ASX Announcement

31 August 2016

Results for announcement to the market

Appendix 4D for the half year ended 30 June 2016

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 2016. 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 2016 Half Year Financial Report	**Six months to 30 June 2016**	**Six months to 30 June 2015**	**Change**
	$A'000	$A'000	%
Revenue from ordinary activities	4,554	3,882	17%
Net profit (loss) from ordinary activities after tax attributable to members	(2,688)	(100)	n/m
Net profit (loss) after tax attributable to members	(2,688)	(100)	n/m

n/m = not meaningful

The result reflects:

- revenue earned from sales, licence fees and services for the period of $3.6 million (2015: $3.4 million), which reflects a pleasing contribution from Condat and from new contracts secured for Insights Retail and Insights Visitor;
- an impairment charge of $425,000 raised against the amount receivable from the Creditors' Committee of KIT digital Inc.;
- an impairment charge of $753,000 raised against convertible notes receivable from MVID; and
- interest and borrowing costs incurred on convertible note and debt facilities of $205,000 (comparative period - $361,000);

Please refer to the accompanying 30 June 2016 Half Year Financial Report, results announcement and presentation slides for further information.

Dividends for the period ended 30 June 2016
No interim dividend has been declared or proposed (2015 – $nil).

Net Tangible Assets (Liabilities) per Share

	30 June 2016[1]	30 June 2015[2]
	$A	$A
Net assets (liabilities) per share	0.03	0.02
Less: Intangible assets per share	(0.03)	(0.03)
Net tangible assets (liabilities) per share	(0.00)	(0.01)

1 Based on 393,995,163 issued ordinary shares at 30 June 2016.

2 Based on 227,806,667 issued ordinary shares at 30 June 2015.

Details of entities over which control has been gained or lost during the period
Invigor GGA Holdings Pty Ltd was deregistered on 11 May 2016.

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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 2016 Half Year Financial Report, results announcement and presentation slides released today. These documents should be read in conjunction with each other document.

For further information, please contact:

Gary Cohen
Executive Chairman and CEO
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INVIGOR GROUP LIMITED

ACN 081 368 274

HALF YEAR FINANCIAL REPORT

PERIOD ENDED 30 JUNE 2016

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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 2016 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
Roger Clifford	18 November 2015
Gregory Cohen	19 July 2012
John Hayson	27 March 2014
Jeremy Morgan	2 March 2016
Anthony Sherlock	5 November 2015

Principal Activity
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 and uses its complementary suite of big data products to source, aggregate, analyse and publish content for the benefit of businesses and consumers. The Company intends continuing to seek investment opportunities which are profitable and synergistic with the overall strategy.

Significant Changes in the State of Affairs
The Company has continued operating as a digital solutions group during the financial period. The business activities have been funded by the raising of new equity and drawing on available debt facilities. 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 2016 was $2,688,000 (30 June 2015 - $100,000 loss).

The result reflects:
- revenue from sales, licence fees and services for the period of $3.6 million (2015: $3.4 million).
- an impairment charge of $425,000 raised against the amount receivable from the Creditors' Committee of KIT digital Inc. This is further discussed below;
- an impairment charge of $753,000 raised against convertible notes receivable from MVID. This is further discussed below;
- interest and borrowing costs incurred on convertible note and debt facilities of $205,000 (comparative period - $361,000);

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 has three main products:

- **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. A new product called SpotLite was recently launched to service other verticals and a broader range of users. It is anticipated that it will be released during October 2016.

Shopping Ninja was formally launched during June 2015. 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. 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 launched a customer engagement platform which will see it produce revenue from advertising and offers on its platform. A joint venture to promote this was recently announced for Manly Wharf in Sydney.

Condat

Condat is the major provider of smart media solutions to public broadcasters in Germany and its innovative software strongly complements Invigor's existing product offering and its development towards becoming an end-to-end big data and content distribution provider. Condat continues to win additional business from new and existing customers.

Social Loot and TUXXE

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. Invigor acquired shares in TUXXE representing 17.5 per cent of its issued capital in August 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. At 30 June 2016, Invigor held shares and convertible notes in MVID. In July 2016 Invigor acquired the US patent from MVID for $600,000 by way of a reduction of debt. Please refer to the **Events subsequent to reporting date** below.

Whilst the Patent is viewed as having significant value, this is now to be treated as a separate asset from the MVID investment.
The Company is of the view that it is it is considered prudent that a provision for impairment be raised against the remaining exposure while an ongoing review is undertaken. An impairment expense of $753,000 has been recognised.

Receivable from KIT digital, Inc. Creditors' Committee

The Company still has claims before the appointed Creditors' Committee of KIT digital, Inc. These claims have been formally admitted by the Creditors' Committee. Invigor received a first distribution of $725,000 in March 2016.

The timing of further distributions is not confirmed. A provision against the balance of the carrying amount ($425,000) has been raised. Refer **Events subsequent to reporting date** below.

Funding

The Company raised $1.6 million in April 2016 by way of a share purchase plan offered to eligible shareholders and a share placement. A further capital raising occurred in July 2016. Refer **Events subsequent to reporting date** below.

Dividends

No final dividend for the 2015 financial year was proposed or declared.

No interim dividend has been proposed or declared for the period ended 30 June 2016.

A dividend reinvestment plan has not been activated.

Events subsequent to reporting date

On 21 July 2016 the Company completed a capital raising in the amount of $1.0 million from the issue of 34,000,000 ordinary shares at 3.0 cents per share by way of a share placement. Investors were also granted one option for each share acquired (34,000,000 options) on the same terms as quoted options previously granted by the Company. These options were granted with an exercise price of 5.0 cents each and expire on 1 July 2018. A further 4,000,000 options were granted on the same terms as part of the fee arrangements with the Company's broker for the transaction.

The Company committed in 2015 to issue ordinary shares to certain employees to the value of $5,000 each if they remained employed by the Consolidated Entity at 30 June 2016. The aggregate commitment at balance date was $60,000. The commitment was satisfied on 6 July 2016 by an issue of 2,068,968 shares at an issue price of 2.9 cents per share.

The Company granted 5,000,000 options under the incentive plan on 1 August 2016. These options will vest subject to achievement of specified performance conditions and have an exercise price of 5.0 cents each. The expiry date is 12 July 2019.

The Company was informed in August 2016 that any further distributions by the Official Creditors' Committee of KIT digital, Inc. may be of minimal amount. Whilst not official information, the directors have elected to raise a provision against the entire balance of the carrying amount ($425,000). This provision is reflected in the financial statements.

A further $100,000 has been drawn against the Marcel loan facility subsequent to the balance date, bringing total liabilities to Marcel of $300,000.

The Company acquired an approved patent and associated intellectual property from My Verified ID (MVID) on 8 July 2016 for A$600,000. This consideration was accounted for as a reduction in the debt amount owing by MVID to the Company. The Company is evaluating a strategy to realise the potential of this patent.

On 18 August 2016 Invigor Group received funds in the amount of $985,000, representing a research and development tax rebate. An amount of $750,000 was used to fully repay the Prepayment Loan facility entered into in June 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 does not foresee any further delays in the implementation of its business strategy to deliver significantly improved financial results. Focus is continuing on sales and marketing and the Company is currently at the latter stages of contract negotiations with a number of high end, strong market players which they anticipate will generate annual revenue of $2.0 million.

Condat revenue continues to strengthen with additional contract wins from current and additional customers.

The Company is 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 2016.

Rounding

In accordance with the Australian and Securities Investments Commissions Corporation (Rounding in Financial/Directors Reports) Instrument 2016/191, values are rounded to the nearest thousand dollars unless otherwise stated. Amounts less than $500 are rounded to zero.

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

Gary Cohen
Director

Dated at Sydney this 31st day of August 2016

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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 2016, 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.

Moore Stephens

MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257

ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne, Victoria

31 August 2016

	Note	30 June 2016 $'000	30 June 2015 $'000
Revenue	3	3,569	3,396
Other revenue	3	985	486
Total revenue		**4,554**	**3,882**
Employee benefits expense		(3,535)	(1,481)
Professional fees		(546)	(302)
Impairment expense	4,5	(1,178)	(750)
Other operating costs		(1,334)	(757)
Total profit (loss) before financing costs, tax, depreciation and amortisation		**(2,039)**	**592**
Depreciation and amortisation		(438)	(373)
Total profit (loss) before financing costs and tax		**(2,477)**	**219**
Financing costs incurred		(205)	(361)
Profit (loss) before income tax		**(2,682)**	**(142)**
Income tax benefit (expense)		(6)	42
Profit (loss) for the period		**(2,688)**	**(100)**
Other comprehensive income		68	-
Total comprehensive income (loss) for the period		**(2,620)**	**(100)**

Total:	**Cents**	**Cents**
Basic earnings (loss) per share attributable to ordinary equity holders	(0.72)	(0.04)
Diluted earnings (loss) per share attributable to ordinary equity holders	(0.72)	(0.01)

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

	Note	30 June 2016 $'000	31 December 2015 $'000
CURRENT ASSETS			
Cash and cash equivalents		169	1,100
Trade and other receivables	4	3,945	3,808
Assets held for sale and Other financial assets	5	1,021	1,774
Total Current Assets		5,135	6,682
NON-CURRENT ASSETS			
Other financial assets	5	1,750	1,750
Property, plant and equipment		160	256
Intangible assets	8	13,376	12,983
Total Non-Current Assets		15,286	14,989
TOTAL ASSETS		**20,421**	**21,671**
CURRENT LIABILITIES			
Other creditors and accruals	9	2,879	4,543
Interest bearing loans and borrowings	10	5,000	4,195
Provisions		525	253
Total Current Liabilities		8,404	8,991
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings	10	358	180
Provisions		74	64
Total Non-Current Liabilities		432	244
TOTAL LIABILITIES		**8,836**	**9,235**
NET ASSETS		**11,585**	**12,436**
EQUITY			
Issued capital	11	139,009	137,351
Reserves	12	1,929	1,750
Accumulated losses		(129,353)	(126,665)
TOTAL EQUITY		**11,585**	**12,436**

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

	30 June 2016 $'000	30 June 2015 $'000
Cash flows from operating activities		
Receipts from customers	4,531	1,529
Payments to suppliers and employees	(8,096)	(3,706)
Interest received	1	2
Other income received	-	361
Net cash from (used in) operating activities	**(3,564)**	**(1,814)**
Cash flows from investing activities		
Payments for property, plant and equipment	(15)	(61)
Payments for acquisition of investments and convertible notes	-	(1,348)
Proceeds from claims receivable	725	-
Net cash from (used in) investing activities	**710**	**(1,409)**
Cash flows from financing activities		
Proceeds from the issue of shares and options	1,428	5
Proceeds from borrowings and issue of convertible notes	1,426	2,915
Repayment of borrowings and redemption of convertible notes	(695)	(215)
Borrowing costs paid	(162)	(104)
Payment of capital raising costs	(74)	-
Net cash flow from (used in) financing activities	**1,923**	**2,601**
Net increase (decrease) in cash and cash equivalents	(931)	(622)
Cash and cash equivalents at 1 January	1,100	1,077
Net foreign exchange differences	-	-
Cash and cash equivalents at 30 June	**169**	**455**

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

Consolidated	Issued Capital $'000	Accumulated Losses $'000	Reserves $'000	Total $'000
Balance at 1 January 2016	**137,351**	**(126,665)**	**1,750**	**12,436**
Profit (loss) for the period	-	(2,688)	-	(2,688)
Foreign currency translation reserve	-	-	68	68
Total comprehensive income (loss)	-	(2,688)	68	(2,620)
Transactions with owners in their capacity as owners:				
Issue of shares	1,920	-	-	1,920
Share based payments reserve	-	-	111	111
Capital raising costs reversed (incurred)	(262)	-	-	(262)
Balance at 30 June 2016	**139,009**	**(129,353)**	**1,929**	**11,585**
Balance at 1 January 2015	**127,028**	**(123,555)**	**1,550**	**5,023**
Profit (loss) for the period	-	(100)	-	(100)
Total comprehensive income	-	(100)	-	(100)
Transactions with owners in their capacity as owners:				
Share based payments reserve	-	-	33	33
Capital raising costs reversed (incurred)	9	-	-	9
Balance at 30 June 2015	**127,037**	**(123,655)**	**1,583**	**4,965**

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 2016 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 31 August 2016.
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 and uses its complementary suite of big data products to source, aggregate, analyse and publish content for the benefit of businesses and consumers. The Company intends continuing to seek investment opportunities which are profitable and synergistic with the overall strategy.

(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 2015 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.

In accordance with the Australian and Securities Investments Commissions Corporation (Rounding in Financial/Directors Reports) Instrument 2016/191, values are rounded to the nearest thousand dollars unless otherwise stated. Amounts less than $500 are rounded to zero.

(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 2015 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 4), Assets held for sale and Other financial assets (Note 5), Income Tax losses (Note 7), Intangible assets (Note 8) and Interest bearing loans and borrowings (Note 10).

(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:

- effect on the financial position of the Consolidated Entity following a review of the amount and/or terms of forecast investment, financial and operating commitments for the next 12 months, including short to medium term funding commitments which may need to be met through the raising of additional debt or equity. The Company has already raised funding of $1.0 million from a share placement completed on 21 July 2016. Refer Note 15;
- forecast amounts and anticipated timing of receipts from ordinary operating activities;
- terms of existing financing facilities available to the Consolidated Entity and the likelihood of these being renegotiated or extended if required. Refer Note 10; and
- anticipated timing and amounts expected to be received from realisation of the exposures to My Verified ID. Refer Note 5.

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 are amortised over the period of expected future sales from the related projects, which is generally no more than 5 years. 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. This segment operates primarily in Australia and Germany.

2. Segment reporting (continued)

	Digital Solutions	Consolidated Total
Half Year Ended 30 June 2016	$'000	$'000
Revenue from external customers	3,569	3,569
Other revenue/income	-	-
Total segment revenue/income	**3,569**	**3,569**
EBITDA	(250)	(250)
Interest income	-	-
Interest expense	(70)	(70)
Depreciation and amortisation	(90)	(90)
30 June 2015		
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)

Total revenue for June 2015 included investment income of $1.1m. This was deemed not to be a part of the Digital Solutions segment.

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

	30 June 2016 $'000	30 June 2015 $'000
Segment EBITDA	(250)	1,210
Non-segment EBITDA	(611)	132
Depreciation, amortisation and impairment	(1,616)	(1,123)
Finance costs	(205)	(361)
Profit (loss) before income tax	**(2,682)**	**(142)**

Revenue by geographical region

Revenue attributable to external customers is disclosed below, based on the location of the external customer:

	30 June 2016 $'000	30 June 2015 $'000
Australia	332	2,265
Germany	3,237	-
Total revenue from external customers	**3,569**	**2,265**

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. Revenue

	30 June 2016 $'000	30 June 2015 $'000
Revenue from sales, licence fees and services	3,569	3,396
Research and Development Tax rebate	985	486
Total revenue	**4,554**	**3,882**

4. Receivables

	30 June 2016 $'000	31 December 2015 $'000
Claims recoverable at fair value	425	1,150
Provision for impairment	(425)	-
Trade debtors	888	824
Provision for doubtful debts	-	(23)
Work in progress	1,029	547
Research and development tax rebate	985	-
Sundry debtors and other receivables	854	1,046
Prepayments	189	264
Current	**3,945**	**3,808**

"Claims recoverable at fair value" represents the assessed fair value of the balance outstanding on claims made by the Company to the appointed Creditors' Committee of KIT digital, Inc. A provision for impairment has been raised against the carrying amount. Refer note 15.

5. Assets held for sale and Other financial assets

	30 June 2016 $'000	31 December 2015 $'000
Assets held for sale[(a)]	1,774	1,774
Provision for impairment	(753)	-
Current	**1,021**	**1,774**
Other financial assets, at fair value through profit or loss[(b)]	1,750	1,750
Non-current	**1,750**	**1,750**

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

At 30 June 2016, 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. Remaining convertible notes held will not be converted pursuant to a Deed of Variation and Agreement dated 30 June 2015.

During 2015, 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 2016, 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. These terms are also considered in assessing the recoverability of a $0.3 million amount due from MVID included in Receivables (Note 4);
- Terms of the Deed of Variation and Agreement dated 30 June 2015;
- The status of a transaction for the sale of MVID announced on 16 May 2016; and
- The acquisition by the Company from MVID of the approved patent for MVID's technology for $600,000 announced on 11 July 2016 and the strategy for ultimate realisation of that technology. Refer Note 15.

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 while an ongoing review of the realisation strategy is undertaken. An impairment expense of $753,000 has been recognised.

5. Assets held for sale and Other financial assets (continued)

(b) Tuxxe Pty Ltd ("TUXXE")

The Consolidated Entity acquired an investment in TUXXE in 2015. TUXXE's business plan has been developed and a Minimum Viable Product is in the latter stages of development. TUXXE is considered to be of a venture capital nature. Guidelines issued by the Australian Private Equity and Venture Capital Association Limited have been considered in assessing fair value. Assessment of fair value has been undertaken through consideration of TUXXE's business plan and 3 year financial model to assess if the business model is achievable and capable of being delivered over a realistic timeframe. Assessment using a discounted cash flow model is not considered appropriate given the early stage of TUXXE's business.

6. Dividends

There were no dividends paid or proposed during the period (2015 - $nil). The directors have not proposed the payment of an interim dividend since the period end (2015 - $nil).

7. Income Tax Losses

	30 June 2016 $'000	31 December 2015 $'000
Unused tax losses for which no deferred tax asset has been recognised:		
Income tax losses	13,612	11,165
Capital losses	45,060	45,060
Potential benefit at 30%		
Income tax losses	4,804	3,349
Capital losses	13,518	13,518

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.

Condat AG had aggregated corporate and trade tax losses of approximately EUR 3.0 million (gross) anticipated to be available to be utilised after its change of ownership in December 2015. A final review of the available losses is still to be completed. No future benefit has been recognised and these losses are not included in the available losses shown above pending completion of the review. Deferred tax liabilities of approximately EUR 0.6 million have not been recognised pending completion of the tax loss review as it is expected that these liabilities will be capable of being offset against available losses so that no tax amounts will become payable.

8. Intangible assets

	30 June 2016 $'000	31 December 2015 $'000
Software and technology		
Cost (gross carrying amount)	1,365	1,854
Accumulated amortisation	-	(1,100)
Net carrying amount	1,365	754
Goodwill		
Cost (gross carrying amount)	10,912	10,912
Reduction resulting from change in purchase price for Condat AG	(800)	-
Net carrying amount	10,112	10,912
Capitalised development expenditure		
Cost (gross carrying amount)	2,321	1,526
Accumulated amortisation	(422)	(209)
Net carrying amount	1,899	1,317
Total intangible assets		
Cost (gross carrying amount)	14,598	14,292
Accumulated amortisation	(422)	(1,309)
Reduction resulting from change in purchase price for Condat AG	(800)	-
Net carrying amount	**13,376**	**12,983**

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

	30 June 2016 $'000	31 December 2015 $'000
Software and technology		
Net carrying amount at the beginning of the period	754	463
Additions	611	767
Amortisation charge	-	(485)
Acquisitions through business combinations (net)	-	9
Net carrying amount at the end of the period	1,365	754
Goodwill		
Net carrying amount at the beginning of the period	10,912	5,551
Additions	-	5,361
Reduction resulting from change in purchase price for Condat AG	(800)	-
Net carrying amount at the end of the period	10,112	10,912
Capitalised development expenditure		
Net carrying amount at the beginning of the period	1,317	-
Additions	1,004	1,526
Amortisation charge	(422)	(209)
Net carrying amount at the end of the period	1,899	1,317
Total intangibles		
Net carrying amount at the beginning of the period	12,983	6,014
Additions	1,615	7,654
Amortisation charge	(422)	(694)
Reduction for change in purchase price consideration	(800)	-
Acquisitions through business combinations (net)	-	9
Net carrying amount at the end of the period	**13,376**	**12,983**

8. Intangible assets (continued)

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 in 2014 and the acquisition of Condat during 2015. The Software and technology assets are recognised at cost less accumulated amortisation and impairment losses, if any. Refer Notes 1(g). The amount recognised following the Condat acquisition is provisionally accounted for at balance date. Refer Note 3.

Goodwill

Goodwill is allocated to the Consolidated Entity's cash generating units. At 30 June 2016, the goodwill balance related to the Invigor Digital Solutions division and arose following the acquisitions of Global Group Australia and Amethon Solutions during 2014 and the acquisition of Condat during 2015. 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 for the goodwill arising following the acquisitions of Global Group Australia and Amethon 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;
- Assumed annual revenue growth rates ranging from 5% to 15%; and
- Terminal values calculated assuming annual growth rates ranging from 3% to 6%.

For Goodwill arising following the acquisition of Condat which completed in December 2015 (effective 1 November 2015 for control purposes), the goodwill is provisionally accounted for using amounts from the audited completion balance sheet. Accounting Standards allow 12 months for the fair value amounts to be finalised. The amount of goodwill reduced by $800,000 during the period. The reduction resulted from an adjustment for net assets acquired which decreased the amount of the purchase consideration.

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.

9. Other creditors and accruals

	30 June 2016 $'000	31 December 2015 $'000
Other creditors and accrued expenses	1,577	2,460
Deferred consideration payable on acquisitions	950	1,750
Unearned revenue	352	333
Current	**2,879**	**4,543**

Included in other creditors and accrued expenses are amounts totalling $1,040 (2015 - $13,070) payable at balance date under cost recovery agreements with Marcel Equity Pty Ltd and associated entities. These amounts are unsecured.

Deferred consideration payable on acquisitions represents an amount of $950,000 payable by 31 December 2016 to the vendor of Condat AG ("Condat Vendor"). The deferred consideration is non-interest bearing and is secured by an equitable mortgage held by the Condat Vendor over the issued shares of Condat. The mortgage is exercisable by the Condat Vendor in the event that the deferred consideration amount is not paid when due.

10. Interest bearing loans and borrowings

	30 June 2016 $'000	31 December 2015 $'000
Secured borrowings	750	-
Unsecured borrowings – convertible notes	2,400	2,400
Unsecured borrowings – loan and overdraft facilities	1,298	1,240
Unsecured borrowings – employees	552	555
Current	**5,000**	**4,195**
Unsecured borrowings – loan facilities	358	180
Non-current	**358**	**180**

Secured borrowings

The Company entered into a Prepayment Loan Agreement on 8 June 2016 under which the lender has made available a facility in the amount of $750,000 at an interest rate 15% p.a. The facility is being used to fund the Company's research and development activities. The facility is presently fully drawn and is repayable on receipt by the Company of its research and development tax rebate amount for the year ended 31 December 2015. Amounts drawn under the facility are secured against the grant receivable. The facility was fully repaid on 19 August 2016 following receipt of the research and development tax rebate.

Unsecured borrowings – convertible notes

Key terms of convertible notes on issue at 30 June 2016 under facilities entered into in April and June 2015 are:

- Convertible notes on issue at balance date – 26,666,667 (31 December 2015 – 26,666,667)
- Maturity Dates – 10 October 2016 for 11,111,111 notes; 11 December 2016 for 3,888,889 notes; 31 December 2016 for 3,888,890 notes; 29 January 2017 for 3,888,889 notes; and 13 February 2017 for 3,888,888 notes.
- 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.

10. Interest bearing loans and borrowings (continued)

- Redemption – on the maturity date or if the noteholder gives a notice requiring redemption after the occurrence of a defined event of default.

Unsecured borrowings – loan and overdraft facilities

In February 2016, the Company entered into an interest bearing short term loan arrangement with Marcel Equity Pty Ltd ("Marcel"), an entity associated with Gary Cohen and Gregory Cohen, under which Marcel will make available up to $700,000 as and when required by the Company, subject to the terms of the loan arrangement. An amount of $250,000 has been drawn as at balance date. Borrowings under the facility incur interest at a rate of 10.3% p.a., being a rate equivalent to a bank overdraft facility at the time the arrangement was entered into. The facility is available until 31 March 2017. Additional amounts have been drawn since balance date. Refer Note 15.

The Company entered into an unsecured $200,000 interest bearing short term loan arrangement on 30 May 2016. The loan period is for 93 days. The loan is repayable on 31 August 2016 with a one off interest payment of $10,000 also payable on that date.

Condat AG has fully drawn unsecured loan and overdraft facilities of €650,000 drawn to an aggregate equivalent of $A970,000 at balance date. Interest of 9.5% per annum applies to each facility. The facilities are intended to be renegotiated during 2016.

Condat AG has an unsecured €240,000 ($A358,000) loan (31 December 2015 - €300,000 ($A450,000)) from a supplier. The loan is to be repaid in instalments by 30 June 2017 unless varied. The loan accrues interest at 5.0% per annum.

Unsecured borrowings – employees

Condat AG entered into unsecured borrowings with certain employees prior to its acquisition by the Company. At balance date the amount outstanding was €370,000 ($A552,000) (31 December 2015 - €370,000 ($A555,000)). The borrowings accrue interest at 10.0% per annum.

Other available overdraft facilities

The Consolidated Entity has a $100,000 interest bearing overdraft facility with National Australia Bank which was fully available at 30 June 2016 (31 December 2015 – fully available). The facility is secured by a security interest and charge over all of the present and future rights, property and undertaking of Invigor Group Limited and guarantees provided by Gary Cohen and Gregory Cohen.

11. Issued capital and share options

	30 June 2016 Shares	Company 31 December 2015 Shares	30 June 2016 $'000	Company 31 December 2015 $'000
Ordinary shares, fully paid	**393,995,163**	**348,082,663**	**139,009**	**137,351**

Movement in ordinary share capital Fully paid shares				
Balance at the beginning of the period	348,082,663	227,806,667	137,351	127,028
Issue of fully paid shares	45,912,500	120,273,996	1,920	10,544
Issue of shares on conversion of Entitlement Options	-	2,000	-	-
Capital raising costs recovered (incurred)	-	-	(262)	(221)
Net balance at end of period	**393,995,163**	**348,082,663**	**139,009**	**137,351**

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.

During 2016 to date, the Company has issued:

- 5,200,000 ordinary shares on 8 February 2016 pursuant to the terms of an Intellectual Property Sale Agreement; and
- 40,712,500 ordinary shares between 7 April 2016 and 14 April 2016 pursuant to the terms of a Share Purchase Plan announced on 29 February 2016 and a Share Placement announced on 5 April 2016.

A further 34,000,000 shares were issued after balance sheet date. Refer Note 15.

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.

Movement in Entitlement Options	**30 June 2016** Entitlement Options	**31 December 2015** Entitlement Options
Balance at beginning of period	38,867,889	38,869,889
Exercised during the period	-	(2,000)
Net balance at end of period	**38,867,889**	**38,867,889**

A further 38,000,000 options on the same terms were granted after balance sheet date. Refer Note 15.

11. Issued capital and share options (continued)

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 2016, there were 24,318,866 Incentive Options on issue under the Plans (31 December 2015 – 22,918,866). Options on issue under the Plans may have varying vesting dates. All options on issue under the Plans at 30 June 2016 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 2016 upon exercise of Incentive Options as no previously granted options were exercised. The issue of shares upon the exercise of options will be governed by the terms of the relevant plan.

The key terms of the Incentive Options on issue at 30 June 2016 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 2016 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	4,799,237
24 Dec 2013	24 Dec 2018	0.10	270,015	-	-	-	270,015	180,010
17 Sept 2014	17 Sept 2019	0.10	3,866,663	-	-	-	3,866,663	1,288,888
26 March 2015	26 March 2020	0.10	3,750,000	-	-	-	3,750,000	1,250,000
1 July 2015	1 July 2020	0.10	6,583,333	-	-	-	6,583,333	-
29 July 2015	29 July 2020	0.10	1,250,000	-	-	-	1,250,000	-
1 Dec 2015	1 Dec 2020	0.10	-	1,750,000	(500,000)	-	1,250,000	-
26 Feb 2016	26 Feb 2021	0.10	-	1,800,000	(1,650,000)	-	150,000	-
Total			**22,918,866**	**3,550,000**	**(2,150,000)**	**-**	**24,318,866**	**7,518,135**

A further 5,000,000 options were granted after balance date. Refer Note 15.

The directors have approved that a further 6.5 million options be granted under the incentive plans. These grants have not yet been finalised.

The directors are intending to review the exercise price of unvested options granted under the incentive plans to determine if the exercise price provides an appropriate incentive for these option holders having regard to the current share price and the effect of dilution following capital raisings undertaken by the Company.

11. Issued capital and share options (continued)

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; and as part of the fee arrangements for convertible notes entered into in June 2015.

The Company has also granted 750,000 options over shares to certain Non-executive Directors of the Company pursuant to terms approved by shareholders on 25 May 2016.

Key terms of the Other Options issued are:

Number of Options	Exercise price	Expiry Date
5,000,000	$0.10	11 May 2018
5,000,000	$0.10	5 August 2019
3,000,000	$0.10	16 July 2018
750,000	$0.10	17 June 2021
10,000,000	$0.045	1 July 2019

Entitlement – one fully paid ordinary share in the Company for each Other Option exercised.
There are no vesting or exercise conditions.

		Company
Movement in Other Options	**30 June 2016** Other Options	**31 December 2015** Other Options
Balance at beginning of period	13,000,000	5,000,000
Issue of Other Options during the period	10,750,000	8,000,000
Net balance at end of period	**23,750,000**	**13,000,000**

12. Reserves

	30 June 2016 $'000	**31 December 2015** $'000
Employee equity benefits reserve		
Opening balance	1,708	1,550
Share based payments	13	158
Total employee benefits reserve	1,721	1,708
Foreign currency translation reserve		
Opening balance	(55)	-
Exchange differences arising on the translation of the financial statements of foreign subsidiaries	68	(55)
Total foreign currency translation reserve	13	(55)
Options reserve		
Opening balance	97	-
Options expense	98	97
Total options reserve	195	97
Total reserves	**1,929**	**1,750**

12. Reserves (continued)

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.

The options reserve is used to record the value of options issued as part of contracted fee arrangements for services to be provided by third parties. Refer Note 11.

13. 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:

	30 June 2016	**31 December 2015**
	$'000	$'000
Within one year	391	50
Later than one year but not later than five years	1,251	29
Later than five years	2,374	-
	4,016	**79**

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 has a commitment to pay an amount of $950,000 on 31 December 2016 to the vendor of the issued shares of Condat AG. Refer Note 9.

The Company issued 26,470,588 shares to the vendor of Condat AG on 23 December 2015. These shares are in escrow for up to 12 months' subject to the terms of the Share Purchase Agreement. The Company has a commitment to issue additional shares to the Condat vendor if at the end of the Calculation Period (as defined) the volume weighted average price for the Company's shares over the period of the Calculation Period is less than 8.5 cents per share. The top up commitment applies only to the escrow shares remaining in escrow at the end of the Calculation Period. A cash payment may be made in lieu of issuing top up shares subject to the terms of the Share Purchase Agreement.

The Company issued 2,670,588 shares on 24 December 2015 pursuant to the terms of a Debt Conversion and Repayment Agreement associated with the Condat acquisition. These shares are in escrow until 31 December 2016 subject to the terms of the agreement. The Company has a commitment to issue additional shares to the holder if at the end of the Calculation Period (as defined) the volume weighted average price for the Company's shares over the period of the Calculation Period is less than 8.5 cents per share.

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.

13. Commitments (continued)

The Company committed to issue ordinary shares to certain employees to the value of $5,000 each if they remained employed by the Consolidated Entity at 30 June 2016. The aggregate commitment at balance date was $60,000. The commitment was satisfied on 6 July 2016.

Details of options over shares committed to be issued by the Company if the options are exercised are set out in Note 11.

14. 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.

15. Events Subsequent to Balance Date

On 21 July 2016 the Company completed a capital raising in the amount of $1.0 million from the issue of 34,000,000 ordinary shares at 3.0 cents per share by way of a share placement. Investors were also granted one option for each share acquired (34,000,000 options) on the same terms as quoted options previously granted by the Company. These options were granted with an exercise price of 5.0 cents each and expire on 1 July 2018. A further 4,000,000 options were granted on the same terms as part of the fee arrangements with the Company's broker for the transaction.

The Company committed in 2015 to issue ordinary shares to certain employees to the value of $5,000 each if they remained employed by the Consolidated Entity at 30 June 2016. The aggregate commitment at balance date was $60,000. The commitment was satisfied on 6 July 2016 by an issue of 2,068,968 shares at an issue price of 2.9 cents per share.

The Company granted 5,000,000 options under the incentive plan on 1 August 2016. These options will vest subject to achievement of specified performance conditions and have an exercise price of 5.0 cents each. The expiry date is 12 July 2019.

The Company was informed in August 2016 that any further distributions by the Official Creditors' Committee of KIT digital, Inc. may be of minimal amount. Whilst not official information, the directors have elected to raise provision against the entire balance of the carrying amount ($425,000). This provision is reflected in the financial statements.

A further $100,000 has been drawn against the Marcel loan facility subsequent to the balance date, bringing total liabilities to Marcel of $300,000.

The Company acquired an approved patent and associated intellectual property from My Verified ID (MVID) on 8 July 2016 for A$600,000. This consideration was accounted for as a reduction in the debt amount owing by MVID to the Company. The Company is evaluating a strategy to realise the potential of this patent.

On 18 August 2016 Invigor Group received funds in the amount of $985,000, representing a research and development tax rebate. An amount of $750,000 was used to fully repay the Prepayment Loan facility entered into in June 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.

In the opinion of the Directors of Invigor Group Limited:

(a) The consolidated financial statements and notes set out on pages 12 to 26 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 2016 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 31 day of August 2016

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Invigor Group Limited (**the company**), which comprises the condensed statement of financial position as at 30 June 2016, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity, the 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 2016 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.

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 2016 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 – Use of key estimates and judgements

Without qualifying our opinion, we draw attention to Note 1(c) in the financial report, regarding the use of estimates and judgements by the company. Specific emphasis is placed on key estimates and judgements made in relation to the recoverability of receivables, financial assets and intangible assets, amongst other items as disclosed in Note 1(c). Should these estimates and judgements not be realised or meet directors' expectations, there is uncertainty that the intangible assets may not be realised at their current carrying values.

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. 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. Specific emphasis is placed on the ability of the company to raise additional debt, equity and renegotiate other loan facilities, amongst other initiatives as disclosed in Note 1(d). Should the company not be able to realise those events disclosed, there is a material uncertainty whether the entity will be able to continue as a going concern.

Moore Stephens

MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257

ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne, Victoria

31 August 2016