

## ASX Announcement

27 August 2015

### Half Year Results and Company Update

- **Results for the half year**
  - **Operating revenue - \$3.4 million**
  - **EBITDAI - \$856,000 (before impairment charge)**
  - **EBITDA - \$106,000 in line with guidance**
- **Pipeline of sales continues to grow strongly for Insights range**
- **New contract signed for Insights Visitor**
- **More than 6,000 downloads for Shopping Ninja**
- **Successful completion of \$4.8 million capital raising**

Invigor Group Limited (“Invigor” or “the Company”) (ASX: IVO) has released its 30 June 2015 Half Year Financial Report and Appendix 4D. Invigor has reported a consolidated profit before interest, tax, depreciation, amortisation and impairment (EBITDAI) for the six months of \$856,000. EBITDA for the period was \$106,000 which was in line with guidance. Operating revenue for the period of \$3.4 million was generated from sales, licence fees and provision of services. The result reflects the effect of the acquisitions made during 2014 and the transition and repositioning of the Company undertaken during the past 15 months.

No interim dividend been declared.

Further information is contained in the accompanying Appendix 4D and Half Year Financial Report.

An impairment charge of \$750,000 was raised against the exposure to the Company’s investment in My Verified ID (MVID), which has been in administration during the period. The Board is of the view that there remains value to be realised from the investment held in MVID. Notwithstanding this view, it is considered prudent that a provision for impairment be raised with an ongoing review of the exposure undertaken as MVID implements its business plan post administration.

The Company released two major B2B solutions – Insights Retail and Insights Visitor – as well as a B2C product, Shopping Ninja, during the first six months of 2015. The Insights Retail solution has seen take up from several major brands in both the consumer electronics and alcoholic beverage markets. The pipeline of potential sales continues to grow with major trials currently underway, including with large retailers.

The Insights Visitor range is now seeing significant traction from a range of enterprises, including major retailers, shopping centre groups, hotel and leisure operators and local government. Invigor has recently signed up a leading Sydney hotel/bar operator to roll out Insight Analytics in one site initially with a view to rolling it out across their entire group.

Shopping Ninja uptake continues to grow with more than 6,000 downloads (double since July) and a number of major retailers signed up to pay commissions. The iPhone/iPad version is expected to be launched within weeks as well as a new range of products covering Health and Beauty.

The Company was very pleased with the response to the recent capital raising, which was fully subscribed despite testing market conditions. It brings a number of well-known funds onto the Invigor shareholder register.

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**About Invigor Group Limited**

Invigor Group (ASX:IVO) uses its complementary suite of big data products to source, aggregate, analyse and publish content for the benefit of businesses and consumers.

Today its interconnected data sets enable enterprise clients including retailers, brands, shopping centres and government bodies to identify and better understand competitors, consumers, markets and demographics while providing the consumer with the best value-for-money.

Using its current products and a pipeline of additional offerings Invigor will have the ability to provide an end-to-end solution spanning sales, product management, business intelligence, marketing, advertising, content creation and distribution, while monetising each step of the process.

## ASX Announcement

27 August 2015

### Results for announcement to the market

#### Appendix 4D for the half year ended 30 June 2015

Invigor Group Limited (ASX: IVO) announces the following results for the Company and its controlled entities (together the Consolidated Entity) for the half year ended 30 June 2015. The results are extracted from the accompanying Half Year Financial Report which has been reviewed by the Company's auditor.

Invigor operates as 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.

Extracted from the 30 June 2015 Half Year Financial Report	Six months to 30 June 2015	Six months to 30 June 2014	Change %
	\$A'000	\$A'000	
Revenue from ordinary activities	3,396	26	n/a
Net profit (loss) from ordinary activities after tax attributable to members	(100)	(1,027)	90.3
Net profit (loss) after tax attributable to members	(100)	(1,027)	90.3

The result reflects:

- revenue from sales, licence fees and services for the period of \$3.4 million resulting in earnings before tax, borrowing costs, depreciation, amortisation and impairment charges of \$856,000. This reflects the effect of the acquisitions made during 2014 and the transition and repositioning of the Company undertaken during the past 15 months;
- an impairment charge of \$750,000 raised against the exposure to My Verified ID;
- interest and borrowing costs incurred on convertible note and debt facilities of \$361,000 (comparative period - \$179,000); and
- legal costs incurred in managing the Piksel litigation of \$43,000 (comparative period - \$175,000). The litigation is now finalised.

Please refer to the accompanying 30 June 2015 Half Year Financial Report for further information.

**Dividends for the period ended 30 June 2015**

No interim dividend has been declared or proposed (2014 – \$nil).

**Net Tangible Assets (Liabilities) per Share**

	30 June 2015 <sup>1</sup>	30 June 2014 <sup>2</sup>
	\$A	\$A
Net assets (liabilities) per share	0.02	(0.01)
Less: Intangible assets per share	(0.03)	-
Net tangible assets (liabilities) per share	(0.01)	(0.01)

1 Based on 227,806,667 issued ordinary shares.

2 Based on 112,226,906 issued ordinary shares.

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The remainder of the information requiring disclosure to comply with Listing Rule 4.3A is contained in the accompanying 30 June 2015 Half Year Financial Report.

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**INVIGOR GROUP LIMITED**

ACN 081 368 274

**HALF YEAR FINANCIAL REPORT**

**PERIOD ENDED 30 JUNE 2015**

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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 half year ended 30 June 2015 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:

Directors	Appointed
Gary Cohen (Chairman)	19 July 2012
Gregory Cohen	19 July 2012
John Hayson	27 March 2014
Vic Lorusso	31 October 2012
Gary Munitz	13 July 2015
Paul Salter	10 December 2014

### Principal Activity

The Company operates as 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 process to transform the Company into providing these activities was announced on 18 March 2014. Prior to that date, the Company operated as an investment company focused on the information and communication technologies sector.

### Significant Changes in the State of Affairs

The Company has continued transforming itself into a digital solutions group during the financial period. The transformation has been funded by the issue of convertible notes and raising of new equity. Details 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 half year ended 30 June 2015 was \$100,000 (30 June 2014 - \$1,027,000 loss).

The result reflects:

- revenue from sales, licence fees and services for the period of \$3.4 million resulting in earnings before tax, borrowing costs, depreciation, amortisation and impairment charges of \$856,000. This reflects the effect of the acquisitions made during 2014 and the transition and repositioning of the Company undertaken during the past 15 months;
- an impairment charge of \$750,000 raised against the exposure to My Verified ID. This is further discussed below;
- interest and borrowing costs incurred on convertible note and debt facilities of \$361,000 (comparative period - \$179,000); and
- legal costs incurred in managing the Pikel litigation of \$43,000 (comparative period - \$175,000). The litigation is now finalised.

#### *Invigor Digital Solutions ("IDS")*

The IDS business plan is to use its complementary suite of big data products to source, aggregate, analyse and publish insights and content for the benefit of businesses and consumers. Its interconnected data sets enable enterprise clients including retailers, brands, shopping centres and government bodies to identify and better understand competitors, consumers, markets and demographics while providing the consumer with the best value for money. Using its current products and a pipeline of additional offerings, IDS will have the ability to

provide an end-to-end solution spanning sales, product management, business intelligence, marketing, advertising, content creation and distribution, while monetising each step of the process.

IDS launched three products during the period:

- **Insights Retail:** a B2B competitive analytics platform for brands and retailers operating on a SaaS model;
- **Shopping Ninja:** A consumer facing application which provides best value online shopping options to consumers on over 100,000 products. Invigor earns commission revenue from online sales made by retailers; and
- **Insights Visitor:** an analytics platform that can extract data from Wi-Fi hotspots or from Telcos.

We are pleased with the progress being made with each of these product sets.

Insights Retail is an analytics platform targeted at brands and retailers. It is designed to enhance brand and retail strategy decision making using real-time data on competitor products, pricing, advertising and other changes in the market. Insights Retail presently covers consumer electronics, whitegoods and alcohol verticals. Other verticals will be available during 2015. Five customers have been signed to date. There is a growing pipeline of more than 30 brands, retailers and distributors.

Shopping Ninja was formally launched during June and has to date had over 6,000 downloads. It is Australia's first price comparison browser extension and mobile application that provides Australians with the best value shopping on consumer goods across a large range of retailers operating in consumer electronics, whitegoods and alcoholic beverages. We anticipate making Shopping Ninja available across other verticals in coming months. Shopping Ninja is retail agnostic in that it does not have any retailer preference.

Insights Visitor is a holistic solution for retail property owners, venues, hotels, department stores, local governments, smart cities, websites and apps providing access to an almost infinite range of consumer usage, trends and behaviour information and delivering insights into customers' interactions with competitors. Insights Visitor has formed alliances with a number of telcos and IT infrastructure providers.

#### *Social Loot and TUXXE*

During the period, the Consolidated Entity also licenced the Social Loot technology to a private social media company, TUXXE Pty Ltd, generating fee revenue of \$1.75 million. Social Loot was developed by Global Group as a marketing platform allowing businesses to engage both their current and new customers through the key social media channels. It allows businesses to interact with their customers and gain reporting and insight into how they are being influenced through social media channels and the direct impact on sales. Currently in development, TUXXE will use existing social networks to generate impact and reward users through the simplicity of sharing everyday content. During August, Invigor acquired shares in TUXXE representing 17.5 per cent of its issued capital.

#### *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. At 30 June 2015, Invigor held shares and convertible notes in MVID. The convertible notes were received under the terms of a \$3.1 million convertible note funding facility entered into on 12 November 2014. During the period, Invigor exercised its rights as a secured lender and appointed administrators to MVID. This action was taken to protect the value of the investment and as a step seeking to maximise recoveries. A Deed of Company Arrangement ("DOCA") was entered into in June 2015 at which time the MVID administration ceased. A portion of the convertible notes were converted in June 2015 providing Invigor with a holding of 10% of the issued shares of MVID at that date.

In assessing the fair value of the exposure to MVID at 30 June 2015, regard has been had to:

- Terms of the DOCA, including defined cash amounts expected to be received by Invigor and the anticipated timing for receipt of these amounts; and
- Invigor's understanding of the status of MVID's business operations, financial affairs and prospects of its business plan being successfully implemented. Consideration has also been taken into account of the MVID administration ending in late June 2015 and that it is not unreasonable to monitor how MVID progresses with implementation of its business plan.



The Board is of the view that there remains value to be realised from the investment held in MVID. Notwithstanding this view, it is considered prudent that a provision for impairment be raised with an ongoing review of the exposure undertaken as MVID implements its business plan post administration. An impairment expense of \$750,000 has been recognised in the results for the reporting period.

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

The Company elected not to exercise the 14.1 million warrants issued to it by Piksel in December 2014. This followed a review of financial information received from Piksel in January 2015. During March 2015, the Company, Piksel and the KIT Creditors' Committee settled the legal dispute between the parties.

The Company still has claims before the appointed KIT Creditors' Committee. These claims have been formally admitted by the Creditors' Committee as part of the litigation settlement. 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 30% in the value during 2014/15. We anticipate receiving over \$1.0 million for the claims in due course subject to the final outcome of the Creditors' Committee. We understand that final distributions may not be made before 2016.

*Cash reserves*

The Company had cash at bank of \$455,000 at 30 June 2015. The Company raised \$4.8 million from a share placement completed in August 2015. Please refer to the **Events Subsequent to Reporting Date** section below.

*Convertible note facilities*

The Company entered into additional convertible note facilities during the period totalling \$4.0 million on terms approved by shareholders. At 30 June 2015, these facilities were drawn to \$3.0 million. Subsequent to balance date, the remaining available facilities were fully drawn. A portion of the convertible notes on issue were converted into shares or redeemed on 19 August 2015 concurrent with completion of the share placement. Please refer to the **Events Subsequent to Reporting Date** section below.

**Dividends**

No final dividend for the 2014 financial year was proposed or declared.

No interim dividend has been proposed or declared for the period ended 30 June 2015.

A dividend reinvestment plan has not been activated.

**Events subsequent to reporting date**

On 19 August 2015, the Company completed the raising of \$4,840,934 from the issue of 56,952,167 ordinary shares at 8.5 cents per share by way of a share placement.

Concurrent with completion of the share placement:

- A further 34,180,653 ordinary shares were issued on a 1 for 1 basis upon conversion of convertible notes and outstanding interest under convertible note facilities. No additional funds were received by the Company; and
- 7,730,000 convertible notes were redeemed for face value (\$773,000).

The Company received \$1,000,000 subsequent to balance date from drawdowns made under available convertible note facilities and issued a further 22,222,222 convertible notes for the funds received. A portion of these convertible notes were converted on 19 August 2015.

The Company completed the issue of 3,000,000 options on 16 July 2015 after obtaining required approvals at a meeting of shareholders held on 14 July 2015. The options have an exercise price of 10.0 cents each and expire 3 years after issue.

The Company completed the issue of 12,750,000 incentive options on 1 July 2015. The incentive options have an exercise price of 10.0 cents each, vest over 3 years and have an expiry date 5 years from the grant date.

The Company completed the issue of 6,500,000 incentive options on 16 July 2015 after obtaining required approvals at a meeting of shareholders held on 14 July 2015. The incentive options have an exercise price of 10.0 cents each, vest over 3 years and have an expiry date 5 years from the grant date.

On 29 July 2015, the Board approved the granting of a further 1,750,000 incentive options under the incentive plans. The approved issue is still to be finalised. The incentive options will have an exercise price of 10.0 cents each, vest over 3 years and have an expiry date 5 years from the grant date.

The Consolidated Entity acquired shares in TUXXE Pty Ltd during August 2015. TUXXE is a private company focused on development of a social media application. The cost of the acquisition was \$1,750,000. The Consolidated Entity holds 17.5 per cent of the issued shares of TUXXE as at the date of acquisition.

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 has transformed 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. The Company raised \$4.8 million from a share placement completed in August 2015. A portion of the funds raised will be used to expand sales and marketing efforts as the Company continues the rollout of its three key interconnected big data products which were launched during the first half of the year. The Company expects implementation of its business strategy to deliver improved financial results. However, any 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. The Company intends continuing to seek investment opportunities which are profitable and synergistic with the overall strategy.

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

The lead auditor's independence declaration is set out on page 7 and forms part of the Directors' Report for the period ended 30 June 2015.

#### **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 August 2015

**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 half year ended 30 June 2015, 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 review.



**NEXIA MELBOURNE**  
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**GEORGE S DAKIS**  
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Melbourne

27 August 2015

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	<b>Note</b>	<b>30 June 2015 \$'000</b>	<b>30 June 2014 \$'000</b>
Revenue		3,396	26
Employee benefits expense		(1,481)	(331)
Professional fees		(302)	(396)
Impairment of Other financial assets	4	(750)	-
Other operating costs		(757)	(139)
<b>Total profit (loss) before financing costs, tax, depreciation and amortisation</b>		106	(840)
Depreciation and amortisation		(373)	(8)
<b>Total profit (loss) before financing costs and tax</b>		(267)	(848)
Financing costs incurred		(361)	(179)
<b>Profit (loss) before income tax</b>		(628)	(1,027)
Income tax benefit (expense)		528	-
<b>Profit (loss) for the period</b>		<b>(100)</b>	<b>(1,027)</b>
Other comprehensive income		-	-
<b>Total comprehensive income (loss) for the period</b>		<b>(100)</b>	<b>(1,027)</b>
<b>Total:</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings (loss) per share attributable to ordinary equity holders		(0.04)	(0.96)
Diluted earnings (loss) per share attributable to ordinary equity holders		(0.01)	(0.96)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

	30 June 2015	31 December 2014
Note	\$'000	\$'000
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	455	1,077
Receivables	3 4,165	2,689
Other financial assets	4 -	496
<b>Total Current Assets</b>	<b>4,620</b>	<b>4,262</b>
<b>NON-CURRENT ASSETS</b>		
Other financial assets	4 1,024	-
Property, plant and equipment	206	206
Intangible assets	7 6,450	6,014
<b>Total Non-Current Assets</b>	<b>7,680</b>	<b>6,220</b>
<b>TOTAL ASSETS</b>	<b>12,300</b>	<b>10,482</b>
<b>CURRENT LIABILITIES</b>		
Other creditors and accruals	1,668	2,827
Interest bearing loans and borrowings	8 5,273	2,273
Provisions	246	223
<b>Total Current Liabilities</b>	<b>7,187</b>	<b>5,323</b>
<b>NON-CURRENT LIABILITIES</b>		
Provisions	148	136
<b>Total Non-Current Liabilities</b>	<b>148</b>	<b>136</b>
<b>TOTAL LIABILITIES</b>	<b>7,335</b>	<b>5,459</b>
<b>NET ASSETS</b>	<b>4,965</b>	<b>5,023</b>
<b>EQUITY</b>		
Issued capital	9 127,037	127,028
Reserves	10 1,583	1,550
Accumulated losses	(123,655)	(123,555)
<b>TOTAL EQUITY</b>	<b>4,965</b>	<b>5,023</b>

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

	<b>30 June 2015</b>	<b>30 June 2014</b>
<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	1,529	-
Payments to suppliers and employees	(3,706)	(950)
Interest received	2	19
Tax grants received	361	-
<b>Net cash from (used in) operating activities</b>	<b>(1,814)</b>	<b>(931)</b>
<b>Cash flows from investing activities</b>		
Payments for acquisition of investments and convertible notes	(1,348)	(397)
Payments for property, plant and equipment	(61)	(247)
Deposits paid	-	(10)
<b>Net cash from (used in) investing activities</b>	<b>(1,409)</b>	<b>(654)</b>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of options	5	-
Proceeds from borrowings and issue of convertible notes	2,915	2,230
Repayment of borrowings and redemption of convertible notes	(215)	(500)
Borrowing costs paid	(104)	(72)
Payment of capital raising costs	-	(95)
<b>Net cash flow from (used in) financing activities</b>	<b>2,601</b>	<b>1,563</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(622)</b>	<b>(22)</b>
Cash and cash equivalents at 1 January	1,077	144
Net foreign exchange differences	-	-
<b>Cash and cash equivalents at 30 June</b>	<b>455</b>	<b>122</b>

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

	Issued Capital	Accumulated Losses	Reserves	Total
<b>Consolidated</b>	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 January 2015</b>	<b>127,028</b>	<b>(123,555)</b>	<b>1,550</b>	<b>5,023</b>
Profit (loss) for the period	-	(100)	-	(100)
Total comprehensive income	-	(100)	-	(100)
<b>Transactions with owners in their capacity as owners:</b>				
Issue of shares	-	-	-	-
Share based payments reserve	-	-	33	33
Capital raising costs reversed (incurred)	9	-	-	9
<b>Balance at 30 June 2015</b>	<b>127,037</b>	<b>(123,655)</b>	<b>1,583</b>	<b>4,965</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	-	(1,027)	-	(1,027)
Total comprehensive income	-	(1,027)	-	(1,027)
<b>Transactions with owners in their capacity as owners:</b>				
Issue of shares	595	-	-	595
Capital raising costs incurred	(35)	-	-	(35)
<b>Balance at 30 June 2014</b>	<b>117,996</b>	<b>(120,455)</b>	<b>1,527</b>	<b>(932)</b>

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

## 1. Significant accounting policies

This general purpose consolidated financial report for the half-year ended 30 June 2015 comprises Invigor Group Limited (“the Company” or “Invigor”), and its subsidiaries (together referred to as the “Consolidated Entity”) and the Consolidated Entity’s interests in associates and jointly controlled entities.

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

The half-year financial report was approved by the Board of Directors on 27 August 2015.

The principal activity of the Consolidated Entity is to operate as 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. During the comparative reporting period, until 18 March 2014, the Consolidated Entity operated as an investment company focused on the information and communication technologies sector.

### (a) Statement of compliance

This consolidated half-year financial report is a general purpose financial report which has been prepared in accordance with AASB134 *Interim Financial Reporting* and the Corporations Act 2001.

This consolidated half-year financial report does not include all of the information required for a full annual financial report. Accordingly, this report is to be read in conjunction with the 31 December 2014 consolidated financial report and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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.

### (b) Basis of preparation

The accounting policies applied by the Consolidated Entity in this consolidated half-year financial report are the same as those applied by the Consolidated Entity in its 31 December 2014 consolidated financial report.

### (c) Use of estimates and judgements

The preparation of the consolidated half-year 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 remainder of this financial year and the next financial year are the measurement of Receivables (Note 3), Other financial assets (Note 4), Intangible assets (Note 7), Tax losses (Note 6), Interest bearing loans and borrowings (Note 8) and assessment of any contingent consideration which may become payable for the Amethon acquisition (Note 11).



**(d) 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:

- funding of \$4.8 million received from the share placement completed on 19 August 2015;
- 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; and
- anticipated timing and amounts expected to be received from realisation of the exposures to KIT digital, Inc. and My Verified ID. Refer Notes 3 and 4.

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.

**(e) 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. Capitalised development expenditure is reviewed at least annually for impairment.

**(f) Investments and financial assets**

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.

*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.

**(g) 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 acquisition 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.

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.

**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 has identified "digital solutions" as a being separately identifiable operating segment.

*Prior period comparatives*

The Consolidated Entity did not have any reportable operating segments during the comparative reporting period (being 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. Accordingly, no comparative information is presented below.

**Segment information**

<b>Half Year ended</b>	<b>Digital Solutions</b>	<b>Consolidated</b>
<b>30 June 2015</b>	<b>\$'000</b>	<b>Total</b>
	<u><b>\$'000</b></u>	<u><b>\$'000</b></u>
Revenue from external customers	2,265	2,265
Other revenue/income	-	-
Total segment revenue/income	2,265	2,265
EBITDA	1,210	1,210
Interest income	1	1
Interest expense	(5)	(5)
Depreciation and amortisation	(267)	(267)

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

	<b>Consolidated</b>
	<b>2015</b>
	<u><b>\$'000</b></u>
<b>Segment EBITDA</b>	1,210
Non-segment EBITDA	(354)
Depreciation, amortisation and impairment	(1,123)
Finance costs	(361)
<b>Profit (loss) before income tax</b>	<u><b>(628)</b></u>

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 Receivables**

	<b>30 June</b>	<b>31 December</b>
	<b>2015</b>	<b>2014</b>
	<u><b>\$'000</b></u>	<u><b>\$'000</b></u>
Claims recoverable at fair value	1,150	1,150
Trade debtors	2,321	1,085
Provision for doubtful debts	-	(19)
Research and development grants receivable	553	360
Sundry debtors and receivables	73	40
Prepayments	68	73
<b>Current</b>	<u><b>4,165</b></u>	<u><b>2,689</b></u>

“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.

Included in Trade debtors is an amount receivable of \$1,750,000 (ex GST) associated with a licence fee entered into for the Social Loot technology. This receivable was settled during August 2015.

#### 4 Other financial assets

	<b>30 June 2015</b>	<b>31 December 2014</b>
	\$'000	\$'000
Other financial assets, at fair value through profit or loss <sup>(b)</sup>	-	12,895
Provision for impairment	-	(12,399)
<b>Current</b>	-	496
Other financial assets, at fair value through profit or loss <sup>(a)</sup>	1,774	-
Provision for impairment	(750)	-
<b>Non-current</b>	1,024	-

##### (a) My Verified ID Holdings Pty Ltd ("MVID")

At 30 June 2015, the Consolidated Entity held shares and convertible notes in MVID. The Consolidated Entity received the convertible notes under the terms of a \$3.1 million convertible note funding facility entered into on 12 November 2014. A portion of the convertible notes were converted in June 2015 providing the Consolidated Entity with a holding of 10% of the issued shares of MVID at that date.

During the period, the Consolidated Entity exercised its rights as a secured lender and appointed administrators to MVID. This action was taken to protect the value of the investment and as a step seeking to maximise recoveries. A Deed of Company Arrangement ("DOCA") was entered into in June 2015 at which time the MVID administration ceased.

In assessing the fair value of the exposure to MVID at 30 June 2015, regard has been had to:

- Terms of the DOCA, including defined cash amounts expected to be received by the Consolidated Entity and the anticipated timing for receipt of these amounts; and
- The Consolidated Entity's understanding of the status of MVID's business operations, financial affairs and prospects of its business plan being successfully implemented. Consideration has also been taken into account of the MVID administration ending in late June 2015 and that it is not unreasonable to monitor how MVID progresses with implementation of its business plan.

The Board is of the view that there remains value to be realised from the investment held in MVID. Notwithstanding this view, it is considered prudent that a provision for impairment be raised with an ongoing review of the exposure undertaken as MVID implements its business plan post administration. An impairment expense of \$750,000 has been recognised.

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 considering the events affecting MVID during the reporting period and that MVID has only recently come out of administration.

##### (b) Piskel Inc.

The prior period comparative included an amount of \$12.4 million representing entitlements under a share sale agreement entered into during 2012 as well as the entitlement to receive warrants in Piskel following approval by the US Bankruptcy Court of a Plan of Reorganization in August 2013. The Company elected in January 2015 not to exercise 14.1 million warrants issued to it by Piskel during December 2014. Legal action between the Company and Piskel in connection with other disputed matters was settled in March 2015.

#### 5 Dividends

There were no dividends paid or proposed during the period (2014 - \$nil). The directors have not proposed the payment of an interim dividend since the period end (2014 - \$nil).

## 6 Income Tax Losses

	<b>30 June 2015</b>	<b>31 December 2014</b>
	\$'000	\$'000
Unused tax losses for which no deferred tax asset has been recognised:		
Income tax losses	8,993	9,514
Capital losses	<u>32,360</u>	<u>32,360</u>
Potential benefit at 30%		
Income tax losses	2,698	2,854
Capital losses	<u>9,708</u>	<u>9,708</u>

The benefit of all tax 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 Intangible assets

	<b>30 June 2015</b>	<b>31 December 2014</b>
	\$'000	\$'000
<i>Software and technology</i>		
Cost (gross carrying amount)	1,078	1,078
Accumulated amortisation	(854)	(615)
Net carrying amount	<u>224</u>	<u>463</u>
<i>Goodwill</i>		
Cost (gross carrying amount)	5,551	5,551
Accumulated impairment	-	-
Net carrying amount	<u>5,551</u>	<u>5,551</u>
<i>Capitalised development expenditure</i>		
Cost (gross carrying amount)	750	-
Accumulated amortisation	(75)	-
Net carrying amount	<u>675</u>	<u>-</u>
<i>Total intangible assets</i>		
Cost (gross carrying amount)	7,379	6,629
Accumulated amortisation	(929)	(615)
Accumulated impairment	-	-
Net carrying amount	<u>6,450</u>	<u>6,014</u>

Reconciliation of carrying amounts at the beginning and end of the period

	<b>30 June 2015</b>	<b>31 December 2014</b>
	\$'000	\$'000
<i>Software and technology</i>		
Net carrying amount at the beginning of the period	463	-
Additions	-	1,078
Amortisation expense	(239)	(615)
Impairment expense	-	-
Net carrying amount at the end of the period	<u>224</u>	<u>463</u>
<i>Goodwill</i>		
Net carrying amount at the beginning of the period	5,551	-
Additions	-	5,551
Impairment expense	-	-
Net carrying amount at the end of the period	<u>5,551</u>	<u>5,551</u>
<i>Capitalised development expenditure</i>		
Net carrying amount at the beginning of the period	-	-
Additions	750	-
Amortisation expense	(75)	-
Net carrying amount at the end of the period	<u>675</u>	<u>-</u>
<i>Total intangibles</i>		
Net carrying amount at the beginning of the period	6,014	-
Additions	750	6,629
Amortisation expense	(314)	(615)
Impairment expense	-	-
Net carrying amount at the end of the period	<u>6,450</u>	<u>6,014</u>

**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 during 2014. The Software and technology assets are recognised at cost less accumulated amortisation and impairment losses, if any. Refer Note 1(g).

**Goodwill**

Goodwill is allocated to the Consolidated Entity's cash generating units. At 30 June 2015, the goodwill balance related to the Invigor Digital Solutions division and arose following the acquisitions of Global Group Australia and Amethon Solutions during 2014. Goodwill is reviewed annually for impairment or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. No indicators of impairment were identified as being present at 30 June 2015. Accordingly, formal assessment for impairment has not been required to be undertaken.

In assessing if there were any indicators of impairment, regard was had to progress being made with implementation of Invigor's business plan for the products offered by the Digital Solutions division, including the sales activity and pipeline. Consideration was also given to any impacts upon the discounted cash flow model prepared for the Digital Solutions division. This model covers a 5 year forecast period, uses discount rates ranging from 8.0% to 25.0% based on cost of capital and business risk assessments; and annual revenue growth rates ranging from 10% to 15%.

### Capitalised development expenditure

Eligible expenditure associated with product development has been capitalised in accordance with the policy described in Note 1(e). The capitalised expenditure is recognised at cost less accumulated amortisation and impairment losses, if any.

## 8 Interest bearing loans and borrowings

	<b>30 June 2015</b>	<b>31 December 2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Unsecured borrowings – convertible notes	5,273	2,273
<b>Current</b>	<b>5,273</b>	<b>2,273</b>

### *Unsecured borrowings – convertible notes*

#### *Facility with H Investments*

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 2014 – 15,000,000)
- 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 notes on issue under this facility were converted into shares on 19 August 2015. Refer Note 13.

#### *Facilities with Marcel Equity*

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 2014 – 7,730,000)
- 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, if the noteholder gives a notice requiring redemption after the occurrence of a defined event of default or if the parties otherwise agree. The notes were redeemed on 19 August 2015. Refer Note 13.

The Company raised \$2,000,000 by way of an issue of redeemable convertible notes to Marcel Equity Pty Ltd or its nominees under a facility entered into in April 2015. Key terms of these notes are:

- Convertible notes on issue at balance date – 22,222,222 (31 December 2014 – not applicable)
- Maturity Date – 10 October 2016, being 18 months from the first drawdown date
- Ranking – unsecured
- Conversion price – the convertible notes may be converted into shares at the conversion price of \$0.09 per share (subject to any adjustment in accordance with the terms and conditions of those notes).
- Interest – 8.0 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.

On 19 August 2015, 11,111,111 convertible notes issued under this facility were converted into shares. Refer Note 13.

#### *Facility with Atlas Capital and others*

The Company entered into a \$2,000,000 redeemable convertible note facility with MAP Capital Pty Ltd <atf Atlas Capital Series B Fund> in June 2015. Key terms of the facility are:

- Convertible notes on issue at balance date – 11,111,111 (31 December 2014 – not applicable)
- Maturity Dates – 11 December 2016 for 5,555,555 notes on issue at balance date; 31 December 2016 for 5,555,556 notes on issue at balance date
- A condition of the facility is that 30 per cent of the funding be provided by parties other than Atlas Capital. Entities associated with Gary Munitz and Daniel Sekers agreed to provide this portion of the funding.
- Ranking – unsecured
- Conversion price – the convertible notes may be converted into shares at the conversion price of \$0.09 per share (subject to any adjustment in accordance with the terms and conditions of those notes).
- Interest – 8.0 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.

Further drawdowns under the facility have been made subsequent to balance date. Refer Note 13.

On 19 August 2015, 6,666,666 convertible notes issued under this facility were converted into shares. Refer Note 13.

The unsecured convertible notes are shown as a current liability at balance date because the note holders held a current right at that date to issue a conversion notice and notwithstanding the remaining terms to maturity under the facilities.

#### *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 subsequently increased and the term extended at various times. The facility was cancelled in April 2015.



*Bank overdraft*

The Consolidated Entity has a \$100,000 interest bearing overdraft facility with National Australia Bank which was fully available at 30 June 2015 (31 December 2014 – fully available). The facility is secured by guarantees provided by entities associated with Gary Cohen and Gregory Cohen.

**9 Issued capital and share options**

	<b>30 June 2015</b>	<b>Company 31 December 2014</b>	<b>30 June 2015</b>	<b>Company 31 December 2014</b>
	Shares	Shares	\$'000	\$'000
Ordinary shares, fully paid	227,806,667	227,806,667	127,037	127,028

**Movement in ordinary share capital  
Fully paid shares**

Balance at the beginning of the period	227,806,667	99,004,684	127,028	117,436
Issue of fully paid shares	-	128,801,983	-	9,992
Capital raising costs recovered (incurred)	-	-	9	(400)
Net balance at end of period	227,806,667	227,806,667	127,037	127,028

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.

Subsequent to balance date, the Company issued

- 2,000 ordinary shares on 10 July 2015 following the exercise of Entitlement Options; and
- 91,132,820 ordinary shares on 19 August 2015 following completion of a share placement and conversion of convertible notes. Refer Note 13.

**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.

	<b>30 June 2015</b>	<b>31 December 2014</b>
<b>Movement in Entitlement Options</b>	Entitlement Options	Entitlement Options
Balance at beginning of period	38,869,889	32,258,778
Issue of Options – 20 March 2014	-	6,611,111
Exercised during the period	-	-
Net balance at end of period	38,869,889	38,869,889

On 10 July 2015, 2,000 Entitlement Options were exercised.

### Options issued under incentive plans (“Incentive Options”)

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 30 June 2015, there were 17,818,870 Incentive Options on issue under the Plans (31 December 2014 – 13,818,870). Options on issue under the Plans may have varying vesting dates. All options on issue under the Plans at 30 June 2015 expire 5 years from the applicable grant date.

The Company did not issue any ordinary shares to participants in the Plans during the period ended 30 June 2015 upon exercise of Incentive Options as no previously issued Incentive Options were exercised. The issue of shares upon the exercise of Incentive Options will be governed by the terms of the relevant plan.

The key terms of the Incentive Options on issue at 30 June 2015 are:

**Exercise price** – 10.0 cents per option.

**Vesting and exercise period** - One-third of the options granted to each of the recipients will vest on each anniversary of the grant date (provided that the recipient remains employed by the Company or unless otherwise approved by the Board). The options are exercisable at any time commencing from the relevant vesting date and ending on the 5th anniversary of the date of grant of the options (i.e. expiry date). The issue of shares upon the exercise of the options will be governed by the terms of the Plans.

Details of Incentive Options on issue under the Plans at 30 June 2015 are shown in the following table.

Date options granted	Expiry date	Exercise price \$	Balance at start of the period #	Issued during the period #	Cancelled or Lapsed during the period #	Exercised during the period #	Balance at end of the period #	Exercisable at end of the period #
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	270,015	-	-	-	270,015	90,006
17 Sept 2014	17 Sept 2019	0.10	6,350,000	-	(250,000)	-	6,100,000	-
26 March 2015	26 March 2020	0.10	-	4,250,000	-	-	4,250,000	-
Total			13,818,870	4,250,000	(250,000)	-	17,818,870	2,489,623

Subsequent to balance date, the Company completed the issue of an additional 19,250,000 Incentive Options and approved the granting a further 1,750,000 Incentive Options. Refer Note 13.

### Other Options

The Company has issued options over shares (“Other Options”) as part of the fee arrangements for capital markets and other services pursuant to mandate letters with the firms providing the services.

Key terms of the Other Options issued are:

**Exercise price** – 10.0 cents per option

**Expiry** – 5,000,000 Other Options expire on 11 May 2018; 5,000,000 Other Options expire on 5 August 2019.

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

There are no vesting or exercise conditions.

<b>Movement in Other Options</b>	<b>Company</b>	
	<b>30 June 2015</b>	<b>31 December 2014</b>
	Other Options	Other Options
Balance at beginning of period	5,000,000	-
Issue of Other Options during the period	5,000,000	5,000,000
Net balance at end of period	<u>10,000,000</u>	<u>5,000,000</u>

The Company issued a further 3,000,000 options on 16 July 2015 as part of the fee arrangements for convertible note facilities entered into in June 2015. Refer Note 13.

## 10 Reserves

	<b>30 June 2015</b>	<b>31 December 2014</b>
	\$'000	\$'000
<b>Employee equity benefits reserve</b>		
Opening balance	1,550	1,527
Share based payments	33	23
<b>Total employee benefits reserve</b>	<u>1,583</u>	<u>1,550</u>

## 11 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:

	<b>30 June 2015</b>	<b>31 December 2014</b>
	\$'000	\$'000
Within one year	59	-
Later than one year but not later than five years	5	-
Later than five years	-	-
	<u>64</u>	<u>-</u>
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	-	-

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

### Other commitments

The Consolidated Entity had a commitment to pay an amount of \$700,000 ("Principal Amount") 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 commitment was varied by the Convertible Note Agreements ("Agreements") entered into in June 2015 with entities associated with Gary Munitz and Daniel Sekers (refer Note 8). Convertible Notes issued to those entities under the Agreements were used to partially settle the Principal Amount such that the amount outstanding at 30 June 2015 was \$400,000. This was partially settled by a cash payment to certain GGA Vendors of \$82,000 on 1 July 2015, further drawdowns of \$300,000 under the Agreements made subsequent to balance date and a final cash payment of \$18,000 in August 2015.

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 may have been required to be issued if certain defined contractual arrangements were entered into before 30 June 2015. No such defined contractual arrangements were entered into and this commitment has now ceased. 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, 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.

Details of options over shares committed to be issued by the Company if the options are exercised are set out in Note 9.

## **12 Contingent Liabilities**

The directors are not aware of any material contingent liabilities at balance date or arising since the end of the financial period that have 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.

## **13 Events Subsequent to Balance Date**

On 19 August 2015, the Company completed the raising of \$4,840,934 from the issue of 56,952,167 ordinary shares at 8.5 cents per share by way of a share placement.

Concurrent with completion of the share placement:

- A further 34,180,653 ordinary shares were issued on a 1 for 1 basis upon conversion of convertible notes and outstanding interest under convertible note facilities. No additional funds were received by the Company; and
- 7,730,000 convertible notes were redeemed for face value (\$773,000).

The Company received \$1,000,000 subsequent to balance date from drawdowns made under available convertible note facilities and issued a further 22,222,222 convertible notes for the funds received. A portion of these convertible notes were converted on 19 August 2015.

The Company completed the issue of 3,000,000 options on 16 July 2015 after obtaining required approvals at a meeting of shareholders held on 14 July 2015. The options have an exercise price of 10.0 cents each and expire 3 years after issue.

The Company completed the issue of 12,750,000 incentive options on 1 July 2015. The incentive options have an exercise price of 10.0 cents each, vest over 3 years and have an expiry date 5 years from the grant date.

The Company completed the issue of 6,500,000 incentive options on 16 July 2015 after obtaining required approvals at a meeting of shareholders held on 14 July 2015. The incentive options have an exercise price of 10.0 cents each, vest over 3 years and have an expiry date 5 years from the grant date.

On 29 July 2015, the Board approved the granting of a further 1,750,000 incentive options under the incentive plans. The approved issue is still to be finalised. The incentive options will have an exercise price of 10.0 cents each, vest over 3 years and have an expiry date 5 years from the grant date.

The Consolidated Entity acquired shares in TUXXE Pty Ltd during August 2015. TUXXE is a private company focused on development of a social media application. The cost of the acquisition was \$1,750,000. The Consolidated Entity holds 17.5 per cent of the issued shares of TUXXE as at the date of acquisition.

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.

In the opinion of the Directors of Invigor Group Limited:

- (a) The consolidated financial statements and notes set out on pages 8 to 25 are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2015 and its performance for the six month period ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.
- (b) There are reasonable grounds to believe that Invigor Group Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Gary Cohen  
Director

Dated at Sydney this 27th day of August 2015

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF INVIGOR GROUP LTD

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Invigor Group Ltd (the company), which comprises the consolidated condensed statement of financial position as at 30 June 2015, the consolidated condensed statement of profit or loss and other comprehensive income, the consolidated condensed statement of changes in equity, the consolidated condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

#### *Directors' Responsibility for the Half-Year Financial Report*

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

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410: *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including:

- a. giving a true and fair view of the company's financial position as at 30 June 2015 and its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### **Nexia Melbourne**

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*Independence*

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

*Conclusion*

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

- a. giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the half-year ended on that date; and
- b. complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Emphasis of Matter – Going Concern*

Without qualifying our opinion, we draw attention to Note 1(d) in the financial report, regarding the ability of the company to continue as a going concern. We highlight that the entity undertook a capital raising in August for \$4.8m. In determining that the going concern assumption is appropriate, the directors have considered this capital raising and made a number of assumptions and judgements, which are detailed in this Note.

*Emphasis of Matter – Recoverability of financial assets and KIT digital Inc creditor claims*

Without qualifying our opinion, we draw attention to Notes 3 and 4 in the financial report, regarding the status and recoverability of the financial assets regarding Kit digital Inc. (Piksel Inc.) claims made by the company to the appointed Creditors' Committee and the status of amounts owing from the company's investment in My Verified ID Holdings Pty Ltd.



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**GEORGE DAKIS**  
Partner  
Audit & Assurance Services

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27 August 2015