>

## 16 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND PROCESSES : CONTINUED

Consolidated 2013	Cash and cash equivalents \$'000	Receivables \$'000	Other financial assets \$'000
Neither past due or impaired	144	1,265	2,238
Past due but not impaired:			
< 30 days	—	—	—
30-60 days	—	—	—
60-90 days	—	—	—
> 90 days	—	—	—
Collectively impaired	—	—	—
Individually impaired	—	—	—
<b>Total</b>	<b>144</b>	<b>1,265</b>	<b>2,238</b>

### Liquidity risk

Liquidity risk is the risk that the Company or its subsidiaries will not be able to meet financial obligations as they fall due.

The Board has approved a Financial Management Policy applicable to the Company and its wholly owned subsidiaries. The Financial Management Policy includes policies for the investment of surplus cash and the monitoring of the liquidity, including the preparation of cash forecasts. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as they fall due. The liquidity position is monitored for the impact of potential investment acquisitions or divestments, including any potential funding requirements.

Details of debt funding terms and facilities that the Consolidated Entity has in place are disclosed in Note 14.

Operating businesses in which the Consolidated Entity has invested and which are not wholly owned are required to manage their own liquidity requirements to meet their financial obligations as they fall due. The Consolidated Entity is able to monitor the liquidity position of these entities subject to the terms of the transaction and/or where it has board representation.

The following table analyses the Consolidated Entity's financial liabilities into relevant maturity groups based on the remaining contracted maturity period at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows (including both interest and principal cash flows).

Consolidated	Creditors and payables \$'000	Secured borrowings \$'000	Unsecured borrowings \$'000
<b>2014</b>			
Contractual cash flows	2,827	—	2,273
Residual contract maturities:			
6 months or less	1,949	—	—
6 – 12 months	878	—	2,273
1 – 2 years	—	—	—
2 – 5 years	—	—	—
More than 5 years	—	—	—
<b>Total carrying amount</b>	<b>2,827</b>	<b>—</b>	<b>2,273</b>
<b>2013</b>			
Contractual cash flows	2,142	1,241	745
Residual contract maturities:			
6 months or less	2,142	1,241	745
6 – 12 months	—	—	—
1 – 2 years	—	—	—
2 – 5 years	—	—	—
More than 5 years	—	—	—
<b>Total carrying amount</b>	<b>2,142</b>	<b>1,241</b>	<b>745</b>



# Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

## 16 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND PROCESSES : CONTINUED

### Capital risk management

The Board regularly reviews the Company's capital plan, including equity and debt requirements and dividend policy. This is done to ensure the Company has an appropriate capital structure to support its operations. The Company does not expect to pay a regular dividend in the foreseeable future given the nature of its operations.

The Company completed several capital raisings during 2014. Details are set out in Note 17. The Company also raised funds through the issue of convertible notes. Refer Note 14.

## 17 ISSUED CAPITAL

	2014 Shares	Company 2013 Shares	2014 \$'000	Company 2013 \$'000
Ordinary shares, fully paid	227,806,667	99,004,684	127,028	117,436

### Movement in ordinary share capital

#### Fully paid shares

Balance at the beginning of the period	99,004,684	34,430,128	117,436	114,885
Issues of new fully paid shares	128,801,983	9,000,000	9,992	405
Issue of shares upon partly paid shares becoming fully paid	—	55,555,556	—	2,500
Issue of shares on conversion of Entitlement Options	—	19,000	—	—
Capital raising costs incurred	—	—	(400)	(354)
<b>Net balance at end of period</b>	<b>227,806,667</b>	<b>99,004,684</b>	<b>127,028</b>	<b>117,436</b>

### Movement in ordinary share capital

#### Partly paid shares

Balance at beginning of period	—	—	—	—
Issue of shares – 15 April 2013	—	55,555,556	—	2,500
Capital raising costs incurred	—	—	—	(283)
Transfer to fully paid shares	—	(55,555,556)	—	(2,217)
<b>Net balance at end of period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and the amounts paid on the shares held.

The Company made the following issues of fully paid ordinary shares during 2014:

**18 March 2014** – issue of 13,222,222 ordinary shares upon conversion of convertible notes issued on 12 December 2013. Refer below and Note 14.

**15 September 2014** – issue of 8,270,563 ordinary shares at \$0.10 per share as part consideration for the acquisition of shares in Global Group Australia Pty Ltd pursuant to the terms of a Share Purchase Deed dated 1 July 2014.

**18 September 2014** – issue of 81,250,000 ordinary shares at \$0.08 per share by way of a share placement on terms approved by shareholders at an extraordinary general meeting held on 11 September 2014.

**12 November 2014** – issue of 1,457,500 ordinary shares at \$0.08 per share pursuant to the terms of a Share Purchase Plan offered to eligible shareholders as announced on 22 September 2014.

**28 November 2014** – issue of 1,042,500 ordinary shares at \$0.08 per share pursuant to the terms of an Underwriting Agreement for the Share Purchase Plan announced on 22 September 2014.

**1 December 2014** – issue of 22,625,000 ordinary shares at \$0.08 per share as consideration for the purchase of the issued shares of Amethon Solutions (Asia Pacific) Pty Ltd pursuant to a Share Sale Agreement dated 1 December 2014. Holders of 17,732,625 of these shares have agreed that they be placed in escrow for a period of six months from issue date. Refer Note 22.

**8 December 2014** – issue of 184,198 ordinary shares to employees under the rules of the Invigor Tax Exempt Share Plan dated 10 October 2014. The shares were issued at no cost to the employee in accordance with the rules of the plan. The shares are held in escrow for 3 years subject to the terms of the plan.

**19 December 2014** – issue of additional 750,000 ordinary shares at \$0.08 per share pursuant to the terms of the Share Sale Agreement dated 1 December 2014 for the acquisition of Amethon Solutions (Asia Pacific) Pty Ltd.

## 17 ISSUED CAPITAL : CONTINUED

The Company made the following issues of fully paid ordinary share during the comparative reporting period:

The Company undertook a capital raising by way of a pro rata entitlement offer that closed on 9 April 2013. The Company raised \$2.5 million, before transaction costs and expenses, of which \$1.94 million was received on application and \$0.56 million was received during July 2013 (after the final instalment was called for payment by the Company on 19 June 2013). Following completion of the capital raising, the Company issued 55,555,556 partly paid ordinary shares and 27,777,778 Entitlement Options (refer Note 18). Partly paid shares converted to fully paid following payment of the call.

12 December 2013 – issue of 9,000,000 ordinary shares at \$0.045 per share by way of a share placement and 4,500,000 Entitlement Options (refer Note 18).

The movement in issued shares is reconciled to cash proceeds from share issues as follows:

	31 December 2014 \$'000	Company 31 December 2013 \$'000
Cash received from share issues (Note 3)	6,404	405
Gross up for capital raising costs offset against cash proceeds	356	—
Gross movement for fully paid shares issued for cash	6,760	405
Issue of shares other than for cash	2,637	—
Conversion of convertible notes	595	—
<b>Issues of new fully paid shares</b>	<b>9,992</b>	<b>405</b>

## 18 SHARE OPTIONS

### a) Entitlement Options

Key terms of Entitlement Options issued on 15 April 2013 as part of the pro rata entitlement offer and on 12 December 2013 and 20 March 2014 as part of the transaction with H Investments International Pty Ltd are:

**Exercise price** – 5.0 cents per Entitlement Option

**Expiry** – 1 July 2018

**Entitlement** – one fully paid ordinary share in the Company for each Entitlement Option exercised.

There are no vesting or exercise conditions.

	31 December 2014 Entitlement Options	Company 31 December 2013 Entitlement Options
Balance at beginning of period	32,258,778	—
Issue of Options – 20 March 2014	6,611,111	—
Issue of Options – 15 April 2013	—	27,777,778
Issue of Options – 12 December 2013	—	4,500,000
Exercised during the period	—	(19,000)
<b>Net balance at end of period</b>	<b>38,869,889</b>	<b>32,258,778</b>

### b) Options issued under incentive plans

The Company provides benefits to defined employees of the Consolidated Entity (including executive directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or options over shares ("equity-settled transactions"). Approved incentive plans for the issue of options to defined employees (including executive directors) ("Plans") are in place. At 31 December 2014, there were 13,818,870 options on issue under the Plans (2013 – 8,998,949). Options on issue under the Plans may have varying vesting dates. All options on issue under the Plans at 31 December 2014 expire 5 years from the applicable grant date. Details of the share based payment expense recognised during the year are shown in Note 4.

The Company did not issue any ordinary shares to participants in the Plans during the year ended 31 December 2014 upon exercise of options as no previously issued options were exercised. The issue of shares upon the exercise of options will be governed by the terms of the relevant plan.

# Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

## 17 ISSUED CAPITAL : CONTINUED

Details of options on issue under the Plans at 31 December 2014 are shown in the following table.

Date options granted	Expiry Date	Exercise price \$	Balance at start of the year #	Issued during the year #	Cancelled or Lapsed during the year #	Exercised during the year #	Balance at end of the year #	Exercisable at end of the year #
22 July 2013	22 July 2018	0.10	7,198,855	—	—	—	7,198,855	2,399,617
24 Dec 2013	24 Dec 2018	0.10	1,800,094	—	(1,530,079)	—	270,015	90,006
17 Sept 2014	17 Sept 2019	0.10	—	6,350,000	—	—	6,350,000	—
<b>Total</b>			<b>8,998,949</b>	<b>6,350,000</b>	<b>(1,530,079)</b>	<b>—</b>	<b>13,818,870</b>	<b>2,489,623</b>

The Weighted Average Exercise Price of options on issue under incentive plans at balance date is \$0.10 (2013: \$0.10).

The principal rules governing the operation of the Plans are as follows:

- i) The Board is responsible for determining the number of options granted to each eligible employee;
- ii) Vesting conditions in relation to options are determined by the Board at the time of determination of option entitlements;
- iii) Options which have not vested when an employee ceases their employment will lapse unless an employee ceases to be employed through death, retirement or disablement, in which case special provisions apply or if the Board otherwise determines;
- iv) The share option exercise price is determined by the Board;
- v) The acquisition price of the options are nil, unless the Board determines that it should be any other amount;
- vi) Share options issued pursuant to the Plans are not transferable; and
- vii) Options not exercised within 7 years from their date of issue will lapse.

The weighted average contractual life of all options on issue under incentive plans outstanding at 31 December 2014 was 1,496 days (2013 – 1,664 days).

### c) Options issued to BBY Limited

The Company issued 5,000,000 options to BBY Limited ("BBY Options") during 2014 pursuant to a mandate letter dated 5 August 2014. The mandate letter sets out the terms under which BBY Limited will provide sales, marketing and equity capital market services to the Company on a non-exclusive basis for a minimum of twelve months from the date of the letter. The BBY Options represent part of the fee payable to BBY Limited for providing these services.

Key terms of the options issued to BBY Limited are:

**Exercise price** – 10.0 cents per option

**Expiry** – 5 August 2019

**Entitlement** – one fully paid ordinary share in the Company for each BBY Option exercised.

There are no vesting or exercise conditions.

Movement in BBY Options	Company	
	31 December 2014 BBY Options	31 December 2013 BBY Options
Balance at beginning of period	—	—
Issue of Options – 18 August 2014	2,500,000	—
Issue of Options – 19 September 2014	2,500,000	—
<b>Net balance at end of period</b>	<b>5,000,000</b>	<b>—</b>

## 19 RESERVES

	2014 \$'000	Consolidated 2013 \$'000
<b>Employee equity benefits reserve</b>		
Opening balance	1,527	1,527
Share based payments expense (Note 4)	23	—
<b>Total employee benefits reserve</b>	<b>1,550</b>	<b>1,527</b>
<b>Foreign currency translation reserve</b>		
Opening balance	—	—
Exchange differences arising on the translation of the financial statements of foreign subsidiaries	—	—
<b>Total foreign currency translation reserve</b>	<b>—</b>	<b>—</b>
<b>Total reserves</b>	<b>1,550</b>	<b>1,527</b>

The employee equity benefits reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their remuneration.

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

## 20 RETAINED PROFITS (ACCUMULATED LOSSES)

	2014 \$'000	Consolidated 2013 \$'000
Opening balance	(119,428)	(103,476)
Net profit (loss) for the year	(4,127)	(15,952)
Dividends paid	—	—
	<b>(123,555)</b>	<b>(119,428)</b>

## 21 DIVIDENDS

No dividends were proposed or paid during the financial year (2013 – \$nil). No final dividend has been proposed for payment (2013 – \$nil).

The Company has no franking credits available for subsequent years (2013 – \$nil).

## 22 COMMITMENTS

### Leases

Commitments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

	2014 \$'000	Consolidated 2013 \$'000
Within one year	—	41
Later than one year but not later than five years	—	268
Later than five years	—	—
	—	309
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	—	—

The lease commitments represent payments due for leased premises under non-cancellable operating leases which have not otherwise been accrued or provided for.

# Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

## 22 COMMITMENTS : CONTINUED

The terms of the share sale agreement entered into with with KIT digital, Inc. ("KIT") during 2012 required that obligations of the Company under certain lease agreements, either as a lessee or guarantor, be assigned or novated to one of the companies sold to KIT. Such assignment in respect of a leased property at 92 Albert Street Auckland, New Zealand ("the New Zealand Lease") did not occur as provided for in the share sale agreement. The Company asserted a claim against KIT in litigation commenced in January 2013 based upon KIT's failure to assume the New Zealand Lease obligations. On 6 March 2013, KIT filed its response denying this claim by the Company. This legal action was automatically stayed while the KIT Chapter 11 bankruptcy process was completed and will now not be heard following approval of the KIT Plan of Reorganization in August 2013. The Company has submitted a claim in the KIT bankruptcy proceeding for the amount owed under the New Zealand Lease. Any objections to this claim are still to be heard and determined. This claim may or may not be paid in full and may be subject to offset. A receivable has been recognised for the fair value of the claim amount (refer Note 8).

### Other commitments

The Consolidated Entity has a commitment to pay an amount of \$700,000 (principal) due on 1 July 2015 to the vendors of the 60% of issued shares of Global Group Australia Pty Ltd ("GGA Vendors") acquired by the Consolidated Entity on 1 July 2014. In addition, the GGA Vendors are entitled to a share of research and development grants which the Consolidated Entity may receive in connection with Global Group for the year ended 30 June 2014. Refer Note 13.

On 17 October 2012, the Consolidated Entity entered into a convertible note facility with Global Group Australia Pty Limited to provide, over a 3 year period, up to \$2.0 million of funding for Global Group's business operations if drawn down by Global Group. Issued Convertible Notes will convert into ordinary shares in Global Group at the end of the 3 year availability period (or later, if agreed). The facility became an internal commitment upon completion of the acquisition of the balance of the issued shares of Global Group on 1 July 2014 and is now eliminated on consolidation.

The Company entered into a \$3.1 million convertible note funding facility with My Verified Holdings ID Pty Ltd on 12 November 2014. Funding is to be provided in accordance with an agreed schedule through to 30 June 2015. The outstanding commitment under the facility at 31 December 2014 was \$2.6 million (2013 - \$ nil). On 20 February 2015, the Company signed a document intending to restructure the arrangements with My Verified ID Holdings Pty Ltd ("MVID"). Subject to conditions precedent, including execution of formal documentation, the arrangements between the Company and MVID were to be restructured to, inter alia, limit the funding to be provided under the Convertible Note facility. Formal documentation to give effect to this restructure has not been signed and on 16 March 2015 the Company exercised its rights as a secured creditor and appointed a Voluntary Administrator to MVID. Refer Note 30. This may impact on the requirement to fund the remaining commitment.

Under the terms of the share purchase agreement for the acquisition of Amethon Solutions (Asia Pacific) Pty Ltd dated 1 December 2014, the Company may be obliged to issue additional shares to the Amethon vendors subject to the businesses performance of Amethon during 2015 and 2016. Performance Equity Shares will be required to be issued where the Consolidated Entity implements defined Qualifying Mobile Analytics Deployments in the Performance Equity Period, being 2015 and 2016. The Amethon vendors will be issued with Performance Equity Shares, at the Performance Equity Share Price, based on the nature of the Qualifying Mobile Analytics Deployments determined in accordance with the agreed calculation factors. Subscriber caps apply to deployments across defined regions and countries. There is an overall maximum value applying to Performance Equity Shares of \$7,500,000. Equity Earn Out Shares to a maximum value of \$500,000 will be required to be issued if certain defined contractual arrangements are entered into before 30 June 2015.

Earn Out Payments may be required to be made in cash to the Amethon vendors, to the extent not already reflected in the Equity Earn Out Shares calculation referred to above, in respect of a defined third party contractual arrangement subject to an agreement being finally executed with the third party. It is not possible to presently estimate the maximum commitment as no agreement has been entered into nor negotiation of the terms of such agreement been finalised. Subject to the agreement being entered into, the Amethon vendors will be entitled to receive quarterly payments from 1 July 2015 based on the following:

- 50.0% of the net income derived in the first two years under the agreement;
- 33.3% of the net income derived in the third year under the agreement; and
- 20.0% of the net income derived in the fourth year under the agreement.

The Company issued 22,625,000 shares to the Amethon vendors on 1 December 2014. Amethon vendors holding 17,732,625 of these shares have agreed that they be placed in escrow for a period of six months ending 31 May 2015. The Company has a commitment to issue additional shares to these shareholders if at the end of the escrow period the volume weighted average price for the Company's shares during this period is less than 8.0 cents per share (but only down to 4.0 cents per share). A calculation in accordance with the prescribed formula will be undertaken at the end of the escrow period.

Details of options over shares committed to be issued by the Company if the options are exercised are set out in Note 18.

## 23 CONTINGENT LIABILITIES

The Company was subject to possible warranty claims under the terms of the Securities Purchase Agreement entered into with KIT digital, Inc. (now Pikel Inc.) ("KIT" or "Pikel") which, in the first instance, could have impacted the final number of shares received under the top-up formula as warranty claims were restricted to the value of the 10 per cent of KIT shares specifically held in escrow as a reserve against any warranty claims. Following the release in August 2013 from escrow of all KIT shares held by the Company, the Company is of the view that any warranty claims are limited by the value of the shares previously held in escrow. KIT raised with the Company a potential issue regarding responsibility under the Securities Purchase Agreement for prior period tax liabilities of former subsidiary companies payable under an instalment plan agreed with the Australian Taxation Office. On 6 March 2013, KIT filed its response to the legal action commenced by the Company in January 2013 and counterclaimed on this matter for approximately \$1.0 million. The US Bankruptcy Court dismissed the claims asserted by Pikel in June 2014, including allegations against the Company in relation to its conduct during the sale negotiations in 2012. Pikel, with the consent of the court, filed an amended complaint on 13 August 2014 which repeats previous assertions made by Pikel against the Company. The Company denies liability for these allegations, including the allegations that it is responsible for the tax liability, the allegations in relation to conduct during the sale negotiations and the other allegations made against it. The parties agreed to settle the matter during March 2015. Refer Note 30.

## 24 PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ending 31 December 2014, the parent company of the Consolidated Entity was Invigor Group Limited.

	2014 \$'000	Company 2013 \$'000
<b>Result of the parent entity</b>		
Profit (loss) for the period	(4,106)	(15,976)
Other comprehensive income (expense)	—	—
<b>Total comprehensive income (expense) for the period</b>	<b>(4,106)</b>	<b>(15,976)</b>
<b>Financial position of the parent entity at year end</b>		
Current assets	7,166	1,407
Non-current assets	2,106	2,232
Total assets	9,272	3,639
Current liabilities	4,195	4,128
Non-current liabilities	57	—
Total liabilities	4,252	4,128
<b>Total equity of the parent entity comprises:</b>		
Share capital	127,028	117,435
Reserves	1,550	1,527
Retained earnings (accumulated losses)	(123,558)	(119,451)
<b>Total equity</b>	<b>5,020</b>	<b>(489)</b>

Contingent liabilities of the Company at 31 December 2014 are detailed at Note 23. Investment commitments of the Company at 31 December 2014 are detailed at Note 22. The Company had no capital expenditure commitments at 31 December 2014. The Company had not provided any guarantees at 31 December 2014.



# Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

## 25 RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL DISCLOSURES

The following were key management personnel of the Consolidated Entity at any time during the reporting period and, unless otherwise indicated, were key management personnel for the entire period:

<b>Gary Cohen</b>	Executive Chairman and Chief Executive Officer
<b>Gregory Cohen</b>	Group Director – Operations
<b>John Hayson</b>	Non-executive director (from 27 March 2014)
<b>Vic Lorusso</b>	Non-executive director
<b>Gary Munitz</b>	Non-executive director (until 1 July 2014); Executive Director (from 1 July 2014 until 11 December 2014); Group Director – Digital Solutions (from 1 July 2014)
<b>Paul Salter</b>	Non-executive director (from 10 December 2014)
<b>Daniel Sekers</b>	Non-executive director (until 1 July 2014); Executive Director (from 1 July 2014 until 11 December 2014); Group Director – Business Development/Mobile and Consumer Analytics (from 1 July 2014)
<b>Brian Cohen</b>	Chief Technology Officer
<b>David Neufeld</b>	Chief Financial Officer and Company Secretary

Other than as noted above, there have been no changes in key management personnel in the period after the reporting date and prior to the date when the financial report is authorised for issue.

### Details of remuneration

Details of the total remuneration of all key management personnel, including their personally related entities, are as follows:

	2014 \$	Consolidated 2013 \$
Short term employee benefits	955,358	864,583
Other long term benefits	26,735	—
Post employment benefits	65,504	64,046
Share based payments	9,699	—
Termination benefits	—	—
	<b>1,057,296</b>	<b>928,629</b>

### Equity instrument disclosures relating to key management personnel

#### Shares

The number of shares held during the financial year by key management personnel of the Consolidated Entity, including their personally related entities, is set out below.

2014 Ordinary shares	Balance at 1 January 2014	Purchases/ (Disposals) <sup>1</sup>	Transfers in/ (Transfers out) <sup>2</sup>	Balance at 31 December 2014
<b>Directors</b>				
Gary Cohen	15,955,696	3,125,000	—	19,080,696
Gregory Cohen	16,379,054	3,125,000	—	19,504,054
John Hayson	—	6,250,000	22,222,222	28,472,222
Vic Lorusso	5,328,456	187,500	—	5,515,956
Paul Salter	—	—	3,074,563	3,074,563
<b>Executives</b>				
Brian Cohen	—	—	—	—
Gary Munitz <sup>3</sup>	5,895,477	4,286,280	—	10,181,757
David Neufeld	—	—	—	—
Daniel Sekers <sup>3</sup>	6,590,215	4,295,697	—	10,885,912

1) Includes shares acquired under the share placement which completed in September 2014 and/or the share purchase plan which completed in November 2014. For Gary Munitz and Daniel Sekers, also includes shares issued pursuant to the terms of the share purchase agreement for Global Group Australia which completed on 1 July 2014.

2) Transfers in upon becoming a director/KMP Executive or transfers out upon ceasing to be a director/KMP Executive.

3) Gary Munitz and Daniel Sekers were directors until 11 December 2014. Thereafter, they remain executives of the Consolidated Entity.

## 25 RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL DISCLOSURES : CONTINUED

2013 Ordinary shares	Balance at 1 January 2013	Purchases/ (Disposals) <sup>1</sup>	Transfers in/ (Transfers out) <sup>2</sup>	Balance at 31 December 2013
<b>Directors</b>				
Gary Cohen	2,943,197	13,012,499	—	15,955,696
Gregory Cohen	3,067,336	13,311,718	—	16,379,054
Vic Lorusso	1,035,411	4,293,045	—	5,328,456
Gary Munitz	1,965,159	3,930,318	—	5,895,477
Anthony Poiner	—	—	—	—
Daniel Sekers	1,853,770	4,736,445	—	6,590,215
<b>Executives</b>				
Brian Cohen	—	—	—	—
David Neufeld	—	—	—	—

1) Includes shares acquired in the pro rata entitlement offer completed in April 2013.

2) Transfers in upon becoming a director/KMP Executive or transfers out upon ceasing to be a director/KMP Executive.

### Options

#### a) Entitlement Options

The number of Entitlement Options held during the financial year by key management personnel of the Consolidated Entity, including their personally related entities, is set out below.

2014 Entitlement Options	Balance at 1 January 2014	Purchases/ (Disposals)	Transfers in/ (Transfers out) <sup>1</sup>	Balance at 31 December 2014
<b>Directors</b>				
Gary Cohen	6,506,250	—	—	6,506,250
Gregory Cohen	6,630,389	—	—	6,630,389
John Hayson	—	—	11,111,111	11,111,111
Vic Lorusso	2,146,522	—	—	2,146,522
Paul Salter	—	—	—	—
<b>Executives</b>				
Brian Cohen	—	—	—	—
Gary Munitz <sup>2</sup>	614,272	(201,114)	—	413,158
David Neufeld	—	—	—	—
Daniel Sekers <sup>2</sup>	3,719,110	201,114	—	3,920,224

1) Transfers in upon becoming a director/KMP Executive or transfers out upon ceasing to be a director/KMP Executive.

2) Gary Munitz and Daniel Sekers were directors until 11 December 2014. Thereafter, they remain executives of the Consolidated Entity.

# Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

## 25 RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL DISCLOSURES : CONTINUED

2013 Entitlement Options	Balance at 1 January 2013	Purchases/ (Disposals)	Transfers in/ (Transfers out) <sup>1</sup>	Balance at 31 December 2013
<b>Directors</b>				
Gary Cohen	—	6,506,250	—	6,506,250
Gregory Cohen	—	6,630,389	—	6,630,389
Vic Lorusso	—	2,146,522	—	2,146,522
Gary Munitz <sup>2</sup>	—	614,272	—	614,272
Anthony Poiner	—	—	—	—
Daniel Sekers <sup>2</sup>	—	3,719,110	—	3,719,110
<b>Executives</b>				
Brian Cohen	—	—	—	—
David Neufeld	—	—	—	—

1) Transfers in upon becoming a director/KMP Executive or transfers out upon ceasing to be a director/KMP Executive.

2) Gary Munitz and Daniel Sekers were directors until 11 December 2014. Thereafter, they remain executives of the Consolidated Entity.

### b) Options issued under incentive plans

Details of the number of options issued to key management personnel of the Consolidated Entity, including their personally related entities, during the financial year under incentive plans of the Company and the balance held at the end of the financial year are set out below.

2014 Incentive Plan Options	Balance at 1 January 2014	Issued during the financial year	Balance at 31 December 2014
<b>Directors</b>			
Gary Cohen	4,499,284	—	4,499,284
Gregory Cohen	899,857	—	899,857
John Hayson	—	—	—
Vic Lorusso	—	—	—
Paul Salter	—	—	—
<b>Executives</b>			
Brian Cohen	899,857	—	899,857
Gary Munitz <sup>1</sup>	—	800,000	800,000
David Neufeld	899,857	—	899,857
Daniel Sekers <sup>1</sup>	—	800,000	800,000

1) Gary Munitz and Daniel Sekers were directors until 11 December 2014. Thereafter, they remain executives of the Consolidated Entity.

## 25 RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL DISCLOSURES : CONTINUED

2013 Incentive Plan Options	Balance at 1 January 2013	Issued during the financial year	Balance at 31 December 2013
<b>Directors</b>			
Gary Cohen	—	4,499,284	4,499,284
Gregory Cohen	—	899,857	899,857
Vic Lorusso	—	—	—
Gary Munitz <sup>1</sup>	—	—	—
Anthony Poiner	—	—	—
Daniel Sekers <sup>1</sup>	—	—	—
<b>Executives</b>			
Brian Cohen	—	899,857	899,857
David Neufeld	—	899,857	899,857

1) Gary Munitz and Daniel Sekers were directors until 11 December 2014. Thereafter, they remain executives of the Consolidated Entity.

No shares of the Company were issued to key management personnel during the year ended 31 December 2014 on the exercise of Entitlement Options or options issued under incentive plans (2013 – nil).

No options have been issued to key management personnel subsequent to year end.

### **Other transactions with key management personnel or related parties**

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Vic Lorusso was appointed chief operating officer of Australian Traffic Network (“ATN”) during 2014.

A number of those entities, including ATN, transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm’s-length basis.

The Company has entered into cost recovery agreements with Marcel Equity Pty Ltd and its associated entities (“Marcel”), being entities associated with Gary Cohen, under which the Company reimburses Marcel, on a cost recovery basis, for services provided. Services include executive management services performed by staff and consultants of Marcel, use of office space, provision of administration and bookkeeping services, investor and shareholder relations and such other services as may be agreed from time to time. An expense of approximately \$245,000 was incurred during the current reporting period (2013 – \$935,000). Additionally, amounts totalling approximately \$111,000 relating mainly to office fit out costs were reimbursed to Marcel and capitalised (2013 – \$nil). An amount of \$11,283 was payable by the Company to Marcel at balance date (2013 – \$884,000). A portion of the liability (\$773,000) was converted into a convertible note facility during 2014. Refer Note 14 and below.

The Company has entered into convertible note facilities with entities associated with Gary Cohen and John Hayson. Details of the terms of the facilities, as approved by shareholders, are set out in Note 14. The aggregate balance outstanding at balance date was \$2,273,000 (2013 – \$595,000). Interest expense of \$160,582 was incurred during 2014 (2013 – \$nil).

The Consolidated Entity acquired the issued capital of Amethon Solutions (Asia Pacific) Pty Ltd on 1 December 2014. Paul Salter was a member of the vendor group (“Amethon vendors”). The Amethon vendors received shares in the Company as consideration for the transaction. Details of Paul Salter’s aggregate interest in the shares of the Company are shown above. Pursuant to the terms of the transaction, the Amethon vendors may be entitled to receive additional shares in the Company or cash consideration based on the business performance of Amethon after completion. Additional shares may also be issued after 31 May 2015 to Amethon vendors, including entities associated with Paul Salter, who agreed to place shares in escrow for the six months following completion depending on the Company’s share price performance during this period. Details of these entitlements are set out in Notes 13 and 22.

The Consolidated Entity acquired the balance of the issued shares of Global Group Australia Pty Ltd (“GGA”) it did not already own on 1 July 2014. Entities associated with Gary Munitz and Daniel Sekers were vendors of the GGA shares sold to the Consolidated Entity, amongst others (“GGA vendors”). The GGA vendors received cash and shares in the Company as consideration for the transaction. Payment of a portion of the cash consideration is deferred until 1 July 2015. Refer Notes 3 and 22. The Consolidated Entity also has a \$2.0 million convertible note facility with GGA entered into in 2012 when the initial investment in GGA was made. The facility became an internal commitment upon completion of the acquisition of the balance of the issued shares of Global Group on 1 July 2014 and is now eliminated on consolidation. Refer Note 22. The Consolidated Entity earned interest income of \$23,813 on these convertible notes prior to the facility becoming intercompany (2013 – \$24,000).

# Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

## 25 RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL DISCLOSURES : CONTINUED

A Shareholders' Deed was entered into between Invigor GGA Holdings Pty Ltd, GGA and other parties, including entities associated with Gary Munitz and Daniel Sekers in 2012 after the initial investment by the Consolidated Entity. The Deed was terminated on 1 July 2014. Under the terms of the Shareholders' Deed, the Consolidated Entity was entitled to receive an annual fee for management services it provides to GGA. The fee was to be renegotiated each year. It was agreed between the parties that a fee would not be charged from early 2013 to assist GGA with its cash management. No fee income was recognised in the reporting period (2013 – \$9,000).

Global Group Australia Pty Ltd ("GGA") has a \$100,000 interest bearing bank overdraft facility with National Australia Bank entered into during 2012 which was fully available at 31 December 2014 (2013 – not applicable as GGA was not a member of the Consolidated Entity at that date). The facility is secured by guarantees provided by Gary Munitz and Daniel Sekers, being the directors of GGA at the time the facility was entered into and who became executives of the Consolidated Entity on 1 July 2014. The Company is seeking to restructure this arrangement.

In August 2013, the Company entered into an interest bearing short term loan arrangement with Gary Cohen under which under which his company, Marcel Equity Pty Ltd, would make available up to \$1,000,000 as and when required by the Company, subject to the terms of the loan arrangement. The facility amount was increased to \$1,300,000 in April 2014 and the term extended to 31 March 2015. The facility limit was further increased to \$1,500,000 on 13 August 2014. No amount was outstanding under this loan arrangement at 31 December 2014 (2013 – \$150,000). Borrowings under the facility incur interest at a rate of 10.8% per annum, being a rate equivalent to a bank overdraft facility at the time the arrangement was entered into. On 24 March 2015, the term for loan arrangement was extended to 31 March 2016.

The Company undertook a capital raising by way of a share placement to certain professional, sophisticated and institutional investors and certain related parties which completed in September 2014 ("Placement"). The terms of the Placement and the participation of related parties was approved by shareholders at an extraordinary general meeting held on 11 September 2014. Gary Cohen, Gregory Cohen, John Hayson and Daniel Sekers each indirectly received an allocation of shares under the Placement through their personally related entities. Vic Lorusso acquired additional shares in the Company in November 2014 through a share purchase plan which was offered to all eligible shareholders. Gary Munitz and Daniel Sekers received options over shares under the terms of the Invigor incentive plan and shares issued under the Invigor Tax Exempt Share Plan. Details of aggregate holdings of directors and key management personnel are set out above.

Aggregate amounts of each of the above types of other transactions:

	2014 \$'000	Consolidated 2013 \$'000
<b>Amounts recognised as revenue</b>		
Management fee income from Global Group	—	9
Interest revenue from Global Group convertible notes	24	24
	<b>24</b>	<b>33</b>
<b>Amounts recognised as expense</b>		
Service fees and cost recoveries to Marcel Equity and associated entities	245	935
Interest on borrowings/convertible notes from/held by entities associated with Gary Cohen, Gregory Cohen and/or John Hayson	216	9
Interest on deferred payable to GGA vendors	26	—
	<b>487</b>	<b>944</b>

## 25 RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL DISCLOSURES : CONTINUED

Aggregate amounts of assets and liabilities at balance date relating to the above transactions:

	2014 \$'000	Consolidated 2013 \$'000
<b>Amounts recognised as assets</b>		
Interest on convertible notes receivable from Global Group	—	3
	<b>—</b>	<b>3</b>
<b>Amounts recognised as liabilities</b>		
Convertible notes owing to entities associated with Gary Cohen, Gregory Cohen and John Hayson	2,273	—
Service fees and cost recoveries owing to Marcel Equity and associated entities	11	884
Owing to Marcel Equity under short term loan arrangement, including accrued interest	—	151
Owing to Global vendors, including accrued interest and R&D grant share entitlement	795	—
	<b>3,079</b>	<b>1,035</b>

## 26 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in note 1(f).

Name of entity	Country of incorporation	Class of Shares	Equity holding	Equity holding
			2014 %	2013 <sup>1</sup> %
AimIPCo Pty Ltd	Australia	Ordinary	100	—
Amethon Solutions (Asia Pacific) Pty Ltd	Australia	Ordinary	100	—
Global Group Australia Pty Ltd	Australia	Ordinary	100	40
Global Group Ventures Pty Ltd	Australia	Ordinary	100	40
Invigor Digital Solutions Pty Ltd	Australia	Ordinary	100	40
Invigor GGA Holdings Pty Ltd	Australia	Ordinary	100	100
Invigor Digital Solutions India Private Ltd	India	Ordinary	100	—
My Digital Marketing Team International Pty Ltd	Australia	Ordinary	100	—
My Digital Marketing Team Pty Ltd	Australia	Ordinary	100	—
Social Loot Australia Pty Ltd	Australia	Ordinary	100	40

1) The Consolidated Entity held a 40% interest in Global Group Australia Pty Limited and its subsidiary companies at 31 December 2013. These entities were not members of the Consolidated Entity at that date.

# Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

## 27 AUDITOR REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the Company and its related practices:

	2014 \$	Consolidated 2013 \$
<b>Audit services</b>		
Nexia Melbourne	57,000	45,000
	57,000	45,000
<b>Other services</b>		
Nexia Melbourne	—	—
	—	—
<b>Total</b>	<b>57,000</b>	<b>45,000</b>

## 28 EARNINGS PER SHARE

	2014 cents	Consolidated 2013 cents
<b>Total</b>		
Basic earnings per share	(3.01)	(21.42)
Diluted earnings per share	(2.12)	(21.26)
	<b>\$'000</b>	<b>\$'000</b>
<b>Reconciliation of earnings used in the calculation of basic earnings per share</b>		
Profit (loss) for the year	(4,127)	(15,952)
<b>Earnings used in the calculation of total basic earnings per share</b>	<b>(4,127)</b>	<b>(15,952)</b>
<b>Reconciliation of earnings used in the calculation of diluted earnings per share</b>		
Earnings used in the calculation of total basic earnings per share	(4,127)	(15,952)
Non-discretionary changes in earnings arising from dilutive potential ordinary shares	55	—
<b>Earnings used in the calculation of total diluted earnings per share</b>	<b>(4,072)</b>	<b>(15,952)</b>
	<b>Shares</b>	<b>Shares</b>
Weighted average number of ordinary shares used in the calculation of basic earnings per share	137,198,538	74,485,560
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	192,447,885	75,028,939



## 29 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2014 \$'000	Consolidated 2013 \$'000
Net profit (loss) for the year after related income tax expense	(4,127)	(15,952)
Depreciation and amortisation	676	4
Borrowing costs shown as cash flows	398	203
Impairment of Other financial assets	—	12,399
Write off on acquisition of My Digital Marketing Team group (Refer Note 3)	19	—
Loss on sale of assets	4	—
Share based payment expense	23	—
<b>Changes in operating assets and liabilities:</b>		
Decrease (increase) in trade and other receivables (2013 – net of reclassifications from Other financial assets)	(1,424)	30
(Decrease) increase in trade and other payables (net of movement in accruals for non-operating activities)	(190)	958
Increase (decrease) in deferred revenue	840	—
Increase (decrease) in provisions	359	(95)
<b>Net cash from (used in) operating activities</b>	<b>(3,422)</b>	<b>(2,453)</b>

## 30 EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date, Invigor elected not to exercise the 14.1 million warrants issued to it by Pikel Inc. during December 2014. This followed a review of financial information received from Pikel in January 2015. During March 2015, the Company and Pikel Inc. agreed to settle the legal dispute between the parties. Documentation is in agreed final form but remains to be executed. Claims by all parties will be withdrawn with each party giving a full and unconditional release to the other party. The claims made by the Company to the appointed Creditors' Committee of KIT digital, Inc. will remain in place.

On 20 February 2015, the Company signed a document intending to restructure the arrangements with My Verified ID Holdings Pty Ltd ("MVID"). Formal documentation to give effect to the proposed restructure of the MVID arrangements was not signed and, on 16 March 2015, the Company exercised its rights as a secured creditor and appointed a Voluntary Administrator to MVID. The Company took this action to protect the value of its investment and as a step seeking to maximise recoveries. The Company, at the date of this report, reasonably believes that the convertible note exposure to MVID at 31 December 2014 of \$0.5 million remains recoverable having regard to the terms of the Convertible Note facility. The exposure to MVID at the time of appointing the Voluntary Administrator was \$1.7 million under the Convertible Note facility and an outstanding receivable of \$0.3 million. The increase in exposure reflects funding provided to MVID subsequent to 31 December 2014.

The Company borrowed \$90,000 during March 2015 under the funding facility in place with Marcel Equity Pty Ltd. On 24 March 2015, the term of the facility was extended to 31 March 2016.

The directors are not aware of any other matter or circumstance that has occurred since the end of the financial period that has significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial periods.

# Directors' Declaration

for the year ended 31 December 2014

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In the opinion of the Directors of Invigor Group Limited ("the Company"):

- a) the consolidated financial statements and notes set out on pages 24 to 61, and the remuneration disclosures that are contained in pages 19 to 22 of the Directors' Report, 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 2014 and of its performance for the financial year ended on that date; and
  - ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.
- 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.

The directors draw attention to Note 1 to the financial statements, which include a statement of compliance with International Financial Reporting Standards.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer, or their equivalents, for the financial year ended 31 December 2014.

Signed in accordance with a resolution of the Directors.



**Gary Cohen**

Director

Dated at Sydney this 27th day of March 2015

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF INVIGOR GROUP LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial report of Invigor Group Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Nexia Melbourne**

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info@nexiamelbourne.com.au, www.nexia.com.au

Independent member of Nexia International



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### *Independence*

In conducting our audit, 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 Invigor Group Limited, would be in the same terms if provided to the directors as at the date of this auditor's report.

### *Auditor's Opinion*

In our opinion:

- a. the financial report of Invigor Limited is 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 2014 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1 (a).

### *Emphasis of Matter – Going Concern*

Without qualifying our opinion, we draw attention to Note 1(c) in the financial report, regarding the ability of the company to continue as a going concern. In determining that the going concern assumption is appropriate, the directors have made a number of assumptions and judgements, which are detailed in this note.

### *Emphasis of Matter – Litigation with Piksel*

Without qualifying our opinion, we draw attention to Notes 9 and 30 in the financial report, regarding legal action against Piksel Inc. for breaches of contract and their counter claim against the company.

### **Report on the Remuneration Report**

We have audited the remuneration report included in pages 19 to 22 of the directors' report for the year ended 31 December 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion the remuneration report of Invigor Group Limited for the year ended 31 December 2014 complies with s 300A of the *Corporations Act 2001*.



**NEXIA MELBOURNE**  
ABN 16 847 721 257



**GEORGE S DAKIS**  
**Director**  
**Audit & Assurance Services**

Melbourne

27 March 2015

# Shareholder Information

The information set out below was applicable as at 20 March 2015.

## Distribution of Equities – Ordinary Shares

Range	Total holders	Number of shares	% of issued shares
1 – 1,000	1,091	255,863	0.11
1,001 – 5,000	208	531,534	0.23
5,001 – 10,000	102	770,226	0.34
10,001 – 100,000	204	7,031,578	3.09
100,001 and over	119	219,217,466	96.23
<b>Total</b>	<b>1,724</b>	<b>227,806,667</b>	<b>100.00</b>

The number of shareholders holding less than a marketable parcel of shares was 1,335.

## Largest Shareholders

The names of the 20 largest registered holders of ordinary shares are listed below.

Name	Number of shares held	% of Issued Shares
BBY Nominees Pty Ltd	38,525,000	16.91
H Investments International Pty Ltd	28,472,222	12.50
Gadani Holdings Pty Ltd	10,138,600	4.45
Moryton Pty Ltd	6,915,225	3.04
HSBC Custody Nominees (Australia) Pty Ltd	6,275,002	2.76
MVP Investment Manager Pty Ltd	5,839,249	2.56
Daniel Silver	5,625,000	2.47
Mr Victor Lorusso	5,515,956	2.42
Daniel Sekers Enterprises Pty Ltd	5,114,775	2.25
RJL Investments Pty Ltd	5,096,514	2.24
RJL Investments Pty Ltd	4,609,182	2.02
Denwol Merchant Finance Corporation Pty Ltd	4,600,000	2.02
Gregkar Pty Ltd	4,590,703	2.02
Mr Gregory Cohen & Mrs Karen Cohen	4,533,570	1.99
Hillridge Pty Ltd	4,148,926	1.82
Leslie Koltai	3,750,000	1.65
TRS Investments Pty Ltd	3,750,000	1.65
Citicorp Nominees Pty Limited	3,423,881	1.50
National Nominees Limited	2,922,748	1.28
Sekers Group Pty Ltd	2,567,054	1.13

## Distribution of Equities – Entitlement Options

Range	Total holders	Number of options	% of options
1 – 1,000	45	13,759	0.04
1,001 – 5,000	31	71,452	0.18
5,001 – 10,000	13	101,195	0.26
10,001 – 100,000	23	783,239	2.02
100,001 and over	28	37,900,244	97.50
<b>Total</b>	<b>140</b>	<b>38,869,889</b>	<b>100.00</b>

## Largest Entitlement Option Holders

The names of the 20 largest registered holders of Entitlement Options are listed below.

Name	Number of options held	% of options
H Investments International Pty Ltd	11,111,111	28.59
Gregkar Pty Ltd	5,420,352	13.95
RJL Investments Pty Ltd	4,969,856	12.79
Daniel Sekers Enterprises Pty Ltd	3,165,506	8.14
Mr Victor Lorusso	2,146,522	5.52
RJL Investments Pty Ltd	1,536,394	3.95
Mr Errol Bome & Mrs Melanie Bome	1,217,182	3.13
Edinburgh Capital Pty Ltd	1,181,111	3.04
UDAP Holdings Pty Ltd	841,221	2.16
Mr Gregory Cohen & Mrs Karen Cohen	827,110	2.12
Mr Ross Page Springer & Mrs Helen Springer	760,000	1.96
Lentech Nominees Pty Ltd	555,556	1.43
Sekers Group Pty Ltd	519,039	1.34
Gadani Holdings Pty Ltd	413,158	1.06
Mrs Karen Lee Cohen & Mr Gregory Hyam Cohen	382,927	0.99
Jane Heynes	355,253	0.91
Filmrim Pty Ltd	333,333	0.86
Mr Darren Phillips	333,333	0.86
Setone Pty Ltd	296,543	0.76
Villaret Holdings Pty Ltd	281,685	0.73

## Substantial Shareholders

The number of shares held by substantial shareholders as at 20 March 2015 as disclosed in substantial shareholder notices received by the Company was:

Name	Number of shares held	% <sup>1</sup>
RJL Investments Pty Ltd and Gregkar Pty Ltd	38,584,750	16.94
H Investments International Pty Limited	28,472,222	12.50

<sup>1</sup> Percentage calculations are as shown in the substantial shareholder notices lodged by the shareholder.

The Company has previously received substantial holding notices from each of Westan Pty Ltd and Lehmann Brothers International Europe. Despite their most recently lodged substantial holding notices, each of these disclosed holdings have been diluted to below 2.0% as a result of the issue of shares by the Company at various times since the notices were received. The Company has not received notice of ceasing to be a substantial holder from either Westan or Lehmann Brothers.



# Shareholder Information

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## **Buy-Back**

The Company does not have a current on-market buy-back.

## **Voting rights**

Every shareholder present at a general meeting has one vote on a show of hands and one vote for every fully paid share held if a poll is conducted. Shareholders may appoint up to 2 proxies to attend the meeting and vote on their behalf. If a shareholder appoints two proxies, the shareholder may specify the proportion or number of votes which each proxy may exercise. There are no voting rights attaching to the Entitlement Options.

## **Shareholder enquiries**

Shareholders with enquiries about their shareholding should contact the Company's share registry:

### ***Boardroom Pty Limited***

Level 7, 207 Kent Street  
Sydney NSW 2000

T: (02) 9290 9600

F: (02) 9290 9655

Please mail all share registry correspondence to:

### ***Boardroom Pty Limited***

GPO Box 3993 Sydney NSW 2001

Please include your Shareholder Reference Number (SRN) or Holder Identification Number (HIN) in all correspondence to the share registry.

## **Change of address**

It is important for shareholders to notify the share registry in writing promptly of any change of address. As an added security measure, please quote your Shareholder Reference Number and your old address.

## **Investor information**

The Company maintains a website at [www.invigorgroup.com](http://www.invigorgroup.com) where company information is available and a service for any queries is provided. For further queries, please contact the Company on (02) 8251 9600 or email enquiries to [info@invigorgroup.com](mailto:info@invigorgroup.com)

## **Stock Exchange listing**

Invigor Group Limited's ordinary shares are quoted on the Australian Securities Exchange under the code "IVO". Entitlement Options are quoted under the code "IVOO".

## **Annual General Meeting**

Details of the Annual General Meeting of Invigor Group Limited will be advised in the Notice of Meeting that will be despatched to shareholders.

# Corporate Directory

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## **Board of Directors**

Mr Gary Cohen (Executive Chairman)  
Mr Gregory Cohen (Executive Director)  
Mr John Hayson (Non-executive Director)  
Mr Vic Lorusso (Non-executive Director)  
Mr Paul Salter (Non-executive Director)

## **Company Secretary**

Mr David Neufeld

## **Registered Office**

Level 16, 56 Pitt Street  
Sydney NSW 2000

T: (02) 8251 9600

F: (02) 8078 0182

E: [info@invigorgroup.com](mailto:info@invigorgroup.com)

## **Auditor**

Nexia Melbourne  
Level 18, 530 Collins Street,  
Melbourne Vic 3000

## **Share Registry**

### ***Boardroom Pty Limited***

Level 7, 207 Kent Street  
Sydney NSW 2000

T: (02) 9290 9600

F: (02) 9290 9655

Please mail all share registry  
correspondence to

### ***Boardroom Pty Limited***

GPO Box 3993  
Sydney NSW 2001

## **Stock Exchange Listing**

Invigor Group Limited's shares and  
entitlement options are quoted on the  
Australian Securities Exchange.

## **Website address**

[www.invigorgroup.com](http://www.invigorgroup.com)

